

# *IMPLEMENTING THE TIMBER STRATEGY*



Department of Conservation  
and Land Management  
December 1988

*IMPLEMENTING  
THE  
TIMBER  
STRATEGY*

## FOREWORD



*It is no secret that one of the most difficult tasks facing the Labor Government when it took office in 1983 was the political controversy over forests and the economic future of the timber industry.*

*The Government's forest conservation achievements have been well publicised. In a relatively short period of time, large areas of forest have been secured as either national parks or conservation parks. These include the Mt Frankland National Park, the Tuart Forest National Park, the Shannon River Basin National Park and the Lane Poole Reserve. But while the Government's conservation initiatives have been widely acknowledged, I believe that what has happened to the timber industry over the same period of time has not received sufficient attention.*

*Western Australian forest based industries contribute 300 million dollars to the State's economy annually and directly or indirectly provide employment for over 20,000 people. In addition to ensuring conservation of the forest, the State Government was also committed not only to sustain the industry at its current levels, but to provide it with opportunities for growth and development.*

*In 1983, however, the industry was in the middle of a severe recession. Not only were prices and demand down, the future looked bleak. A number of factors contributed to this outlook, including -*

- public conflict raged over the area of State forest that should be available for wood production;*
- sawmillers had no security of supply of resource;*
- small sawmillers were being excluded from the industry;*
- the log pricing system was inequitable and irrational;*
- the softwood sawmilling industry was in danger of collapse because of shortfall in the resource;*
- here was no incentive for efficient utilisation or the production of value added products.*

*The uncertainty in 1983 inhibited the investment required to effect the changes necessary for the industry to develop efficiently. Changes were needed, efficiency had to be improved and new products had to be manufactured if the industry was to survive.*

*In 1988, I am proud to say that the industry is experiencing a revolution and there is now every prospect of making it a major force in the Western Australian economy.*

*I take this opportunity to congratulate the industry for its positive response to the timber strategy and the officers of the Department of CALM, who have worked with the industry to bring about these changes.*

*I have asked the Department of CALM to prepare this document because I believe the only thing that will inhibit the industry's future growth will be a failure to recognise its own potential.*

*The advances that are outlined in this document provide conclusive evidence of the capacity of the Government, the industry and the Department of CALM to ensure a bright and prosperous long term future for the forest industry of WA.*

A handwritten signature in cursive script that reads "B. Hodge".

Barry Hodge, MLA  
MINISTER FOR CONSERVATION  
AND LAND MANAGEMENT

# **IMPLEMENTING THE TIMBER STRATEGY**

## **INTRODUCTION**

The three Forest Region Management Plans and the Timber Strategy were accepted as a blueprint for the future of the State's forestry operations by the Western Australian Government in February 1988.

These plans formalise all the changes that have occurred in the industry since 1983 and set out a strategy for the timber industry for the next 10 years.

The progress which has been made in achieving the specific commitments of the strategy is detailed in Appendix A.

The major commitments of the strategy were :

- a commitment to provide security for forest areas reserved for conservation and the timber resource on which the timber industry is based;
- a commitment to manage the forest on a sustained yield basis and to increase the productivity of the forest;
- a commitment to increase the value-added component of timber processing and to improve utilisation;
- a commitment to expand the available resource through plantation establishment.

Major progress has been made in fulfilling these commitments.

## **PROVISION OF SECURITY**

One of the principal sources of conflict over forest issues has been the uncertainty about the use to which different areas of forest are put and how secure those areas are. One of the main objectives of the Forest Management Plans and the Timber Strategy was to resolve that uncertainty.

### **Securing the conservation estate**

The Forest Management Plans propose that every significant forest ecosystem will be represented in a conservation reserve system which cannot be changed without the permission of two Houses of Parliament. Already 167,000ha of forest have been incorporated into national parks, conservation parks or nature reserves whose boundaries can not be altered without the permission of both Houses of Parliament.

This has resulted in the creation of :

- the Lane Poole Reserve (51,591ha);
- the Shannon National Park (52,511ha);
- the Mt Frankland National Park (30,830ha);
- the Tuart Forest National Park (1,785ha);
- a new national park east of Pemberton (900ha) and major additions to the Warren, Walpole-Nornalup and Serpentine National Parks (4,500ha).

When the reserve system is completed, over 30 per cent of the forest will be in conservation reserves with A class security.

The remainder of the forest will be managed for multiple use which will ensure that conservation, recreation, water production, as well as timber values, are maximised. In the karri forest, 50 per cent of the forest will be managed with a priority for conservation.

### **Providing security for the timber resource**

Lack of a secure resource base has been one of the major factors which has inhibited investment in the timber industry. Previously, the supply of timber to sawmilling companies was based on annual licences which could be revoked without compensation. The Forest Management Plans and the Timber Strategy addressed this problem by proposing that forest areas designated for multiple use purposes, including timber production, be given A class security and by the signing of legally binding contracts between CALM and sawmilling companies.

## **The hardwood sector**

Over 50 timber supply contracts and 10 logging contracts have been signed since the publication of the Timber Strategy. These contracts provide the security which will permit investment in new plant and equipment. Over 80 million dollars of investment have already been proposed in the hardwood sawmilling sector.

This includes :

- the establishment of a 20 million dollar high technology hardwood sawmilling complex by Whittakers Limited at Greenbushes;
- the establishment of a new hardwood sawmill based on regrowth karri at Pemberton at a cost of 2 million dollars by Bunnings Forest Products Pty Ltd;
- a commitment by Bunnings Forest Products Pty Ltd to invest 60 million dollars in major hardwood sawmills in the south-west;
- Monier Redland Ltd have commissioned new sawmilling equipment valued at \$500,000 to upgrade their mill at Busseton which uses karri regrowth thinnings.

## **The softwood sector**

### *Softwood sawmills*

The development of softwood plantations to ensure the self-sufficiency of Western Australian timber supplies has been an important policy of successive Governments in WA. However, shortfalls in the anticipated supply capacity of the softwood forest threatened the viability of the industry. These supply difficulties have been overcome by the provision of funds for fertilisation of softwood plantations and restructuring of the softwood supply contracts.

As a consequence :

- WESFI's Dardanup softwood mill will be provided with its design capacity (100,000m<sup>3</sup>) by 1992;
- Bunnings Forest Products Ltd have commenced construction of a new softwood sawmill at Mundijong;
- Western Pine Associates will commence softwood sawmilling at Greenbushes in 1989 and the Company is committed to the construction of a new stand alone softwood sawmill in the lower south-west within seven years;
- Bunnings Forest Products Ltd will construct a new major sawmill in the Donnybrook region when resource becomes available.

This will result in an investment of 40 million dollars in the softwood sawmilling sector and create 500 new jobs.

### *Softwood board manufacture*

One of the principal problems inhibiting efficient management of softwood plantations in Western Australia has been the absence of a market for small pine trees and residues from softwood sawmilling operations.

The construction of the WESFI particle board plant at Dardanup in 1976 has made a major contribution to solving this problem while at the same time creating a new industry.

This year WESFI signed a contract with CALM for *Pinus pinaster* logs from the estate's Gnangara plantations for medium density fibreboard production. This will involve an investment of 50 million dollars. The plant will generate 20 million dollars in revenue each year and result in the creation of 80 new jobs.

The production of medium density fibreboard in Western Australia will provide an important additional resource for Western Australia's furniture manufacturers.

The plant will bring forward the capacity of CALM to thin the northern pine forest, thus increasing recharge of Perth's northern underground water supplies.

### **Pricing**

The Government also believed that a condition for community support of the industry was that it should pay its own way. Accordingly, the most comprehensive review of log pricing that has ever been undertaken in this State was carried out. For the first time a rational system of pricing which was designed to ensure that the community received, via the sale of logs, the cost of production of those logs plus a fair and reasonable profit was applied.

Timber royalties have been increased by more than 100 per cent and a new royalty structure which creates a significant price differential between first, second and third grade sawlogs has been established. This has been a major factor in improving utilisation because it improves the commercial viability of sawing degraded logs.

### **Equity**

The Timber Strategy also addressed the question of equity. While it was essential to provide security of resource to the industry, it was equally important to ensure that the industry was structured to provide opportunities for all to participate in it regardless of size. For the first time in the history of the industry, the medium and smaller sawmillers have been given a secure source of sawmill logs. All small sawmills have timber supply contracts.

In addition to this, part of the timber resource is periodically placed, via auction and tender, on the free market, so that there is an equal opportunity for all segments of the industry to obtain additional resource.

## **FOREST MANAGEMENT**

The Timber Strategy commits the Department of CALM to a policy of sustained yield and to improving the productivity of the forest.

A number of new initiatives have been taken to improve forest management practices in the timber production area.

### **Jarrah silviculture prescriptions**

A new and improved system of managing the jarrah forest to ensure regeneration, increased productivity and protection from disease has been devised and is being implemented.

### **Karri growth model**

A mathematical model is being developed which will permit the Department of CALM to predict the relationship between growth and site climate and silvicultural treatment (specifically fertilisation and thinning regimes). Preliminary studies indicate that the growth of karri regrowth forest can be increased by 50 per cent by optimising thinning and fertilisation regimes.

### **Jarrah forest inventory**

The last comprehensive resource inventory of the jarrah forest was undertaken more than 25 years ago. Changes in the structure and nature of the forest, plus improvements in utilisation have brought about the need for reassessment of the jarrah forest resource. The project, which commenced in 1988 and will be completed by 1990, involves the most intensive and comprehensive measurement of a forest resource that has ever been undertaken in Australia. In addition to providing detailed information on the resource, the inventory for the first time will provide the basis for estimating the quantity of timber suitable for specialised products. The preliminary results from this inventory indicate that CALM's estimates of the sustainable yield of the jarrah forest are conservative.

### **Fertilisation of pine plantations**

In 1985 the growth rates of established pine plantations indicated that there would be considerable delay in CALM's ability to provide softwood resource to existing softwood sawmills and proposed new mills.

But research indicated that the growth rates of the pine plantations would be substantially increased by the application of fertiliser. Over 5,200ha of CALM pine plantations have been fertilised with 6,600 tonnes of fertiliser. This has enabled CALM to meet its commitments to the softwood sawmilling sector.



## **UTILISATION AND VALUE ADDED PRODUCTION**

A major theme of the Timber Strategy was the encouragement of increased utilisation and the promotion of the conversion of native hardwoods into high value product.

### **Improved utilisation**

There has been an increase in the proportion of timber that is produced from logs and a marked increase in the utilisation of logs that previously were left in the forest as waste. For example, 275,000 cubic metres of logs which previously were directed to the chipmill because it was uneconomic to saw them are now being processed through sawmills. A number of factors have contributed to improved utilisation standards :

- Restructuring of the royalty system. Prior to the Timber Strategy, second grade logs cost more to the sawmiller than first grade logs. The new royalty system creates a differential system between first grade logs and degraded logs, making it now commercially possible to utilise them.
- Competition has been introduced. For example, tenders for karri regrowth and second grade jarrah and karri logs are regularly let.
- The commercial viability of second grade logs has been enhanced by incorporating 10 per cent of first grade logs in second grade tenders.

### **The promotion of value added product**

Major advances have been made in the conversion of native hardwoods to high value product. A major contributing factor to this has been a cooperative research project between CALM and industry located at the Harvey Wood Utilisation Research Centre. In 1985 the Commonwealth Government, State Government and industry contributed 4.63 million dollars towards a research project aimed at developing new techniques to improve utilisation and marketing of Western Australian regrowth and mature hardwood forests.

A number of initiatives have been developed in cooperation with the timber industry and community groups.

- A major market survey in 1983 established the potential for development of furniture manufacturing in WA.
- A further survey of major furniture manufacturers in 1987 established the specific dimensions used by them.
- Exhibiting at the 1988 Milan International Furniture Fair has demonstrated a potential for expanding overseas markets for jarrah as a Western Australian mahogany of high value.

- Research and development with edge and face glued panels has demonstrated an expanding resource of suitable furniture timber from regrowth jarrah forests.
- New techniques are being developed which will allow karri to be used as another Western Australian mahogany suitable for fine export furniture.
- To complement the rich red mahogany colours of jarrah and karri, programs to test the suitability of marri and Tasmanian blue gum for furniture manufacture have commenced.
- A computer model of the industry has been developed and used to demonstrate the commercial benefits of sawmillers converting a proportion of their production into dry added value timber. The model will incorporate information on log recoveries and the marketing of sawn timber. It will be able to simulate production processes, so that any production strategy will be able to be tested in terms of costs incurred, volumes of product produced and profitability. By simulating a number of strategies and evaluating them, the best strategy for improving the utilisation of the logs can be determined while at the same time consumer needs can be met.
- Whittakers Ltd have developed and constructed a new high volume dryer which dramatically decreases the degrade in the initial stages of hardwood seasoning.
- The Wood Utilisation Research Centre has developed a low cost low volume (500 cubic metres) dryer designed to enable the numerous small sawmillers to participate in the value adding program.

### **Promotion of craft woods**

The south-west is increasingly being recognised as a region of excellence for fine wood products. Galleries in the region are finding an increasing demand for craft wood products.

This trend complements the thrust of the Timber Strategy and the timber industry to improve the value added proportion of the processing of Western Australian timbers.

The WA Government has provided \$124,000 a year for two years on a fine wood project. The project has already developed a register of crafts people and galleries in the south-west to streamline both the supply for forest produce and the marketing of products both in Australia and overseas. It is also promoting fine wood products and is establishing a training program for people interested in the fine wood industry.

An advisory project team has been established comprising a representative from CALM, the fine wood craft industry and the Forest Products Association.

CALM has made forest material more accessible to crafts people by establishing a special craft wood licence and auctioning small lots of speciality timbers and burls.

Equipment at the Wood Utilisation Research Centre has demonstrated a high potential for recovery of high value fancy veneers and craft woods from WA timber.

## **ESTABLISHING NEW FORESTS**

The Timber Strategy foreshadowed the continuation of the softwood establishment plantation program at a rate of 2000ha and committed the Government to explore the potential for expanding the scheme for hardwood establishment on cleared farmland.

In 1985 CALM developed the concept of softwood sharefarming. Sharefarming involves joint ventures between the Department of CALM and farmers. Under this scheme the farmer receives a predetermined annuity plus a percentage of the final returns from the tree crop when it is harvested in return for the use of his land for tree planting. The softwood sharefarming scheme has been very successful. More than 2,500ha of pines have been planted on privately owned cleared farmland in the south-west.

In 1987 the Government approved a pilot hardwood sharefarming scheme. In 1988 2000ha of Eucalyptus plantations were established under the scheme, principally in the Peel-Harvey and Wellington Catchments.

In addition to providing guaranteed income for farmers and a future resource for the timber industry, tree planting on farmlands has a major benefit to the Government because tree crops reduce stream salination and phosphate pollution.

Development of the new plantations has been assisted by grants from the Federal Government under the National Afforestation Program. CALM was allocated 1.2 million dollars over a 3-year period to establish demonstration plantations on cleared farmland, devise methods of integrating forestry in a general farm practice and to evaluate the effects of tree planting on water quality and quantity.

This year CALM received a National Afforestation Program grant which will assist farmers to plant up to 1,000ha of karri per year over the next three years. This program, which will be centred in the Margaret River and Denmark areas, will result in the significant extension of the karri forest estate.

**APPENDIX A**  
**PROGRESS TOWARDS IMPLEMENTING**  
**SPECIFIC TIMBER STRATEGY COMMITMENTS**

NO	PAGE	CATEGORY	COMMITMENT	PROGRESS
30	59	<b>Royalty</b>	Provide for annual indexation of woodchip royalty with review every five years	Will be incorporated in the Agreement Act currently being looked at for renewal
39	70	"	Achieve "cost of growing" target royalties	Target royalties for all forest produce will be achieved by 1991
39a		"	Ensure hardwood scarcity is built into review	Addressed, with Premium and Speciality Grade sale arrangements proceeding
43		"	Investigate ways of recovering sawn material from chiplogs	Nineteen Contracts of Sale in progress to utilise Third Grade logs previously chipped. WACAP authorised to operate flitch mill at chipmill
44	70	"	Develop a method of differentiating pine log royalty based on age, length and size	A twelve month trial ending 31 December 1988 is in place. Results to be reviewed January 1989
45	70	"	Investigate an alternative to TPI for indexing royalties	Alternatives to TPI investigated. Results for 1987/88 indicate TPI is the best measure at present
1	6	<b>Utilisation</b>	With industry investigate ways to increase production of dry value added	Communications with companies indicate this is occurring. New form for sawmill returns implemented, which will quantify picture as at 31 December 1988
3	11	"	Investigate the potential for a pulp mill in WA	WACAP is undertaking a second feasibility study and will report in early 1989
4	24	"	Investigate ways to diversify the range of timber products produced	A number of new log classes have been developed. Craftwood licences have been introduced. The use of sheoak is being promoted. The Wood Utilisation Research Project has developed new products
8	24	<b>Utilisation</b>	Establish a research committee as a sub-committee of FPC	Proposals have been prepared. Not finalised
9	25	"	Through WATITC provide training and certification in industry	WATITC have developed certificated training programs. Industry is supportive and CALM is providing expertise in the training programs  A logging industry training committee has been commenced. A voluntary levy to cover the costs has been introduced

NO	PAGE	CATEGORY	COMMITMENT	PROGRESS
8a	--	<b>Liaison</b>	Discuss with industry how they may have input into research that will affect them	Some preliminary discussions held with WASPA
10	--	"	Amend the CALM Act so that FPC can be made a tripartite body	Amendments to CALM Act will be submitted to the first Session of Parliament in 1989
14	33,34	<b>Forest Establish-ment</b>	Broaden sharefarming to include short rotation eucalypts and catchment protection	Implemented. 2,000 hectares planted in 1988
20	--	"	Encourage the planting of hardwoods on private property	NAP grant obtained by CALM
27	--	"	Plant pines at 1,000ha Southern Coast; 500ha in Southern Forest and Central Forest	Being achieved with softwood sharefarming
2	7	<b>Marketing</b>	Raise the proportion of wood cut for export to 10% at 1990 and 30% at 2000	Overseas response to jarrah products indicates that targets will be achieved
5	24	"	Actively promote the export of WA produced timber products	CALM have contributed \$10,000 to assist WA representation at Milan Furniture Fair
6	24	"	Support market surveys, trade missions etc for sale of value added hardwood	"
7	24	<b>Marketing</b>	Develop an economic model for industry of the production process	'Gum Tree' economic model is being developed
11	25	"	Investigate a marketing syndicate for value added products	A Marketing Officer will be appointed
16	34	"	Investigate the potential to coordinate log sales from private plantations	Ten expressions of interest have been received. A pilot agreement is being negotiated
19	34	"	Contract to private property owners to log and sell their hardwood resource	Ten expressions of interest have been received. A pilot agreement is being negotiated
12	32	<b>Forest Management</b>	Institute CALM controlled integrated logging throughout the forest	Contracts to Supply are being progressively let
13	32	"	Institute CALM controlled roading to logging areas	Contract prices have been obtained. A strategy has been adopted whereby large logging contractors will build roads for an interim period. A MRD engineer will be seconded in the near future to develop road specifications

NO	PAGE	CATEGORY	COMMITMENT	PROGRESS
15	34	<b>Forest Management</b>	Provide, at cost, technical and management services to private plantation owners	Implemented
17	34	"	Undertake an inventory of private hardwood forests	A request from a major private owner has been received. Area will be photographed early 1989
18	34	"	Provide advice at cost to private plantation owners on silviculture of hardwood	Ten expressions of interest have been received. A pilot agreement is being negotiated
21	35	"	Thin 4,000ha of jarrah regrowth per year	Being developed through the operational trial for the water catchment at South Dandalup
22	35	"	Thin 500 ha of karri regrowth rising to 2,000ha by 1992	Tenders to be called early in 1989. New equipment being ordered for installation at chipmill to handle increased volume of small logs.
23	35	"	Initiate a comprehensive inventory of jarrah	First year of jarrah inventory program complete. Will be completed in two years
24	35	"	Develop commercially viable fertiliser regimes for karri and jarrah	Being developed
25	35	<b>Forest Management</b>	Develop karri growth models	Karri growth model is nearing completion
26	35	"	Expand the hardwood tree breeding program	Implemented
28	38	"	Recalculate the allowable cut for jarrah in 1992	To be done following inventory
29	38-52	"	Implement the stated allowable cut	Progressively being implemented through long term Contracts of Sale
32	59	"	Provide for CALM to be responsible for delivery of all residue to the chip mill	To be included in the Agreement Act renewal. The company's agreement in principle has been obtained
42	2	"	Forest areas harvested for timber production will be regenerated	Ongoing
31	59	<b>Allocation of Resource</b>	Amend Agreement Act so WACAP must take from CALM all residue at market prices	Has been included in new draft Contract of Sale at present being negotiated
33	59	"	Maintain supplies of hardwood residue to WACAP at current levels	Being achieved
34	61	"	Each second grade parcel of logs tendered will have 10% first grade logs	Implemented

NO	PAGE	CATEGORY	COMMITMENT	PROGRESS
35	59	Allocation of Resource	Tender MFP in Northern Forest Region according to guidelines	Policy approved MFP operators interviewed individually. Contracts being drawn up
36	60	"	Allocate hardwood sawlog resource according to guidelines	Implemented
36a	62	"	Implement forfeiture provisions in sawlog allocation and usage	Yet to be required
36b	61	"	Make available 30,000m <sup>3</sup> of speciality logs as required	A detailed proposal is being developed
37	64	"	Implement softwood sawlog allocation	Completed through long term Contracts of Sale
38	65	"	Tender <i>Pinus pinaster</i> residue if no MDF plant by 1989	Amendment to WESFI Agreement passed by Parliament. Detailed plans for MDF plant completed. Construction to start early 1989
40	64	"	Tender Central Forest Region case log resource when available	Case log resource available, depending on market requirements, will be tendered in 1989
41	64	"	Allocate excess radiata sawlogs to make existing operations more efficient	Not due until after 1995