TIMBER LINK
AUSTRALIA

Plantation timber building Australia

1st May 2015

FIAC Secretariat, Forestry Branch
Department of Agriculture
GPO Box 858
CANBERRA ACT 2601

By email: fiacsecretariat@agriculture.gov.au

Dear Sir/ Madam,

Timberlink's Submission – Meeting future market demand: Australia's forest products and forest industry – a strategic directions issues paper

Timberlink Australia welcomes the opportunity to provide comment and feedback on this paper with particular reference to providing our company's view of the answers to the key questions posed in the paper.

Who is Timberlink Australia?
As background, Timberlink Australia is one of the top 3 softwood sawmilling companies in Australia and this relative size compared with our market coverage means that we are one of the leading national softwood timber products manufacturing and wholesaling businesses in the Australian forest products industry.
We have two high quality sawmills at Bell Bay (Tasmania) and Tarpeena (South Australia) that manufacture plantation pine and national sales and distribution teams based in warehouses in Perth, Adelaide and Melbourne. We also have a sales team based in Tasmania at our Bell Bay mill.

We are committed to:

- Manufacturing Australian grown plantation timber right here in Australia
- Producing fit-for-purpose indoor and outdoor structural timber for Australian new homes & renovation projects
- Being the preferred supplier of structural and industrial pine to frame and truss manufacturers, other industrial manufactures, independent and multi-outlet merchants and chain retailers.
- Aligning our business with ownership of forest resources enables us to have a long term committed approach to our business and customers. Together, we will grow this business as a leading supplier of Australian-grown plantation pine timber products.

Our Business Model
We think the Timberlink business model is unique in Australia. With a secure and sustainable resource base and committed long term shareholders, Timberlink is big enough to be relevant, but small enough to be responsive. Timberlink is managed by a group of talented Australians with diverse and extensive experience from across the Australian timber industry. Like many of our customers, our people have a genuine passion for our industry and the communities that support us.

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Timberlink's six keys for success are:

1. A well-defined clearly communicated strategy
2. Execution that consistently meets customers' expectations
3. A culture of high performance and high values
4. A structure that simplifies working in and with the organisation
5. Superior talent at all levels
6. Developing a strong mergers & partnerships capability

Company Values:

Our values are all about openness, fairness, respect, and integrity. Reputation is everything in our business, a business built upon relationships. Continuous improvement is part of the norm on our journey to become a great timber manufacturer with a reliable and responsible supply chain.

Our values are the foundation of our culture which, in turn, our behaviours must reflect.

- We always do our work safely and look out for our mates.
- We continuously grow value for our shareholders, our employees, our communities, our suppliers and our customers.
- We enjoy what we do.
- We communicate openly and don't like surprises.
- We achieve results through having and developing superior talent.
- We are focussed on achieving great results through individual behaviour and great teamwork.

We look forward to working with other industry stakeholders on maintaining and growing the success of Australia's forest products' industry.

Yours sincerely,
TIMBERLINK AUSTRALIA

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Christine Briggs
General Manager Marketing & Business Development

Vision and objectives

1. What should the vision be for the forest products sector in the coming decades?

The Australian forest products sector is a sustainable industry within the Australian economy, responsible for a significant proportion of regional development and employment, with strong community support such that our built environment has a growing portion of timber products which are sustainably produced and store carbon to benefit future generations of Australians.

As one of a very few renewable resources and predominantly based in rural Australia, to be a world competitive supplier of choice to Australian Industry.

2. What specific objectives should underpin this vision?

- Growing timber products demand per capita in Australia
- Development of building regulations and codes to recognise the environmental advantages of timber use and remove current restrictions where evidence indicates this is appropriate.
- Enablers to attract investment to take the industry to a world competitive position, including infrastructure investment in forests and downstream manufacturing
- An incentive program to positively preference sustainably grown Australian manufactured products over imports.

Issue 1: Market trends and pressures

3. What forest products does Australia have a local and/ or international competitive advantage in producing?

- Softwood chip residue from sawlogs
- Local Australian hardwood for decorative applications, particularly internal flooring and furnishings
- Durably treated softwood products for outdoor projects

4. What is the potential demand for forest products in the coming decades?

- Overall positive and growing as our population grows
- Opportunity to grow timber's share in non-residential markets
- Softwood demand in Australia is likely to conservatively reach over 4.5m m3 by 2030
- Grow Australian timber products' share of international residential markets

5. How can Australia best position itself for this demand, both nationally and internationally?

- Develop and expand export market opportunities for first grade softwood sawn wood products
- Promote the Australian timber(s) and its unique market value in overseas markets – New Zealand has a more well developed brand perception in international markets for its softwood products
- Develop and adopt better demand projection models across the supply chain
- Grow the softwood plantation estate and ensure the locations are commercially viable long term and leverages current investments

6. What are the other drivers or disruptions that will potentially affect supply and/ or demand?

- Natural pests or fire
- Introduced pests as our trade in timber products becomes more global internationally
- Building regulation complexities and red tape
- Approval processes and lead time for new timber preservative treatments (APVMA)
- Panelisation of dwelling construction in Australia including more prefabrication
- Exchange rates will always be one of the biggest potential disruptors
- Clear forward strategy to plantation investment growth
- Federal government's preparedness to protect Australian manufacturers from international dumping in a timely enough manner to not cripple an Australian Industry whilst a case is being investigated
- Eliminate artificial trade barriers in the name of biosecurity in new trade treaty negotiations.

- Ban use of high risk fumigants such as methyl bromide, and fund a structural adjustment process for exporters reliant on such chemicals to transition to domestic markets, or different transformed products for export markets.

Issue 2: Emerging uses and markets

7. Which emerging forest products have the greatest potential for Australia?

- Bio-fuels
- Cellulose fibre products
- Timber products that have been modified to combat weathering and durability issues
- Reconstituted timber products that enable mass timber components for building

8. What are some of the barriers to the development and/ or uptake of these emerging forest products in Australia?

- Domestic market size is a significant barrier in terms of new product development investment and market risk with respect to competitiveness and economies of scale compared to overseas product developments
- Industry collaboration and innovation in business models
- Profitability of the industry needs to be more driven by innovation but whilst profitability has been at low levels over the last decade and is very cyclical, it doesn't support longer term innovation investments
- Australian producers lack scale in the international context. This combined with small domestic market and remoteness from export markets makes development of new products and systems more difficult (for example, Cross Laminated Timber). Development of new products such as bio-fuels and cellulose products such as NCC requires significant scale even to adapt internationally available technologies, let alone develop new ones in Australia.
- Equal access with other industries to government support for new manufacturing opportunities.
- Equal renewable incentives acknowledging the multi benefits of wood energy over many competing renewables – base load power, sustainable, low community transmission infrastructure costs etc.

9. What opportunities exist to better utilise wood resources?

- "Nose to tail" promotion with key end users and particularly consumers might be very worthwhile for our industry as we have a large value disparity between first grade softwood Sawnwood products and "downgrade" and besides seeking new product solutions for the downgrade, we also need consumers to appreciate the natural characteristics and defects of timber products and be motivated to create projects suitable for these "cuts" and grades.
- Tighter integration of supply chains. For example fibre quality measurements in the bush leading to better tailored log products; better use of density property data from sawmills with downstream processors such as truss plants.
- Residues have significant latent value potential. They are often clean and uniform with well-known properties but, rather than feedstock for high value adding processes, they are more usually combusted for heat.
- Targeted funding for rural manufacturing initiatives.
- Recognise renewable energy credits for heat as well as power or liquid fuels.

Issue 3: Forest resources

10. What is required to ensure the plantation estate is able to meet future demand for forest products?

- Key issue is for industry is to aggregate and optimise plantation resources around key manufacturing hubs that have the capability to maintain or develop international competitive timber manufacturing markets.
- What role can public policy have to encourage this? Examples could be eliminate red tape around change in plantation species, targeted incentives for reafforestation in identified hubs.

- Eliminate the public policy discrimination between tree crops versus other agricultural crops. Eg why are plantations excluded from the carbon farming initiative incentives, why has federal government compulsorily acquired Australia's Kyoto compliant forest carbon assets and effectively nationalised them? For all those forest owners who established new plantation post 2000 in good faith in anticipation of additional environmental service benefits to accrue to the forest owner, this has only reinforced the folly and sovereign risk of growing trees in Australia. Governments need to consider direct action to facilitate new forest development around regional manufacturing hubs, waiting for so called environmental markets to encourage growing commercial tree crops hasn't worked in the past, and have proven to be too subject to political and small interest group interference. The nature of politics means Governments will never get it right trying to keep all interest groups happy, but governments can help overcome discriminatory public policy by offsetting negative impacts in other ways, a recent good example was the SA forest water licensing designed to provide financial support and advantage to the irrigation sector, but resulted in a severe financial disadvantage to forest owners, this has been offset to a degree by SA government direct financial support to timber manufacturing investment which has generated positive flow on benefits to tree farmers.
- Better data on profile and quality of plantation estates
- Forest owners need to be more supply chain partners than just dictating release of sawlog parcels when it suits and using log export as the leverage for value in the a short term traded market

11. What is required to ensure the native forest estate is able to meet future demand for forest products?

No comment

12. What opportunities are there to increase wood supply from farm forestry, private native forestry and Indigenous owned and managed lands?

No comment

Issue 4: Innovation, research and development

13. What are the future research and development needs for Australia's forest products sector, and which of these needs are specific to strengths and opportunities in the Australian context?

- New, more competitive and more environmentally friendly preservative treatments for softwood to enable growth in the outdoor construction segment
- Fire, noise, coating and durability solutions in residential and non-residential building markets to enable increased use of timber products and systems
- Matching of products potentially (or currently) available from plantation resources to innovative construction techniques to provide housing that meets future requirements at the lowest overall cost.
- New product development opportunities for Radiata pine heartwood which is either relatively low value or destined for commodity packaging
- Softwood sawmilling in Australia is very different to the European and North American experience based on species and particular differences which dictate a different approach to all stages of the manufacturing process. A strong focus on intelligent adaptation of overseas research to local conditions is required.
- Supply chain innovation and R&D
- Not just focussed on product R&D
- Technologies to match resource from the forest through to highest net margin end use.
- Better residue utilisation

14. What are the current inhibitors to private sector investment in research, development and extension and what role, if any, does the Australian Government potentially have in addressing these?

- Industry profitability and the high impost of "stay-in-business" capital investment along with business safety and process improvement investment makes innovation R&D investment very challenging for Australian manufacturing businesses
- Tax incentives for eligible R&D activities and expenses are not well known or understood by individual companies to take advantage of

- Investment time frames are up to 30 years for forestry (tree growing) investment
- Government matching funds of individual companies
- Accessing and dedicating suitably qualified and capable staff
- Due to company scale in the Australian industry, R&D quickly becomes very expensive when developing new equipment or even adapting international R&D.
- Give forest and timber sector equal access to dollar of dollar additional contributions to R&D funding. Funding should be merit based rather than politics based.
- We understand budgets and funds are not unlimited, but this should mean all industries get at least some access, rather than some winners and losers.
- Review R&D status and tax incentives
- Government purchasing policy around use of wood.

15. How can the framework for coordinating Australian forestry research and development be strengthened?

- Use the current mechanisms and ensure ongoing good industry engagement with the R&D investments by the Forest & Wood Products of Australia organisation
- Create Centres of Excellence and engage key academics and researchers on a retainer basis
- Help fund research cadetships and PHD programs
- Impose a discipline on the industry of R&D prioritizing which is categorised as short, medium and long term and ensure there is a sustainable mix within this

Issue 5: Consumer and community engagement

16. How can domestic and international consumers be better engaged on the environmental, economic and social credentials of Australian forest products?

- Promote the credentials of our products in-store at Point-Of-Sale where consumers, trades and builders are purchasing the products every day
- Put an Australian forest products information section onto the AFPA website – this would at least be a reference for B2B export marketing activities for Australian companies. The FWPA website isn't able to do this as it represents imported product too.

17. How important are consumer awareness programs to the future prosperity of the sector?

- Consumer awareness and a desire to make good environmental decisions will be an ever increasing factor. For our industry, giving consumers easy to digest, positive and accurate data to make informed decision about timber product purchases will be vital.
- Learn from other industries that industry experts and personalities can drive public opinion and drive government policy changes – e.g. Jamie Oliver's food revolution in school canteens. What could be our industry's version of this? The basis is to educate and make it fun to learn and potentially attract the next generation's talent to our industry to work in.
- Healthy eating is always being promoted in terms of consumer awareness programs and government takes an active positive promotional and educational role in this so why not be more forthright in promoting healthy buildings?

18. Can forest certification be better leveraged to achieve stronger demand and better prices for Australian forest products and, if so, how?

The opportunity to lead with this was more than 10 years ago. It is now a ticket to the game so we just need to ensure forest certification is sitting behind our product marketing in a clear and reliable way.

Issue 6: Strengthened regional approaches

19. How could forest hubs better utilise resources and promote greater efficiencies and innovation?

Due to the regional nature of much of our industry and coupled with the Australian challenges of geographic expanse and market size critical mass, we have no choice but to ensure high infrastructure investments are being made to support a collaboration of companies within a region.

Googling “Australian forest hubs” reveals some very disappointing results. There must be some thinking and activity in this area that could be better promoted and supported to provide case studies and inspiration to initiate this approach.

A hub is more than the physical location of infrastructure, joint or otherwise, for an industry within a close geographic region. It is a state of mind about joint success and collaboration.

Consider government support for seed funding of regional hub representative industry groups, to help facilitate cross industry and community engagement to manage the growing pains of successful industry transformation in regional areas, and identify and prioritize social and hard infrastructure requirements to support the expanding industries. Green Triangle region is a good example of a cross state border hub.

20. What have been the barriers to the establishment and efficient operation of forestry hubs to date, and what might be the role of the Australian Government in addressing these?

Government support in providing study tours of other industries and how they have developed successful hubs would be valuable to our sector.

21. If additional forestry hubs are to be established, where would they best be located?

- From a total industry perspective, best location would be in proximity to the forests. Plantation pines grow on approximate 30 year rotations and need specific land attributes to be viable. Processing assets are built in a couple of years and can go just about anywhere there’s cheap land and basic infrastructure.
- From Timberlink’s perspective, and given where our current infrastructure and assets are located, we would support forestry hubs being located in Green Triangle South Australia and Northern Tasmania.

Issue 7: Infrastructure

22. What infrastructure will be required to respond to future demand for Australian forest products?

- More reliable and competitive coastal shipping and trans-state rail – speed and efficiency of loading and unloading these modes of transport would be an area for some R&D
- Large forest areas should feed large stem merchandising facilities so that optimum value decisions can be made in log production. This requires roading and other infrastructure to suit very long and heavy trucks.
- Reliable communications infrastructure. These are data rich businesses with high demand for bandwidth.
- The incremental cost on long haul domestic freight routes (legs) means the local industry in many cases is not competitive with the importers. Infra-structure focused on addressing this local competitive disadvantage could be a key to our success as an industry able to supply product nationally. The legs of concern are: Tas to WA/Qld, SA to Qld/WA, Vic to WA/Qld. Tightly focused R&D that can support the aim to drive 30% plus of the cost out of the log leg transport.
- Improved access and application process surrounding higher productivity vehicles (HPV’s). Essentially larger vehicles with increased capacity which equates to less heavy vehicles on road providing commercial, environment and road safety benefits.
- Current impediments exist in gaining approvals between states, councils and shires.
- Improvement to on road facilities and expansion of rest areas for heavy vehicle drivers.
- Eliminate cross state border impediments to licensing, permits etc. for heavy transport.
- Facilitate cross border transport infrastructure planning e.g. continued support of Green Triangle freight action plan to implement recommendations.
- Ensure there is allocation of infrastructure funding to smaller rural projects, rather than only the major capital city rail/tunnel projects.
- Reduce the license, registration, fuel levy etc. fees for rural users who do not use the capital city infrastructure that such levies are designed around, or ensure that rural levies are redirected back to local rural areas.

23. What can be done to ensure better recognition and understanding of the sector's infrastructure needs?
The industry could undertake some industry modelling in this area for projected future growth in demand and this would be one way of prompting the support infrastructure requirements in a more quantified and specific way. For example, if this country is to support approximately 4.5m m3 of softwood demand p.a. by 2030, how will this product be transported around the country from what ports and from what regional manufacturing hubs?

The modelling should be underpinned by developing a knowledge and understanding within the industry of how to influence and construct the business cases that drive the allocation of funding for the infrastructure needs.

Issue 8: Industry skills and training
24. What are the skills and training needs of the sector over the coming decades, and where are the current gaps?
Like most manufacturing industries, the timber sawmilling industry is moving from having high needs for mechanical process engineers to more combined skills with computer engineering.

The change within our industry over next 10-20 years will move significantly to highly skilled people in areas of technology specifically wood technology and optimisation, automation and engineering and mechanical/electrical, environmental and compliance.

Some would say that the forest sector is concentrated enough in some parts of the supply chain for the larger companies to look after their own training needs. For the large to mid-size companies, the question might be how to make it easy to train in-house, or interface with generic training providers or accredited providers, eliminating red tape that results in any doubling up, particularly in compliance-based training.

Other considerations would include:
As the industry moves from selling "commodity" products to systems and solutions, sales and marketing personnel may need more engineering skills.

Job categories and grades need to become more flexible and recognise the expectation over time to achieve more with less. The benefit here should be the multi-skills of operators on the manufacturing line.

Attracting quality personnel with varied industry experience in marketing, supply chain and sales will also help lift the profile and performance of the industry.

The industry needs to find creative ways of upskilling and flexing our labour input so that where there are cyclical impacts on company returns that the industry can sustain through these cycles without having to "moth ball" total operations.

All of the above developments may also occur with the challenge of the industry's employment in regional non-metro locations for some key personnel.

Another key gap would probably be diversity in terms of gender, age, cultural and professional backgrounds. It would advantageous if individual companies were willing to share key learnings on this.

Key to developing market pull-through is development of a skilled and passion cohort of timber focussed structural engineers, architects and specifiers.

Also, there is an issue in the recruitment and retention of heavy vehicle drivers. The transport industry has an ageing workforce with an average age of 43. There needs to be a greater focus on making the transport industry a more attractive option for existing and future generations.

25. Are Vocational Education and Training and university training providers well-positioned to meet the future skills and training needs of the sector?

Generically yes, for manufacturing industries in general, but the industry specific aspects need more attention.

Current training courses available for various subjects and content relevant but more certificate level now or diploma level and very few training providers in regional towns offer degrees or training specific to the needs of what will be required within 10 years in our industry and have stayed to basic sawmilling which is moving to be irrelevant. We need to make technology, optimisation and automation key area of focus over next 10 years and training providers need to be providing appropriate training for the areas and we are currently limited with the training providers in the regional areas. There is also a gap of focus in high schools in regional towns to promote these types of careers to support the local regional industry as those courses aren't currently available in the regions.

We predominantly use TAFEs due to our geographic locations, and more of our training is classroom or assessed on the job, very few of the certificate or diplomas or courses of relevance within the regions we are based are done electronically. Courses provided now from regional TAFE providers and others suits the needs now, but, the next 10-20 years will change significantly. It is important that the TAFE and training providers provide appropriate courses e.g. Cert II and Cert III in sawmilling and processing is no longer available in Tasmania but is in other states, it was for many years the preferred course for industry but no longer the case but not everyone offers engineering, wood technology or automation relevant to the industry with level of qualification required. There are very few universities in regional areas therefore it limits the offerings to high school leavers, and those that leave school and choose to stay in regional areas, are likely to do other courses not relevant for our industry as they are not offered. We need more courses available suited to our industry and available in regional towns, a lot of our environment still does require hands on or on the job assessment and not all online, this limits businesses like us greatly.

26. What improvements are required at an enterprise level to support the recruitment, development and retention of the sector's current and future workforce?

- In some areas, increasing corporatization and privatization may assist with better career path planning.
- Like most areas of life, success is attractive. Achievement of the industry's vision will provide attraction to a future workforce and help retain the current talent.
- The industry also needs to promote its high tech investments and our green credentials to future candidates.
- The industry needs assistance with "wellness programs" at a regional level that might focus on physical and mental wellbeing for timber industry workers. Regional hubs would enable these programs to be developed and tailored.

To provide funded programs for industry to businesses like ours (with regional manufacturing) to promote recruitment for school departers offering careers to those school leavers with guarantee of development right skills and obtaining the right training qualification through business being able to support this with additional funding from industry bodies. Regional recruitment is difficult to find already skilled people, therefore, we either need to fund or support employee to fund their own qualification and skills and training, or, bring in people from other areas to regional towns already with that skillset. A way to support the industry is to support the manufacturers in regional towns needing to recruit high school leavers and offer them a career (without costing businesses a lot of money). Funding could be to support training away from home where the individual is aligned to a business (like ours) and funding is covered by industry and employer if employer is supported. This is difficult to do for businesses without any funding.