

Response to Nick Roberts

CEO Forestry Corporation NSW, Letter to the Editor Canberra Times, 6 October

On 6 October, Nick Roberts, CEO of Forestry Corporation NSW attempted to refute the well-argued and valid case your columnist Caitlin Fitzsimmons made on 5 October (“Logging Really Doesn’t Add Up”) about the lack of economic rationale for Australia’s native hardwood logging industry.

Roberts does not dispute Fitzsimmons’ detailed analysis showing state owned forestry authorities like Forestry Corporation NSW, and its counterparts in Tasmania and Victoria, have been losing massive amounts of taxpayers’ money for at least the last decade in logging public native forests and selling logs to the forestry industry (see also, The Australia Institute, *Money Doesn’t Grow on Trees*, 2016). Rather, he claims this is justified because private operators are making a profit after receiving these subsidies and creating significant employment. However, private operators in most Australian industries would make profits and provide jobs if subsidised heavily enough by government, but in the last 4 decades Australia has prospered because both sides have politics have refused to subsidise private sector operations, removing tariffs and other inefficient industry supports. Why is the forestry industry apparently exempt from this policy consensus?

Furthermore, my study of the forestry sector of Southern Forestry Region of NSW with ANU’s Prof Andrew Mackintosh, (The Australia Institute, 2014, *Logging or Carbon Capture?*), found that in 2012, even after receiving subsidies of over \$760,000 via Forestry Corporation NSW, the whole native timber processing sector, including the private wood chip mill at Eden and the region’s three saw-millers made losses of \$1.4. These firms now only employ about 150 workers, a far cry from the 22,000 workers claimed by Roberts. The great bulk of Australia’s and NSW’s forestry workers are employed in the thriving and profitable plantation softwood sector, while employment in the native forest sector is tiny and shrinking. Nevertheless, the NSW taxpayers continue to subsidise the native hardwood sector to log its 1.2 million hectares of publicly owned native forests. In 2014-15, Forestry Corporation NSW actually received a further \$11.7 million from the NSW Government as a Community Service Obligation payment to off-set its costs in providing community fire protection, recreation access and other related services in its native forests. So Forestry Corporations’ native forestry operations provide no ‘savings’ to taxpayers by undertaking such activities.

This unprofitable native forest logging also creates other significant negative financial and economic impacts, by reducing water run-off for agriculture and communities, undermining nature-based tourism, damaging aquaculture like oyster leases by eroding estuary and river banks and jeopardizing the survival of endangered species and sub-species like the southern NSW koala. Our 2014 study also found that ceasing to log the Southern Forestry Region (one third of NSW’s public native forest estate) would save 1.4-2 million tonnes of carbon emissions per year. Depending on the value of carbon credits available from the Australian Governments Carbon Emissions Reduction Fund, ceasing to log just this forestry region could generate the NSW Government from \$14-40 million per year.

In his response to Fitzsimmons, Roberts claims ‘Carbon credits for not harvesting native forests are no longer available’. This is factually inaccurate. Under protocols developed as part of the Paris Climate Change Agreement, Australia can earn up to 17 million tonnes of carbon credits per annum from

reducing carbon emissions from its forestry sector. Victoria currently is actively examining this source of revenue as an alternative to logging its public native forests, which also may be financially unviable. NSW needs to rapidly assess and access this opportunity or miss out on this valuable source of revenue. The Commonwealth legislation for the Carbon Emissions Reduction Fund permits this to occur. Only vigorous and successful lobbying by the forestry industry, who are very committed to receiving continued subsidies, has prevented this occurring to date.

If state governments ceased to log their native forests and earned such carbon credits, these funds could be invested in the regions to replace native forestry jobs. Constructing and maintaining forest-based and other important regional infrastructure, like a major South Coast Walk and road access to coastal areas and other scenic attractions could create 200-300 new jobs, many more than in the declining native forestry industry. This investment also could generate long term and sustainable employment and income in nature-based and related tourism activities.

Roberts cites research he claims shows earning carbon credits from allowing our native forests to grow and store carbon 'are likely to lead to perverse environmental outcomes as people source wood products from elsewhere or use more carbon intensive alternatives like concrete and steel.' However, our 2014 study, for which Forestry Corporation NSW and all regional wood chipping and sawmilling operators provided detailed data, found well over 90 per cent of the trees logged each year from the Southern Forestry Region were chipped and exported to Japan for packaging or burnt on the forest floor. This timber all ended up in the atmosphere as carbon emissions within 12-18 months. Under half of the sawn timber, the remaining 10 per cent of the cut, went to higher value uses like floorboards, where carbon would be stored long term. The rest was used for low value, rapidly degradable uses like pallets. Virtually none of the logs were used as substitutes for steel or cement, as Roberts claims.

Were Australia's native forestry industry highly profitable and generating significant employment, it may be worth trying to save, despite the environmental cost. However, it is loss-making, shrinking and provides a tiny number of jobs. Hence, ceasing native forest logging is most probably the cheapest way Australia can reduce its carbon emissions significantly in the short to medium term, before alternative energies become fully financially viable. In fact we can save revenue and national income by ceasing this logging and reducing related emissions. As Caitlin Fitzsimmons points out, continuing this industry certainly isn't about economics.

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