Annual Plan

2009/2010

ABOUT A3P

A3P – the Australian Plantation Products and Paper Industry Council – Is the national representative body for the plantation products and paper industry. A3P's member companies include plantation growers, wood and specialty plantation product manufacturers (including sawntimber and wood panels) and paper manufacturers.

A3P Vision

To be a strong and influential advocate for the Australian paper and plantation timber industry.

A3P Mission

To facilitate the operation and development of an Australian paper and plantation timber industry that is internationally competitive, socially responsible and economically and ecologically sustainable.

To represent the collective national interests of A3P's members to Government and other stakeholders as required and to increase the market for Australian-made paper and wood products.

Role of A3P

In assisting its members, A3P will:

- increase awareness within Government of the economic, environmental and social significance of the paper and plantation timber industry, particularly in regional Australia;
- represent the paper and plantation products industry by promoting a policy and regulatory environment that provides certainty and incentive for investment in the industry;
- identify and disseminate information to members on technical, commercial, regulatory and policy issues of relevance to the priority areas identified by the Board; and
- provide technical support to timber processing members.

CONTEXT

This Annual Plan has been prepared in the context of the prevailing economic and political environment in mid-2009. Key factors considered in this regard are detailed briefly below.

Economic Situation

At the time of preparation of this plan the Global and Australian economies are experiencing one of the most severe downturns in decades. This is manifested in a number of serious consequences for the Australia plantation products and paper industry including:

- a decline in the size of markets for products generally in the range of 10-25% with greater impacts in markets for export commodity products than in domestic and niche markets;
- reduced prices for some key products in some markets;
- reduced access to capital for investment by companies via both debt and equity; and
- failure of a number of companies as a result of the above factors and other company- and sector-specific circumstances.

While these are all negative consequences of the wider economic situation, there are some positive economic factors for the Australian plantation products and paper industry, including:

- reduced value of the Australian dollar relative to the US dollar (compared to at the height of the recent resources boom), improving the competitiveness of Australian manufacturers against imports and in export markets, at least for a period;
- some signs of recovery in the new home construction market following an extended period of Government stimulus via the increased new homeowners' grants, substantially lower interest rates and improving consumer sentiment;
- greater availability of labour across all key areas of demand; and
- sound quality and environmental credentials of Australian-produced wood and paper products in an increasingly discerning market.

Political Situation

The Australian Government is in the second year of its first three-year term. In 2009-10 the political situation will be dominated by the lead up to the next Federal election, which will be held sometime before the end of calendar 2010. State elections are also scheduled to be held in Tasmania, South Australia and Victoria before the end of 2010.

As a result of the financial situation, the Australian Government is directing large sums of public money to financial stimulus including via investment in infrastructure and industry development. This may present opportunities for the plantation products and paper industry. However, the majority of funding programs are not sector specific and most of the stimulus is being distributed via State and regional prioritisation and allocation mechanisms.

Despite the large stimulus expenditure, the Government is reducing direct expenditure on much of the traditional work of Government including policy development, statistical data collection and reporting and industry development. The Department of Agriculture, Fisheries and Forestry (DAFF) is undergoing substantial funding reductions and many issues impacting on the plantation products and paper manufacturing industry continue to fall in the void between DAFF and the Department of Innovation, Industry, Science and Research.

Other External Factors

Several other external factors are impacting on the Australian plantation products and paper industry in 2009, and will influence the priorities and activities of A3P.

Climate Change – community concern about climate change; the impact of perceived increases in extreme events such as fires, drought and flood; uncertainty about the impact of climate change policy in particular the impending introduction of the Carbon Pollution Reduction Scheme (CPRS); and the outcome of the Copenhagen Conference in December.

Technological Change – development of new products and new growing and manufacturing processes; e.g., electronic media and data processing which impact on markets for printing and writing paper and newsprint; new engineered and composite materials; new biomass energy and chemical technologies.

Demographics – the continued ageing and urbanisation of the Australian population and their influence on attitudes to products and industries.

Price of inputs – steady increases in recent years in the costs of major inputs such as energy, water, land and labour as the world's population increases and Australia is increasingly exposed to the global economy.

Social licence and industry reputation – ongoing pressure for the industry to enhance its reputation and hence secure its social licence to operate particularly with respect to plantation land-use and the operation of major manufacturing facilities in harmony with neighbours and local communities.

Lack of industry-focused research and development and education and training – continued under-investment by government and industry in these vital areas, which is jeopardising the future sustainability of the industry.

A3P PRIORITIES AND OUTCOMES

This document provides information on each of the priority issues that A3P is working on and an articulation of expected outcomes for the year. It is expected that this document will be used to assess A3P's performance for 2009-10 within the context of available resources, recognising that Government policy is a dynamic activity influenced by numerous factors outside A3P's sphere of influence and control.

Our Top Priority Issues

- Climate change (including Carbon Pollution Reduction Scheme)
- Plantation investment (including retail forestry)
- Product stewardship
- Pulp and Paper Industry Strategic Review
- Renewable energy
- Timber market development
- Trade (illegal logging, dumping)

The above issues have been selected as key priorities on the basis that they:

- are of broad cross-industry relevance;
- have significant financial or reputational implications for all or a substantial part of the industry; and/or
- have critical deadlines within the next twelve months.

It is anticipated that these issues will consume more than 75 percent of A3P staff time and resources during 2009-10, and the A3P Board will receive reports on and consider these issues at each of its meetings during the year.

Other Priority Issues

- Chemical pesticides
- Education and training
- Energy market reform
- Fire management
- National water policy
- Plantation health and biosecurity
- R&D policy
- Sustainability Action Plan
- SFM certification
- Timber product quality assurance
- Timber standards
- Transport and transport infrastructure

The above issues have been selected as other priority issues on the basis that they are:

- in-train and being monitored by A3P on behalf of industry;
- of substantial interest to a particular group of A3P members; or
- emerging issues that may become critical if deadlines change.

It is anticipated that these other issues plus management and support activities will consume less than 25 percent of A3P staff time and resources during 2009-10. The A3P Board will receive reports on and consider these issues only if there is a substantial change in the relevance of the issue or the timeline on which it is emerging.

Management and Support Activities

- Communications
- Industry information
- International industry linkages (ICFPA/FAO)
- Membership
- Office Management

TOP PRIORITY ISSUES

Climate Change	
Issue	The Australian Government is implementing the Carbon Pollution Reduction Scheme (CPRS) by mid-2011 and the expanded Renewable Energy Target (RET) scheme by mid-2010. There will be a carbon cost in the Australian economy for the foreseeable future.
Measures of success	• All EITE activities in pulp and paper and panelboard manufacturing receiving or being entitled to EITE assistance under the emissions trading scheme (CPRS) implemented by the Australian Parliament. • Reforestation being eligible to opt-in to the emissions trading scheme (CPRS) implemented by the Australian Parliament with credit for carbon sequestered post-1990. • Likelihood of recognition of harvested wood products (HWP) in the Australian emissions trading scheme (CPRS) greater than in the position detailed in the White Paper (December 2008).
Pulp and Paper Industry Strategy Group	
Issue	The Minister for Innovation, Industry Science and Research has appointed a Pulp and Paper Industry Strategy Group to undertake a review of the pulp and paper industry in Australia and to provide him with a report by the end of October 2009.
Measures of success	• Industry presentation of a consistent, united and constructive position in the Review process. • Review process outcomes that benefit the industry. • Improved promotion/recognition of the pulp and paper industry and particularly its sustainability performance.
Plantation Investment	
Issue	The wood and paper products industry requires additional volumes of wood in regional supply catchments in order to maintain internationally competitive scale tree growing operations and manufacturing facilities.
Measures of success	• Stable tax and regulatory arrangements that facilitate continued large-scale investment in new plantations and reestablishment following harvest. • Regulatory equity with other land uses. • Continued government support for plantation expansion consistent with Plantations 2020 Vision.

Timber Market Development	
Issue	Many issues associated with the production, end-use application and marketing of plantation timber products are industry-specific, rather than company-specific and have the potential to affect the profitability of the plantation timber sector and its reputation as a credible supplier of 'fit-for-purpose' building products.
Measures of success	• Defend and improve timber's market share against alternative products. • Support for the industry on structural timber issues, including grades, grading, applications, and markets. • Potentially adverse specifications affecting the use of plantation timber products identified and addressed as required.

Product Stewardship (timber and paper)	
Issue	State and Federal Governments are showing a growing interest in increasing manufacturer responsibility for intermediate and end-of-life waste issues (including for timber and paper), driven by NGOs and governments to minimise landfill and disposal costs. This has long-term national implications and requires coordinated industry action.
Measures of success	• Acceptance that an ongoing, industry-led response to addressing product stewardship matters is preferable to Government action via regulation. • Recognition that the industry is credible, pro-active and making progress on product stewardship matters to the benefit of the industry and the nation. • Acceptance by government of the term 'product stewardship', rather than 'extended producer responsibility'. • Improved recovery rates.

Renewable (biomass) Energy and Chemicals	
Issue	The plantation, wood products and paper industry is a potential supplier of carbohydrate-based fuels and chemicals to replace a proportion of fossil fuel-derived products.
Measures of success	• Government support for the increased production of solid, liquid and gaseous fuels and other cellulose-based products from biomass supplied by the plantation products and paper industry. • A clear understanding of the plantation products and paper industry's potential to participate in the delivery of renewable energy from biomass.

Trade (illegal logging, dumping)	
Issue	While primarily domestically focused, the Australian wood products and paper industry is highly exposed to international trade with both imports and exports of most products increasing. To be efficient and sustainable the industry, whether exporting or import competing, requires trade policy that minimises distorting measures such as tariffs and subsidies and addresses illegal logging and dumping.
Measures of success	• Changes to anti-dumping regulations and procedures to make the system more accessible for the plantation products and paper industry. • Successful preliminary review of at least one product to reach a decision regarding the potential to prosecute a dumping action.

HOW WILL WE DELIVER OUR OUTCOMES

Through consultation with members, A3P will refine policy positions and will advocate these positions to Government decision makers using a range of strategies. Effective communication with members, Government and other key stakeholders is a crucial element of effective advocacy.

The specific approach used in advocating on any particular issue will vary with the circumstances but mechanisms employed will include:

- communicating with members via sectoral forums and working groups on specific issues. Communication will be via email, teleconference and face-to-face meetings as required;
- distributing A3P's weekly electronic newsletter, *Canopy*;
- providing forums and opportunities for industry and Government to interact with A3P;
- identifying and attending appropriate industry conferences, workshops and information sessions;
- representing A3P members in national policy forums including the Forest and Wood Products Council, Australian Industry Greenhouse Network, Energy Users Association of Australia, Large Energy User Group, Private Forestry Consultative Committee, Australian Forestry Standard Technical Reference Committee, FWPA Advisory Committees, FSC Australia, Plant Health Australia, industry partnerships under the National Tax Liaison Group, ASIC industry liaison meetings and international forums (International Council of Forest and Paper Associations and United Nations Food and Agriculture Organisation Advisory Committee on Paper and Wood Products); and
- taking a lead role in managing the Plantations 2020 Vision, National Plantation Strategy Coordinator project.

A3P will maintain an innovative, dedicated and multi-skilled management and project delivery team that is committed to the needs of members, the implementation of the annual plan, and building constructive relationships with Government decision makers and other stakeholders.

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