

NATURAL RESOURCES MANAGEMENT (COMMERCIAL FORESTS) AMENDMENT BILL

27 July 2011

Adjourned debate on second reading (resumed on motion).

Mr PEDERICK (Hammond) (16:44): I too rise to speak to the Natural Resources Management (Commercial Forests) Amendment Bill 2010. In my opening remarks, I would like to say that water, in whatever form, brings a lot of passion to a debate. I certainly appreciate the passionate debate from the deputy leader, the member for MacKillop, and his knowledge of water and the reasoning that it got him into this place. Certainly, he lives in the region where this bill, if passed, will have the most effect on forestry.

According to the minister, the policy framework stipulates that the use of water by commercial plantations should be managed by applying either a forest permit system or a water licensing system through the Natural Resources Management Act. The bill seeks to expand the current forest water permit system and also introduce the forest water licensing and trading system, introduce water allocation plans relevant to forestry activity, and define the allocation of water relevant to forestry activity.

This policy has come forward under several environment ministers during the Rann government, and, from an off-line conversation with the current minister, I think it has probably been about five years in the making. Minister Hill gave assurances to the forestry sector in a ministerial statement on the topic of managing the expansion of forestry's use of the South-East's water resources. The expansion has not materialised, and industry therefore believes that proposals to license continue to be unnecessary. I quote:

Provision has been made for approximately 59,000 hectares of total expansion to be permitted before any need to secure water allocations to offset the impact of further forest expansion. The provision allows for an increase in the current estate of 135,000 hectares by approximately 45 per cent. By its own assessment, this provides the forest industry with significant certainty regarding its opportunities to expand for approximately 10 to 15 years.

On 18 June 2009 minister Weatherill introduced amendments to the NRM act that would license forestry as a water user, and on this side of the house we agreed that the bill should be referred to the parliament's Natural Resources Committee. On 1 December 2009 minister Weatherill moved that the bill be discharged after he agreed with our position to refer the bill. The minister formally asked the Natural Resources Committee to inquire into it, but this was subsequently withdrawn and its investigation never took place.

In early 2010 minister Caica, the present minister, set up an interagency reference group which was established to work on the Lower Limestone Coast Water Allocation Plan, which included PIRSA, the Department of Treasury and Finance, the Department for Water, the Department of Environment and Natural Resources, and the South-East Natural Resources Management Board. The group also established a reference group to consult with key stakeholders. The forestry industry states that both the bill and the water allocation plan were not provided to the reference group beforehand.

This bill was introduced into the House of Assembly on 24 November 2010 and is largely the same as the 2009 bill, although I note there are several amendments. The bill is an expression of a statewide policy framework, 'Managing the water resource impacts of plantation forests', which was adopted by the government in 2009. The licensing system operates within a water allocation plan and it is intended to integrate with the current system of licensing water, thereby facilitating trade between licensed water users and the forestry industry.

The government's 'carrots', so to speak, in favour of the bill are to streamline the current forest permit system, taking it from the Development Act 1993 to the NRM act and, so it says, increase benefits to licence holders as they will be able to trade their licences. However, at issue is that South Australia, if this bill were enacted, would regulate the commercial forestry sector through water licensing. Obviously there are concerns with being the 'first mover', such as investors moving interests interstate because they will not have to confront the same regulations.

I want to make the point that, if this bill were introduced as the River Murray Act, which was introduced in several other states at the same time and which is a national act, perhaps there may

have been more consensus on this side of the house. However, being the first mover may deter investors from investing in the forestry plantation in this state.

We also need to be aware, as people in the forestry industry are, of the plantations in Victoria that are ForestrySA plantations, so we would actually have two different rules and regulations for forestry under the government's ownership. That will add another level of bureaucracy if this bill is enacted.

Forestry industry players such as the National Association of Forest Industries, the Australian Plantation Products and Paper Industry Council, Australian Forest Growers and Gunns Timber oppose the bill. They support the referral to the Natural Resources Committee as an opportunity to put their point of view and to expose flaws in the Department for Water advice.

As well as having not been properly consulted, their concerns include: it is inconsistent with minister Hill's 2004 statement; there are no exemptions in the bill for small-scale farm forestry; it ignores the positive benefits of forestry on salinity and water quality; and it is inequitable to regulate forests when not including similar land uses which are also water-affecting activities (for example, lucerne).

I note the deputy leader's comments about other perceived water-affecting users such as lucerne. It could involve even dryland pasture plants, whether it is phalaris or some other grasses that are involved here. I am certainly well aware of irrigators in the South-East who feel that, if forestry is regulated under the water allocation plan, perhaps they will not take the potential hit in their change of water allocation from a hectare to a measurement basis (i.e. hectare to volumetric). They perceive that if they can have forestry in the game, so to speak, they will not get such a hit.

As the deputy leader rightly mentioned, forestry is not in the mix as we speak. The government has spent five years developing a water allocation plan for the South-East, and these things are supposed to be on five-year cycles. It seems to be a continuum of work for the bureaucrats to get through this process and you are already running into the next stage of water allocation planning in this state.

In relation to general sustainable water use by forestry activity, the National Association of Forestry Industries makes reference to the CSIRO's technical comments on the guide to the Murray-Darling Basin Authority's proposed basin plan as supporting its views. NAFI believes the CSIRO's submission highlights:

1. That to remove intercepting activities may be impractical and/or undesirable due to the negative consequences resulting from catchment clearing (e.g. erosion and salinity) and the artificial inflation of the water budget. For instance, forestry provides a range of ecosystem services essential to the maintenance of catchment integrity.
2. Current interception 'does not produce a conflict between current diversions and the environment because it is implicitly included in the water availability calculations of the current plans, and it is using water in the landscape that was there under natural conditions anyway. It is only future interception in a fully-allocated region that is of concern. The National Water Initiative is precise about this.' Importantly, they disagree that the Lower Limestone Coast Water Allocation Planning area is over-allocated. In any case, there are no plans to increase plantation areas.
3. That it is more sensible to fully accept interception as a fixed use, much as basic rights uses are accepted, and to consider diversions not interception when balancing uses with environmental need. Should further regulation of all water uses become necessary if a catchment becomes fully—or over—allocated 'all new interceptions should be within SDLs and included in water plans, consistent with the NWI'. The NWI is quite specific on the need for no retrospectivity.

As I indicated before, the South Australian Farmers Federation, the Coonawarra vignerons (who I met with recently), the South Australian dairy farmers and the local potato growers support forests being included in the natural resources management regime. They are very keen to have it included in the draft South-East Natural Resources Management Board Water Allocation Plan. Essentially, some of these players assume that forestry will be included.

As Mitch said, people are making assumptions about legislation that has not been enacted, if it will ever be enacted. We will certainly seek to have this recommended to the Natural Resources Committee, but I also have concerns with the proposed forward sale. In addition to having those concerns about the proposed forward sale of three rotations of forestry, or 111 years of the future of the South-East, who will own the water? It is understood that it is about \$300 million worth of water we are talking about here. Will it be the government that will basically own the stumps of the trees or the forest plantation—

Mr Whetstone: They will keep the credits.

Mr PEDERICK: Yes, that's it. They will probably keep any carbon credits—or will it be an investor? The most likely investor for a purchase of the forward sale of forestry—and I hope this fool idea just goes away, that the government suddenly realises the folly of destroying a region—would be someone like a Chinese investment group or perhaps an American superannuation fund. Although, the way their economy is going, I am not sure who is going to have the money in America.

Mr Whetstone: Malaysia.

Mr PEDERICK: As the member for Chaffey indicated, it could be other money from South-East Asia, from Malaysia. People have certainly been placing a high interest in the forestry estate. We have seen the recent sale of Gunns down there at a heavily discounted rate of about 40 or 50 per cent below valuation. One of the concerns I have is in Part 5A—Commercial forestry, Division 1—Preliminary, 169A—Interpretation. In this part, what concerns me is who is going to have control of the water. I think it gives the minister a fair bit of flexibility. This part provides:

(1) In this part—

forest manager, in relation to a commercial forest, means the person who has effective control of the forest vegetation that makes up the forest, either as the owner or occupier of the land on which the vegetation is growing or as owner of the forest vegetation under a forest property (vegetation) agreement under the *Forest Property Act 2000*.

I think that gives the minister an each way bet, and he may be able to explain that when we get to the committee stage of the bill. I am not a lawyer, but my interpretation of that subsection is that the minister could deem that either the government will be in charge of the water or the new owner of the forest, if the proposed sale of rotations goes ahead. I think we need to be perfectly clear in this place on who is likely to own any water licence under this bill, because I think it has real ramifications for whoever takes on the venture, and certainly for future governments. If this does go ahead for 111 years, that is a lot of future governments whichever way you look at it in this place.

As I indicated before, it would be much more sensible if we saw all states involved in this as one, so that one state was not playing the lead role and putting an imposition in place for the forestry industry, with the others sitting back—which essentially they are—to see what happens as far as investment in our state goes.

The member for MacKillop, the deputy leader, talked about the drainage system in the South-East, and there is comment that only 6 per cent of the natural wetlands are left in the South-East, but land was cleared over the last 120 to 150 years or longer for agricultural purposes. In the past 50 or 60 years I note the work of the McCourt family at Woakwine Cutting where the McCourts and workmen cut through with a—I am not sure, was it a D6 or a D7?

Mr Pegler: D6.

Mr PEDERICK: D6—thank you, member for Mount Gambier—with a scoop on the back. To be frank, it was a hell of an engineering job, operating this equipment 24 hours a day to help drain thousands of acres near Beachport.

These drains, thousands of kilometres of them in the South-East, have drained the surface water so that it could open up agricultural opportunity and it has been a boon for the South-East. I have seen the impact of the dry years as the member for MacKillop was indicating. I used to shear sheep at a property at Callendale near Lucindale, but you would not shear any sheep there now, sadly; she is covered in blue gums. I visited the old shed the other day and I was very disappointed to see roofing iron missing and the board looking like it was going to rot away. Such is life I guess. The property is covered wall to wall, and if it was not blue gum—it was very close to it—it was pine plantations.

The point I am trying to make is that we seem to almost be at odds. In one sense the land has been drained so that agriculture can operate; yet now we have people involved in the agriculture sector and the government wanting to bring in forestry, which has been in action down there, certainly with softwoods—pine—for at least 120 years. I have heard all the arguments from both sides about how much water forestry uses and some sectors say it is not just rainfall-intercepting activity, it does draw the watertable down, and to a certain extent it does, but there are always recoveries in a place like the South-East. As I said, they have suffered their dry years and have not had some of the recovery that they could have, but they have had a wetter period and there is a lot of water that flows out to sea and flows away in the drains.

I think it would be pertinent to have this legislation referred to the Natural Resources Committee. It has been five years. What is another little while to make sure we get it right not only now for the state of South Australia but for future generations? It concerns me that alongside this legislation, we have the proposed forward sale of forestry which, I believe, will tear our community apart.