

# Time to chop down Labor's approach to illegal logging

**Deregulation**  
**Labor's**  
**legislation in**  
**the area of**  
**sustainable**  
**forest**  
**management**  
**is smothering**  
**legitimate**  
**businesses in**  
**red tape.**



**Josh Frydenberg**

Illegal logging is wrong, socially, economically and environmentally, because it distorts markets, damages the ecosystem and displaces communities.

This is why Australia, for some time, has played an important part in the international effort to build capacity in developing countries to stamp out this practice.

Sustainable forest management forms part of Australia's bilateral forestry agreements with key partners such as Papua New Guinea and, at the same time, Australia is engaged at the multilateral level, participating in United Nations forums to generate co-ordinated global action.

While illegal logging is estimated to be worth around \$100 billion a year, only 15 per cent of the illicit harvest is internationally traded. The rest is consumed locally.

Given that Australia imports only 0.034 per cent of global timber production, the proportion of illegally logged timber that makes its way to Australia is estimated to be very small.

This is why we have to be extremely careful to get the balance right in any regulation that is designed to prevent illegal logging.

Unfortunately, this balance has yet to be achieved.

In 2012, when Julia Gillard and Bob Brown brought to the Parliament the

Illegal Logging Bill, they introduced the heavy hand of government intervention, imposing a regulatory burden on business that goes too far.

As a result of Labor's legislation, more than 17,000 businesses, 15,000 of which are small to medium enterprises, are required to undertake extensive due diligence into the origin of the timber and timber products they import.

At its own expense, the small business operator needs to gather information about the country of harvest, supply chains, forest verification audits and even photographs from state visits and results from species testing.

What is more, the new regulations apply to a wide range of products, from plywood to flooring and furniture to sawn timber and pulp and paper products.

Any consignment of regulated timber products with a combined value of more than \$1000 is caught by this far-reaching legislation.

Should an importer fail to adequately gather this level of information, undertake a risk assessment and engage in risk mitigation measures, they face the prospect of serious criminal penalties including imprisonment.

This seems particularly harsh given many small businesses do not have the resources or the expertise to meet this compliance burden.

In fact, there are a number of long-standing family-run joinery businesses who have in the past employed dozens of people including apprentices who now feel, as a result of this legislation, that their existence as a going concern is under threat.

Despite these objections from small business, as well as significant concerns raised about the legislation by some key trading partners who fear it is not compliant with Australia's free trade

obligations, the Labor Party persisted with the legislation.

To make matters worse, no regulatory impact statement was ever undertaken into the regulations, so that the true cost of compliance is yet to be fully understood.

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) and the Centre for International Economics (CIE) were commissioned to do a cost benefit analysis into the act but not the due diligence requirements contained in the regulations.

However, it is the regulations where the real costs lie and recent analysis by the department found compliance will be at least more than \$11 million in the first year, and \$8 million every year thereafter.

Given most of these costs will be incurred by small business, the Coalition has decided to act.

While we opposed the bill in opposition, now that we are in government we can do something about it.

Consistent with our evidence-based approach to policy there now will be a regulatory impact statement on the regulations.

I have also joined with the Minister for Small Business Bruce Billson and the Parliamentary Secretary for Agriculture Richard Colbeck to announce that there will be an immediate review of the regulations which will look at the impact on small business and options for reducing or removing any adverse impacts. It is intended that the review be completed by March next year.

It is hoped that this review and the subsequent changes will bring some balance back to the illegal logging regime and ensure that we don't make criminals out of reputable small business operators simply to satisfy the politically driven agenda of Labor and the Greens.

When Alan Oxley, Australia's former ambassador to the General Agreement on Tariffs and Trade, the predecessor to the World Trade Organisation, calls the Illegal Logging Bill an "abominable precedent" and a contender for Australia's worst law ever, one cannot turn a blind eye.

*Josh Frydenberg is the Parliamentary Secretary to the Prime Minister with specific responsibility for deregulation.*

*More than 17,000 businesses are required to undertake extensive due diligence into the origin of their timber.*