

Forest Assessment  
Natural Resources Commission  
GPO Box 4206  
SYDNEY NSW 2001

28 March 2010

Dear Commissioners,

**Regional Forest Assessment  
South Western Cypress State Forests**

We are pleased to provide this submission on the issues that we believe are important in this assessment. We thank you for the tolerance of the few days delay in our ability to provide the submission.

Our submission is provided in 4 parts. Firstly identifying a few issues from the published initial document **“Summary of available information and call for submissions”**

Secondly a commentary is provided on the importance of the inter-dependant relationship of this assessment with the Brigalow/Nandewar assessment and the NSW government’s Brigalow Decision of 4 May 2005.

Thirdly a very important description of the resource as it has been committed for timber production.

Finally a discussion of timber industry development as it has occurred in partnership with the NSW government since, and dependant on, the Brigalow Decision of 4 May 2005.

We remain available to discuss these issues as you may find helpful.

Yours sincerely

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## **Summary of available information and call for submissions**

The document identifies the previous assessments of Brigalow and Nandewar bioregions but

- Fails to include any of the information of the values of cypress forests found in those assessments or any of the findings with respect to the management of those forests.
- Regards the south western cypress forests simply as a supplementary resource.

The inclusion of the south western forests within the resource outcomes for the Brigalow Decision was necessary because of the 17,000 m<sup>3</sup> discrepancy between the government's commitment and the actual volumes available within the Brigalow. That decision may not now be used to transfer a view of resource shortage within the Brigalow on to the south western region. Industry adjustment in the period 2005 to 2007, and extended opportunities for exit assistance beyond the Brigalow, has necessarily managed the overall resource distribution arrangements. That is, the Brigalow Decision deliberately extended the whole of industry adjustment to the south western region and that occurred at a greater level of industry impact than resulted within the Brigalow.

It is difficult to understand how such a simplistic view might legitimately now create an assessment of the south western forests,

- including 202 individual forests,
- involving 166,500 ha managed for timber production,
- spread across a landscape of 25 million ha.
- covering a large range of geography, climate, landscape, geomorphological features and a great history of intensive land use.

It is incomprehensible that such an assessment may be determined from a few very brief inspections of a handful of these forests.

It must be noted that the distribution of cypress forests identified by the NRC include stands of Black Cypress (*Callitris endlicheri*) which is not readily and separately identifiable or distinguishable in remote sensing technologies, is not a commercial timber species and is not a part of the resource commitments between Forests NSW and the Cypress timber industry. Without inspecting each and every forest we are perplexed as to how the NRC intends distinguishing the stands of each species.

While the assessment is based on the State Forests of the region it is noted that some issues of management and environmental values affecting forests on leasehold lands and private lands may be relevant. These forests exist as either unmanaged land or invasive native scrub on previously managed land. Rarely have they been managed as forest to grow trees under silvicultural prescriptions for production of timber. They have never been determined as a sustainable resource. Therefore any occurrence of timber resource on such land is incidental and invariably of inferior quality and/or economically unviable. To bring such forest into a productive management regime and to include it into ESFM plans and for inclusion in sustainability accreditation schemes would be a very long term future strategy, not very relevant to this assessment.

It is noted that black cypress forests and cypress forests on other than State Forest tenure may contribute to very similar, if not identical, environmental and landscape values. In this way the outcome of this assessment may identify alternative protection of environmental values without disrupting the industry and government developments that have been established from the Brigalow Decision.



## **The Brigalow Decision**

The Brigalow Decision of 4 May 2005 reserved approximately 350,000 ha of Cypress forests in the Brigalow and Nandewar regions of northern NSW, as Community Conservation Areas.

The Decision also determined a volume of 57,000 m<sup>3</sup> per year of log supply for the timber industry. Of that 57,000 m<sup>3</sup>, approximately 6,000 m<sup>3</sup> was to come from non-traditional areas of supply (leasehold and private lands) and 6,000 m<sup>3</sup> was to come from State Forests outside of the region.

Industry structural adjustment for Cypress millers provided the opportunity to exit for all businesses or to obtain industry development assistance for businesses choosing to remain. Many mills knowing very well that the determination of 57,000 m<sup>3</sup> per year was unrealistic chose to exit. 6,000 m<sup>3</sup> from non traditional areas was, and still is, delusional and the only way that 6,000 m<sup>3</sup> may have come from other state forests was that if other cypress mills (those outside the region) chose to close. That is, to secure the 350,000 ha of national park and to meet wood supply outcomes it was essential that the industry beyond the Brigalow be closed as an essential part of the adjustment. Other Cypress mills outside the region choosing to continue were then able to obtain Wood Supply Agreements to ensure an equitable industry structure.

In the end Gunnedah Timbers, Baradine Sawmill and Gulargambone Sawmilling continued in the Brigalow utilising a total of 44,800 m<sup>3</sup> per year under long term Wood Supply Agreements. Closure of Hays at Eugowra and Stephenson at Trundle enabled supply from outside the region. Grants Holdings at Narrandera and Condobolin accepted a Wood Supply Agreement to secure their operations for supply from the crown timber land of the Western Region..

A major bushfire in the Pilliga and Goonoo in December 2005 increased a need to obtain Brigalow wood supply commitments from outside the Brigalow.

Grants Holdings purchased part of the allocation of a Wood Supply Agreement from Gulargambone Sawmilling. A part of that purchase included volume that was allocated from within the Brigalow, and a part which was allocated from outside the Brigalow. The purchase was added to the allocation of Wood Supply Agreement of Grants Holdings. Grants Holdings then purchased a second part of the Wood Supply Agreement from Gulargambone Sawmilling.

In essence the Cypress industry outside of the Brigalow was “restructured” to facilitate reservation of 350,000 ha of State Forest within the Brigalow. Mills closed at Eugowra and Trundle and released 11,760 m<sup>3</sup> per year of quota log commitments outside of the Brigalow (45% of the total supply outside of the Brigalow), in order to create the reserves within the Brigalow. Purchase of allocations by Grants Holdings from Gulargambone Sawmilling has relieved the need to transport logs back into the Brigalow under assisted log transport schemes. Grant’s allocation is now available entirely from outside of the Brigalow, Brigalow allocations are now available entirely from inside the Brigalow. Current allocations under wood supply agreements have also secured necessary investment and enabled the development of a greatly enhanced Cypress industry both outside and within the Brigalow.

## The White Cypress Resource

On 31 May 2009 Forests NSW published an Environmental Impact Statement for harvesting and roadwork operations in south-western NSW. That document provides significant resource information with respect to the Cypress resource of the region.

Yield estimates for the Cypress State Forests of the south-west have been based on approved Management Plans. They are described by Management Areas as:

Narrandera	7,720 m3 per annum
Griffith	2,000 m3 per annum
Forbes	9,030 m3 per annum
Condoblin	6,600 m3 per annum

It is our understanding that a review of long term sustainable yields is under way and that these levels are likely to be substantiated. Any other outcome would mean that Forests NSW would be required to offer “replacement timber”, and the Company would have to accept such an offer, to avoid a material breach of the Wood Supply Agreement. We are well aware that there is not any surplus of timber available to meet the commitments of the Wood Supply Agreement. That all available White Cypress from the study area has been allocated, under various assumptions relating to

Silviculture, growth rates, defect and mortality

Estimated harvestable areas

Sawlog production from dense stands of regeneration

And under existing constraints such as

Measures to conserve threatened species

Listings of Endangered Ecological Communities which would limit licencing by DECCW

Delays in thinning programs

FMZ zonings limiting timber production

Any increased restriction is a threat to the supply of allocations, and therefore would represent a material breach under the Wood Supply Agreement.

The distribution of this resource provides the economic basis for the locations of Grant’s operations. That is they support the organisational structure of green milling at Narrandera and Condobolin and further processing at Narrandera. While the company was located at these sites already the recent investments that have been made by the company, and the options for resource distribution between the sites, are dependant on maintaining the relativities of qualities and costs of resource at each site.

Viability of the operation of the whole business is highly sensitive to this resource distribution, there are no options that we could foresee which might tolerate any variation.

State Forests are managed sustainably under the Western ESFM Plan, incorporating principles of Ecologically Sustainable Development and uses Montreal Criteria to monitor and report on the ESFM. Management of State Forests satisfies the



Australian Forestry Standard and is therefore accredited under the Program for Endorsement of Forest Certification. Sustainable forest management is also a criteria which underpins the Japanese accreditations for use of White Cypress in the Japanese building market.

Sustainable Forest Management Certification is now an important timber market requirement for both export and domestic timber markets. Futures development and expansion of Grant's business necessarily require that the same sustainability accreditations are available. Current accreditations cannot tolerate contamination of any unaccredited resource. So opportunities for expansion are limited to acquisition of accredited Forestry licences. That is the reason that Grants purchased Wood Supply Agreement allocations from Gulargambone Sawmilling rather than pursue unaccredited private or leasehold resource.



Cypress resource, occasionally available from western lands leases, has previously been sold as parcel sales to Grants and other companies. That is, it is distinct from quota allocations that were transferred into Wood Supply Agreements. In any event it is not sustainably accredited, is unlikely to meet the quality specifications of Wood Supply Agreements and would disrupt the business resource distribution economics. It may only ever be used by Grants where it can be directed as “controlled wood” in specific unusual spot markets. At no stage may it be considered as “replacement wood” for the Wood Supply Agreement allocation.

Currently small log proportions are controlled within the Wood Supply Agreement and are managed within Grant's operations. Opportunities for expansion of resource for Grants Holdings, to meet criteria of economic viability, market accommodation and sustainability accreditation are only seen in utilisation of additional small log resource from thinning operations. The future possibility of utilising that small log resource would be additional to timber specified in the Wood Supply Agreement and an expansionary development for the company. Grants have developed some processing capability for small logs but are yet to establish markets and an economically viable base for that resource. As more work may be done to develop markets and processes to utilise this resource then overdue thinning operations may be brought forward.



## Cypress Industry Development

The Brigalow Decision of 4 May 2005 included a package of assistance for industry development:

*Government has recognised the need to provide assistance to the timber industry, and to play a constructive role in the development and growth of the industry to ensure the long term viability of this important sector of the area's economy. The BTIDAF has been developed to provide assistance for industry based within the Brigalow Belt South and Nandewar regions and adjacent areas to invest in value-adding, business development, product development and market development activities. The incentives to industry will allow for the development of new and existing businesses, job creation, skills improvement, as well as funding for value adding and processing projects.*

Grants Holdings in the south-western region was one of the companies accepting the faith of the government's commitment and participation in on-going development of the industry. They entered into a Wood Supply Agreement to secure resource access in May 2006.

For the government's role in industry development funding assistance was made available. Approval for the first tranche of project funding was available April 2007. A subsequent round of project funding was made available in March 2008.

Grant's purchase of Wood Supply allocation from Gulargambone Sawmilling necessitated re-arrangement of some their projects which was approved in September 2008, all funded projects at Narrandera and Condobolin being completed in May 2009.



Grants have moved forward with extra-ordinary development of export markets, obtaining accreditations for Australian White Cypress in Japan, facilitating manufacturing and processing markets in China and, excepting the impact the Global Financial Crisis had American market developments in line. Manufacturing and architectural markets within Australia are now very well developed with cypress developments using Grants timber consistently winning major awards.

Within 4 months of the Grants/NSW government development plan, the NSW government announced a new forest assessment for the Cypress forests of the south-western region, that is the major part of resource to Grant's Holdings. That is only 4 years into the Wood Supply Agreement which had been, and still is, secured until 2025. With the NSW government's commitment for their business and with the NSW government's direct participation in investment and development of the business over \$7 million has been spent in small country towns in a couple of years.

Grants Holdings are understandably perplexed at how the government's commitment participation and contribution to the developments which have been so constructive may be withdrawn so suddenly; how it has taken 3 years to make the commitments, 4 years to implement the decisions and only 4 months to renege.

For forest industries more generally, the Brigalow Decision, the resulting Wood Supply Agreements, the participation in development projects and the climate that was created to invest and promote timber industry development were a remarkable outcome: Grants Holdings probably representing the best outcomes that the communities and government have seen out of all the structural adjustment programs throughout Australia. They have now all been forfeited by this new assessment. If investment may only rely on government partnerships which can be so quickly broken and end up with such a short planning horizon, timber industry production in NSW will rapidly return to cash flow markets of low quality products. The travesty is the trail of lost assets, insolvent businesses, employment losses and timber community failures that will inevitably result.

As Grants business has developed so too have dependant businesses of suppliers and customers. Networks of good strong businesses in the towns of the companies operations have developed at the same extra-ordinary pace of Grants own business. Now all that is under threat of the same government that brought it all about. Since the announcement of a new resource assessment Grants and all the dependant businesses have stopped their development and gone into recession; a dark cloud now sits over all timber industry activity in the region. The recommendations of the Red Gum Assessment provide no relief at all that the government of NSW has any interest in timber industries, country communities or jobs.

Forest assessments have been denigrated into a sad tragedy of politics at election time.

While Grants Holdings and other Cypress timber industry developments since the Brigalow Decision have, until now, clearly demonstrated a positive and constructive outcome there have been very negative outcomes which should be avoided at all cost. Notably:

- the retraction of businesses on which small country towns depend such as at Gwabegar and Baradine;
- The social decline of those communities
- The gross failure by national park agencies to perform their commitments from assessments, particularly the Brigalow/Nandewar assessment:
  - Failure to prepare management plans
  - Failure to conduct thinning programs (not a single tree removed in 5 years)
  - Neglect of forest management for any reason
  - Exposure to major bushfires (fire of December 2006, started in Nature Reserve incinerated 104,000 ha)
- Lack of any review of the outcome of the assessment/decision that may identify improved (or otherwise) levels of protection for threatened species or other environmental value.

If this assessment by the NRC is reviewing the timber industry outcomes from the Brigalow Decision and the basis of resource commitments to those outcomes, why is it not also reviewing the environmental outcomes?

