

20th September 2019

Ms Emma Johnston
Committee Secretary
Select Committee on Matters Relating to the Timber Industry in the Limestone Coast
Legislative Council
Parliament House, North Terrace
ADELAIDE SA 5000

By e-mail: sctimberlimestonecoast@parliament.sa.gov.au

Dear Ms Johnston,

Submission in support of measures to expand plantation forestry in South Australia

Kangaroo Island Plantation Timbers Ltd (KIPT) is pleased to be given the opportunity to make a submission to this enquiry. Our Company is, as the name suggests, an ASX-listed plantation timber grower operating on Kangaroo Island, with a planted area of approximately 15,000 hectares. We have no operations or assets in the Limestone Coast region.

The Kangaroo Island plantation timber estate is predominantly comprised of eucalypts grown for pulp production, although there is also a substantial quantity of pine grown for the production of sawlogs. KIPT owns a small sawmill, currently in care and maintenance, and a site considered suitable for a deep water port, which is in the final stages of development assessment by the South Australian and Commonwealth governments. Once the port is approved, the Company expects to generate several hundred direct and indirect regional jobs, and significant economic growth for the Island community and the State more broadly.

Our submission relates specifically to Terms of Reference d), e) and h). However, we have elected to include some comments that we hope will assist the Select Committee in its deliberations.

General matters

KIPT is fully supportive of the submission made by the South Australian branch of AFPA on 17th September 2019, and endorses all the points made therein.

In particular, KIPT believes that, in the medium to long term, domestic processing is best supported and encouraged by increasing log supply, rather than by the erection of trade barriers, the implementation of price controls or by other forms of market intervention. Such measures create disincentives to investment by timber growers, further limiting log supply, and may lead to inefficiency in processors. Both growers and processors are making long term investment decisions and need to be assured that conditions conducive to investment in



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timberland will persist through the life of the asset, whether it be a timber plantation or a processing facility.

KIPT therefore hopes that the Select Committee will direct the bulk of its energies and recommendations towards measures that would facilitate expansion of the State's timber plantations or, at the very least, halt the decline currently driven by well-meaning but ultimately destructive policy settings that prevent land from being assigned to its most productive use, where that use is timber-growing.

There are three such factors within the control or influence of the South Australian government; factors that prevent South Australia from realising the full benefits that would come from an expansion in the timber industry. These are:

1. Water allocation policy
2. The State's planning regime, and
3. A mistaken dichotomy between Forestry and other forms of Agriculture.

Domestic log supply, domestic processing and a healthy timber export industry can only grow and prosper if these three factors are addressed, not just in the Limestone Coast (rightly the focus of this enquiry) but also in the State's other timber-growing and processing regions, the Mt Lofty Ranges, Fleurieu Peninsula and, of course, Kangaroo Island. We are hopeful that the Select Committee will make recommendations accordingly. We deal with each in turn.

Water allocation policy

All crops require water. Tree crops are no different. Trees are however, through their developed root system, more efficient at utilising deep soil moisture than most annual crops. This has led to a perception that trees unnaturally deplete ground water. In fact, all the high rainfall regions of the State in which trees are currently grown as a crop were forested at the time of European settlement. While the plantation timber species are, like most crops and livestock, typically exotic, there is nothing unnatural about the presence in the landscape of trees, and they perform a valuable role in preventing soil erosion and eutrophication of waterways. Any water policy that has, at its heart, an implicit assumption that maximising run-off is a desirable outcome will be harmful both to forestry and to the environment. The effects of this on Forestry are being seen in the Limestone Coast, and the AFPA submission provides valuable detail at a local level.

The Select Committee should recommend that regional water allocation plans not apply to any dryland (i.e. non-irrigated) cropping, including Forestry.

The State's planning regime

The current overhaul of the South Australian planning system will almost certainly help plantation Forestry. Current local development plans, outright bans and regulatory presumptions make South Australia easily the least Forestry-friendly jurisdiction in the Commonwealth. Other states encourage tree planting, just as they discourage land-clearing. Rather than conferring upon South Australian landowners discretion to plant whatever crop or crops will produce the best economic return, the current planning regime, as implemented locally, requires development consent for the establishment of a new tree crop unless the landowner has no intention of harvesting at the time of planting! To add to the regulatory burden on the Forestry sector, some parts of the State have in their development plans a blanket prohibition on for-harvest Forestry plantations. In these areas, the only way for a farmer to plant a tree crop is to pretend that it is merely a shelter belt and then later to decide that it should be harvested, in which case development consent would be needed at that time. Any planning system that assumes that government is a better judge of land use than landowners themselves, and which relies on the assessment of landowners' future intentions to determine what is permissible is clearly broken and so the overhaul is overdue.

The Select Committee should recommend that plantation Forestry is not a proscribed activity in any region of the State and that, similarly, plantation establishment or harvesting should not require development consent. In other words, Forestry plantations should be regulated in a light touch way that is no different to any other dryland crop.

Mistaken dichotomy between Forestry and conventional Agriculture

The Commonwealth plan to establish a billion plantation trees over ten years will not be achieved without greater encouragement of on-farm Forestry plantations. Forestry plantings that are integrated into a cropping and/or grazing property provide numerous benefits to the farmer. Typically, 10% of the arable or pasturable area of a farm can be planted to a tree crop without any loss of agricultural production. Trees provide shelter, reduce evaporation by reducing surface wind velocity, attract rain, protect waterways from erosion and eutrophication and offset carbon emissions from other agricultural activities. They also provide income diversification benefits, with relatively low cash and labour inputs, other than at establishment and harvest.

Other countries, and other States, particularly Western Australia, have succeeded in encouraging farm Forestry. In South Australia, the relationship between Forestry and Agriculture is often strained, not least because of perceived competition for land and water. There is clearly a role for the South Australian Government in fostering programs that assist farmers in the Limestone Coast, Mount Lofty Ranges, Fleurieu Peninsula and Kangaroo Island to avail themselves of the benefits of farm Forestry plantations. These areas have existing and planned infrastructure that will enable farmers to get their timber product to customers eager to access this scarce resource, be it domestic processors or overseas pulp mills.

The Select Committee should recommend that PIRSA establish a program to encourage and possibly incentivize farmers to plant the right trees, in the right places, at the right scale.

Roads

Forest products must be moved on the State's road system, in the first instance as seedlings, then as logs or woodchips and ultimately as finished goods and building materials. The Forestry industry is unique in the State, in that it takes responsibility for feeder roads, typically restoring them to pre-harvest condition after each harvest event, bearing in mind that 15-30 years' worth of accumulated biomass is moved in a few months, in contrast to annual cereal crops, for example, which generate much more frequent but far less intense road usage. The damage to the road network from an annual crop is much the same, but is less easily attributable and is generally considered part of normal wear and tear. Similarly, private vehicles, tourist coaches and general freight vehicles use the road system without directly contributing to its maintenance and improvement. There is, then, a particular sense in which Forestry, as a sector, having acted responsibly in respect of feeder roads, is entitled to rely on high-quality trunk haulage routes, ideally on DPTI-owned main roads, to move its goods around the state.

Forest products, being generally of low density, are most efficiently transported in High Productivity Vehicles. A significant fraction of the mill gate cost of sawlogs, for example, is the cost of moving them from where they have been grown to where they are to be processed. It is the same with moving woodchips to port. Yet key parts of the Forestry road network are not gazetted for the A-Doubles and B-Doubles that would make this haulage task safer and more efficient.

The Select Committee should recommend that all key Forestry haulage routes in South Australia be upgraded to a standard capable of safely accommodating A-Doubles and B-Doubles, with a program in place to prioritise those roads that will deliver the highest benefit to cost ratio. It may be necessary for DPTI to take control of some roads, either temporarily or permanently, in order to deliver this outcome.

Carbon sequestration

Australia will not meet its Paris commitments, or any more ambitious targets, without some contribution from plantation Forestry. Trees are the most efficient means of sequestering carbon dioxide and many of the products made from timber and wood fibre are durable and recyclable. Nor will the Commonwealth's billion tree commitment be achieved without including for-harvest plantation Forestry, especially in high rainfall areas where trees grow fastest and capture carbon dioxide most efficiently. Because South Australia has 14% of the nation's plantation estate but only 5% of its population, there will be a significant transfer of wealth to the State once plantation Forestry is fully included in Australia's carbon accounting regime. Moreover, new plantings by the timber industry, and by farmers and other private landholders, need the incentive of annual carbon payments if they are to accelerate to meet the medium to long term log supply requirements of processors.

The Select Committee should recommend that the South Australian government work with the Commonwealth to ensure that, as soon as possible, for-harvest plantation Forestry is fully included in Australia's carbon accounting regime, especially in the high-rainfall areas of the Limestone Coast, Mount Lofty Ranges, Fleurieu Peninsula and Kangaroo Island.

Conclusion

Thank you for this opportunity. I would be happy to appear before the Select Committee if it sees fit, both as a representative of KIPT and in my capacity as a senior Forestry professional.

Yours sincerely,



Mr Keith Lamb
Managing Director