

## **PNGFIA FOREST INDUSTRY PLAN 2001 - 2036**

- **MORE TREES**
- **MORE INVESTMENT**
- **MORE JOBS**
- **MORE RURAL DEVELOPMENT**

## **PNGFIA FOREST INDUSTRY PLAN 2001 – 2036 OBJECTIVES**

- to ensure an economically viable and sustainable timber industry in PNG within an environmentally acceptable framework by improving its competitiveness, enhancing market access, creating trade opportunities and to provide incentives for investment in industry
- to halt the decline of the existing industrial base through the erosion of investment capital due to impediments as unsustainable and discriminatory taxation burdens, lack of rural infrastructure development and maintenance, and a lack of reinvestment by PNG back into the forest sector,

## **BACKGROUND**

### **Why a Timber Industry?**

- Most Papua New Guineans regard forest products as essential to their lives.
- 1. Everyone has timber in their homes and work places, both as a building material and as furniture
- 2. There is a wide use of a range of paper products, - in books, magazines, newspapers, writing papers, tissues and packaging
- Timber is a natural, renewable, energy efficient resource.
- Forest industries provide employment; services; commercial viability for rural areas
- Wood – it is an increasingly strategic resource for tomorrow

### **Nature of PNG's Wood Resources Today**

The three wood resources currently available in PNG are all different. They all require different processes to produce wood products, which in many instances supply different markets. They are:

- Natural forest resource characterized by a high diversity of species
- Regrowth from logged over areas and/or natural regeneration
- Plantation resource

### **Performance of PNG Timber Industry - Facts and Figures**

- Refer to attached tables. For example: half of world's roundwood production still used for fuel, a similar situation exists in PNG

### **Global opportunities for PNG Forest Products Industry**

- Thinking globally and acting locally will provide opportunities for the forest products industry to expand and actively participate in global economy through development of major export markets to rest of world, only if :
  1. PNG must become more aware of its role in the global economy. It cannot afford to continue to have isolationist policies on forests
  - 2 There is further development of PNG forest practices in order to achieve sustained management of natural forests

### **PNG and Global Wood Economy – Supply and Demand**

- Significant reductions in availability of wood from major traditional areas of supply and increasing globalization in trade of forest products will have significant consequences for PNG within next five to ten years
- There will be a significant shortfall in global wood supply within next decade
  - 1 Softwood shortfall expected to reach over 400 million m<sup>3</sup> per year by 2010 and hardwood by over 140 million m<sup>3</sup> per year by 2010
  - 2 Reflection of rising demand , through population growth and increasing prosperity particularly in Asia, which imposes a radically different regional demand for wood products than previously existed
  - 3 Reflection of divergence of surplus wood into structural and wood pulp markets
- Inadequate forest management practices will lead to dramatic reductions in supply of timber

## **PNGFIA FOREST INDUSTRY PLAN VISION**

### **Key Elements**

1. Technological innovations and market changes will provide PNG with a significant opportunity to increasingly utilize natural hardwoods (native and plantation origin) to manufacture a wide variety of domestic and export products, many of which will be new and innovative. This will greatly add to the future value of log supplies from natural and plantation forests
2. Development of a timber industry board thereby providing a mechanism for the provision of advice to Government on policy issues related to development of the timber industry
3. Improved commercial results and investment attractiveness of forest industries through favorable government policy decisions and actions
4. Resource security – essential to future of a competitive wood and wood products industry based on natural and plantation forest resources
5. Administrative reforms
6. Industry reforms
7. Resource owner reforms
8. Expansion of forest resource through plantations through investment strategies and earmarking of revenues for resource replacement
9. Protection of other forest values by providing support and earmarking of revenues for conservation issues and sustainable forest management practices
10. Promotion of an expanded and skilled workforce
11. Creation of a positive future for people and communities dependent on forest industry

## **GAINS FROM THE PNGFIA FOREST INDUSTRY 2001 –2036**

- an increase in value of forest products production of more than 100 %
- 20 % increase in forest industry employment and flow on effects to other employment sectors
- five fold increase in commercial timber plantation area to 300,000 hectares

## **POLICY ISSUES/IMPEDIMENTS TO PNGFIA FOREST INDUSTRY PLAN 2001-2036**

### **Changing Role of Government and forestry**

- Forest industry global economic and environmental trends are significantly at odds with the lack of certainty and National Government intervention, which has severely restricted PNG's ability to manage and develop an internationally important resource.
- From an international perspective, the mood of influential environmental groups in PNG appears irrational and irresponsible and the National Government unable to make hard decisions
- PNG needs to handle its forest policies objectively and in a global context otherwise it is placing responsible industry in jeopardy and major economic opportunities will be forgone causing PNG's current account deficit to remain unnecessarily high

### **Forest Revenue system**

- It must be made a tool for improving forest management , not just raising government incomes
- Instruments for sustainable private sector forestry
- Taxation and individual forest investment
- Pricing and allocation of logs
- Costs & benefits of plantation development
- Costs, constraints and benefits of sustainable forest management regimes
- Cost of infrastructure
- Cost of plantation development
- PNG foreign investment guidelines
- Revenue system – fiscal stability, earmarking (i.e. dedicated % for reforestation activities; conservation activities, etc)
- Processing
  1. issues, constraints, costs etc e.g. resource security
  2. processing tax, subsidy elimination

### **Forest Management Issues/Restrictions on Forest Industries Development**

- Forest ownership
- Establishment of new forests
- Management of natural resources
  1. How long a right to operate in an area
  2. Question of establishing a mechanism for determining value of the wood
  3. Question of replacing the resource
- Co-ordination between government and industry over land and resource owner issues

### **Trade Related Policy Issues**

1. Trade policies
2. Exchange rate policies
3. Financial incentives both domestic and foreign investment

## **PLANTATION DEVELOPMENT**

- Represent a major opportunity for growth in PNG's long term wood supply
- Significant contributor to regional economic development by value adding locally to primary production and generating downstream processing jobs
- Long term agricultural crop that can be managed to produce large volumes of wood per unit area
- Although plantation areas continue to increase globally, their potential to replace natural forest harvesting will be limited as projected global increase in supply of plantation wood will barely meet increased demand, let alone compensate for declining supplies from traditional sources
- Growing realization that large scale plantation development is expensive and requires a combination of favorable criteria including large areas of fertile, well watered land, low population densities and political and community support
- 2036 PNG Plantation Vision
  1. goal to build internationally competitive, market orientated industry driven by private sector investment
  2. PNG has necessary land resources, rainfall, commercial tree growth productivities compared to rest of world
  3. PNG needs correct investment climate and resource security in order to undertake large scale plantation investment
  4. Benefits – creation of separate & alternative income streams for rural dwellers
  5. enhanced regional development opportunities
  6. increased employment in rural areas
  7. environmental benefits e.g. reduced soil erosion, improved water quality, carbon sinks
  8. Achievement of 2036 vision is responsibility of plantation growing industry, industry will be planting the trees, not the government
  9. Plantation wood cannot replace all timber uses. . Require continuing use of native forests for wood production with plantations supplying an economically viable, reliable and high quality wood resource which complements wood supplied from native forests
  10. PNG one of only a few countries capable of increasing its plantation base in next 35 years
  11. PNG plantation species (native and exotic) have great potential particularly if properly dried and presented. However, international competitiveness is the key.
  12. Use of effluent for fuel wood plantations within urban areas
  13. Development of PNG commercial tree growers/ use of SRPM model
  14. Development of cabinet wood plantations
  15. Code of practice – afforestation companies

## **FOREST INDUSTRY DEVELOPMENT OPPORTUNITIES**

### **Issues**

Issues currently facing the industry include:

- Value adding processing
- More efficient and effective log harvesting and transport
- Business development training for small logging and transport companies
- Finding markets for residual logs and lower quality forest products

### **Types of Assistance to ensure Industry Development include:**

- Market research and development
- Industry rationalization/cooperation
- Product development
- Training and skills development

### **Possible works programs to ensure Industry Development include:**

- Domestic sawmill monitoring programs
- Timber product design programs
- Timber product specifications
- Timber promotion programs
- Plantation development programs for specific cabinet woods
- Development of export capacity programs
- Production of composite products
- New wood conversion techniques
- Research and development facilities/programs as
  1. Conversion of small logs
  2. Kiln drying research
  3. Product manufacture processes
  4. Adhesive
  5. Treatment processes
  6. Identification, wood properties

### **Development of initiatives to foster commercial tree growing projects**

For any plan to succeed - need to:

- Mobilize existing hardwood industries
- Develop access to investment capital ( for establishment and processing)
- Encourage confidence in economics
- Deal with lack of silvicultural knowledge
- Influence landholder, industry and community attitudes
- Develop and implement a communication strategy
- Identify land base and product priorities
- Implement plantation establishment support
- Plan and manage over 5,10,20 year horizons in conjunction with regional development organizations under auspices of National Forest Plan



### **Funding of projects for individual industry participant development**

- Overall aim of funding projects is promotion of an internationally competitive timber industry utilizing PNG timbers that is capable of maximizing value from domestic and international market opportunities
- Any funding to be in form of grants
- All projects include shared financial contributions by recipients
- Funding priorities
  1. Based on market opportunities
  2. Contribute to maximizing industry value
  3. Protecting sustainable employment

### **Funding of Projects for National Forest Development**

#### **1. National Forest Inventory**

- Goal is to provide govt, industry, public with authoritative information on forest attributes, values and uses

#### **2. Land use planning /National Forest Plan**

- Important for national government to undertake prior to FMA being issued for priority commercial forest areas

#### **3. Codes of Practice**

- Undertake an audit of the logging code of practice such as to lead to privatization of the code (administered by individual industry participants) in conjunction with development of a forest practices code
- Industrial development of other codes of practice

PNGFIA 1 March 2001