

MEMBERS' BULLETIN

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Welcome

This *Members' Bulletin* is the first edition for the year and intended to keep you up-to-date with recent ATIF activities. This edition reports on the development of the regulations related to the *Illegal Logging Prohibition Act 2012* and our advocacy campaign aimed at promoting the compliance and employment credentials of imported timber products. We also take a look at the year past and business prospects as we move into a new year.

Illegal logging legislation regulations development

With the *Illegal Logging Prohibition Act 2012* now in operation the focus of attention has shifted to the development of the critical regulations that will underpin the legislation. ATIF participated in the first regulations workshop held in December that examined in detail the wood-based products that will be subject to the legislation as *regulated products*. Three further workshops are scheduled in the first quarter of this year. These will consider due diligence mechanisms; monitoring compliance and reporting procedures, and the complete draft regulations. The first of these workshops that will consider due diligence-related issues will be held in Melbourne on 30 January.

Compliance credentials and jobs contribution of imported timber products

ATIF has been running a campaign, involving articles and advertising in trade magazines directed at highlighting the standards compliance credentials and employment contribution made by imported engineered and structural timber products.

The campaign points out that timber products imported by ATIF member companies are fit-for-purpose and compliant with requisite building codes and standards. In relation to employment, analysis of data indicates that imported timber products contribute to 28,990 jobs directly in building and construction and a further 80,450 in occupations that provide inputs into the building and construction process.

These jobs are dependent on the utilisation of imported timber products either not manufactured at all in Australia or not available in sufficient quantities to cater for building and construction demand.

It is apparent that standards compliant, quality imported timber products are making a worthwhile contribution towards meeting the demand of the building and construction industry and to thousands of jobs in these industries.

The past year and future prospects

Throughout most of the last year every segment of the industry, new housing, housing renovations and non-residential building, was in decline. Total building activity in the June quarter of 2012, at an annual rate of \$95.5 billion was 6 per cent less than in the June quarter a year ago and 14 per cent less than in the June quarter two years ago.

Housing commencements fell 11 per cent in 2011-12 to 140 000 units, down from 158 000 in 2010-11.

Imports of timber products, and paper and paperboard, in terms of value, fell by 5.3 per cent and 8.4 per cent, respectively, over 2011-12. This fall was partially offset by an 11.6 per cent increase in the value of wood-based panel imports, to \$323 million in 2011-12.

The total volume of timber product imports fell in 2011-12 to 791 000 tonnes, a 6.5 per cent decline from 846 000 tonnes in 2010-11. This is mainly a result of a fall in softwood rough-sawn timber imports, commonly used for landscaping and housing construction. The total value of all timber product imports declined by 5.3 per cent in 2011-12, to \$448 million. Against this trend, the value of softwood dressed timber, hardwood dressed and rough-sawn timber imports increased in 2011-12. Imports of wood-based panels have trended upward over the past decade and have accounted for an increasing proportion of Australia's consumption of timber products in recent years.

Turning to future prospects as we move into a new year, the Federal Treasury reports that weakness in the retail sector and the expectation of below-trend employment growth, and therefore subdued demand for new office space, is expected to be reflected in weak growth in private non-residential building activity.

Perhaps the best news from all the data for future residential building activity is that a main driver of demand, population growth, is surging again. In the year to March 2012, Australia's population increased by 331,200, compared with a rise of 250,600 the previous year to March, and with an average of 271,200 a year over the past decade.

Growth has accelerated strongly in Queensland, South Australia, Western Australia and the Northern Territory. Victoria nevertheless remains the state with the biggest growth, adding 82,500 people in the year to March compared with 76,400 in Queensland, 73,500 in New South Wales and a historically massive 73,300 in Western Australia.

So for the timber wholesaling and importing sector, 2013 will not be too different from the past year with 'soft' housing and other building activity. However, the prospects beyond 2013 look brighter.

It is likely that the domestic wood processing sector will continue to struggle to be competitive this year and that the Australian dollar will continue to trade above parity with the US dollar.

The likelihood of a change of government in Canberra before the end of the year may herald in the prospects of more industry-friendly policies in relation to industrial relations, research and development, use of residues for accredited renewable energy and carbon trading from plantations. Should this reality occur a jump in overall industry confidence, investment, and commercial performance may result.

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