

Ref: VicVCECMay2009final

22 May 2009

Environmental Regulation Inquiry
Victorian Competition and Efficiency Commission
GPO Box 4379
Melbourne VICTORIA 3001

(e) environment@vcec.vic.gov.au

Dear Sir/Madam,

Re: Submission to the Draft Victorian Competition and Efficiency Commission Report into Victorian Environmental Regulation

Thank you for the opportunity to make a written submission to the draft Victorian Competition and Efficiency Commission (VCEC) Report into Victorian Environmental Regulation.

The Australian Plantation Products & Paper Industry Council (A3P) is the national industry association representing the interests of all segments of the plantation-based wood products and paper manufacturing industry. A3P member's employ more than 13,500 people in plantation management, sawmills, panel board, and paper manufacturing plants, mainly in rural and regional areas. Each year A3P members create and sell more than \$4 billion of products, produce more than 12 million cubic metres of logs, 3 million cubic metres of sawn timber and more than 2 million tonnes of paper.

In Victoria the plantation, wood products and paper industry manages approx. 422,000 hectares of plantation (22 per cent of the national resource), operates five major paper-making facilities, four large sawmills, two panel board manufacturing sites and numerous smaller wood processing plants and export facilities. The volume of wood harvested from Victoria's plantations (and therefore the associated economic activity) will increase significantly in the near future resulting in continued steady increases in plantation softwood processed fibre and sawn timber production, and the increase in exports of hardwood fibre predominately through Portland in the South West. A3P members include significant land managers such as HVP Plantations, Willmott Forests, AKD Softwoods, large timber processors, and paper manufacturers such as Carter Holt Harvey, Australian Paper, AMCOR and TASCO that are potentially impacted in many ways by any proposed changes to environmental regulation.

As a result A3P (on behalf of its members) has a keen interest in the VCEC Report into Victorian Environmental Regulation and the 2009 Victorian Timber Industry Strategy (VTIS) process. A3P seeks environmental regulation that is consistent, streamlined, continually simplified, flexible, clear and unambiguous, efficient, in order to achieve the desired outcomes at the lowest possible cost.



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A3P has identified key cross-over issues between the VTIS process and VCEC review process. As a result A3P will submit a comprehensive submission in response to the VTIS public consultation draft, and provides the following summary and additional comments as input to the VCEC process.

2009 Victorian Timber Industry Strategy

A3P supports the development of a new VTIS to provide a framework and long-term direction for the Victorian timber industry for the next 20 years. To be effective and stable over time the new VTIS must be based on science, rational analysis, and sound policy. A3P also broadly endorses the written objectives for the Strategy and the commitment that the new strategy will not:

- override existing Codes of Practice for the timber industry that have been put in place to ensure its environmental sustainability; or
- propose changes to the reserve system.

The plantation timber industry is particularly interested in long term strategies because of the long timeframes and regional critical mass requirements for investments in plantation growing and wood products and pulp and paper manufacturing. A3P provided input to the work of the Sustainable Timber Industry Council and generally supports the recommendations made in the Sustainable Timber Industry Council's final report. In addition A3P participated in a VTIS roundtable meeting in mid 2008, and lodged a written submission to the Director, Forest Industry Policy in the Department of Primary Industries. We are pleased to see that some of the points raised by A3P have been accepted and included in the VCEC draft report.

In regard to the cross-over issues between the VCEC review and the draft VTIS, A3P will comment on the intent of the VCEC report's Draft Recommendations 14.4 and 14.5 in our forthcoming submission to the VTIS.

Draft Victorian Competition and Efficiency Commission Report into Victorian Environmental Regulation

A3P seeks the Victorian Government's acknowledgement of the following points which provided the broader context for the comments below:

- the role of the Victoria forest and wood products industry in generating increasing income via exports and import replacement;
- the beneficial environmental impact of the industry and its part in the avoidance of transferring environmental burdens to other places; and
- the industry's ability to support regional employment even through drought and socio-economic changes in rural areas.

A3P supports in principle the intent of the following draft recommendations detailed in the VCEC draft report:

- *Draft Recommendation 8.10 (see further comments below)*
- *Draft Recommendation 9.1 (see further comments below)*
- *Draft Recommendation 9.2 (see further comments below)*
- *Draft Recommendation 9.3 (see further comments below)*
- *Draft Recommendation 11.1*
- *Draft Recommendation 11.2*
- *Draft Recommendation 11.3*
- *Draft Recommendation 11.4*

- *Draft Recommendation 14.1*
- *Draft Recommendation 14.3 (see further comments below)*

In regard to Draft Recommendation 8.10, Draft Recommendation 9.1, Draft Recommendation 9.2, and Draft Recommendation 9.3, A3P includes the following points:

- Waste management strategies and policies need to be science based and have wider industry involvement in their development and implementation;
- Application of product stewardship processes and principles to waste management;
- The notion of a nationally-integrated consistent reporting framework is supported to minimize overlap and inefficiencies;
- Continuance of a primary Client Manager contact/relationship function within the relevant Government agencies that allows a company to have a single point of contact that understands the particular business; and
- Development and implementation of a on-line reporting system (potentially in the form of a database) to allow companies to minimize administration burdens, and allow the relevant Government agency increased flexibility of reports.

A3P offers further comment below on specific information requests at the invitation of VCEC.

- *Chapter 11, " The Commission invites comment on the reasons for combining policy and regulatory functions in relation to native vegetation, environmental protection and forestry, and advantages and disadvantages of options for achieving a clearer separation of the functions."*

A3P seeks a whole-of-government approach to ensuring facilitation of the Victorian Government's policies impacting on the timber industry. There appears in some sections of government to be a lack of understanding of the critical value of the plantation products and paper industry to Victoria and to regional prosperity. Conflicting legislative and regulatory requirements among various State Government departments and local government, particularly in relation to the establishment of new plantations creates a less than competitive regulatory environment for investment in Victoria, compared with other States including NSW and South Australia.

Examples of these conflicting requirements are:

- The application of local government and other planning rules in Victoria which can impede much needed new plantation industry development.
- The unintended consequences of the application of native vegetation retention rules in planning schemes.
- The possible consequences for plantations of the implementation of the Government White Paper *Our Water Our Future, Securing Our Water Future Together* (particularly Action 2.20) and the National Water Initiative.

There is a need for regulatory consistency and certainty from Governments particularly in relation to land use planning across Victoria and, to the maximum extent possible, across Australia. The VCEC final report must seek to recognize opportunities to reduce the regulatory burden in line with the current Victorian Government' initiatives.

- *Chapter 14, "The Commission invites comments on regulations that are reducing the uptake of energy efficient technologies in housing developments."*

The environmental benefits of wood production and the environmentally benign properties of wood are ideally suited to a whole of government approach to support a generic wood promotion campaign. Victoria is a significant supplier of the nation's wood and wood fibre, and relevant regulation should ensure that domestically produced wood is promoted, through its purchasing policies, development regulations, guides, and building codes.

Forest certification under any credible certification system should be encouraged by Government as a means of confirming the high quality of forest management in Victoria and promoting wood as an environmentally sustainable product. It is a commercial decision for a company to seek certification, and while Government can promote the concept of certification, it should not promote one system over another in its land management or purchasing policies or regulations. A3P refers VCEC to the specific comments about government and government endorsed procurement and sustainability guides, and international third- party certification detailed under Priority 2, Action 8.1, Page 32 of the current draft VTIS (A Victorian Government Initiative).

The Victorian Government must ensure that any projects it supports to assess the environmental qualities of forest and wood products have methodologies, techniques and measures that are rigorous, objective and transparent. At present many of these assessments are lacking in credibility, integrity and transparency and are therefore distorting markets in ways which are contrary to the Government's overarching policy objectives and reducing the potential uptake in housing developments.

- *Chapter 14, "The Commission invites comments on the form of carbon rights that would facilitate forestry carbon trading, and the benefits of a nationally uniform approach."*

As a general comment, A3P is engaged in the Australian Government's process for developing the Australian emissions trading system (to be known as the Carbon Pollution Reduction Scheme). A3P has made many public submissions on many components of the CPRS and the enhanced Renewable Energy Target. These public submissions can be found on A3P's website: <http://www.a3p.asn.au/>.

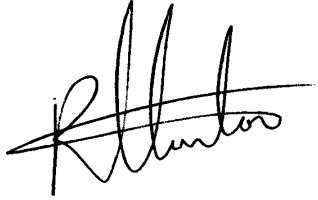
A3P would encourage the Victorian Government to ensure that its policies in relation to renewable energy and emissions trading are consistent with the Australian Government's approach. These issues are global in nature and require a clear and nationally consistent approach to avoid irrational and inefficient market distortions or additional administrative burdens for industry (for example multiple, duplicative reporting requirements).

In regard to carbon rights, it is important to acknowledge that the design of the rules and detailed treatment of reforestation in the emissions trading scheme will essentially determine the level of investment in new plantations. If the rules do not create an attractive investment environment, it is questionable whether many private investors would consider the risk-based return sufficient to justify opting into the scheme. If reforestation is to provide real, cost-effective abatement it must be empowered to do so by the rules.

The plantation timber industry looks forward to continue to work constructively with Victorian Government agencies in the finalization of the draft VCEC report, and also on the development and implementation of the VTIS.

If you have any questions in relation to the matters raised above please contact me (02 6273 8111 or richard.stanton@a3p.asn.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Stanton', with a long horizontal stroke extending to the right.

RICHARD STANTON
Chief Executive Officer

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