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

Dear Sir/Madam

Timber Communities Australia seeks to assist Government in its review of the application of taxation law to plantation forestry, within the context of the Australian Government's broader plantation and natural resource management strategies.

We see the government's support through taxation treatment for industries that support rural and regional communities as an important part of the Prime Minister's vision of a social coalition between the Government, welfare organisations, the business community and individuals.

People from all around Australia who wish to promote the balanced use of our forests formed Timber Communities Australia.

Many of these people work or live in communities that depend on forests and plantations. They all share the belief that timber products, the jobs that forest-based industries provide, and sound management of forest are beneficial for all Australians.

Timber Communities Australia (TCA) is a grass roots organisation and attracts membership from both city and rural communities providing a national, independent voice for thousands of people who are concerned about the future of our forests and plantations.

Our communities throughout Australia have faced uncertainty and threats to their future by the increasing reservation of our native forest by State and Federal Governments. To counter the loss of productive jobs and the threats to many small businesses servicing the sector, there has been a growth in plantation establishment. The Government has assisted communities by developing the Plantation 2020 vision and the current taxation regime.

As trees are a long-term crop they have attracted investment similar to that of walnuts, vineyards and olives. The long time between expenditure in establishing the crop and sale of the harvested timber has led to a number of product rulings that clarify taxation issues. These rulings have given confidence to investors and in turn have led to the creation of jobs and a diversification of rural and regional communities.

Many plantations have been established in the vacuum created by the deregulation of the dairy industry and the cyclical downturn in other agricultural products. Communities have been able to survive due to this new investment.

It would be very frustrating if the taxation treatment of plantations were to change, it may lead to a lack of investment in the bush and depression of rural economies. This could have long-term social impacts such as a drain of our youth to the cities, lack of population to support services such as schools, hospitals and financial facilities.

The importance of forestry both native forestry and plantations can be seen in the Government's Action Agenda that noted the three principal wood-based sectors (forest growing and harvesting, wood manufacturing, and paper production) had an industry gross value added of more than \$5 billion in 1998-99, contributing around 1% to national domestic product. In the same year the industry paid \$2 billion in wages and salaries, with direct employment estimated at 80,000 and indirect employment at about 194,000.

The industry's impact in regional Australia is more pronounced. 186 towns have a forest dependency above 5% (being the number of people directly employed in forest-related industries as a proportion of the total working population). Of these, 104 towns have a dependency in the range of 5-10%; 35 towns have a dependency of more than 20% and 5 towns have a dependency of more than 50%. When indirect employment effects are taken into account, it is clear that the industry plays a crucial role in the economic and social health of rural and regional Australia.¹

For the sector to continue to contribute to the well being of the nation including rural and regional communities the taxation regime needs to encourage investment and needs to be of a long-term nature to ensure that new investors are attracted to the industry and that once each crop is harvested there is certainty to replant a new crop.

The Prime Minister has supported communities that depend upon the forest sector by ensuring the stability that his government has given to the forest products industry through the Regional Forest Agreement process. A change in taxation may undermine that stability.

Any taxation policy must include the principle articulated by the Prime Minister:

"I will never myself be party to decisions that take away from small rural communities the job security of industries which are so important to the future of those communities. And those who sit in glorious isolation in other parts of the country and make declarations that their fellow Australians living far from them should carry the burden, financial and adjustment burden, of their fleeting indulgences and interests; which is really a description of the extreme green position is not a position I will ever support. If people want to embrace an extreme green position, let them invest their own jobs and their own future in that embrace and not oblige others in whom they have no interest or no concern to invest their jobs and their futures."²

Kind regards,



Jill Lewis
National Director

¹ AFFA May 2000, Forest and Wood Futures An Action Agenda To Pursue The Vision For Australia's Forest And Wood Products Industry

² Transcript of The Prime Minister The Hon John Howard MP Community Morning Tea, Longford RSL, Tasmania 1 September 2005