Dear Michelle,

Ahead of our meeting on Wednesday this week, I thought it might be helpful to clearly state our position on the matters under consideration as part of the Consultation RIS. This is supplementary to our written response to the questions listed at section 7.6 of the discussion paper, which was provided on 14 December 2016.

1. We actively support Australia’s legislation combating illegal logging and specifically endorse the ‘modified approach’ for due diligence for timber legality frameworks, as outlined on page 36 in section 7.2 of the document. We believe this has the potential to reduce the regulatory burden with minimal risk of undermining the integrity of the legislation.

However, we should remove the inconsistencies that have been seen in the current arrangements for timber legality frameworks by adopting a clear view that company-verified supply certificates replace the due diligence requirements of the Act and Regulations.

We politely note that the Government’s approach has been ambiguous and sometimes contradictory: for example, the guidance note of 30 June 2016 states that “a separate due diligence system is not required” but that “this recognition does not remove the need for certificate holders to undertake due diligence … gathering information, risk assessment, risk mitigation and record keeping”.

This is one of the principal benefits for importers relying on FSC certification: that our system (from foresters to manufacturers, and through the third-party audits conducted by certification bodies licensed by ASI) comprehensively assesses and mitigates risk.

Were the Government to adopt the view that the FSC system substantially replaces the due diligence requirements for the import of FSC-certified products. In practice FSC would produce an Implementation Guide for companies trading FSC-certified material,
similar to that which we produced in order to assist compliance with the EUTR. I will bring a copy to the meeting but this is also available from our global website: https://ic.fsc.org/file-download.eu-timber-regulation-implementation-guide.a-13.pdf

The key point to note from this paper is that FSC issued a series of advice notes which aimed to clarify how the FSC certification system helps companies that produce and/or trade FSC-certified products, including FSC controlled wood (CW) materials, to comply with the EUTR. The guide also highlights the considerable advantages of working with FSC-certified products and materials.

May I direct your attention specifically to page 6 of the Guide, and to the second-last paragraph which details additional information which FSC has obliged direct FSC chain of custody (CoC) certified suppliers to importers to help comply with the EUTR.

This includes both country/concession of harvest or species. If suppliers do not have that information, they are obliged to go further up the supply chain until they have obtained this information and provided it to the importer. If Australian CoC certificate holders are not already obliged under FSC Standards and accompanying guides and action notes, I am confident that this would be clarified effectively.

2. The Government should build on its leadership by announcing that from 2020 the import of timber and wood products will be restricted to products certified by FSC or one of the other timber legality frameworks.

Indeed, this was foreshadowed by the former Parliamentary Secretary for Agriculture, Fisheries and Forestry when introducing the Bill in the Senate on 19 December 2012:

"These measures are an essential first step towards a longer-term goal of Australia sourcing timber products from sustainably managed forests, wherever they are in the world."

This would send an unmistakable signal to the global market and provide an opportunity for Australia, the US and the EU to jointly elevate the trade in illegal logging to the G20 to pursue a coordinated international approach (so that, for example, “legal” and “illegal” has the same meaning and effect in legislation in timber trading nations).

In practice this would most likely mean some form of mutual recognition for low-risk countries including New Zealand, the EU, the US and Canada.

It might also be noted that establishing a window of three years is more than adequate for most forest managers to secure FSC Controlled Wood certification.
3. We strongly oppose any increase in the individual consignment value threshold beyond $1,000. As KPMG noted, increasing the threshold to $10,000 would:

- remove more than 53,000 consignments from the Regulation’s scope (a decrease of 26 per cent);
- decrease the number of regulated importers to fewer than 9,000 (a decrease of 55 per cent);
- and exempt at least one consignment for another 4,200 importers (almost half of the remaining community).

4. Data collection. There is currently very little data to track the certification status of imported or exported timber and wood products. We suspect this is an oversight rather than a practical difficulty, as the certificate status is readily capturable. Customs should be tasked with the data capture, with reporting a joint responsibility with ABARE. For maximum value the data should be able to be interrogated to identify type of certificate by each timber legality framework.

I hope this is useful. May I refer you again to our December 14 submission which specifically addressed risk mitigation within the FSC System.

With kind regards,

Bill Royce
Chief Executive Officer