RETAILING THE FORESTS

CONFRONTING THE AUSTRALIAN RETAIL SECTOR'S INVOLVEMENT IN NATIVE FOREST DESTRUCTION

CONTENTS

Cover image: Logging coupe in the Styx Valley, Tasmania / Rob Blakers (digitally altered)
Right: Tarkine rainforest / Rob Blakers
Far right: Logging coupe on Brown Mountain, East Gippsland, Victoria (digitally altered)

RETAILING THE FORESTS

EXECUTIVE SUMMARY

Retailing the Forests turns a focus on the least scrutinised aspect of the long-running conflict over Australia's native forests: the Australian retail stores that are helping to drive this environmental tragedy. Largely ignored by the ferocious forest campaigns to date, these stores include some of Australia's largest and best known retail outlets.

Markets for Change (MFC) was established in 2010 to use the power of markets as a transformational approach to resolving seemingly intractable environmental problems. By investigating and exposing everyday consumer products that are driving the destruction of forests, MFC will enlist the support of retailers and consumers to protect the world's last native forests.

This report reveals the link between the destruction of Australia's native forests and the everyday consumer products on the shelves and showroom floors of many of Australia's top retailers. Consumers walking into their stores to buy furniture, flooring, wood, paper and other products are unknowingly driving the destruction of Australia's unique native forests and the world's primary forests.

Retailers now have a vital role to play in helping to protect Australia's native forests and the world's primary forests, and lead the way in developing a responsible and ethical market for wood and paper products in Australia. This approach follows on from the recent high-profile successes by market pressure campaigns overseas, which have caused major international retailers and businesses to radically alter their forest-products procurement policies and help drive forest protection.

Ongoing investigations by MFC reveal that almost all major retailers of wood and paper products in Australia are complicit in the destruction of Australia's native forests. Australia's globally significant native forests contain the tallest hardwood trees and include forests with the highest carbon density on Earth. Rich in biodiversity, they are home to many iconic and threatened wildlife species such as the Leadbeater's possum, the Tasmanian wedge-tailed eagle, the black cockatoo and the koala. Just as worrying is the strong suspicion that some of these products are related to the devastation of primary forests in countries like Indonesia, where some of the world's most endangered forest species, such as the orangutan, are being driven towards extinction by logging and the establishment of palm oil plantations.

Based on recent analysis, the solution for Australian retailers is clear. There are enough plantation resources available in Australia today to practically replace all domestic and imported wood and paper products that rely on native forest destruction.

KEY FINDINGS

FORESTS

Of all the planet's terrestrial species, 80 per cent depend on forests, including iconic species such as the endangered orangutan in Indonesia and the critically threatened Leadbeater's possum in Australia.

An area of forest twice the size of Tasmania is lost globally every year.

Across Australia, 1,287 forest-dwelling species, including the Leadbeater's possum and black cockatoo, are listed as vulnerable, threatened or endangered under the *Australian Environment Protection and Biodiversity Conservation Act 1999.*

A 2010 Galaxy poll showed that 77 per cent of Australians agreed that the federal government should end the logging of Australia's native forests in order to conserve their significant carbon stores. And 90 per cent of Australians wanted to see Tasmania, Victoria and New South Wales' high conservation value forests protected in national parks.

There are ongoing industrial logging operations in the native forests of Tasmania, Victoria, New South Wales and Western Australia.

Globally, forests have a crucial role to play in reducing climate change: 30 per cent of human-caused emissions of carbon dioxide are removed from the atmosphere by the world's forests.

The annual cost of ongoing deforestation and forest degradation to the global economy has been priced between US$2 trillion and US$4.5 trillion.

RETAILERS

Detailed research shows that more than 30 of the largest Australian retail chains stock products that originated from Australia's native forests, as detailed below.

Furniture: Harvey Norman, Forty Winks, Snooze, Focus on Furniture, Everyday Living, Sleep City, Domayne, Freedom Furniture, Furniture Court, Furniture One, Bedshed and OzDesign.

Flooring and home improvement: Bunnings, Mitre 10, Home Timber and Hardware, Hudson Building Supplies, Perfect Timber Floors, Decorug, Australian Floor Style and Embelton.

Paper: Australia Post, Officeworks, OfficeMax, Office Products Depot, Staples, Woolworths, Office Choice, Dick Smith, Target and IGA. Officeworks also stocks paper that comes from Indonesia.

None of these retailers has a publicly available forest-products procurement policy that prevents them selling products from native forests in Australia or from primary forests overseas.

SUPPLY

Australian National University (ANU) economist Dr Judith Ajani has recently released new insights into the state of Australia's native forest and plantation industries. Her research shows a troubled and declining native forest sector, dwarfed by a stable and growing plantation sector. Native forest product is shown to be highly vulnerable to competition from the plantation sector.

Most crucially, there are currently enough available plantation resources – both in softwood and in hardwood – to replace the need for native forest based products entirely. This is true for all categories, and includes imported timber and paper. Some market adjustment and investment in processing capacity is required, but the solution to our native forest crisis is imminently achievable.

"Logging native forests is faced with declining and uncertain markets, at a time when the broader Australian community is strongly opposed to the harvesting of our natural forest for woodchips." Greg L'Estrange, Managing Director, Gunns Ltd. November 2010.

"The hard truth is that the native forest industry in every state is in crisis … Our industry is on the verge of collapse." Michael O'Connor, National Secretary of the Forestry and Furnishings Division, Construction, Forestry, Mining and Energy Union (CFMEU). October 2010.

RECOMMENDATIONS

Markets for Change advises all retailers in Australia, as a matter of urgency, to:

1. Publicly commit to stop selling products that are made from Australian native forests or from primary forests overseas. In addition, retailers should commit to not purchasing products from companies that are involved in the logging and processing (or related activities) of Australia's native forests or primary forests overseas;
2. Implement comprehensive wood and paper product procurement policies that specifically exclude the purchase of products made from Australian native forests and from primary forests overseas. In addition, such policies need to give preference to plantation products with full Forest Stewardship Council (FSC) certification, and;
3. Work proactively with all key stakeholders, including governments, non-government organisations, the forestry industry, consumers and other retailers to implement a rapid transition for Australia's forestry industry out of native forests and into responsibly managed plantations.

Markets for Change will work positively and constructively with those retail companies and businesses that take action to protect the world's forests. But this needs to happen urgently. Time is running out.

Background image: Logging coupe in the Styx Valley, Tasmania / Alan Lesheim
Far left: Scheduled logging coupe in the Weld Valley, Tasmania / Rob Blakers
Far right: Logging coupe in the Upper Florentine Valley. This tree and the surrounding forest were logged in 2009 / Rob Blakers

PART ONE: THE ELEPHANT IN THE SHOWROOM

1.1 WHY THE RETAILER SHOULD BEWARE THE *EMPOWERED* CONSUMER

The hypothetical scenario in Example 1.1 is becoming increasingly plausible for many sections of Australia's furniture, wood products, paper and even food industries.

These retail sectors are implicated in the ongoing destruction of native forests in Australia and overseas. This report examines how members of the retail sector might react to a consumer response of this kind; and the implications of their actions for the industries that feed them, for the consumers who fund them and for the natural environment and communities that continue to pay the ultimate price.

Example 1.1: Is this the future for Australian wood and paper retailers?

Jane Public walks into a furniture store and examines a coffee table, then walks into the store next door and examines another. Both tables are almost exactly the same in style, quality and price. Which one should she buy? While she is considering the choice, her ten–year-old suggests she 'Google it'.[1] Jane pulls out her smart phone and types in the names of the two tables and the stores that sell them.

- **The first link** that comes up tells Jane that Store A's table comes from Victoria's threatened mountain ash forests, and Store B's from a purpose-grown plantation. For the price of the table, it suggests, the customer can also (A) help contribute to the ongoing logging of the habitat of endangered Leadbeater's possums, or (B) buy plantation-based furniture that does not harm threatened wildlife.
- **The second link** is an online discussion forum, where dozens of customers have posted comments stating that Store A is unethical for selling products that are harming endangered species; and that other customers were very happy with the product they bought from Store B instead.
- **The third link** has a conservation group running a Facebook campaign to boycott Store A because of their link to logging in biodiverse native forests.
- **The fourth link** is the official website for Store A. While the site makes no reference to these broader issues, it has recently had to remove the 'customer comments' section from the page in response to the increasing number of critical comments being posted there by customers. It seems they are trying to hide *the elephant in their showroom.*

This scenario is beginning to play out – in numerous ways – for many retail industries both in Australia and around the world. It is becoming a regular occurrence today for someone buying a piece of new technology, researching an illness, booking a hotel or even renting a movie to review the collective opinion of others online before making a decision. It is easy for an average consumer today to read a number of bad reviews or negative judgments by other customers online, and then to make a decision to avoid the product – switching to one that garners more positive consumer reviews. In this sense, there is a transfer of power occurring, from the company to the consumer community, in terms of who has primary influence over the decisions of customers. These are all early warnings of the influence on the retail sector of what could be termed modern 'consumer empowerment'.

1.2 THE CONSUMER AND SOCIAL MEDIA

In the social media age, when change happens it happens fast. Social networking can mobilise people – to collective action, or to new opinions – faster than almost any large social force in history. This growing phenomenon is beginning to have significant consequences for retailers today.

In past decades, *centralised communication* – by which a single entity (like a company) talks directly to thousands or even millions of people – allowed companies to largely control their own marketing and information dissemination. This is the 'one-to-many' communication model, and utilises media that allow centralised control of a message, such as television and newspaper advertising, mass media and web 1.0 (the internet before social networking). With the rise of the *networked communication*, which is promoted by social media, this kind of control is no longer achievable. This is a 'many-to-many' communication model, through which millions of people can talk directly to any of millions of other people, via Facebook, Twitter, YouTube, forums, blogging, chat pages and an almost endless array of other web 2.0 vehicles, without a centralised hub or point of control.

Control of the message is enormously difficult when you don't control the conduits of communication. In many-to-many social networks, the 'truth will out.' Any mistruth, exaggeration, omission, mistake, trickery or 'greenwash' by a company (or politician or anyone else) will almost instantly be picked up, dissected, lambasted, spoofed and disproved in the social media. This can have a deep effect on a company's or product's brand, and – once it passes a certain point – there is little the company can do about it.

Example 1.2 A: Vodafone

In December 2010, a disgruntled customer of Vodafone launched his own website, vodafail.com, to provide a forum for complaints. By the following month it had reached 150,000 visitors, collected 12,000 complaints,[2] and helped spark a 20,000-person class action against Vodafone.[3]

By February 2011, less than three months later, Vodafone was forced into a major response: 'Vodafone Hutchinson Australia (VHA) has acknowledged the shortcomings of its services and will invest $1 billion on network upgrades in a bid to resuscitate its public image. The telco has been pummelled by the popularity of Vodafail, a website devoted to letting Vodafone customers vent about problems with the network.'[4]

Example 1.2 B: PR crises and social media

A 2010 survey examined the influence of social media in the creation of public relations crises for companies.

'Seventy per cent of public relations and communications agencies cite social media as a major cause of communications crises, according to a survey conducted by Dynamic Markets, a research consulting firm. One hundred senior PR professionals took part in the survey early this year [2010] which revealed:

- 24% said traditional media had ignited crisis situations
- 34% said bloggers had been to blame
- 24% said crises had started in online social networks
- 8% said discussions in online forums had been the root of crises.'[5]

In Australia, many retailers of furniture and other wood products, paper and food are profiting from environmental damage to Australia's native forests and to primary forests overseas, which could provide plenty of fuel for bloggers, social networks and online forums. This hitherto ignored issue is the retailers' 'elephant in the room' which, in a world of social media, retailers might find hard to keep hidden.

Should furniture, paper and food retailers respond proactively to this elephant in their collective showroom – before it starts to run amok? And how? In the social media age, it is more dangerous than ever for retailers to attempt to hide the wider environmental costs and implications of their business practices, and the products they sell, from their customers.

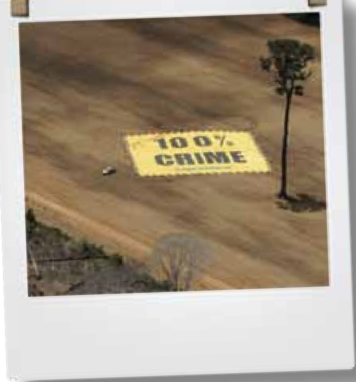
1.3 MARKET PRESSURE CAMPAIGNS

Although natural consumer shifts such as those described present a problem for retailers, it is the kind of problem that businesses have always had to deal with: adapting in the face of change. By itself this should not be an insurmountable problem. The more worrying prospect for retailers is if empowered customers, who are also communicating via an online community, decide to pursue a cause collectively.

A wide variety of community-run environmental campaigns has been undertaken globally in modern times. One particular type of community campaign is highly relevant to retailers.

It is the *market pressure campaign*. The global market pressure campaigns of the recent past have had a major impact on many retailers – including corporations often far larger than most retailers operating in the Australian furniture and paper products sectors.

EXAMPLE 1.3 A: MCDONALD'S AND THE AMAZONIAN RAINFORESTS



In April 2006, the environmental organisation Greenpeace launched a campaign to convince fast food giant McDonald's to stop using chicken fed on soya from the Amazon.

Forest clearance to grow soya for chickenfeed was becoming a significant contributor to destruction of the Amazonian rainforest. An online and direct action campaign resulted in thousands of letters and emails being sent to McDonald's by the public. By July, three months later, this campaign resulted in McDonald's joining with Greenpeace to force Brazilian soy traders to create a two-year moratorium on all trade of soya grown on newly deforested land.[6] As of 2011, five years later, the moratorium is still in place.[7]

All of the images on page 7 and 8 have been used as part of a Greenpeace campaign.
Second from left on page 7: Forest crime action banner, Santarém, Brazil / © Greenpeace / Daniel Beltrá
Far right on page 7: Forest action at McDonald's store, London UK / © Greenpeace / Jiri Rezac
Second from left on page 8: Forest Action at Nestlé HQ in Amsterdam / © Greenpeace / Gerard Til

EXAMPLE 1.4 B: NESTLÉ AND THE INDONESIAN RAINFOREST

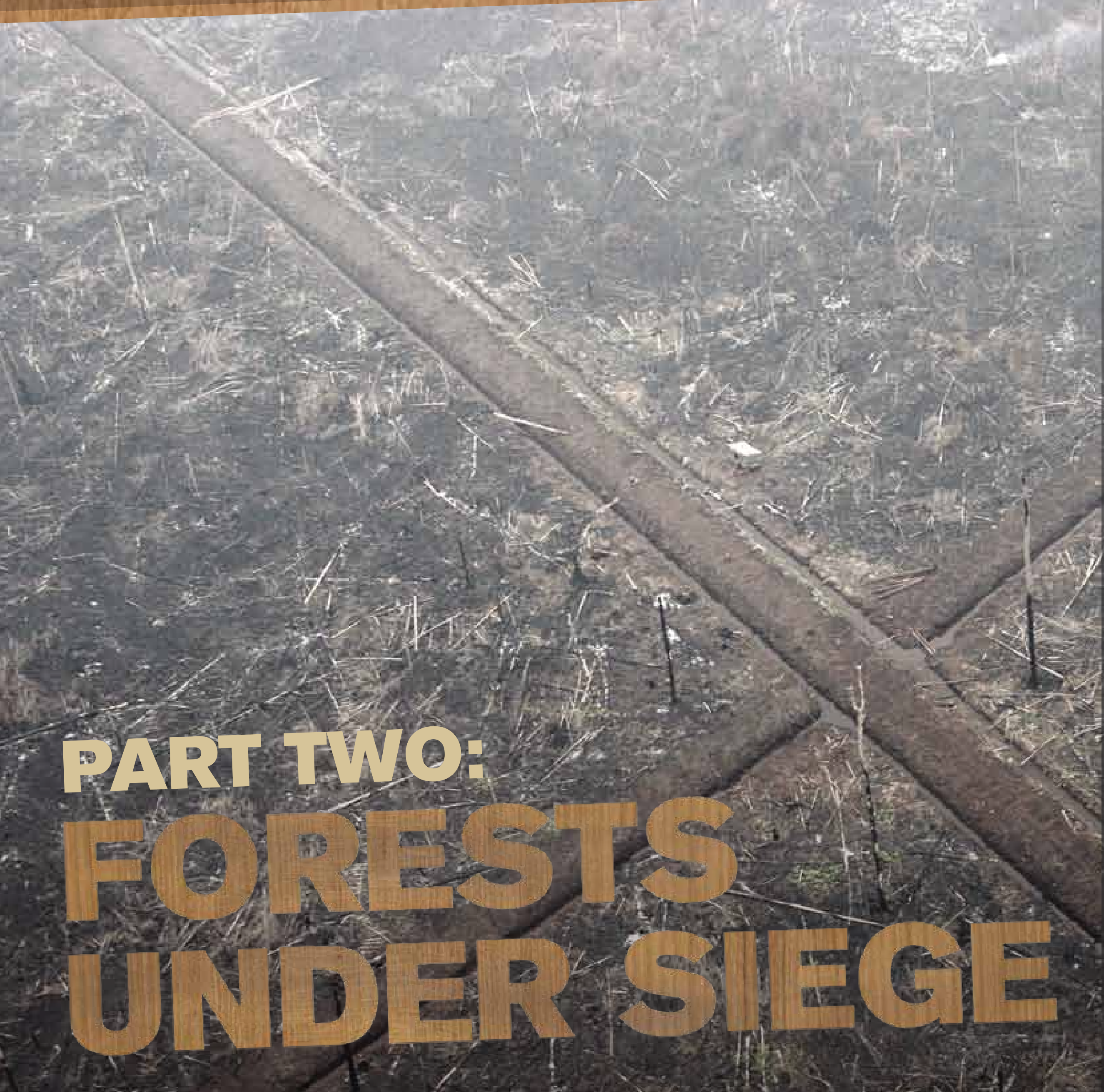
In 2010, Greenpeace launched another campaign, one to convince Nestlé to stop sourcing the palm oil in their Kit Kat product from plantations in Indonesia, which were being established on recently cleared rainforest.[8]

They uploaded a video for the campaign, "Have a Break?", to YouTube; and then to Vimeo when Nestlé had the YouTube video removed. In the course of the two month campaign, the video was viewed more than 1.5 million times, and hundreds of thousands of people flooded Nestlé's Facebook page with comments, twittered on the issue, or emailed Nestlé directly. Within two months, Nestlé had publicly committed to stop using all products related to Indonesian rainforest destruction.[9]

WOULD YOU BUY THIS COFFEE TABLE IF YOU KNEW WHERE IT CAME FROM ?

In the past, individuals have contributed to market pressure campaigns such as consumer boycotts through their individual purchasing power, by deciding not to buy a product for ethical reasons. Today, an individual consumer's impact can be magnified well beyond their own purchasing choices: they can now influence the purchasing choices of a large number of other people by going online and using social media. Social media can convert individual consumer choices into a collective consumer choice; the modern consumer boycott, utilising social media, has the potential to be far more pervasive than the boycotts of previous eras.

The consumer landscape is changing, and Australian wood, paper and food retailers are likely to be increasingly vulnerable in the face of that shift – unless they recognise these evolving circumstances, and respond proactively and appropriately. Any response must focus on the native forests elephant that is sitting in their collective showroom. 'Greenwashing' the problem has become increasingly difficult, if not impossible, in the age of social networking. If the link between native forest destruction and the retailing of wood and paper products is widely known, it will be in the best interests of retailers to take public action to help stop native forest destruction. In a time when Australia's and the world's forests are in crisis, inaction will be likely to provoke modern empowered consumers to take action.



PART TWO: FORESTS UNDER SIEGE

Above: Burned forest in plantations around Riau province, Sumatra, Indonesia / © Greenpeace / Vinai Dithajohn
Far right: Piles of wood at Riau Andalah Pulp and Paper Company owned by the April Group, Sumatra, Indonesia / © Greenpeace / Daniel Beltrá
Inset right: Dead orangutan being carried off a palm oil plantation, Indonesia / Center for Orangutan Protection
Inset far right: Deforested land in East Kalimantan, Indonesia / © Greenpeace / Oka Budhi

2.1 A GLOBAL FOREST EMERGENCY

The Earth's natural forests are in crisis. Ongoing deforestation and forest degradation caused by logging, agriculture and mining operations, along with the expansion of human settlements and infrastructure, are continuing to decimate forest ecosystems across the globe. This destruction of the world's forests – from the tropical rainforests of Indonesia to the temperate tall-eucalypt forests of Tasmania – is occurring at an alarming rate.

The world's forests currently cover over 4 billion hectares (ha), or 31 per cent of the world's total land area.[10] Forests provide a number of vital ecosystem services that underpin life on Earth, including providing clear air and water and the protection and regulation of soil health. They regulate our climate and store enormous amounts of carbon – more than twice the amount that is present in the atmosphere.[11] Our forests remove approximately 3 billion tonnes of human-produced carbon every year (around 30 per cent of annual carbon dioxide emissions from the burning of fossil fuels and net deforestation combined)[12] and therefore have a critical role to play in avoiding dangerous climate change.

Forests are essential for conserving biodiversity: they are home to 80 per cent of the planet's terrestrial species.[13] Some of the world's most diverse and species-rich ecosystems are found in primary forests, and most significantly in moist tropical forests.[14] The world is currently facing a biodiversity crisis, as highlighted by Jane Smart, the director for the International Union for Conservation of Nature's (IUCN) biodiversity conservation group. 'We are facing an extinction crisis … The loss of this beautiful and complex natural diversity that underpins all life on the planet is a serious threat to humankind now and in the future'.[15] In a world where 21 per cent of all known mammal species, 12 per cent of all known bird species and 30 per cent of all known amphibian species are threatened with extinction,[16] the protection of our biodiverse forests is a matter of the most crucial global significance.

Global forest cover has decreased by about 40 per cent over the past 300 years, and 75 per cent of this reduction has transpired over the last 200 years. In fact, natural forests have vanished completely from 25 countries, with another 29 countries retaining less than 10 per cent of their natural forests.[17] Today, global rates of deforestation remain disturbingly high.

The Food and Agriculture Organisation of the United Nations (FAO)[18] has estimated that, over the last decade, an area of forest around twice the size of Tasmania (approximately 13 million ha) was converted to other uses or lost through natural causes every year.[19]

Between 1990 and 2005, approximately 75 million ha of primary forest, or an area more than three times the size of Victoria, was lost (at an estimated annual rate of 5 million ha).[20] Today, primary forests account for about one-third of total global forest area, although this is continuing to decrease at an alarming rate. It is estimated that we are still losing 4 million ha of primary forest annually.[21]

The costs associated with decades of rampant deforestation and forest degradation have been formidable. The abundance of forest species has decreased by approximately 30 per cent over the past century, with projections showing a further loss of 38 per cent between 2008 and 2050.[22] The International Panel on Climate Change (IPCC) estimates that forestry and land use change-related emissions account for approximately 17 per cent of annual global greenhouse gas emissions.[23] The logging, burning and conversion of tropical forests and peatlands in developing countries are of particular concern – Brazil and Indonesia's projected emissions for 2008–2012 from deforestation alone are comparable to the entire reduction targets of all industrialised countries for the same period.[24] The cost of ongoing deforestation and forest degradation to the global economy has been priced between US$2 trillion and US$4.5 trillion per annum.[25]

EXAMPLE 2.1 INDONESIA

The archipelago of Indonesia is home to the world's third-largest expanse of tropical rainforest[26] and almost half of the world's tropical peatlands.[27] The conservation of the world's peatlands is crucial, particularly within a climate change context. Peatlands cover approximately 3 per cent of the world's total terrestrial area, but store up to one-third of all soil carbon.[28] The protection of Indonesia's tropical peat swamp forests is a globally significant issue for both climate and biodiversity-related reasons.

Indonesia's forests are among the world's most biologically diverse ecosystems, being home to 17 per cent of the planet's bird species, 16 per cent of reptiles and amphibians, 12 per cent of mammals (including some of the last remaining populations of orangutan, pygmy elephants and Sumatran tigers and rhinos) and 10 per cent of all flowering plants.[29] These spectacular tropical forests cover approximately 98 million ha, which is more than half of the country's terrestrial area.

Indonesia is also home to some of the most destructive and extensive logging operations on Earth. Between 2000 and 2005, the rate of deforestation across Indonesia was, on average, 1.09 million ha per year, an area more than six times the size of Sydney's urban land area.[30] In Sumatra and Kalimantan alone, 5.39 million ha of forest was lost between 2000 and 2008, representing 5.3 per cent of the two islands' total land area and 9.2 per cent of their forest cover as mapped in 2000.[31] Palm oil plantations, timber plantations and other forms of agriculture replace these vast areas of forest after they are cleared, drained (in the case of peatland forest) and burned. In total, 41 per cent (77.8 million ha) of Indonesia's total forest area has been critically degraded.[32] This is an area of land almost as large as New South Wales. Indonesia is the world's third-highest climate polluter after the USA and China, emitting 3 billion tonnes of carbon dioxide annually. Some 85 per cent of these emissions come from forestry and land use change.[33]

Deforestation and both legal and illegal logging operations are still occurring on a massive scale in Indonesia. Palm oil plantations and plantations for pulp and paper production continue to help drive this deforestation. Any wood, paper or palm oil product originating from Indonesia is suspected of being involved in the destruction of Indonesia's rainforests and Australian retailers of these products are helping to drive this ecological disaster.

2.2 AUSTRALIA'S FORESTS

Australia's world-class native forests are highly diverse ecosystems that are of immense environmental, social and economic value.

Native forests cover 147 million ha, and are largely comprised of eucalypt forest types.[34] These globally significant forests provide vital ecological services by protecting and regulating the health of our air and soil, and acting as crucial water catchment areas. They are essential in helping to conserve our unique biological and geological diversity.

Our native forests and woodlands contain a substantial proportion of Australia's total terrestrial biodiversity. More than 300 Australian vertebrate species depend for nesting and shelter on hollows that exist in big old trees,[35] which are largely absent from regrowth forests and entirely absent from plantations.

Native forests provide much-needed habitat for threatened fauna such as Tasmanian devils, swift parrots, Leadbeater's possums, black cockatoos, koalas and Tasmanian wedge-tailed eagles.

Our native forests are also home to numerous outstanding examples of Australia's natural and cultural (both Aboriginal and European) heritage, and provide important aesthetic, recreational and spiritual values for communities.

Logging coupe in the Upper Florentine Valley, Tasmania. This forest was logged in 2009 / Rob Blakers

2.3 THE DEGRADATION OF AUSTRALIA'S FORESTS

Australia's native forests are facing serious threats. Since European settlement, approximately one-third of native vegetation located in Australia's intensively managed zones (agricultural and urban) has been significantly modified or cleared, and the remaining vegetation is mainly highly fragmented.[36]

In south-east and south-west Australia, around 50 per cent of native forests and 65 per cent of native woodlands have been cleared or severely modified since European settlement.[37] Recent figures show that logging is still permitted in 76 per cent (112.6 million ha) of Australia's native forests, with 9.4 million ha of these situated on publicly owned land.[38] The protection of native forests on public, private and leasehold land is essential to solving Australia's forest crisis.

Australia has an abysmal global record on biodiversity conservation – with the highest number of threatened and extinct species per capita in the world – and is a world leader in recent mammal extinctions.[39] As Australian National University's Professor David Lindenmayer has stated, 'Biodiversity loss is the most significant environmental problem facing Australia. We are in the midst of our planet's sixth great extinction event, but it is the first to be caused by a biological species – us'.[40] Former Australian of the Year Professor Tim Flannery has highlighted the severity of Australia's biodiversity crisis: 'It is appalling, it is horrifying … there are so many species backed up and ready to go over the edge'.[41] As habitat for approximately half of Australia's terrestrial species, forests are not immune from this severe decline in biodiversity. Under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), 1,287 forest-dwelling species in Australia are listed as vulnerable, threatened or endangered.[42]

There is a great deal of legislation that protects Australia's threatened species as listed under the Australian Government's EPBC Act. Unfortunately, section 38 of the Act states that this legislation does not apply to a forestry operation that is undertaken in accordance with a Regional Forestry Agreement (RFA).[43] So, in effect, any logging that takes place in public forests that are covered by an RFA is exempt from complying with Commonwealth threatened-species protection legislation.[44]

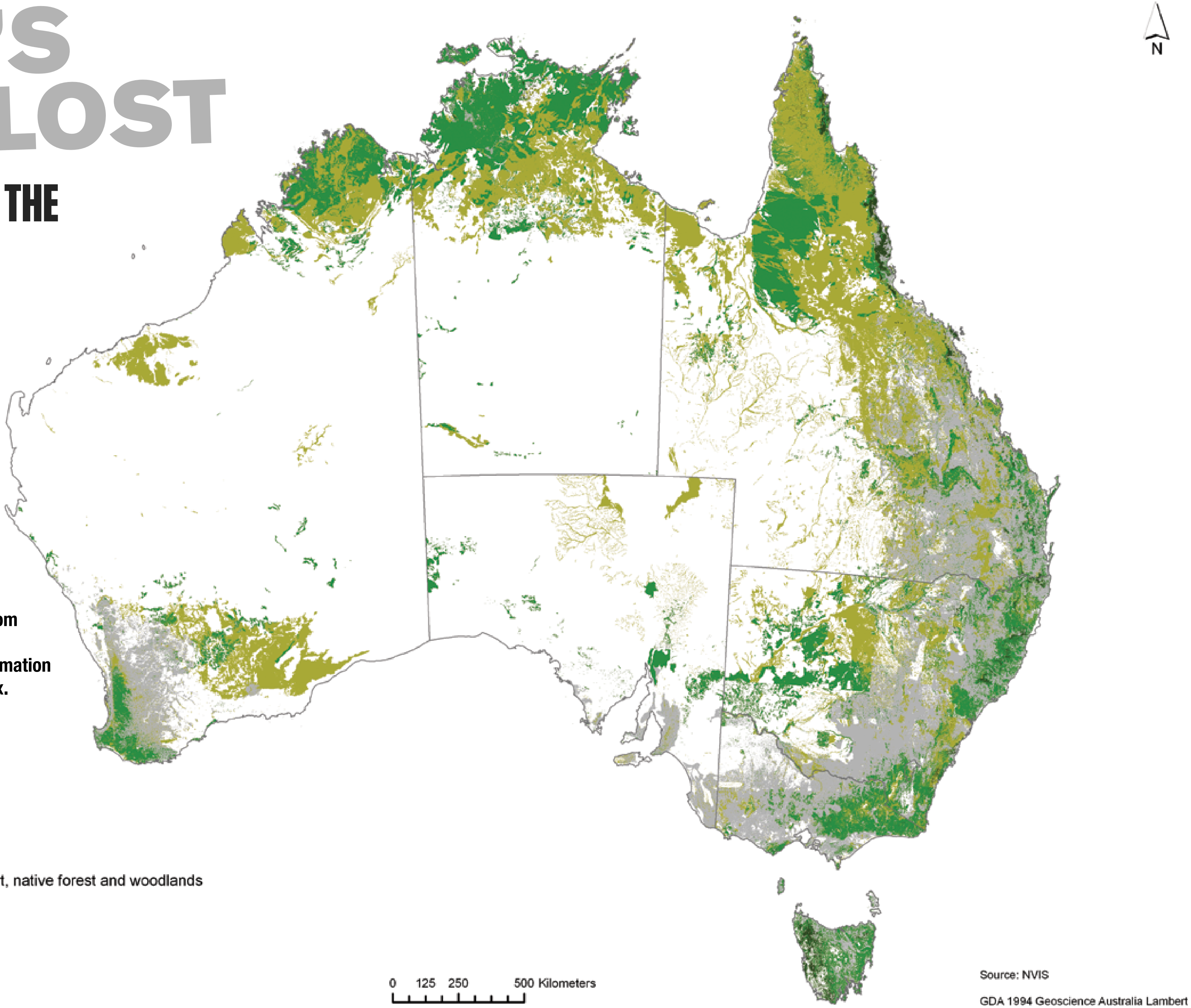
Regeneration burn in a logging coupe in the Styx Valley, Tasmania. 21 March 2011 / Rob Blakers

WHAT'S BEEN LOST

PRE-EUROPEAN AND THE CURRENT EXTENT OF RAINFOREST, NATIVE FOREST AND WOODLANDS.

These three categories were defined from vegetation reconised by the Australian Government's National Vegetation Information System (NVIS). For details see Appendix.

Mapping by ANU Enterprise ©



2.4 CLIMATE DAMAGE

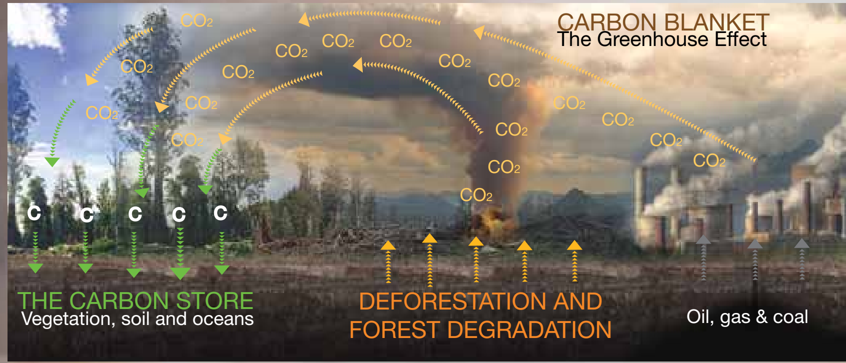
Protecting Australia's native forests is an essential mechanism in the mitigation of Australia's contributions to catastrophic climate change.

Conserving our native forests and restoring degraded forest ecosystems is of such key significance because these ecosystems play a fundamental role in the global carbon cycle. Australia's native forests store globally significant amounts of carbon. Recent research has shown that Australia's native forests have much larger carbon stocks than had previously been recognised. The natural forests of south-eastern Australia for example are capable of storing almost three times more carbon than had been estimated by the IPCC or the Australian Government.[45]

Currently, the planet's highest known density of total biomass carbon is found in the temperate *Eucalyptus regnans* forests of the Central Highlands in Victoria, with a total biomass carbon density of 2,844 tonnes per hectare being recorded at one site, making them the most carbon-dense forests on Earth.[46]

The *Eucalyptus regnans* forests of southern Tasmania also store extremely large amounts of carbon, with an average more than 1,200 tonnes of biomass carbon per ha.[47] This is over twelve times the amount estimated by the IPCC, which lists the average biomass carbon for temperate forests at 96 tonnes per ha.[48] The consequences of retaining the current carbon stocks (equal to 25.5 billion tonnes of carbon dioxide) of the 14.5 million ha of natural eucalypt forest in south-eastern Australia (Tasmania, Victoria, New South Wales and south-eastern Queensland) would be equivalent to avoiding emissions of 460 million tonnes of carbon dioxide every year for the next century.[49] This is equivalent to almost 80 per cent of Australia's net greenhouse gas emissions for 2008 (576.2 million tonnes of carbon dioxide) across all sectors.[50] It should be noted that while, under Australia's current carbon accounting framework, this estimation of net greenhouse gas emissions incorporates emissions from deforestation, it ignores emissions resulting from forest degradation (including native forest logging).[51]

If the logged forests in south-eastern Australia were allowed to reach their carbon sequestration potential (the maximum carbon stock that can be sequestered as the forest regrows) to store 7.5 gigatonnes of carbon dioxide, 136 million tonnes of carbon dioxide emissions could be avoided.[52] This is equivalent to approximately 23 per cent of Australia's net greenhouse gas emissions for 2008 across all sectors.[53]



Protecting native forests has a greater climate benefit than planting new trees. This is because they are older and so have sequestered (absorbed from the atmosphere and stored as wood and soil) more carbon than young trees or plantations. Research has shown that natural, undisturbed forests in south-eastern Australia contain significantly higher carbon stocks (approximately 40–60 per cent more) than that of monoculture plantations or of forests subject to industrial logging operations.[54] This strongly supports the argument for ending the logging of native forests and using purpose-planted trees to supply our wood and paper needs.

The rapidly changing climate is already placing significant pressure on native forest ecosystems, exacerbating other degrading pressures, clearing and habitat fragmentation.[55] Protecting native forests limits climate change and helps these ecosystems to adapt and survive in times of increased pressure. Native forests have evolved to adapt and survive as conditions change. The genetic biodiversity and structural complexity of natural forested ecosystems ensures that they are far more resilient to the effects of climate change and other significant disturbances than plantations.[56]

Protecting Australia's native forests will protect our clean air, our clean water and our biodiversity and help to secure a safe climate for people both today and in future generations. Retailers of wood and paper products have a significant part to play in driving this positive vision for Australia.

Regeneration burn in a logging coupe in the Weld Valley, Tasmania / Rob Blakers.

2.5 AUSTRALIA'S VULNERABLE FORESTS

2.5.1 TASMANIA

Tasmania's native forests are globally recognised for their outstanding ecological and wilderness values.[57]

Tasmania's forests are home to the largest hardwood trees and tallest flowering plants in the world (which can reach around 100 metres in height).[58] The island is also home to one of the largest tracts of temperate rainforests in the world.[59] There were approximately 3.1 million ha of native forest still standing across the island state in 2008.[60]

However, Tasmania's native forests, including old growth forest of outstanding conservation value, such as those in the Tarkine and Blue Tier forest areas and the Styx, Weld, and Upper Florentine Valleys, are still under threat from logging, road building and burning operations. Almost two-thirds of Tasmania's native forest estate (about 1.9 million ha) was still legally available for timber harvesting in 2005–06,[61] and in 2008–09 almost 3.7 million cubic metres of wood was harvested from Tasmania's native forests.[62]

Example 2.5.1: The Tasmanian wedge-tailed eagle

The Tasmanian wedge-tailed eagle *(Aquila audax fleayi)* is a subspecies of wedge-tailed eagle endemic to Tasmania. It is a top-order predator and one of the largest eagles in the world, with a wingspan measuring up to 2.3 metres.[63]

The Tasmanian wedge-tailed eagle predominantly nests in very large eucalypts, requiring trees older than 150 years of age,[64] and usually abandons its nest if disturbed, particularly between August and January. The total population of Tasmanian wedge-tailed eagles is estimated at being less than 1,000, with 43 per cent of breeding pairs' nests located within State Forest, a large proportion of which is open to logging operations.[65]

The Tasmanian wedge-tailed eagle is listed as an endangered subspecies under the EPBC Act.[66] However, any logging that takes place in an area of Tasmania covered by the Tasmanian Regional Forest Agreement, which includes virtually all logging in publicly owned forests, is exempt from complying with this legislation.[67] The species is highly sensitive to native forest harvesting. A recent study focused on the north-east of Tasmania predicted a decline of 65 per cent in Tasmanian wedge-tailed eagle population over the next 160 years, which would likely be driven by loss of current and future nesting sites through timber-harvesting activities.[68] The survival and wellbeing of this majestic bird depends on the protection of the old forests in which it shelters and breeds.

2.5.2 VICTORIA

Victoria's native forests are home to the most carbon-dense forests on Earth.[69]

They provide key habitat for threatened species and are crucial water catchments for the state's capital, Melbourne, along with many regional towns. There are approximately 7.8 million ha of native forest in Victoria.[70] Unfortunately, Victoria's native forests, including the spectacular tall eucalypt forests of the Central Highlands and East Gippsland, continue to be destroyed by logging operations.[71] Logging is having a deleterious impact on Melbourne's water supplies. Hydrological research released by the Victorian Government in 2008 indicated that water yield would increase by the equivalent of 16 gigalitres per annum by 2050 if logging in Melbourne's water catchments was stopped in 2009-10 and, furthermore, recommended a cessation of logging in these catchments by 2009-10 as the best way to optimise water yield.[72] 16 gigalitres of water is equivalent to 30 per cent of Canberra's annual commercial, industrial, municipal and residential water consumption (52 gigalitres).[73] Clearfell logging operations are permitted in five of Melbourne's water catchments, located in the Central Highlands, which provide 66 per cent of the capital's water intake.[74] Half of Melbourne's local government councils, representing almost 1.7 million people, have passed resolutions requesting the Victorian Government to ban logging operations in Melbourne's water catchments.[75] Over half of Victoria's native forest estate (about 4.2 million ha) was still legally available for timber harvesting in 2005–06,[76] and in 2008–09 almost 1.8 million cubic metres of timber was harvested from Victoria's native forests.[77]

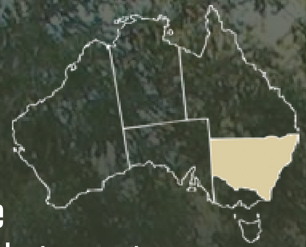
Example 2.5.2: Leadbeater's possum

The Leadbeater's possum (*Gymnobelideus leadbeateri*) is a small omnivorous nocturnal marsupial that depends on large old hollow trees for breeding and shelter. Leadbeater's possum is endemic to Victoria and its distribution is limited to small areas of tall Victorian mountain ash forests in the Central Highlands, Yellingbo Nature Conservation Reserve and some alpine areas between Mount Baw Baw and Lake Mountain. Leadbeater's possum is listed as endangered on both the IUCN Red List[78] and under the EPBC Act.[79] In 2008 it was estimated that there were about 2,000 mature Leadbeater's possums in the wild.

However, during the catastrophic bushfires of 2009, approximately 90 per cent of Leadbeater's possums living in the Kinglake area were killed,[80] and 40–50 per cent of the possum's prime habitat was lost. Conservation organisations have estimated that the mature population has shrunk to less than 1,000 as a result of this extreme bushfire event.[81] Clearfell logging operations in some of the possum's last remaining prime habitat (for example, in the Kalatha Creek area of Toolangi[82]) pose a critically significant threat to the Leadbeater's possum's survival.

Left: The Styx Valley, Tasmania / Rob Blakers
Left Inset: A pair of Tasmanian wedge-tailed eagles, Tasmania / Kymberly Fergusson
Above: Brown Mountain, East Gippsland, Victoria
Inset: Leadbeater's possum, Central Highlands, Victoria / Mike Greer and David Lindenmayer

2.5.3 NEW SOUTH WALES



The native forests of New South Wales (NSW) are extremely diverse, ranging from large tracts of highly biodiverse subtropical forests in the north-east of the state to the spectacular temperate eucalypt forests in the south-eastern coastal regions.

There are more than 26.2 million ha of native forest in NSW.[83] Unfortunately, the native forests of NSW continue to be industrially logged on a large scale. A recent audit of the upper north-eastern forests showed that logging operations were being conducted in endangered ecological communities, key threatened fauna habitat and water catchment areas. The audit found that these operations were in breach of numerous pieces of legislation.[84] Scheduled logging operations in the south-east of the state have also raised critical concerns in regards to the destruction of threatened species habitat (see Example 2.5.3). Over three-quarters of NSW native forest estate (approximately 20 million ha) was still legally available for logging in 2005–06,[85] and over 1.4 million cubic metres of wood was cut from the native forests of NSW in 2008–09.[86]

Example 2.5.3: The koala

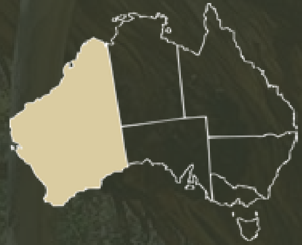
The koala *(Phascolarctos cinereus)*, one of Australia's most internationally iconic species, is an arboreal marsupial that feeds almost entirely on eucalyptus leaves. Koala populations are distributed among the coastal areas of eastern and southern Australia. The koala is listed as vulnerable in New South Wales,[87] and as regionally vulnerable in the south-east Queensland bioregion.[88] Major threats to the koala include habitat clearance and fragmentation (including logging), bushfires, disease and drought.

There are serious concerns around the threats to a number of key koala populations. NSW government scientist Chris Allen recently highlighted key concerns regarding the ongoing logging of koala habitat in the Mumbullah, Murrah and Bermagui state forests of south-eastern NSW to an Australian Senate inquiry; he stated that 'anything less than a very significant reduction in logging activities in these forests will probably lead to the extinction of this koala population',[89] which is estimated to number between 21 and 42 koalas.[90]

Mr Allen also noted a 'profound contradiction between RFA [Regional Forest Agreement] contractual commitments and conservation requirements of koalas'.[91] Koala habitat needs to be urgently protected to avert local extinction events.

Right: South-eastern forests of New South Wales
Inset: Koala, New South Wales / courtesy of Taronga Zoo
Far right: Karri forest, Boranup, Western Australia
Far right inset: Forest red-tailed black cockatoo near Nannup, Western Australia / Dave Patterson

2.5.4 WESTERN AUSTRALIA



Western Australia's (WA) native forests are globally recognised for their high levels of biodiversity and endemism.

The native forests and woodlands in the south-west of the state form part of one of 37 global biodiversity hotspots[92] due to the endemic karri, jarrah, tingle, tuart and wandoo forests in the south-west coastal region and the Great Western Woodlands, all of which contain globally significant levels of endemism and biodiversity,[93] as well as providing essential ecosystem services and storing substantial amounts of carbon.[94]

Almost 17.7 million ha of WA's native forests remained in 2008.[95] However, despite some significant conservation outcomes for WA's south-western forests being achieved in 2002,[96] native forests continue to be destroyed by logging and mining operations, with 6.6 million ha still legally available for logging across the state in 2005–06,[97] and 495,000 cubic metres of timber being harvested from native forests in 2008–09.[98] In 2009, almost 9,000 ha of jarrah forest and 640 ha of karri forest were logged.[99] A recent performance audit of WA's Forest Management Plan by the Environment Protection Authority (EPA) highlighted critical concerns with the environmental sustainability of logging operations in the south-west of the state. The audit raised 'serious doubts that continued logging in the low rainfall zone and adjoining medium rainfall zone in [particular areas of jarrah forest] would be capable of meeting ESFM [ecologically sustainable forest management] objectives'.[100]

Example 2.5.4: The black cockatoo

Western Australia's forests are home to three endemic species of black cockatoo, the Carnaby's *(Calyptorhynchus latirostris)*, Baudin's *(Calyptorhynchus baudinii)* and the forest red-tailed *(Calyptorhynchus banksii)* black cockatoos. These three distinct species of black cockatoo are all in decline, partially due to habitat destruction in the forests and woodlands of Western Australia.[101] The Carnaby's black cockatoo is listed as endangered on both the IUCN Red List[102] and under the EPBC Act.[103] The Baudin's black cockatoo is listed as endangered on the IUCN Red List[104] and as vulnerable under the EPBC Act,[105] and the forest red-tailed black cockatoo is listed as vulnerable under the EPBC Act.[106]

These striking and highly social birds are long-lived, with a lifespan in the wild of 25 to 50 years.[107] All three species of black cockatoo form monogamous breeding pairs, and probably form a lifetime bond.[108] The black cockatoo is dependent on the forests and woodlands of the south-west of Western Australia. Like the Baudin's black cockatoo, the forest red-tailed black cockatoo needs mature marri, jarrah and karri trees to nest and raise their young.[109] Habitat loss from logging and clearing has had a negative impact on black cockatoo numbers. For example, the population of the forest red-tailed black cockatoo 'is projected to decline by 30 per cent or more between 2005–2015'.[110] Only about 10 per cent of the original vegetation of the south-west is remaining.[111] Hollows suitable for use by forest red-tailed black cockatoos are considered scarce,[112] as trees with nesting hollows large enough for use by forest red-tailed black cockatoos may need to be at least 130–220 years of age.[113]

PART THREE: THE RETAIL SECTOR

3.1 THE EXPOSURE OF THE RETAIL SECTOR

If a customer were to walk into a furniture shop or homemakers centre in any of Australia's cities they would most likely find a large number of products that have been made from wood that has come from industrial-scale native forest logging operations.

The sale of any of these products exposes the retailers to direct association with the ongoing destruction of native forests and the consumer backlash that could potentially follow.

The consumption of wood and paper products is a major driver of the destruction of the world's remaining primary forests and Australia's native forests.

Retailers in Australia that sell such products play an important role in the ongoing decline of Australia's native forests. Additionally, by selling products resulting from the logging or clearing of primary forests overseas such as the rainforests of Indonesia or Papua New Guinea, they are also contributing to the disappearance of some of the last intact areas of tropical rainforests globally.

Every day, some of Australia's most valuable native forest ecosystems are being logged and are turned into sawn timber products sold at furniture, home improvement and DIY stores, or into woodchips to produce paper products such as Reflex office paper.[114]

For this report, Markets for Change conducted a detailed survey of many of the major retailers of furniture, flooring and paper products in Australia.

The results of this survey reveal that, with only few exceptions, all of the retailers that were visited are selling products that have been sourced from native forests, contributing to their destruction.

WHO'S RETAILING OUR FORESTS

FURNITURE.

When it comes to furniture retailers, **Harvey Norman, Forty Winks, Snooze, Focus on Furniture, Everyday Living, Sleep City, Domayne, Freedom Furniture, Furniture Court, Furniture One, Bedshed and OzDesign** all sell products made from native forest wood.

BUILDING.

Most of the major home improvement and flooring chains, including **Bunnings, Mitre 10, Home Timber and Hardware, Hudson Building Supplies, Perfect Timber Floors, Decorug, Australian Floor Style and Embelton** are also selling products that come from native forests.

PAPER.

A similar picture emerges when it comes to paper. Many of the largest stockists of stationary such as **Australia Post, Officeworks, OfficeMax, Office Products Depot, Staples, Woolworths, Office Choice, Dick Smith, Target and IGA** stock paper products that are made using pulp that originates from native forest woodchips, such as Reflex paper.

Furthermore, some retailers such as **Officeworks** also stock paper that comes from Indonesia. Given the rampant scale of deforestation and illegal logging within Indonesia, combined with a lack of any clear labelling that indicates where the fibre was sourced from, such paper arouses immediate suspicion that it is sourced from or related to rainforest destruction.

3.2 THE RESPONSE OF THE RETAIL SECTOR

Whether retail stores stock products from native forests or plantations is largely determined by their procurement policies (or lack thereof). In the social media and consumer-empowerment age, the issue of public access to stores' official procurement policies is likely to influence consumer sentiment towards those retailers.

The most significant determinant of retail store exposure to the native forest 'problem' and accompanying consumer sentiment is the procurement choices they make.

Given this all-important fact, how do retailers' procurement policies stack up?

Of the Australian retail chains investigated in this survey, only three have specific procurement policies for forest products that are easily accessible to the public (and could be identified in this research).

These were **Bunnings**, **OfficeMax** and **Hudson Building Supplies**. Unfortunately none of these companies excludes the purchasing of products originating from native forests in Australia or overseas and all three of them sell such products. Australia's retailers and distributors do not seem to have embraced the need to provide consumers with products not linked to the destruction of native forests.

Unfortunately Australia's retailers and distributors have by and large not yet recognised the need to provide consumers with products that are manufactured without destroying Australia's native forests.

Focus on OfficeMax

Of the three retailers for which publicly available procurement policies were found, OfficeMax has the most comprehensive. It states:

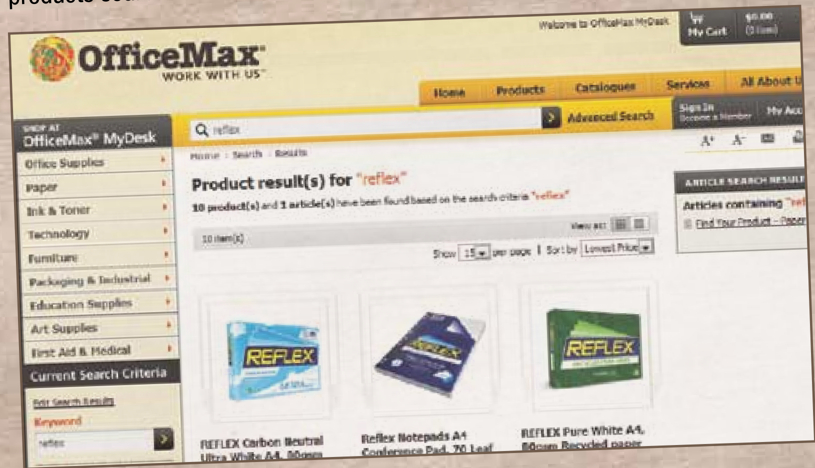
'OfficeMax has led the way in introducing responsible paper buying practices in the Australian market. We were the first office supplies company to:

- require their stocked paper range to be only manufactured in countries that have rigorous controls on illegal foresting
- offer FSC-certified papers to the contract market
- introduce FSC-certified papers into a private label range and
- offer Blue Angel, Nordic Swan papers to the contract market.'

'OfficeMax places high environmental expectations on all of our suppliers and encourages them to refrain from sourcing products which are manufactured in endangered areas.'

'When you purchase products from OfficeMax, you can be assured that we are working towards conducting all of our activities to the highest standard of environmental care.'[115]

It is therefore unacceptable that OfficeMax chooses to sell a wide variety of paper products from the Reflex brand, which has been linked to the destruction of native forests in Victoria.[116] This seems at odds with a policy that attempts to avoid products sourced from 'endangered areas'.



OfficeMax online store selling Reflex[117]

Background: Logging coupe in the Catamaran area, Tasmania / Rob Blakers

Focus on

BUNNINGS warehouse

The Bunnings procurement policy on the other hand does not offer protection for Australia's native forests or areas of primary forest overseas. Its policy states, in part:

'An important area of focus for us is timber. We have a zero tolerance approach to illegally logged timber and our goal is to ensure all timber and wood products supplied to Bunnings originate from legal and well-managed forest operations. We've made excellent progress in this area, with more than 99 percent of our whole timber product now sourced from low-risk plantation or other legally verified forest operations.'

'Our work in this area is ongoing and we continue to work closely with our suppliers, environmental organisations and government in order to achieve our goal.'[118]

Focusing only on 'legal and well-managed forest operations' does not ensure the protection of Australia's native forests or areas of primary forest overseas.

Focus on

HUDSON BUILDING SUPPLIES

Finally, a timber policy was also found on the website for DIY chain Hudson, but it is clearly insufficient for the consumer attempting to make an informed choice:

'At Hudson Building Supplies we take our responsibility to the environment seriously. Wherever possible our products are purchased from sustainable supply sources. We are committed to improving the environment for future generations.'[119]

Focus on

STAPLES

There are also companies active in Australia that have progressive procurement policies overseas but do not seem to apply them in Australia. US office supply chain Staples is one such example, stating in the procurement policy on its US website:

'We will seek to have our suppliers demonstrate that they provide paper products from non-controversial sources, meaning:

- Wood that is not harvested in violation of traditional and civil rights;
- Wood that is not harvested in forests where high conservation values are threatened;
- Wood that is not harvested in forests being converted to plantations or non-forest use;
- Wood that is not harvested in forests that contain species that have been genetically modified.'[120]

Despite this policy, the company in Australia is selling Reflex brand paper.[121] The US parent company states that the first phase of their policy involves implementing these commitments only in North American markets, followed by Europe. Only in the third phase will this policy apply to other international markets such as the Australian one.[122] No timeline is provided as to when this will happen.

Focus on:

Woolworths & Lowe's

In 2009 Woolworths joined with Lowe's, which operates more than 1,600 home improvement stores in the USA and Canada, to buy Australian company Danks. Danks not only owns the Home Timber and Hardware stores, it is also a wholesaler supplying over 900 independent hardware retailers.[123] Woolworths is planning to be a big player in the home improvement retail sector and aims to secure 150 sites over the next five years. The company plans to spend at least $400 million building up its first Victorian portfolio of a dozen outlets.[124]

While Woolworths does not appear to have a forest-products procurement policy, its partner Lowe's has a progressive wood-purchasing policy and the newly planned outlets would be a key opportunity for the two companies to jointly apply this policy to their new Australian operations

The Lowe's policy is worded quite strongly and states in part:

'Lowe's long-term goal is to ensure that all wood products sold in our stores originate from well-managed, non-endangered forests. In order to meet this goal, Lowe's will:

- Aggressively phase out the purchase of wood products from endangered forests as these areas are identified and mapped. This includes an immediate ban on wood coming from the Great Bear Raihforest of British Columbia.
- Work with vendors to encourage the maintenance of natural forests and environmentally responsible forest practices.
- Give preference to the procurement of wood products from independently certified, well-managed forests. The Forest Stewardship Council (FSC) is recognized as having the highest certification standards available today and will be given preference over other certification systems.
- Work with our customers to increase the efficiency of wood use, including the promotion of wood reuse, recycling, and advanced framing techniques.
- Work with our suppliers to increase the procurement of quality recycled, engineered and alternative products, when their environmental benefits are clearly demonstrated, including alternative fiber and tree-free paper products used for printing and packaging.'

'Endangered forests (or high conservation value forests) include intact (primary and old-growth) forests. They also include the most nearly intact tracts of all threatened forests and forests of special importance to the conservation of global biodiversity, where little or no primary and old-growth vegetation occurs today.'

'In rare circumstances, wood from endangered forests may be accepted if it is certified under the Forest Stewardship Council (FSC) or equivalent system.'[125]

Logging coupe in the Upper Florentine Valley, Tasmania. This tree and the surrounding forest were logged in 2009 / Rob Blakers

Markets for Change calls on Woolworths to take the lead from its partner Lowe's and use this opportunity to adopt a progressive local procurement policy. This policy needs to be clear and specific in implementing an end to the sale of Australian native forest products in its planned outlets, and the outlets and wholesale operations it is already operating as part of the Danks takeover and more recent acquisitions. Such a policy also needs to exclude the sale of products originating in primary forests in the wider Pacific region.

4 - THE SUPPLY CHALLENGE:

WHY RETAILERS NEED TO MOVE FROM NATIVE FORESTS TO PLANTATIONS

4.1 INDUSTRY COMPETITION

Australian retailers of wood and paper products source their materials from (1) Australian purpose-grown plantations, (2) Australian native forests, (3) overseas native forests (particularly tropical rainforests in the Asia-Pacific region), and (4) purpose-grown plantations overseas, some of which are established on recently cleared native forest and therefore could be considered equivalent to native forest logging.

The predominant supply of wood and paper is from Australian sources, and it is here that the native forest sector and plantation sector are essentially in direct competition with each other. They produce generally equivalent products, across virtually all product sectors. They therefore are in competition for the same general market space. Support by retailers for the native forest sector comes at the expense of the plantation sector.

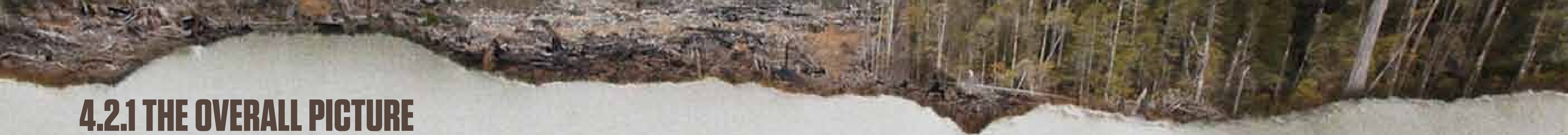
Key questions for the Australian wood and paper retail sectors include: can they entirely shift from stocking native forest product to solely plantation product? Is the supply of native forest resource essential and reliable? Can plantations replace native forests in all product categories, including solid wood and paper, softwood and hardwood? This report shows that a 100 per cent transition to plantation products is possible in the relatively short term; that native forest supply is relatively small and unreliable, and declining; and that the plantation industry is both the dominant player in the market and steadily growing, capable either immediately or in the relatively near term of replacing native forest product across the board.

4.2 THE NATIVE FOREST INDUSTRY IN CRISIS

'Logging native forests is faced with declining and uncertain markets, at a time when the broader Australian community is strongly opposed to the harvesting of our natural forest for woodchips.'
Greg L'Estrange, Managing Director, Gunns Ltd, November 2010.[126]

'The hard truth is that the native forest industry in every state is in crisis ... Our industry is on the verge of collapse.'
Michael O'Connor, National Secretary of the Forestry and Furnishings Division, Construction, Forestry, Mining and Energy Union (CFMEU), October 2010.[127]

'We are at a crisis point ... Many of our members are basically having to close their businesses, and bankruptcy is affecting some. A lot are in grave danger of losing their family homes.'
Ed Vincent, Chief Executive of the Tasmanian Forest Contractors Association (TFCA) discussing the native forest industry crisis in Tasmania, August 2010.[128]



4.2.1 THE OVERALL PICTURE

The Australian native forestry industry is in serious trouble. Extensive media coverage and key statements from the industry, along with a range of economic and political analyses, have demonstrated this fact overwhelmingly in recent times and particularly over the last year.

Recent research from ANU economist Dr Judith Ajani has shown that 'virtually all native forest markets are vulnerable to plantation competition, including within the small high-appearance sawn timber and veneer market'.[129] Both the native forest pulp and the native forest solid wood sectors are in a state of critical decline; while, at the same time, Australia's world-class native forests continue to be destroyed to support it.

Given the state of the native forest industry, the retail sector must consider the reliability of, and consumer reaction to, the supply of products sourced from Australian native forests.

4.2.2 WOODCHIPS

The native forest woodchipping sector, the largest sector of the native forest market and a major driver of forest destruction in Australia, is also in serious decline.

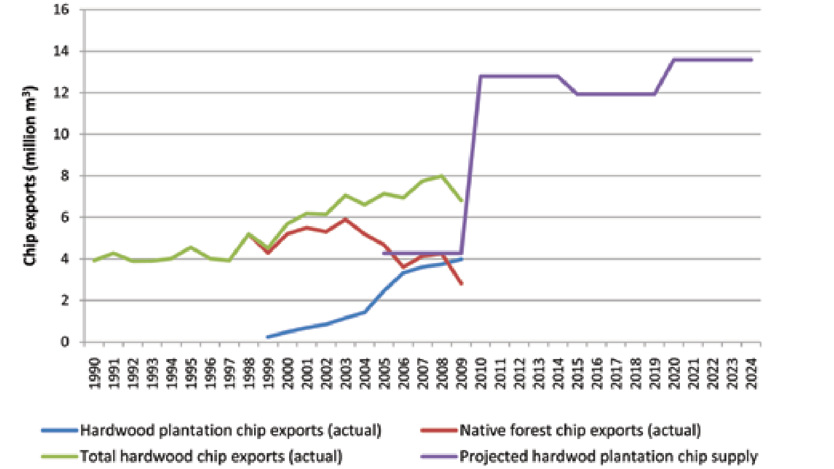
Over recent years, several of the major consumers of Australian native forest woodchips have clearly indicated their preference for woodchips sourced from plantations or woodchips sourced from native forests that have been certified by the Forest Stewardship Council.[130] In Tasmania, woodchipping giant Gunns Ltd's key Japanese customers have been cancelling orders and demanding FSC certified products.[131] Gunns Ltd's Managing Director Greg L'Estrange confirmed this, stating that 'forest products in Tasmania, in particular, has suffered large volume losses as markets demand higher pulp yielding plantation woodchips, preferably with FSC certification.'[132] Gunns Ltd's Japanese customers include Nippon Paper Industries, Oji, Chuetsu, Itochu (Marusumi) and Mitsubishi.[133]

As a result of this market shift, in concert with a number of other factors, hardwood plantation chips are in the process of completely 'decimating native forest chip exports, the single biggest market for native forest wood.'[134] The intensity of this displacement of native export woodchips with those sourced from plantations is only expected to increase in scale, as plantation wood supply projections show an immediate tripling in pulp log supply from hardwood plantations (Figure 1).[135]

4.2.3 SOLID WOOD

The Australian native forest solid wood production sector is in decline, and it has been for some time. Plantations now supply 82 per cent of the wood for solid wood products manufacturing (sawn timber and wood panels) while native forest solid wood production has decreased by around 2 per cent per annum over the last 20 years.[137]

Figure 1: Australian hardwood chip exports and projected plantation supply[136]



4.2.4 GOVERNMENT INVOLVEMENT

This environmental and economic crisis in forests is occurring despite the enormous tax-payer funded subsidies given to the native forest industry over the decades by state and federal governments. University of Tasmania Associate Professor Graeme Wells has estimated that between 1997–98 and 2007–08 alone there was $632.8 million in financial assistance provided by Commonwealth and State governments to the Tasmanian forestry industry.[138] State forestry agencies such as VicForests and Forestry Tasmania, which could be described as 'marginally profitable at best with most running losses in the more recent past',[139] continue to destroy Australia's publicly owned native forests.

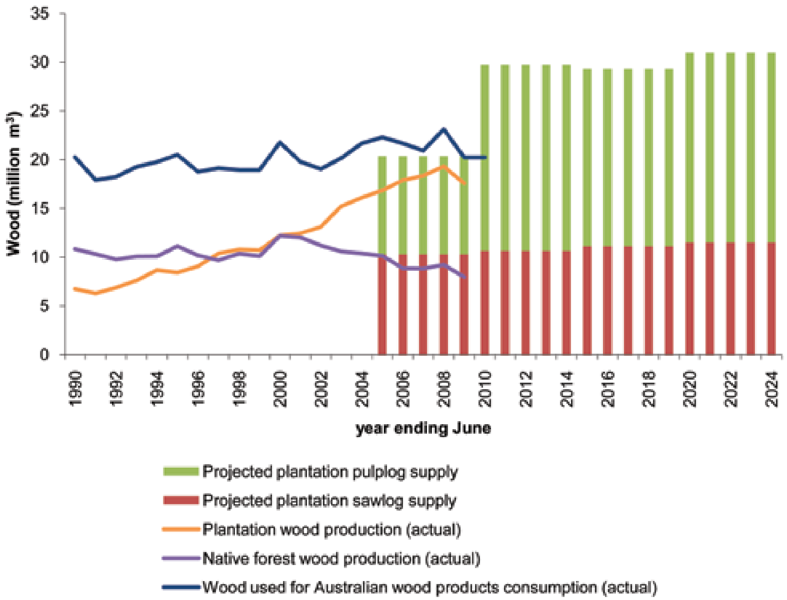
VicForests was at the centre of a recent scandal when a Treasury report produced by forestry experts URS was leaked to the media. The report showed that not only was the Victorian native forestry industry in serious decline, with jobs and timber supplies dwindling, but that VicForests had breached regulations by logging too much while simultaneously running out of timber from native forests. Most notably, the leaked report found that VicForests had mismanaged their finances so comprehensively that Treasury had to advance the state agency an 'emergency increase of credit line' to the order of $16.6 million in 2010.[140] Forestry Tasmania, which has been described as a 'profitless wood supply service,'[141] confirmed an $8 million operating loss in September 2010.[142] A report from the Tasmanian Auditor-General clearly stated that it 'is not sustainable for Forestry [Tasmania] to generate negative cash from its operating activities'[143] – a majority of which include the logging of publicly owned native forest – and that 'there has not been any return from Forestry [Tasmania] to the government' between 2007–08 and 2009–10.[144]

4.3 THE PLANTATION SECTOR AS A SOLUTION

4.3.1 THE OVERALL PICTURE

Can Australia's plantations replace the need for domestic and imported forest products? In aggregate wood volume terms, Australia's 2 million hectare plantation estate can supply more than enough wood to make virtually all the sawn timber, wood panels and paper Australia consumes. This includes both domestic and imported wood products (see Figure 2: the blue line includes imported as well as domestic product).

Figure 2: Australia's wood consumption and projected plantation wood supply[145]



The extent to which this is true, however, varies amongst the subcategories of wood and paper products. The subcategories include sawn timber, wood panels, and paper; and can further be divided into hardwood and softwood. Sawlogs and veneer logs are used in the production of framing, pallets and palings, flooring and boards, and furniture. Paper includes packaging & industrial, printing & writing, newsprint, and household & sanitary.

4.3.2 FOCUS ON SAW AND VENEER LOGS: SOFTWOOD

Softwood accounts for 82 per cent or more of Australia's total solid wood (saw log and wood panel) use;[146] and existing plantations are currently supplying virtually all of Australia's consumption requirements for softwood in this category.[147] In the future there may be a very small shortfall in the ability of current plantations to supply Australia's softwood-based solid wood needs; this depends on how the market develops in terms of its specific product preferences.

This report is less concerned with this category, however, as the sale of solid wood products from both domestic and imported native forest sources is mainly in the hardwood category. However, it is worth noting that for at least 82 per cent of the solid wood products industry, Australia is virtually self-sufficient in supply from plantation sources. This is good news when it comes to any marketwide attempt to disengage from native forest logging; such an attempt will mainly be relevant to the 18 per cent (or less) of the solid wood market that is based on hardwood.

4.3.3 FOCUS ON SAW AND VENEER LOGS: HARDWOOD

Hardwood accounts for 18 per cent or less of Australia's solid wood (sawn timber and wood panel) use.[148] Of total sawn timber, 59 per cent consists of framing, 18 per cent pallets and palings, 18 per cent flooring and boards and 5 per cent furniture.[149] Consumption in this category is declining (2.1 per cent per year from 1990 to 2009), as hardwood products are being progressively replaced by more competitive softwood products.[150] There are also existing hardwood plantations that currently supply 358,000 cubic metres of logs per year, a supply level that is rapidly increasing and projected to continue to do so for some time to come.[151]

Despite this improving situation, immediate supply levels from hardwood plantations are below current consumption levels for hardwood-based solid wood products. The larger proportion of supply in this category continues to come from native forests. This poses a potential problem for retailers of hardwood-based solid wood products if they wish to cease selling native forest products but still continue to sell hardwood products. These hardwood products would have to come from plantations instead, and currently the supply appears to be insufficient. This issue of supply however is not the same thing as resource availability. There is currently a large additional volume of hardwood plantation logs, but they are not immediately available for supply to the solid wood sector. This is generally due to internal market factors such as a lack of investment in appropriate processing capacity, and the ability to produce sawn timber from this volume of resource (much of it may only be being managed to produce woodchips for pulp or other low-value products). This currently available additional resource is estimated at a massive 14 million cubic metres per annum.[152]

A large proportion of products in this category are also highly vulnerable to increased competition from softwood plantation products, particularly in the framing, pallet and palings categories (which is some 80 per cent of the native forest-based solid wood market by volume).[153] Of the remaining 'appearance' products such as flooring, boards and furniture (20 per cent of the native forest-based solid wood market), a sizeable proportion is also vulnerable to softwood competition and replacement, leaving an estimated 260,000 cubic metres of native forest hardwood product in the appearance category that is less vulnerable to softwood competition.[154]

In summary, three factors are available which can help resolve the apparent lack of plantation supply currently facing hardwood sawn timber retailers:

1. *Decreasing consumption* of hardwood-based solid wood due to competition from plantation softwoods;
2. *Increasing supply* from hardwood plantations;
3. *A large additional hardwood plantation resource* (up to 14 million cubic metres per annum), at least some of which could, with appropriate market adjustment such as investment in processing capability, be used to massively increase the plantation-based solid wood supply.

4.3.4 FOCUS ON PAPER

Australia's paper consumption is dominated by packaging and industrial papers,[155] and by printing and writing papers (79 per cent of total market).[156] The larger of these two categories – packaging and industrial – is entirely supplied by pulp from recycled materials and softwood. This leaves printing and writing paper as by far the most significant challenge for the paper market if it is to stop selling native forest-based paper. Printing and writing paper as a whole is currently composed of 65 per cent hardwood pulp input,[157] the primary way in which native forest sources are contributing to paper production. Of the other paper categories, newsprint (the larger) does not use hardwood pulp, and household and sanitary uses a relatively small 20 per cent hardwood pulp input.[158]

It is estimated that 4.17 million cubic metres per annum of hardwood is required to meet Australia's current use of printing and writing paper; with 4.35 million cubic metres per annum for paper products in total.[159] This can be juxtaposed against the additional 14 million cubic metres per annum of hardwood plantation pulp logs and sawmill residues estimated to be available, over and above current supply to paper and wood panels.[160] There appears to be no resource constraint preventing the paper industry in Australia from shifting completely out of native forest supply (and in addition this plantation resource could cover Australia's supply needs for wood-based panels, such as particle board and fibreboard). The shift to 100 per cent non-native forest supply for Australia's paper industry may require additional investment by the market in processing capability. With the help of the retail sector the market for plantation products will grow, investment in further processing with be made and the scale of native forest destruction will decline accordingly. If the retail sector supports this transition Australia's native forests can receive the protection they deserve.

4.4 TRANSITION AND TRANSFORMATION

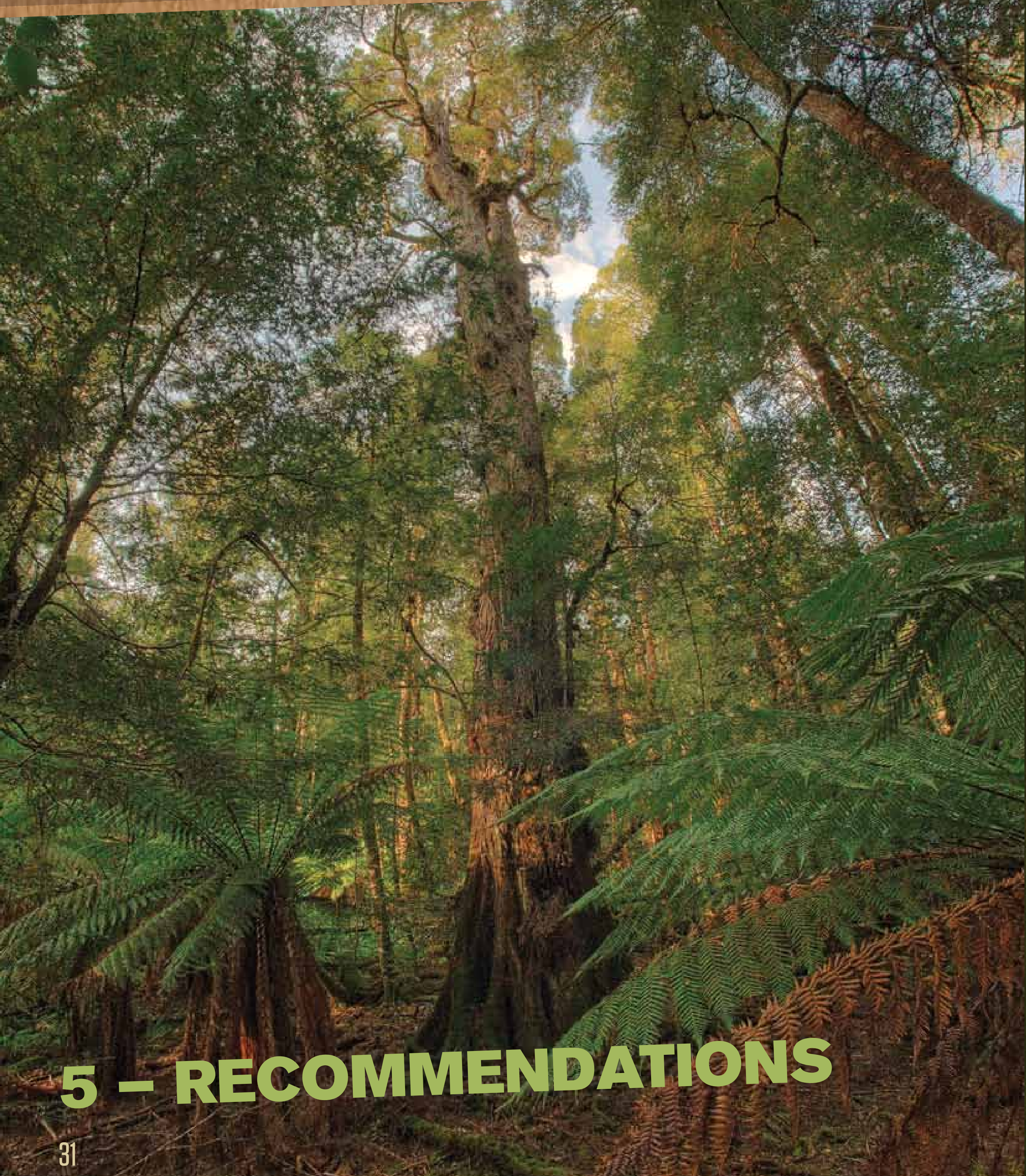
The review of the native forest sector (section 4.2) and plantation sector (section 4.3) suggests a relatively small, declining and increasingly unreliable source of supply from native forests; juxtaposed against a large, increasing and reliable source of supply from plantations. Over the past few decades there has been a steady transition in both supply and the retail market from native forests to plantations, resulting in a wood products sector today that is dominated by plantations.

Completing the transition to an entirely plantation-based market would have enormous environmental benefits (including biodiversity, climate, water and soil conservation).
Such a transition would be supported by a large majority of Australians. In 2010, a Galaxy poll showed that 77 per cent of Australians agreed that the federal government needed to put an end to the logging of Australia's native forests in order to conserve their significant carbon stores and that 90 per cent of Australians wanted to see Tasmania, Victoria and New South Wales' high conservation value forests protected in national parks.[161]

Key industry players are already recognising the need for this shift. As Gunns' Managing Director Greg L'Estrange has stated, 'Native forest is not part of our future. We see that this conflict largely has to end. Our employees and the communities we operate in have been collateral damage to this process. We want to move our business to a plantation-based business.'[162]

The transformation of the Australian forestry industry and wood and paper retail market from one that promotes native forest destruction to one that protects native forests would have positive outcomes extending well beyond the economic health of those industries themselves.

Retailers of wood and paper products have a key role to play in driving a rapid and complete transition for Australia's forestry industry out of native forests and into responsibly managed plantations. If retailers amend their contracts and procurement policies they will stop the demand for native forest wood and paper products that is driving forest destruction. If the demand for wood from native forests is reduced, governments and government agencies can manage them for the protection of biodiversity, water and climate benefits, not for wood and paper production. This focus on a responsible plantation industry for Australia's future would drive investment that will increase our processing capacity and result in improvements in the use and management of plantations. If retailers adopt the recommendations outlined in section 5 they will be responsible for helping driving the change that will deliver ethical and economically responsible wood and paper products to consumers across Australia.



5 – RECOMMENDATIONS

5.1 RETAILERS

IF AUSTRALIA'S RETAIL OUTLETS STOPPED SELLING NATIVE FOREST WOOD PRODUCTS AND SOLD PRODUCTS DERIVED FROM PLANTATIONS, THE DEMAND DRIVING NATIVE FOREST DESTRUCTION IN AUSTRALIA COULD BE REVERSED.

Australia's retailers need to urgently take the initiative and embrace their vital role in helping to ensure the protection of native forests here and primary forests overseas. They can no longer afford to turn a blind eye and hope that no-one will notice.

Markets for Change advises all retailers in Australia, as a matter of urgency, to:

1. Publicly commit to stop selling products that are made from Australian native forests or from primary forests overseas. In addition, retailers should commit to not purchasing products from companies that are involved in the logging and processing (or related activities) of Australia's native forests or primary forests overseas;

2. Implement comprehensive wood and paper product procurement policies that specifically exclude the purchase of products made from Australian native forests and from primary forests overseas. In addition, such policies need to give preference to plantation products with full Forest Stewardship Council certification, and;

3. Work proactively with all key stakeholders, including governments, non-government organisations, the forestry industry, consumers and other retailers to implement a rapid transition for Australia's forestry industry out of native forests and into responsibly managed plantations.

Markets for Change will work positively and constructively with retail companies and businesses that take action to protect the world's forests and secure a long-term responsible plantation-based wood and

Left: Scheduled logging coupe in the Upper Florentine Valley, Tasmania / Alan Lesheim
Right: Scheduled logging coupe in the Upper Florentine Valley, Tasmania / Alan Lesheim

5.2 CONSUMERS

Markets for Change advises all consumers in Australia, as a matter of urgency, to adopt the following recommendations.

5.2.1 PURCHASING WOOD AND PAPER PRODUCTS

When purchasing wood and paper products, purchase only:

- wood products that have been produced with wood sourced from responsibly managed plantations or that are recycled; consumers should give preference to plantation products with full Forest Stewardship Council certification, and;

- paper products that have been produced using recycled fibre or a combination of recycled fibre and fibre from responsibly managed plantations with full Forest Stewardship Council certification

When purchasing wood or paper products do not purchase wood or paper products containing wood or fibre sourced from native forests.

5.2.2 BUSINESSES, INSTITUTIONS, COUNCILS AND GOVERNMENT DEPARTMENTS IN AUSTRALIA

Markets for Change recommends to all businesses, institutions, councils and government departments in Australia, as a matter of urgency, to:

- Implement comprehensive wood and paper product procurement policies that specifically exclude the purchase of products made from Australian native forests and primary forests from overseas. In addition, such policies should give preference to plantation products with full Forest Stewardship Council certification.

5.2.3 RECYCLING

- In order to increase Australia's recycling capacity all consumers should increase the recycling rate for all recyclable wood and paper products.

- Business and government investment is strongly encouraged to develop and improve the efficiency of recycling capacity across Australia. This will result in an increase in the volume of recycled wood fibre available for processing into new wood and paper products.

5.3 CERTIFICATION SCHEMES

- *Forest Stewardship Council*. When purchasing wood products, retailers and consumers should determine the level and type of certification that has been achieved by the manufacturer. When purchasing wood, select the products that have been produced from responsibly managed plantations that have *full FSC certification*. Look for the FSC logo on the product packaging or label. Markets for Change does not support purchasing products with *FSC-controlled wood* or *mixed-source certification*. This level of certification is unacceptable because it continues to be given to companies that are undertaking logging operations in native forests in Australia. These logging activities are destroying native forest ecosystems.

- *Australian Forestry Standard* (AFS). Markets for Change does not support the Australian Forestry Standard, which is certified by the Programme for the Endorsement of Forestry Certification (PEFC). This standard certifies products that have been produced with wood from the destruction of Australia's native forests.

5.4 CONCLUSION

Australian retailers of products sourced from native forests have an opportunity before them. They have a vital and significant role to play in protecting Australia's forests and helping to protect primary forests overseas. This is essential for protecting critical biodiversity and endangered species, and helping to mitigate dangerous climate change. We know from experience overseas that the response of the retail sector is vital to help bring about the urgent changes need to protect the environment.

If such an approach is embraced by the retail sector Markets for Change will work with this sector to help achieve the changes that an overwhelming majority of the Australian public supports. Such changes will benefit the environment, the economy and the long-term prosperity of the retail sector.

Logging coupe in the Upper Florentine Valley, Tasmania. The forest shown in the left half of this photo no longer exists, as it was logged in 2009 / Alan Lesheim

Alternatively, retailers can continue to do what they are doing now, and deliver the opposite message to their customers: that buying their products may be helping to destroy our native forests and endangered species while hastening dangerous climate change.

To date the Australian retail sector has fallen far short of its responsibilities in ensuring the protection of globally significant ecosystems such as native forests. It is the responsibility of the retail sector to ensure that its products have not come from environmental destruction. This is bad for the environment and bad for business. Making the change to retailing environmentally responsible products will reap economic and environmental rewards. It will also enable the customer to maintain confidence in the retail sector. It is clear that a large majority of the Australian public want to see an end to native forest destruction. They have a key role to play in demanding products that are not environmentally destructive as more information becomes available to them through ever-increasing consumer online networks and forums.

Markets for Change believe that the retail sector and the business community have a vital role to play in ensuring protection of the environment and native forests. The products they sell will determine the fate of our natural world. The crisis in Australia's unique native forests and in the world's primary forests will continue as long as the retail sector continues to sell products that come from native forest destruction.

Markets for Change will work positively and constructively with those retail companies and businesses that take action to protect the world's forests. But this needs to happen urgently. Time is running out.

DEFINITIONS

Natural forest - A natural terrestrial ecosystem that is dominated by endemic tree species and sustained through ecological processes.

Native forest - A phrase normally used to describe a natural forest in Australia with a crown cover that is greater than 50 per cent, differentiated from non-native 'forests' such as plantations.

Woodland - A definition used to describe a natural forest in Australia where the crown cover is between 20 and 50 per cent.

Crown cover - The average proportion of ground overspread by tree canopies, ignoring overlap and gaps within individual crowns.

Primary forest - A natural forest which has never been significantly artificially disturbed. Often called old-growth forest in Australia.

High conservation value forest - A natural forest containing one or more attributes deemed particularly worthy of protection. This includes forest that: is significant to the protection of biodiversity; contains rare or threatened ecosystem types; provides fundamental ecological services such as water, soil and climate protection, or; is important to the survival, culture or history of local communities.

Plantation - An agricultural crop of trees that has been purpose-grown for commercial use.

Responsible plantation - A plantation that is appropriately located, is certified to the standard of the Forest Stewardship Council, is managed in an environmentally appropriate manner and is not opposed by local communities or impacted landowners.

Deforestation - Human-induced direct conversion of natural forest to non-forested land (including plantations).

Forest degradation - Human-induced changes in a natural forest, which deplete its endemic biodiversity, degrade its ecological resilience, reduce its capacity to provide natural services such as the protection of soil and water supply, or result in a net loss of carbon from the ecosystem.

Moratorium - The full and immediate suspension of an ongoing activity for a period of time.

Forest Stewardship Council - An international non-profit, multi-stakeholder organisation established in 1993 to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. It provides standards for responsible forest management, an extensive chain of custody system, an accreditation system for certification bodies and a distinctive trademark for buyers of forest products. For more information see www.fscaustralia.org

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LIST OF ABBREVIATIONS

AFS – Australian Forestry Standard
ANU – Australian National University
CFMEU – Construction, Forestry, Mining and Energy Union
DIY – Do it yourself
EPA – Environment Protection Authority
ENGO – Environmental non-governmental organisation
EPBC Act – Environment Protection and Biodiversity Conservation Act
ESFM – Ecologically sustainable forest management
FAO – The Food and Agriculture Organisation of the United Nations
FSC – Forest Stewardship Council
Ha – Hectares
IPCC – International Panel on Climate Change
IUCN – International Union for Conservation of Nature
MFC – Markets for Change
NSW – New South Wales
PEFC – Programme for the Endorsement of Forestry Certification
RFA – Regional Forest Agreement
TFCA – Tasmanian Forest Contractors Association
US – United States
USA – United States of America
VHA – Vodaphone Hutchinson Australia
WA – Western Australia

APPENDIX

The sub-groups of the National Vegetation Information System included in map 1: 'Pre-European and the current extent of rainforest, native forest and woodlands'.

Sub-Group Number	Description
	Rainforest
1	Cool temperate rainforest
2	Tropical or sub-tropical rainforest
62	Dry rainforest or vine thickets
	Native forest
3	Eucalyptus tall open forest with a dense broad-leaved understorey (wet sclerophyll)
4	Eucalyptus open forests with a shrubby understorey
5	Eucalyptus open forests with a grassy understorey
7	Tropical Eucalyptus forest and woodlands with a tall annual grassy understorey
11	Tropical mixed spp forests and woodlands
12	Callitris forests and woodlands
13	Brigalow (Acacia harpophylla) forests and woodlands
15	Melaleuca open forests and woodlands
16	Other forests and woodlands
26	Casuarina and Allocasuarina forests and woodlands
28	Low closed forest or tall closed shrublands (including Acacia, Melaleuca and Banksia)
54	Eucalyptus tall open forest with a fine-leaved shrubby understorey
60	Eucalyptus tall open forests and open forests with ferns, herbs, sedges, rushes or wet tussock grasses
	Woodlands
8	Eucalyptus woodlands with a shrubby understorey
9	Eucalyptus woodlands with a grassy understorey
47	Eucalyptus open woodlands with shrubby understorey
48	Eucalyptus open woodlands with a grassy understorey
49	Eucalyptus woodlands with ferns, herbs, sedges, rushes or wet tussock grassland

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Markets for Change
PO Box 948
Civic Square
ACT 2608

Phone: (02) 6230 4844
mfc@marketsforchange.org

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Left: Fern frond in the forests of the Upper Florentine Valley, Tasmania / Alan Lesheim
Back cover image: Logging coupe in the Styx Valley, Tasmania / Rob Blakers

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