Blueprint Institute

11 October 2024

Independent Planning Commission
Suite 15.02,
135 King Street
SYDNEY NSW 2000

Dear Panel members,

Re: **Submission to the Independent Forestry Panel**

Blueprint Institute welcomes the opportunity to provide a submission to the Independent Forestry Panel. We are an independent public policy think tank, and have undertaken extensive research into the economic implications of native forest logging in Australia in the last two years.

In addition to the following recommendations below, please also see attached our report 'Branching Out: Exploring Alternate Land Use Options for the Native Forests of New South Wales'.

Yours sincerely,



Liana Downey
CEO, Blueprint Institute

The attached paper offers policymakers a blueprint for assessing the true value of our native forests. Recognising the inherent preferencing of the quantitative (particularly when it comes to Expenditure Review Committee processes), we conducted a comprehensive cost-benefit analysis of conserving the native forests of the Upper and Lower North East Regional Forest Agreement areas of New South Wales, also known as the North Coast.

We assess the economic potential of native forest conservation by modelling the value of carbon sequestration and tourism against continued logging. Our findings demonstrate conclusively that there is no economic case for continued logging of native forests on the North Coast of New South Wales.

As is true in other states, including Victoria and Tasmania, logging of native hardwood forest on the North Coast is a loss-making enterprise, subsidised by Forestry Corporation of New South Wales' (FCNSW) profitable softwood plantation division, along with the taxpayer via periodic equity injections from the state government. Based on its own merits, we find that FCNSW's native hardwood division is not commercially viable.

Using cost-benefit analysis modelling we find that ending native forest logging in 2023–24 instead of 2039-40 (the date that the North East Regional Forestry Agreement is currently scheduled to expire), and instead utilising the land for carbon sequestration and tourism will deliver a net benefit valued at $45 million in present-day dollars. This includes the estimated cost of providing transitional packages to the industry as it shuts down, as well as the cost of breaking wood supply agreements that extend to 2028.

The native forests on the North Coast have significant capacity to immediately generate major alternate revenue streams that can replace revenue generated from logging. In particular, we find that managing the North Coast region in a manner consistent with conservation would abate an average of 0.45 million tonnes of carbon annually. This equates to a net present value of $174 million. Our analysis also indicates that increased tourism to the region could, over 17 years, provide a net present value of $120 million. In totality, from present to FY2040, using the forests of the North Coast for purposes other than logging will generate at least $294 million in revenue.

The next government-led five yearly review of the logging industry will commence in 2024, making now an ideal time for impactful analysis. We encourage the New South Wales Government and Opposition to enact the following recommendations

- Immediately cease all government subsidies to FCNSW;
- Create a 'natural capital' weighting that increases the Benefit Cost Ratio of native forests when Expenditure Review Committee decisions affecting them are made;
- Legislate the end of native forest logging in New South Wales;

- Expand land valuation methodologies to include carbon storage, tourism and water;
- Expand hardwood timber plantations to meet hardwood demand;
- Incentivise private investment in timber plantations; and
- Expand formal policy mechanisms aimed at conserving native forests; and
- Plan for an ordered, kind and respectful transition for workers currently employed in native forestry logging.

Our Blueprint for the effective transition of native forestry workers in NSW, is based on a comprehensive global assessment of what it takes to help communities manage a transition out of an industry. Our Blueprint has three components.

To support an effective, just transition, NSW must:

Empower communities

Establishing native forestry adaptation authorities, in regions which currently rely on native timber harvesting to fuel their local economies, can empower timber workers to Australians to deal with obstacles and seize the opportunities presented by a changing landscape. We propose redirecting existing native timber subsidies to provide a pool of funding for the local authorities. With 8,990 workers across NSW currently employed during native forestry transition, a small investment to support them and their communities represents prudent and cost-effective forward planning.

Support workers

In our report 'Branching Out: Exploring Alternate Land Use Options for the Native Forests of New South Wales'. Our analysis found that even a generous adjustment package would be more affordable than the ongoing subsidisation of the industry. Payouts in the form of income insurance, early retirement packages, but even more importantly job search and retraining services, have been shown to be powerful tools to drive gainful employment for those experiencing an industry wind down.

Ensure someone is managing the process

While payouts are helpful, our research (involving assessments of hundreds of communities exiting different industries, including coal and car manufacturing, here and abroad), show that what is absolutely paramount is the focussed attention and leadership of someone clearly accountable for managing the transition. Best practice suggests an appointed leader is required to regularly report on planning and progress, such as the Premier's office. A clear designation of responsibilities will be essential to ensuring an orderly and effective transition process. This person (or persons) should be held accountable against a clear set of metrics, including meeting a deadline for exit, as well as ensuring that the transition plan is clear and well-communicated.

Make a plan and stick to it

The stress associated with chopping and changing of policies and processes is significant. Frequent, clear communication and predictable, realised timelines are a critical element of managing any change process effectively, and have been shown to be particularly important in the phase down of industries.

The plan to ensure a just transition and well-designed NSW Government should mandate existing operators develop proactive plans for any workers displaced, and unable to be redeployed onto other areas (such as revegetation programs), which could be coordinated by newly formed forestry adaptation authorities. Short-term wage subsidies should also be available as a last resort.

Renew economies

Developing a renewal and repurpose strategy for existing land and assets can ensure that regions can adapt and pivot toward new opportunities. Owners and operators may consider opportunities with the Biodiversity Conservation Trust, to match public investment to support protection of existing land. Other substantive opportunities for these regions exist, including eco-tourism development, carbon sequestration projects, and expanded finance and market access for regional biodiversity conservation.

For example — in Japan, government policies which recognise the economic value of native forests (in addition to benefits to land and broader health), have resulted in the rise of 'forest bathing', which has created new markets and business opportunities in Japan, and act as a source of substantial contributions to tourism income. These include, specialised forest therapy bases and programs, tourism services catering to forest bathers, health and wellness products related to forest therapy and training and certification for forest therapy guides.

Consider implementation

Critically important is the way in which these policies are introduced. Lessons from the success and failures of local and international examples are clear. Policies should be proactive—planned and implemented as early as possible. They should be coordinated—involving a wide range of impacted stakeholders. They should be targeted to local communities, rather than a one-size-fits-all approach. And finally they should be diversified—supporting both labour demand and supply, and multiplicative—drawing in private funding and kick-starting growth. This adapted version maintains the structure and intent of the original text while focusing on the transition of native forestry workers and their communities.

We welcome you to read Blueprint Institute's report 'Branching Out: Exploring Alternate Land Use Options for the Native Forests of New South Wales', for further analysis and recommendations.