

GRANTS

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SUBMISSION TO THE REGIONAL FOREST ASSESSMENT FOR THE SOUTH-WESTERN CYPRESS STATE FORESTS

16 March 2010

INTRODUCTION

Company evolution

In 1973 R G Grant & Co Pty Ltd purchased licence and other business assets from Ganmain Sawmilling Co and commenced operations from premises on Old Wagga Road, Narrandera. A red gum mill was also operated at this site for some years but eventually closed down due to a lack of resource. The company concentrated on Cypress from then on as it appeared to have a secure future.

In 1977 the operations were transferred to Grants Sawmilling Co – a partnership of R G Grant & Co Pty Ltd, Robert George Grant and June Marjorie Grant. This enabled the next generation – Richard John Grant and Matthew Charles Grant - to be introduced into the ownership of the business.

In 1979 Grants Timbers Pty Ltd – owned by J M Grant & Ors Trust and Norman Grant (Robert George Grant's brother) purchased the Condobolin sawmill licence from Western Timber and commenced operations at Melrose Road. Several years later Barnes Sawmill located across the road from the Condobolin sawmill was purchased and the business operation there was re-consolidated.

The present River Road premises at Narrandera were purchased in 1983 and the operations were moved there from the Old Wagga Road site.

In 2001 the company commenced exporting into Japan with approximately one container each month.

In 2007 the Minister for Primary Industries, the Hon Ian Macdonald, visited the Narrandera mill to open new technology installed following the results of the 2005 Brigalow Decision. The technology was part of a substantial investment by the company and the NSW Government through the Brigalow Timber Industry Development Adjustment Fund (BTIDAF).

In 2007 the company commenced exporting to China. Both the Japanese and Chinese markets are continually being supplied, contributing to foreign exchange earnings for the NSW economy.

Present situation

Grants Holdings Co Pty Limited has a Western Region Wood Supply Agreement signed with the Forestry Commission of NSW and the NSW Government on 3 May 2006 for the supply of Australian White Cypress sawlogs to be supplied to its mills at Condobolin and Narrandera.

In 2008 the company purchased additional resource from Gulargambone Sawmilling Co when it decided to close down as a result of the Brigalow decision. The purchase was authorized by the NSW Government as an additional WSA resource from the Southern Region for the remainder of the term of the 20-year supply that had been signed between Gulargambone and the NSW Government.

The total resource is milled and processed annually by Grants Sawmilling at Narrandera and Condobolin to meet current demand and only the volume of resource available has restricted the company's business development. Following the restructure the two milling operations were fully integrated and the production line of each is dependent on the other.

Every part of a sawlog that is delivered to the two mills is processed and sold. Residues and waste are covered by the company's by-product market development policy. This material now comprises Grants' landscaping range that includes chips, sawdust, shavings and bark. Grants also supply woodfibre from the mill residues for particleboard manufacture.

Forests NSW completed the full Program for the Endorsement of Forest Certification (PEFC) at the end of 2006, which assures international markets that timber from State Forests throughout NSW has come from sustainably managed forests. This enables Grants to export finished products in the confidence that its origin is without question from sustainable Cypress forests in the South-Western region. This is an increasing requirement of the international marketplace in its quest to stamp out illegal and unsustainable logging. Global markets are now very sensitive to sustainability and the Japanese housing industry serviced by Grants is no exception.

ADDRESSING THE TERMS OF REFERENCE

Opportunities for ongoing and future employment within affected communities

At present some 50 positions based in Narrandera and Condobolin are secured by the 20-year Wood Supply Agreement with the NSW Government.

Any reduction in current resource availability will place these jobs in jeopardy. Past experience in the forest industries have shown that sawmill closures due to resources being placed in reserves have created severe economic hardship for forest industry employees and their families.

Our company values its employees highly and makes considerable efforts to train and retain employees.

Closure of our operations due to resource cut-backs would force many employees of long-standing with the company into long-term unemployment due to age and inability to access alternative jobs. Others would face inability to continue with mortgage and other financial commitments. The flow-on from this, as previously stated, frequently results in family and community stress. For example, violence and a larger involvement of charitable bodies increased in places such as Eden. We do not want to see this sort of occurrence in Narrandera and Condobolin.

The 50 plus jobs as a direct effect of the company's operations in two regional centres have a flow-on effect of creating indirect employment. There are many examples of job losses when sawmills have been forced to close following resource restrictions when State Forests have been removed into Reserves and National Parks. The pharmacy closed at Eugowra, a teacher and a class of pupils was removed at Bombala, the town of Gwabygar barely exists and many mechanical support businesses servicing sawmills and contracting operations have shut down throughout the State.

The company is a strong supporter of the community, sponsoring many organizations and providing other assistance in a variety of ways.

The impacts of drought on the forests and communities

It is important to point out that the cypress industry is a drought-resistant industry. It can thereby continue to support the regional communities where it operates while other industries such as farming often struggle to continue.

Cypress forests are not substantially affected by drought.

International arrangements

Grants Sawmilling has ongoing arrangements with Japanese and Chinese markets that are continually being supplied, contributing to foreign exchange earnings for the NSW economy.

The arrangement with Japan follows several years of development involving Australian and State Government bodies to obtain specific Japanese approval and accreditation for the use of Australian white cypress in the Japanese building industry. Any severance of supply of cypress, which is in demand in Japan due to its termite-resistant quality, would cause concern within Japanese Government circles.

Opportunities for indigenous involvement

The company has a number of well-trained employees of indigenous descent.

Appropriate access for commercial uses

The present situation of the Grant sawmilling operations at Narrandera and Condobolin is under-pinned by a 20-year Wood Supply Agreement between the company and the NSW Government.

The company is economically viable under these conditions, which were signed off in good faith following the Brigalow decision.

The company invested heavily in development between 2005 and the present time to upgrade its sawmilling and harvesting operations. Some of this investment was supported by funding from the NSW Government through the two stages of the BTIDAF, while the remainder was independently financed by the company to ensure the long-term viability of the company.

At the time of the Brigalow decision the company told the Minister that exiting the industry at that time was not an option as the company had opened doors into export markets, had a strong domestic demand and was possibly the most viable of any of the cypress sawmills in NSW.

The Minister's interest was affirmed during his visit to the Narrandera mill in 2007. Following this the company continued its investment in value adding opportunities by installing state-of-the-art equipment that meets the particular demands of Australian white cypress timber.

The financial investments by the company enabled the company also to increase its production throughput and thereby to increase employment opportunities in Narrandera and Condobolin.

The total staff as well as the owners of the business have made long-term commitments, both financially and personally, based on the security of the 20-year Wood Supply Agreements.

The NSW Government has been a partner in the growth of the business and securing ongoing employment. The company has appreciated this and anticipates that the NSW Government will continue to honour its commitment through the wood supply agreement.

The decision to undertake an assessment of the South-Western Cypress State Forests has now caused uncertainty for both the company and its employees. In several instances, stress has become a factor for some of

our employees, particularly those with young families and financial commitments.

The company's concern is that it has a water-tight Wood Supply Agreement with the NSW Government, yet indications within the industry through its representative body, the NSW Forest Products Association, are that resources have been severely cut in every other Regional Forest Assessment conducted within NSW.

The company currently has a secure resource of reasonable log quality and size sourced from state forests in the Southern part of the State, albeit scattered through a wide area and without the luxury of any large forest such as the Pilliga in the Brigalow or the coastal forests. Any additional haulage from areas of a further distance would impact on our viability in the Southern part of the State.

The company's modern, high tech operation meets the demands of domestic and export markets. Grant's Sawmilling is one of only two major cypress timber businesses remaining in NSW. The equipment it uses is specially designed to handle the characteristics of cypress, the most termite-resistant of all Australia timbers, and thereby invaluable to the building industry in the highly populated coastal areas of NSW.

Without access to the existing cypress sawlogs secured by the Wood Supply Agreement this equipment would largely be useless, unable to be sold to any sawmill handling other timber species or for any resale other than as scrap metal.

The entire resource, including log quality, size and delivery cost, secured by the Wood Supply Agreement is essential to the company continuing its business. Any loss or change of resource underpinned by this agreement would have dire consequences.

If through the current South-Western Cypress State Forests Assessment the 20-year Wood Supply Agreement is broken in any way by the NSW Government the communities of Narrandera and Condobolin may have to face closure of their sawmills and lose the economic support generated by the Grant family business that feeds into the community in many different ways.

IN SUMMARY

Grant's Holdings Co Pty Limited understands through its legal advisers and through its industry association that it has a completely water-tight 20-year Wood Supply Agreement with the NSW Government.

The company, which has been assisted in its recent development by Industry Development Assistance provided by the same NSW Government, is led to believe that the NSW Government is committed to the terms of the Wood Supply Agreement.

This agreement is based on the current resource made available by the NSW Government.

Any decision to change the availability of that resource would appear to be a breakdown of the trust of the existing partnership developed jointly between the NSW Government and the company.

The company has adhered to the agreement.

It expects the NSW Government also to comply in full to the terms of the agreement.