

ABC Radio National Background Briefing 30 May 2010 Timber politics

Bunnings, Greenpeace, Ikea and the US Congress are part of an unlikely coalition pushing for a ban on illegally logged timber. An Australian DNA test may solve the problem of enforcement but the Rudd government is yet to impose a ban it promised three years ago. Reporter, Stephen Crittenden.

THEME

Stephen Crittenden: Hello from Stephen Crittenden. Welcome to *Background Briefing* on ABC Radio National.

During the 2007 election campaign the Labor Party promised it would legislate to ban the importation of illegally harvested timber and timber products into Australia.

As Kevin Rudd put it, this was a commitment -

Kevin Rudd: ... to the greater policing and enforcement of an effective national ban on the sale of illegally logged timber imports.

Stephen Crittenden: It's a promise the Rudd government say it still intends to keep, but so far nothing has happened and industry and environment groups say they're frustrated at being left in the dark.

In an effort to push the government into action, an unprecedented coalition has formed around the issue, made up of environment groups like Greenpeace and the Worldwide Fund for Nature, members of the Australian timber and paper products industries, and big timber retailers like Bunnings and Ikea.

Reece Turner is Forests campaigner for Greenpeace Asia-Pacific.

Reece Turner: Well this has been a coalition in the making for some years. And many timber retailers and producers here have the same concerns that we do, for different motivations of course. And now that companies like Bunnings, Ikea and other companies have invested in ensuring illegal timber doesn't enter their supply chain, they're being undercut by other players in the market.

Stephen Crittenden: It's estimated that the value of illegally harvested timber exceeds \$22-billion a year worldwide, and that one in ten trees cut down is harvested illegally.

A similar percentage of the timber products entering Australia is thought to be illegally sourced. That's about \$400-million worth each year, although the European Union has suggested the true figure could be as high as \$840-million. Mostly this illegal timber enters Australia as outdoor furniture, decking, sawn timber for the construction industry, and plywood.

The EU and the United States Congress are also keen to see the Australian government legislate a ban.

On the phone from his office in Washington DC, Democratic Congressman Earl Blumenauer explains why Australia should lend its weight to multilateral action to end the illegal timber trade.

Earl Blumenauer: Well it's going to be essential, because if we have points in the line of defence against illegal logging that are weak, they will be exploited by the cheaters

and the criminals. It's going to end up undercutting what we're all trying to achieve. So it needs to be comprehensive, it needs to be enforceable, and Australia is positioned in terms of the regard that people have for it around the world, and its geographic location, to be able to have profound impact in changing this unfortunate pattern.

Stephen Crittenden: The churches are also playing a prominent part in this campaign, on moral, social and environmental grounds.

Dr Mark Zirnsak is Director of Justice and International Mission for the Uniting Church in Victoria and Tasmania. He says banning illegal timber can achieve a similar outcome to what was achieved by banning blood diamonds.

Mark Zirnsak: So for example, where there were previously conflict diamonds coming out of certain countries in Africa, and horrendous human rights abuses that happened there. We had countries come together collectively, they worked together, they got approval from the World Trade Organisation, and they set up what was called the Kimberley process, which is still in place today, which basically means unless diamonds have been certified through this process, they can't be imported into the countries that have signed up to the Kimberley process and they can't be sold there. And it's had a fantastic impact on combating those conflict diamonds and in curbing the human rights abuses that were attached to them.

Stephen Crittenden: For the churches, the campaign against illegal logging is all about promoting fair trade - fair trade being an idea the churches pioneered - and at the heart of fair trade is the notion of sustainability.

The United States is usually regarded as a leading driver of free trade, so it may come as a surprise to hear that it's part of this coalition too, and that Congress recently legislated to ban illegal timber imports.

One of the key sponsors of that legislation was Democratic Congressman Earl Blumenauer from the timber State of Oregon. He says a similar coalition of timber industry, unions and environmentalists formed around that campaign too, and if fair trade is going to work, probably it will depend on coalitions of this kind.

Earl Blumenauer: It is a very significant development. What we saw here is that when you really distilled the essence of trying to stop illegal logging from making its way into American commerce, it really touched a broad cross-section. First in terms of environmental protection, clearly the people who are cheating in their logging practices are the most reckless in terms of procedures that they use that are extraordinarily damaging to fragile forests, ecosystems, watersheds, and frankly abusive of Aboriginal native people. Second, when this is introduced into the stream of commerce it puts at a disadvantage the people who are playing by the rules, and it ended up costing us over a half-billion dollars in either lost sales or depressed payment for the goods that we could sell.

Stephen Crittenden: US Congressman, Earl Blumenauer.

Simmonds Lumber is one of Australia's leading importers of legal timber, much of it harvested in Indonesia.

Simmonds Chief Executive, Paul Elsmore says there's no point in Australia banning illegal timber imports unless there is going to be a proper system of enforcement, and back in 2007 enforcement is what Kevin Rudd promised. Paul Elsmore.

Paul Elsmore: If you're going to stop illegal products coming across the borders of Australia, really that comes down to border control. It is, in my opinion, the only way in which this can be done. All of this product comes across the wharves or borders of Australia, so this material arrives into this country, in a container, and that is where you need to decide has this product come from an illegal source or is it in fact legal, and therefore the importers of such products need to have the appropriate paperwork in place at that point in time.

Stephen Crittenden: Illegal logging is a particular problem to Australia's near north, especially in Indonesia, which is undergoing deforestation more rapidly than any nation on earth.

In the Indonesian province of West Kalimantan, the endangered orang-utan has been pushed to the brink of extinction as the rainforest is cleared to make way for palm oil plantations. Here's Reece Turner from Greenpeace.

Reece Turner: Indonesia is a key producer of timber products, both legal and illegal, and the rate of deforestation in Indonesia really eclipses anything else that we can see in other countries right across the world. But there are many other countries right here on our doorstep in our region which are pumping out timber products and pushing deforestation in those countries: Malaysia, but also Papua-New Guinea right on our doorstep, where illegal logging rates up to 90% of all the logging that's happening in that country.

Stephen Crittenden: One of the main corporations driving deforestation in Indonesia is the giant Asian forestry conglomerate, Sinar Mas, Indonesia's largest producer of palm oil.

In April, Greenpeace published satellite pictures showing that Sinar Mas has been illegally logging rainforest and peatland beyond the boundaries of its logging concessions in West Kalimantan. And you can find a link to those pictures on the *Background Briefing* website.

Here's Reece Turner again.

Reece Turner: Well Sinar Mas has been picked on by Greenpeace, because it is the key driver of deforestation in many of the most remote areas of Indonesia where rain forests still remain intact. Greenpeace has documented time and time again the illegal and destructive logging practices of Sinar Mas and its subsidiary Asia Pulp and Paper. As a result of Greenpeace's efforts to expose their illegal and destructive logging, many major clients of APP, including Walmart have dropped contracts with APP.

Stephen Crittenden: Walmart isn't the only major company recently to have cut its ties with Sinar Mas or Sinar Mas subsidiary Asia Pulp and Paper, due to pressure from Greenpeace. Other companies to have done so include Unilever, Kraft, Nestlé and Woolworths.

This is the controversial advertisement on YouTube that Greenpeace made recently to spearhead its campaign against Nestlé.

Nestlé is one of the world's major manufacturers of products made from Indonesian palm oil and it's been buying its palm oil from Sinar Mas.

The Greenpeace ad shows an office worker, tired from shredding paper all morning. He unwraps a Nestlé Kit Kat and chomps into an orang-utan bone. Blood goes everywhere.

Instead of having a Kit Kat break, Greenpeace recommends that you give the orang-utan a break.

At first, Nestlé tried to have the ad taken off YouTube, but eventually the company was forced to bow to public pressure, and in March it dropped its palm oil contract with Sinar Mas.

In recent years Sinar Mas subsidiary Asia Pulp and Paper has tried very hard to get endorsement from green groups. In 2003 it signed an agreement with the World Wide Fund for Nature, but the agreement collapsed after six months. Another agreement with the Rainforest Alliance was signed in 2005, but it was terminated in 2007. In the same year APP lost its accreditation from the Forestry Stewardship Council, which is a leading international certification body.

Under mounting pressure, APP recently launched an expensive advertising campaign of its own to demonstrate its green credentials.

APP Advertisement

Man: There is a lot of area in Indonesia that's just covered in wasteland. Forestry is an opportunity to convert that wasteland into, effectively, carbon sinks and carbon sequestration regions.

Woman: Indonesia is a great place to plant trees.

Woman: APP's pulpwood suppliers plant more than 200-million trees a year. APP would like to be the leader in pulp and paper industries worldwide and would like to do it in a responsible and sustainable way.

Man: Authorised by APP Group, Jakarta.

Stephen Crittenden: *Background Briefing* did ask Asia Pulp and Paper for an interview but we were told that a spokesperson was unavailable.

Paul Elsmore, Chief Executive of Simmonds Lumber, has spent decades working across South East Asia. He says there are signs that the amount of illegal logging in Indonesia is being reduced.

Paul Elsmore: In the mid-80s, there were huge volumes of logs, mainly merbau which is the predominant species in Indonesia, leaving the shores of that country illegally run by log barons who obviously were making a lot of money out of this, with little or no control at all. But over the past 10 to 15 years, the Indonesian government, through their forestry departments and so forth, have taken giant steps forward in reducing the impact of illegal logging.

Stephen Crittenden: Paul Elsmore.

This week, Indonesian President Yudhuyono announced a two year moratorium on logging old growth rainforests, in a deal with Norway for which Indonesia will be paid more than a billion dollars.

Meanwhile, the European Union is engaged in a program called Forest Law Enforcement Governance and Trade, aimed at eliminating the trade in illegal timber.

Andy Roby has been working for the program in Indonesia, developing a new accreditation scheme to ensure that only audited legal timber is exported to the European Union. He agrees that the situation with illegal logging in Indonesia is improving.

Andy Roby is on the phone from his home in Jakarta.

Andy Roby: When we started this work here back in 2002-2003, illegal logging was running at 80%, and those were government quoted figures. Now the government has reduced its estimate of illegal logging to something below 50%, and there's a number of reasons for that. There's more law enforcement from the Indonesian government, and we've seen that particularly across the border between Kalimantan on the island of Borneo and Malaysia where we know that before a lot of illegal timber was going across that border. That's more or less stopped. And of course the other reason why illegal logging has gone down is simply the availability of forest has reduced. Most of Kalimantan has been allocated now in concessions. But we are still worried about the timber coming out from land clearance operations, many of which we think are illegal, and bribery has been involved in the licensing or the reallocation of forest to non-forest use. So the demand for oil palm, for instance, has definitely pushed illegal logging in some places.

Stephen Crittenden: Andy Roby.

The Indonesian government is placing increasing emphasis on the connection between illegal logging and organised crime. President Yudhuyono has been talking recently about what he describes as a timber 'mafia', and he has directed Indonesia's Corruption Eradication Commission to take this mafia on. US Congressman, Earl Blumenauer.

Earl Blumenauer: There are very clear criminal elements that are involved here. They move in to many of these sensitive areas. They undercut the rule of law, they bribe officials, or they intimidate officials, or they kill people. And they have run roughshod over indigenous people in case after case, and killed people who are trying to blow the whistle on them.

Stephen Crittenden: According to the EU's Andy Roby, as long as the bribery of public officials remains such a problem in Indonesia, it will be possible to get new logging concessions certified as legal, by bribing public officials.

Andy Roby: The Corruption Eradication Commission in Indonesia has done a great job, particularly with parliamentarians and some of the businessmen and police that have been involved. But we know it's still the way in which business is done. If you want to get hold of your annual licence, your annual quota for instance, there are brokers going around in the Ministry of Forestry and the provincial level, who are doing the deals still.

Stephen Crittenden: But is the Indonesian government likely to take on a powerful logging company like Sinar Mas, if it can be demonstrated that Sinar Mas has been logging illegally.

Andy Roby.

Andy Roby: Very much, and it has suspended licences for forestry companies like that in the past, and there's no reason why they won't do it again. But the stakes are high. These are big companies, they do an awful lot of business, pulp and paper are major exports from Indonesia, so that's what's at risk. But even Sinar Mas, which is much maligned, have made efforts to get themselves audited and certified and they're moving

in the right direction. What they're not seeing at the moment is enough demand coming from some of their key markets. You know, we're also as consumers, Australia, Europe, the United States, Japan, we're all part of the same problem because we're continuing to purchase timber and forest products without checking how legal it is. And as long as that continues, companies like Sinar Mas will continue as far as possible to do the business that they set out to do in the first place.

Stephen Crittenden: The Uniting Church's Mark Zirnsak says the Australian government needs to legislate a ban to show we're serious.

Mark Zirnsak: We see the ban as acting as a point of integrity though. We can't be talking to Indonesia and those kinds of countries and saying well you have to make sure you're not producing illegally logged product, but at the end of the day we'll let anything come through our borders as long as our consumers get it cheap. You know, it's just a nonsense, and it sends completely the wrong message. We need to have the integrity of saying we will not accept illegally logged product and we want to work with you, to help you achieve that, and we will reward you in doing that by only importing product that is legally sourced, and ultimately we hope sustainably sourced as well.

Stephen Crittenden: Mark Zirnsak.

This brings us back to the Rudd government's failure to legislate to ban illegal timber imports. Reece Turner from Greenpeace.

Reece Turner: The election policy that Kevin Rudd brought to the 2007 election was very clear. Then opposition leader Kevin Rudd said he would ban the importation of illegal timber products. It's been over two years since then, and the government keeps telling us they're working on policy.

Stephen Crittenden: *Background Briefing* invited the Forestry Minister, Tony Burke, to be interviewed for this program, but the Minister's office did not return our calls.

Back in February, Tony Burke told ABC Radio National *Breakfast* that the government intended to fulfil its election commitment and was negotiating a series of country-to-country certification schemes to that end.

Tony Burke: Since we came to office we've locked down the agreement now with Papua New Guinea from that, we've locked down an agreement with China, we have an agreement that's nearly concluded now with Indonesia, we're negotiating with both Malaysia and Vietnam on the same sorts of agreements. If you simply say in advance of there being certification schemes in place, that unless you're certified you can't get in the door of Australia, then you just say to a whole lot of developing nations, We're not going to take anything that you've done legally, either.

Stephen Crittenden: Australia's powerful forestry union, the CFMEU, is defending the Rudd government over the time all this is taking.

National Secretary of the CFMEU, Michael O'Connor, says Australia needs to be promoting sustainability in countries like Indonesia and PNG, and that sustainability is a much bigger and more complex issue than mere legality. Michael O'Connor.

Michael O'Connor: I know that people are impatient about wanting change to happen, but I think the main thing in this area is that dealing with forestry issues in developing countries is not easy, and you need a number of approaches to do it successfully. You can't do that without addressing some of the social justice issues in some of these areas,

and if you don't have any regard for the people who currently rely on forestry operations in Papua-New Guinea or Indonesia, then again I don't think you're doing the right thing. And so you'd need certainly a legal regime that says that illegal logging is going to be dealt with, and dealt with forcefully by government, and just putting a ban on illegal logging just in itself, without looking at all the other aspects of this problem, is also I think a bit self-centred.

Stephen Crittenden: Michael O'Connor.

In August last year, *The Age* newspaper reported that Forestry Minister, Tony Burke, had signed off on changes that significantly watered down Labor's 2007 election commitment.

Paul Elsmore, from Simmonds Lumber, is concerned this means we may end up with a system based on self-regulation rather than proper enforcement.

Paul Elsmore: Well I think Labor's position is a long way from where it needs to be. I think the Minister's a long way from where he needs to be. And Tony Burke has been to air to say that he is across the top of the issue, government is legislating, but we're yet to see strong evidence of that. My fear is that it will become voluntary and that there will be no legislation that relates to the point of entry.

Stephen Crittenden: Meaning that Customs won't be involved?

Paul Elsmore: Meaning that Customs, effectively, will not be involved. I don't think there will be any legislation that relates on a direct line through to Customs. I see that as a huge mistake in controlling the import of illegal wood products into Australia.

Stephen Crittenden: Paul Elsmore's fears could be either confirmed or disconfirmed as soon as this week. A major policy announcement from Forestry Minister, Tony Burke, is said to be imminent.

Paul Elsmore says he'll be very disappointed if what we end up with is a voluntary system.

Paul Elsmore: In my mind, Steve, it's not acceptable. 'Voluntary' suggests to me that there's always an out position. 'Yes, I'm trying, but I'm not there yet'. To my mind, it has to have a stronger context than that. There has to be something in legislation that says this is what we require to determine legality.

Stephen Crittenden: The peak body representing Australia's plantation-based timber and paper industries is A3P, and A3P is also part of the coalition pushing the Rudd government to legislate.

But A3P Chief Executive Richard Stanton says there's some middle ground on the kind of measures the Australian government could introduce.

Richard Stanton: We appreciate that it's difficult for the government to place a ban on the importation of illegally logged products because they are so difficult to identify, particularly when we're talking about manufactured wood products or pulp and paper products. But equally we think that the government should introduce some mandatory measure that applies to all importers of wood and paper products. We don't think it's acceptable for it to be entirely voluntary, if you like. So what we think the government could do is introduce a mandatory requirement on all importers that they put in place a

system to ensure to the greatest extent possible, that the products that they import do not come from illegal sources.

Stephen Crittenden: One reason why the Australian timber industry is anxious about what Labor intends to do, is a special consultants report by the Centre for International Economics that was commissioned by the government. In January this year, it recommended against legislating a ban on illegal timber imports.

Here's a short extract from the report.

Reader: The results make it clear that any unilateral action taken by Australia is likely to be ineffective in reducing illegal logging because of the potential for timber products incorporating illegally logged timber to be diverted to less discerning markets and because Australia is such a small part of the global market. The Centre for International Economics recommends that Australia consider only non-regulatory policy options to combat illegal logging.

Stephen Crittenden: And you can read the CIE report by going to the *Background Briefing* website.

The report has been criticised on a variety of grounds. The European Commission has accused it of fudging the figures, underestimating the value of illegal timber coming into Australia and over-estimating the cost of doing something about it.

Plantation and paper industry body A3P says it too was disappointed with the report. A3P Chief Executive, Richard Stanton.

Richard Stanton: Yes, it was a rather disappointing report, I have to say, from our point of view. Essentially it said that illegal logging was a very difficult problem, Australia is a very small player in international wood products trade, and therefore there really wasn't much point in the Australian government playing its part in addressing the problem. And we certainly don't accept that conclusion. We are very concerned about the impact that illegal logging may ultimately have on the wood and paper products industry here in Australia and we think the Australian consumer expects Australia to play its part in trying to address this problem.

Stephen Crittenden: Richard Stanton.

The Uniting Church has written a letter to Forestry Minister, Tony Burke, describing the CIE report as 'amoral' and 'deeply deficient in its social analysis.'

That letter was also signed by a range of other church and environment organisations, and it reminds the Minister that Australia has international treaty obligations to combat organised crime and the bribery of public officials, which the CIE report doesn't mention.

The Uniting Church is especially scathing about the way the Centre for International Economics has factored the proceeds of crime into its cost-benefit model as an economic positive.

Dr Mark Zirnsak says a similar argument could be mounted against taking action to combat slavery or drug trafficking.

Mark Zirnsak: The problem with the Centre for International Economics report was it was simply an amoral economic analysis. It simply crunched the numbers and it showed no concern for whether some of the economic positives it was counting were the result

of criminal activity or human rights abuses. The simple fact is illegal logging is primarily facilitated by the payment of bribes. And on the other hand we also have cases such as some examples in Papua-New Guinea where the logging companies hire thugs to intimidate the local communities in order to facilitate the illegal logging. Now to then say, Well there's an economic benefit or a positive, without any comment on the social impact of the use of armed thugs or the payment of bribes, just struck us as a completely amoral and completely deficient way to approach the analysis of this issue.

Stephen Crittenden: Last month, Forestry Minister, Tony Burke, sent a reply to the Uniting Church letter, distancing himself from his own report.

As we've heard, the United States Congress recently legislated to ban illegal timber imports by amending the century-old Lacey Act. Democratic Congressman, Earl Blumenauer.

Earl Blumenauer: And what we did was to make it unlawful to trade wood products or plants taken in violation of the laws of the United States or a foreign country. It requires importers to file an electronic declaration identifying the species' name and the country of harvest, and this was essentially to make the supply chain transparent and give tools to our government agencies to enforce. Now just by shining the spotlight on it, requiring people to maintain records, it went a long, long way towards discouraging people from being involved in shady practices. I mean people know who they are dealing with. This is not rocket science.

Stephen Crittenden: Last December, Earl Blumenauer was one of 11 Members of Congress who wrote to Australian Prime Minister, Kevin Rudd. Here's an edited extract from that letter.

Reader: Dear Prime Minister Rudd,

As members of the United States Congress who are deeply concerned about illegal logging, and who support fostering the trade in legal and sustainably harvested wood, we were encouraged by your government's commitment to source forest products from sustainable forest practices, and ban the sale of illegally logged timber imports, and we look forward to the implementation of those policies. We extend our support for your government's commitment to take action against the illegal timber trade, as well as our sincere hope that Australia and the United States can join forces to lead on this issue.

Stephen Crittenden: Earl Blumenauer dismisses the argument that Australia is such a small market that banning illegal imports would have little or no effect. Here he explains why he and his Congressional colleagues believe it is so important for the Australian government to legislate.

Earl Blumenauer: Well your position geographically, on the edge of a vast area where there has been abusive logging practices take place, is critical. You are part of a global supply chain, and I think people look to Australia in a way that actually is disproportionate perhaps to your numbers of people. But because you have been a model, you've demonstrated strong leadership in the past, it would make sense, it would have a great deal of impact if Australia would step up its efforts to prevent illegal logging from entering your chain of commerce.

Stephen Crittenden: Democratic Congressman for Oregon, Earl Blumenauer.

Leading Australian timber importer, Simmonds Lumber, is helping to pioneer a new timber certification system using DNA fingerprinting. The technology has been developed by the Singapore-based company, Double Helix.

Paul Elsmore from Simmonds Lumber, says any effective system of timber certification needs to demonstrate a clean and transparent chain of custody all the way from the plantation to the point of entry in Australia.

But before doing anything else, Paul Elsmore says you need to demonstrate that the logging concession itself is legal.

Paul Elsmore: Let me say you have a third party auditor, where you have a certification body that goes into a concession to firstly verify that that concession is in fact legal. The concession owners and so forth, are paying the royalties, they're looking after the indigenous people, etc. etc. I mean that is the first part of the audit before we do anything. Once that's achieved, and Steve, it's a lot of work, it's a hell of a lot of work to put all of that together, and in fact, to get the concession owners to agree to do so. It's a big step. From there, you then need to ensure that the tracking of the logs from that concession, and some of these concessions are in extremely remote areas, that then has to be audited right through that system until that timber is eventually loaded into the container and sent off to Australia.

Stephen Crittenden: Paul Elsmore says a certification system based on DNA sampling, would work very like pathology tests when you go to the doctor, with samples sealed and sent away to a laboratory.

Paul Elsmore: It's a small sample around about the size of let's say a 50-cent piece, that's taken from the outside level of the wood of the tree. It's then packaged, it's sealed and sent through to the University of Singapore which has been working on putting all the database together. They then take that sample, do the DNA on it, it's placed into the database and they're unique. So you can take a table leg that starts off as a log, it then moves through to let's say, China, to be further processed, it then moves through to Vietnam to be packaged and so forth. It then comes on down to Australia. So you sample the log at the concession level and that sample would be able to be matched, when it gets here in Australia, and you could then determine from the database that's been put together by the University of Singapore, as to whether it has come from a legal concession.

Stephen Crittenden: Paul Elsmore says he believes DNA certification won't add significantly to the cost of imported timber even though it sounds pretty high tech.

Paul Elsmore: There's been a lot of reports coming through from the consultants that government have used to say that the cost is horrendous. I don't believe that's the case. Our cost to our consumer here in Australia, using this technology, in my opinion is extremely low.

Stephen Crittenden: Give us a percentage that it's adding to the total cost.

Paul Elsmore: It's a single digit number below 5%.

Stephen Crittenden: Paul Elsmore.

This is *Background Briefing* on ABC Radio National. I'm Stephen Crittenden, and this week we're looking at the move to ban illegal timber imports into Australia.

For the National Forestry Union there are two issues, one is legality, and the other is sustainability. And it's the latter that CFMEU National Secretary, Michael O'Connor says he's more concerned about.

Michael O'Connor: At the end of the day, whether something's legal or not, is not the key question for us. The key question for us will be: Is this company sourcing its wood fibre from a forest that has been managed sustainably?

Stephen Crittenden: Just because it's legal doesn't mean it's sustainable?

Michael O'Connor: Correct. And what people need to realise is that sustainability, forest sustainability, normally means for people involved in the industry, is not just making sure that the environmental values are protected and enhanced, but it also means that social values are protected and enhanced. So these companies not only have to ensure that they're harvesting in a sustainable manner, but that means they have to ensure they have a proper health and safety regime for people who work in the forests, that they're dealing with the indigenous peoples properly, and they're recognising ILO standards. And I think that's a big challenge for some companies. Some of these companies are claiming they've met those challenges, well it needs to be verified.

Stephen Crittenden: Australia's local industry doesn't just want something done about illegal timber imports. The other side of the industry that produces pulp and paper is facing challenges from the dumping of cheap imported toilet tissue.

Australia's domestic pulp and paper industry is worth around \$2-billion a year, and its future viability was the subject of a recent report presented to government by a body called the Pulp and Paper Industry Strategy Group.

The report painted a rosy picture in which the Australian industry has the potential to boost Australia's GDP by more than \$38-billion a year, adding 3-1/2-thousand new jobs over the next ten years.

But at present the state of the industry is far from rosy, with under-investment in new plantations, and plantation companies like Timbercorp and processing companies like Paperlinx going into receivership.

CFMEU National Secretary, Michael O'Connor is Deputy Chairman of the Pulp and Paper Industry Strategy Group. He admits there are many problems confronting the industry but he says Australia can have a sustainable pulp and paper industry that exports to the world and turns a profit.

Michael O'Connor: So while we do have issues currently with problems of investment, companies that have gone broke, there are the ingredients there, out of those what people might see in the service as a bit of a mess, there's there ingredients there to have a sustainable, economically sustainable, environmentally sustainable, and socially sustainable industry that can create really good, safe and well-paid jobs.

Stephen Crittenden: And how much does this growth of \$38.7-billion rely on making further inroads into Australia's old-growth forests?

Michael O'Connor: Well none.

Stephen Crittenden: None?

Michael O'Connor: None. I mean the amount of timber that's sourced from old-growth has been in steady decline over the last three decades, as different forest agreement and forestry arrangements have come into place, and National Parks have been expanded. So the amount of old-growth forest that's available to the industry has been reduced over time. And what most people aren't aware of is that if you're making pulp and paper in particular, it's not the wood you want to source your material from anyway. What you're normally looking for is white, young wood, which is blue gum, or younger wood. It's better to make pulp and paper out of that than it is out of anything that's sourced from old growth forests.

Stephen Crittenden: Michael O'Connor.

One issue affecting the viability of the Australian industry is dumping of cheap toilet tissue on the Australian market.

Several years ago Asia Pulp and Paper began dumping the tissue at well below the price at which the Australian industry was even able to purchase the raw pulp.

Dumping is a form of predatory pricing, and under the rules of the World Trade Organisation, Australia has the right to impose penalties in the form of tariffs on dumped products.

Ross Hearne is Managing Director of Corporate Services for local tissue manufacturer, Kimberly Clark Australia. He says the present anti-dumping regime is inadequate.

Ross Hearne: Dumping is extremely difficult to prove. You have to be able to show three things: first of all you have to be able to show that a product's been dumped, and what I mean by dumped is that it's being sold in the local market at a price below the domestic market. You've then got to be able to show that there's material injury to the complainant, you've got to be able to show cause between the material injury and the actual imports. So that's the three conditions that have got to be met. You've also then got to have 12 months of injury before you can complain, and then you have to go through a very detailed investigation, which typically takes 12 to 18 months. So first of all you've got typically two years or more of injury before you're likely to get any relief, and second of all, you obviously need quite an amount of money to do that, and that's not open to many manufacturers in Australia.

Stephen Crittenden: Local Australian tissue manufacturers say the dumping of cheap toilet tissue by Asia Pulp and Paper has been devastating for the local industry.

Ross Hearne from Kimberly Clark Australia.

Ross Hearne: and there were increasing amounts of tissue coming in from Indonesia in private label, and in fact it reached around about 7% of the market by about the end of 2007 when in fact we got relief through the dumping action. We started that investigation, middle of 2005, Customs investigated very extensively; they actually travelled to both Indonesia and China as part of that investigation. They interviewed the local players as well; we opened our books to Customs so they could fully investigate everything in terms of the finances that we had and the claims we were making, and then they came up with the recommendation, which is in fact that duty should be imposed on both China at the 5% level, and on Indonesian imports at the 38% level.

Stephen Crittenden: But then last year, the government ordered a review of the anti-dumping tariffs it had imposed. The local industry was not allowed to present its case to this second review. According to Kimberly Clark the goalposts were also moved,

changing the basis on which costs were compared, and changing the time frame to factor out a major investment Kimberly Clark had made in new plant and equipment in 2004.

When Parliament resumed in February this year, the decision to overturn the dumping notice provoked a series of questions to the Minister representing the Attorney-General in the Senate, Penny Wong, from South Australian Independent senator, Nick Xenophon.

Speaker: Senator Xenophon.

Nick Xenophon: Supplementary. Does the government not consider the possible loss of up to 4,000 jobs nationally as a result of this one decision, including 1500 in the south-east of South Australia alone, to be 'material injury'?

Speaker: The Minister.

Penny Wong: Well as I said in my earlier answer, of course the government is concerned to ensure that Australian industry and jobs are protected, where dumping of imports causes or threatens to cause material injury. The reality is, through you, Mr President, that Customs concluded that the injury suffered by the applicants was caused more by competition in the industry, not dumping. The fact is that the international anti-dumping system requires dumped goods to have caused material injury to the Australian industry. That was not the finding of Customs, not the finding -

Speaker: Time's expired.

Stephen Crittenden: Now Kimberly Clark and Australia's other major local producer, SCA, have launched legal action in the Federal Court. Ross Hearne.

Ross Hearne: Yes, this decision was referred to the Trade Measures and Review Office for review. The Trade Measures and Review Office found a range of issues in their consideration. They referred that back to Customs, Customs rejected most of those findings, except for one which said that the material injury wasn't caused by the imports, but was caused by local competitive factors. We reject that finding vehemently actually, and in fact we've got data to allow us to reject that finding, but of course we never got a say because there's no court of appeal for a further review, once that decision's changed. And that's the problem we have in all of this, is that a decision can be overturned like this without us being able to comment on the additional facts that have been considered.

Stephen Crittenden: In October last year, the *Jakarta Post* newspaper reported that Indonesia's Ambassador to the World Trade Organisation had met with his Australian counterpart in Geneva, threatening to take a formal case to the WTO unless the anti-dumping penalties were revoked.

On December 31st they were revoked. At the time, Australia was also involved in delicate negotiations with Indonesia over asylum seekers leaving for Australia by boat.

Ross Hearne of Kimberly Clark says the timing of the decision was questionable.

Ross Hearne: Yes, I'm not going to comment directly on that, but certainly I think it would be fair to say that we were concerned at the timing of that decision, but I won't comment further on that.

Stephen Crittenden: What aspect of the timing are you talking about?

Ross Hearne: Well there were a whole lot of issues at the time with the relations between Indonesia and Australia, at the time of that decision.

Stephen Crittenden: Ross Hearne, from Kimberley Clark Australia.

The local industry body A3P says the government needs to review its decision all over again.

Here's Richard Stanton.

Richard Stanton: Well there are only three or four manufacturers of toilet tissue in Australia. It's if you like, a commodity product, and I guess the name of the game in producing commodity products is to minimise your costs as much as possible and spread those costs across as large a volume as possible. But it is a very competitive business, as I say. Australian manufacturers are competing with large producers in other parts of the world, and the margins are not great.

Stephen Crittenden: And we don't always know where they're sourcing their pulp from, some of these overseas competitors.

Richard Stanton: Yes, and that brings us back to the illegal logging issue. Certainly if a producer is able to access very cheap wood fibre, possibly because some of it comes from illegal sources, then that would reduce their costs substantially.

Stephen Crittenden: Richard Stanton.

Greenpeace campaigned to get Woolworths to stop selling the cheap toilet paper from APP.

Protestor: Wake up, Woolworths! Show some real green credentials! By using APP you continue to be one of the world's largest emitters of CO2 and other greenhouse gases. This has to end!

What we're doing is protesting about Woolworths, and their unsustainable tissue product, the Select brand paper products. They're made by Asia Pulp and Paper, one of the least sustainable fibre manufacturers in the world.

Stephen Crittenden: Woolworths has since dropped its contract with APP.

It's not so long ago that Kimberly Clark was itself the target of a major Greenpeace campaign in the United States over where it sourced its woodchips.

Since then, Kimberly Clark has invested heavily in creating a sustainable operation here in Australia, consulting with environment groups as part of that process.

But Ross Hearne says there's no point having a sustainable industry if it's going to be undercut by overseas competitors who are producing toilet tissue unsustainably.

Ross Hearne: I don't have a problem with cheaper tissue per se. The issue here is that of course it's not a level playing field because we can't purchase for example fibre that is cheap, that comes from clearing of rainforests in Indonesia, that might come from companies that have very different labour practices to Australia, and so they're factors that provide cheap tissue that we can't have here, and nor would we want to have here.

Stephen Crittenden: As we've heard, Asia Pulp and Paper managed to gain a 7% share of the Australian market with its cheap toilet issue, until the Australian government's anti-dumping measures brought the local industry some temporary relief.

But the local industry always believed APP would be back. Now a subsidiary of APP, a company called Solaris, has announced that it's opening a new plant in the Western suburbs of Sydney. Solaris will import large bulk rolls of tissue from Indonesia and convert them into packs of toilet tissue.

So how significant is this development for the local Australian industry?

Ross Hearne is General Manager Corporate Services for Kimberley Clark Australia.

Ross Hearne: Well it's very significant. I might add that it's only investing at the very end of the tissue supply chain, and there's not a lot of jobs. And I'll give you an example.

Stephen Crittenden: It's not tissue-making?

Ross Hearne: It's definitely not tissue-making, it is converting of tissue into toilet tissue packs. That's all it is. And there's about 50 jobs there. Now you can compare that to our Millicent, in South Australia, operation, which is a pulp and paper manufacturing operation. There's something like 600 people employed in that operation, and there's something like about 1500 jobs in the region that are dependant on that operation. So a huge difference in employment when you've got a full manufacturing operation versus a simple converting operation.

Stephen Crittenden: Of course the thing is that that's tissue that's going to be labelled in the supermarkets now, 'Made in Australia'.

Ross Hearne: That's correct. It'll be labelled 'Made in Australia from imported ingredients'.

Stephen Crittenden: Now Asian Pulp and Paper obviously one of your competitors, we understand that. But this is the same company that has been dumping toilet tissue at 40% below the cost that it can be obtained here in Australia, by companies like you. How vigilant is the local industry going to be, and what indeed will you be looking for?

Ross Hearne: Well we'll be extremely vigilant. But the import of the large rolls used to convert into toilet tissue were not subject to the previous dumping claim. So even if we believe that in fact there is an issue here with the import of these large rolls, it potentially could take us another two to 2-1/2 years to gain any relief from government. That's one of the problems with the dumping legislation and rules as they are now.

Stephen Crittenden: *Background Briefing's* Co-ordinating Producer is Linda McGinness.

Technical production this week by Judy Rapley.
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Executive Producer is Chris Bullock.

I'm Stephen Crittenden and this is ABC Radio National.

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