

Economic Regulation Authority

The Forest Industries Federation of WA (FIFWA) is the association for the timber industry in Western Australia. FIFWA is representative of almost all of the major companies and businesses that operate in the WA timber industry, including the processors and harvest and haul operators for both the native and plantation sectors.

On a recent ABC radio interview it was mentioned that potentially the microeconomic reform would include a review of the Forest Products Commissions Log Pricing Policy, as well as examine ways to remove or streamline unnecessary regulation. Our members are either employed by or customers of the Forest Products Commission (FPC) and we would like to nominate ourselves as key stakeholders with an interest in this area of the microeconomic review.

The timber industry is highly regulated. Unlike nearly all other natural resource industries, the timber industry is not the proponent of its own management plans. Forest Management Plans are drafted via a convoluted process without input from the industry and with minimal involvement of the FPC- who are charged with the responsibility of managing the forests for timber production. The result is always a Plan which further reduces either the quality or quantity of timber resource to the industry while increasing the costs of production. Costs which are ultimately paid by the industry.

Not only does in-forest regulation put constant upward pressure on costs of production, but the interdepartmental duplication is a heavy cost burned to industry. It is our understanding the FPC pay approximately \$10 million per annum to the DEC (now DPaW) for services provided in relation to Fire Management, ICT, Financial and Human Resources. This is an extraordinary amount of money which is ultimately paid for by the industry. A review of the Service Level Agreement between FPC and DPaW by the DoT was due to commence several months ago however has experienced a number of delays. It is anticipated that the review will identify efficiencies which will in turn have a positive impact on operational and administrative costs associated with the FPC's business and FIFWA is keen to see some progress in this regard. In addition to this FIFWA would like to see a review of the interdepartmental duplication in regards to monitoring and regulatory compliance under the FMP which would further reduce administration costs.

In November 2006 a Statutory Review of the Forest Products Act (FP Act) 2000 was completed and presented to the then Minister for Forests. A number of the recommendations from this review have been implemented over the past 5 years. however a number of recommendations which have not been implemented have the potential to further reduce costs and regulatory burden. FIFWA would like to encourage the ERA Inquiry to consider these outstanding recommendations.

Another important report that may be of some assistance to the Inquiry is the "Review of Plantations Business Unit Activities by the interdepartmental committee comprising of DoT, DAFWA, DRD and DPaW. The terms of reference for this committee included:

- The need to provide a long-term supply of wood while reducing dependency on native forests.

- Promoting the establishment of internationally competitive forest product industries requiring sustainable timber supplies.
- The extent to which the current and future plantation resource matches the current commitments and future needs of industry.
- Encouraging the establishment of private hardwood and softwood plantations.

FIFWA understands there will be 2 further opportunities to provide feedback on the ERA Inquiry, which we will be interested in pursuing. In the meantime should you have any questions or queries relative to our initial comments provided above I would be more than happy to discuss further, my contact details are provided below.

Sincerely,
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