
Submission on Review of Taxation Treatment of Plantation Forestry

Review of the Taxation of Plantation Forestry
C/- Department of the Treasury
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PARKES ACT 2600

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I am writing to submit my views on the issue of Taxation relief given to plantation forestry. I work in the building industry as a builder and am extremely concerned about the future supply of building materials in Tasmania. I am unable to avoid seeing the vast amount of land that is being cleared and converted into plantations in our area. Many dairy and sheep farms are being bought up and converted into plantations. Two that come to mind are "Armistead" at Kimberley near Mole Creek in the north, (approx 4000 hectares) and "Evercreech" in the Fingal Valley in the North East (one of the largest dairy farms in Tasmania). Both of these properties were very large farms that have recently been and are in the process of being converted to plantations. Evercreech employed 12 full time workers who were subsequently laid off when Gunns bought the property.

Loss of Agricultural land and productivity

According to my information up to 15% of Tasmanian farms have been bought up and converted to plantations encouraged by this policy of Tax relief. If this is to continue it will not be long before Tasmanian farming will not be viable.

In the current world view and in the light of the effects of Global warming I would suggest that Tasmania would be best kept as the salad bowl of Australia. Having such a maritime environment and our mountainous terrain we are likely to feel the effects of Global warming less than the mainland.

It is my contention that the plantation forest industry especially in Tasmania is using the tax relief to generate short-term profit. Exporting such profits to shareholders mainly outside Tasmania. Tax relief is doing nothing to help in the long-term supply of timber for sawlogs or the long term employment of Tasmanians. The Tax relief is actually hastening the demise of the agricultural and timber industry in Tasmania.

Whole communities in the North West have been devastated by the advent of plantation farming for woodchip production.

Farmers who sell their forested land or lease the land for plantations are denying themselves income in the future from logging mature trees on the land.

Economic effects of woodchipping

Since woodchipping began in the 1970's up to one third of Tasmanian sawmills have closed. This not only affects the workers and owners of the sawmills but the workers in the forest and service personell in the nearby towns.

Our unique timbers are best suited to craft, building and specialty applications not for woodchip. With a little foresight and some planning Tasmania could be a world-class supplier of milled timber especially special timbers such as Myrtle, Sassafras, Blackwood and Fiddleback Hardwood. The prices obtained for such timbers when milled and made into products such as boards or slabs are in the vicinity of \$3500 + per cubic metre for raw materials and much more for finished products such as fine furniture or musical instruments. The last price I saw for woodchip was \$142/ tonne. (Hardwood is approximately 1.1 tonnes per cubic metre depending on moisture content) That was from the ABS yearbook (1998 I think) and it showed that the price had fallen every year for the previous five years. As no accurate figures are given out now, it is not possible for me to say if that trend has continued.

We have plantations all around us in Golden Valley and Deloraine area, and most are being cut down well before maturity, most plantations that I have observed are logged and chipped when the trees are between 200 to 400 mm diameter. Well before the economic size of 600 mm for sawlog use. Usually on a 12 to 15 year rotation. High altitude plantations (above 500 metres) may take longer to reach a harvestable age.

As up to 95%of native forest logs that are removed from our forests are used for woodchip it is easy to see that the timber industry in Tasmania is woodchip driven.

Effects of Plantations on environment and amenity

The current taxation policy is encouraging plantation developers to buy all available farmland and forested land and to convert it to plantations. I have heard of farmers attending auctions and being unable to compete with the prices that Gunns ltd are willing to pay for the land. This prevents legitimate farmers from increasing their area of land and farming the land for greater economic and social returns. During the time a plantation is growing very little employment is generated on that land whereas if it was left as farmland there would be continuous employment.

Effects of Plantation development

Plantation development entails clear felling the forest that is on the land, planting trees, poisoning the native browsing animals, poisoning the land and waterways with pesticide and herbicide sprays and destroying the long term productivity of the land with short term cropping rotations. Plus air pollution

from the subsequent burning of the logging waste. (Up to 50% of the trees in the coupe made up of many minor species trees, wattles, small trees and trees with rot, dirt or fire damage in the trunk). The non-commercial trees include future sawlogs that are too small to bother barking for the chippers and species such as myrtle, sassafras, wattle and celery top pine that are too immature to be used as sawlogs at the time of harvesting. Some of these minor species trees such as Celery Top Pine are extremely slow growing and the destroyed trees may be 100 + years old.

Chemicals in Waterways

There have been some notable cases recently of problems caused to waterways from spraying of plantations. Orford has now had levels of Simazine found in the water supply on three occasions in the last year. Tusons Creek in the Western Creek area near Deloraine was found to have Terbacil and Atrazine in the water after spraying. People have been accidentally sprayed with Atrazine from aerial spraying activities. Forestry Tas stopped using Atrazine after the residents of Lorinna were poisoned by the application of Atrazine on Forestry Tas plantations. The Huntsman area in Meander was sprayed with Alphacypermethrin and much of the aquatic life in the creeks and river were killed. There was a massive oyster kill at St Helens area in Georges Bay that was most likely caused by AlphaCypermethrin spray that was used on a plantation just before heavy rains. This was documented and reported in a report commissioned by the Georges Bay oyster farmers and subsequent results were published in a report called the Schammell report. (Dr Marcus Schammell 2004). His report was refuted by the Percival report commissioned by DPIWE. The Percival report was less than convincing to most people other than the government spin doctors.

Current tax policy and commercial viability of plantations

I would suggest that if the government wanted to continue Tax relief for plantation development that it target sawlog production (endemic Tasmanian Species) or minor species plantations such as Blackwood (*Acacia melanoxylon*), Sassafras (*Atherosperma moshatum*), Myrtle (*Nothofagus cunninghamii*) Celery Top (*Phyllocladus aspleiifolius*) and King Billy Pine (*Athrotaxis selagnoides*).

These minor species timbers would be worth 25 times the value of woodchips, create more jobs in small sawmills and processing plants. Require less fuel to transport, do less damage to roads, release less carbon (less trees cut down, not require clear-felling and burning), native animals would not have to be killed, no chemical sprays needed so no river pollution, not require clear-fells so minimal siltation of rivers and streams. Require less land so farmers could be encouraged to continue farming whilst growing long- term woodlots on non-productive agricultural land.

I would suggest that without the tax relief given at the moment for plantations that they would not be commercially viable. As many plantations have been planted on extremely marginal land once the first crop has been harvested the land will either need very expensive rehabilitation such as the sowing of

leguminous crops or heavy fertilising to replace soil nutrients. (Nutrient depletion caused by short-term rotations)

Water Issues related to plantation development

There is a growing issue with water usage and plantations. Plantations uptake of water is vastly increased over native forests. Runoff is decreased leaving less water for downstream users.

(Possibility of litigation in the future for water theft by plantation managers?)

Degradation of lakes, rivers and streams. There are cases where riparian zones have been ignored and clear felled during plantation development.

(Guide Reservoir near Burnie, The Huntsman area in Meander to name two)
Clear felling increases siltation in rivers and streams (Davies P.E and Nelson M) causes streams to become clogged with logging slash and flow channels to more incised (Bunce, McIntosh, Davies and Cook). Chemical pollution is becoming of great concern in Tasmania. Reports have come out that show that there are cancer hotspots and that cancers are increasing at an alarming rate in of Tasmania. For example between 1980 and 1999 there was a 67% increase in the incident rate for Non-Hodgkins Lymphoma, an 86.4% increase in the incident rate for Prostrate cancer a 273.4% increase in the incident rate for Thyroid cancer

Since 1980 the incidence rates for all cancers combined has almost doubled in Tasmania. (Cancer in Tasmania)

There are issues with degradation of rivers and creeks and the extinction of threatened species, eg the Giant Freshwater Lobster and other species of burrowing crayfish.

There are questions over the causes for the loss of giant kelp beds and sea grasses that are possibly linked to the uses of chemicals in plantations.

In conclusion it is my assertion that the tax policies that apply to plantation developers and managers are actually very counter productive. The proliferation of Private Timber Reserves is a matter of grave concern to many Tasmanians because of the automatic removal of such from the local government planning regulations.

There is a lack of transparency in Tasmania on plantation developments

- the exemption of Forestry from FOI legislation
- no statistics on tonnages or costs
- the exemption of forestry operations from the environment and planning laws
- a very close relationship between the Government, its agencies (Forestry Tas) and the main plantation developers (Gunns Ltd). As large areas of state forest are leased to Gunns for plantation development and logging purposes there is a high level of mistrust brought about by the clandestine nature of these dealings. As Gunns

in particular have been making record profits for many years now it is hard to understand why they are in need of any subsidies or taxation relief at all.

- The cosy relationship also could be challenged as anti-competitive if any company had the means to take up such a challenge.

This ends my submission I hope that I have covered the relevant points

Pete Godfrey

References

1 *Davies P.E and Nelson M 1993 "the effects of steep slope logging on fine sediment infiltration into beds of ephemeral and perennial streams of the Dazzler Range of Tasmania Australia"*

2 *Schammell Report collated from information gathered between February 2004 and June 2004.*

3 *Effects of pre-Code forest clear felling on the geomorphology and sedimentology of headwater streams in upland granite terrain, Tasmania S.E.H. Bunce¹, P.D. McIntosh², P.E. Davies³ and L.S.J. Cook³*

4 *Cancer in Tasmania 1980-1999 Tasmanian Cancer Registry, Menzies Research Institute , University of Tasmania.*