

NSW Regional Forest Agreements
Forestry Branch
Environmental Protection Authority
PO Box A 290
Sydney South NSW 1232

21 February 2017

TO WHOM IT MAY CONCERN

RE: Submission on NSW Regional Forest Agreements Second & Third Five-Yearly Review

This submission is focussed on the impacts of the implementation of the RFA on the Hurford Hardwood operations based in the Upper North East RFA Region of NSW.

As members of Timber NSW we fully endorse the submission put by Timber NSW & particularly with regard to the broad impacts across NSW.

On the whole Hurfords believe the RFAs provide the best overall structure to provide a platform for managing the health & productivity of NSW forests, while also providing some stability for Industry to invest & grow.

Prior to the RFA & subsequent Long Term Supply Agreements Hurfords operated a building supply operation out of our Lismore & Ballina sites including a sawmill, kiln drying & dressing plant, prefabricated roof truss & wall frame plant, joinery, steel roll forming plant, & hardware stores all focused on servicing our local regional construction market.

We were processing our hardwood resource into a wide range of products in an effort to meet our local market requirements & also to utilise the different species & grades for products that they were suited to.

While we developed & trialed many processes & products to achieve this we were however constrained by a lack of resource security to invest the significant capital required to bring our products to their highest quality & value.

We also lacked the scale in many areas to make these products in an efficient & cost effective process.

Following the RFA our company resolved to fully commit to the manufacture of high quality kiln dried hardwood & to market & distribute those products across Australia & beyond.

This strategy has seen our company completely reshape over the ensuing 18 years into an outward looking market driven company employing more than 300 people across five greenmills, three drymills, & distribution centres in Sydney,

Melbourne, Brisbane, Adelaide & Perth. We also operate distribution centres in New Zealand, the US & Europe.

At the core of this is the security of resource that the RFA provided for us to go ahead & develop the business & focus on the people, processes & markets to get the job done without the constant concern about the future availability of resource.

With regard to the resource we have gradually developed a significant portion of our supply from private native regrowth & plantation forests. We have three full time foresters who assist land holders to develop their plans for managing their forests. This provides an additional & flexible supply which is supplementary to our long term core supply arrangements with Forestry Corporation.

We also own & manage our own regrowth & plantation tree farms. We commenced our first plantation establishment with 20 hectares planted in 2004, we now own 4,000 hectares of forested land including 1,000 hectares of plantation. We plant more than 25,000 new seedlings each year. While these will never provide for all of our resource needs they will provide the company with further growth & security into the future.

While overall the RFAs have provided that positive platform for our business we do have issues with the implementation of some of the aspects of the agreement following its signing in March 2000.

The agreements were fundamentally compromised when the then premier, Bob Carr, made his 'North Coast Decision' in 2003 resulting in a further reservation of some 107,000ha of high production Native forests. At this time confidential arrangements were made with the largest processor on the North Coast to 'lock in' very high levels of preferred species exclusively to that company. These arrangements were not known to other competitor companies until a FOI application brought them out into the open years later.

The reason for these exclusive arrangements being offered to one dominant company & not all common agreement holders at that time has never been adequately explained or justified.

This arrangement would seem to be in contravention of Clause 99 of the North East RFA regarding competition principles including aims to achieve greater transparency along with competition neutrality principles & yet the implementation report makes no comment on this.

The impacts of the Carr Government's decision to significantly reduce the available productive forest area while making only minor adjustments to overall supply volumes & coupled with the extremely favourable contracted supply arrangements to that dominant company continue to ricochet through the industry today.

These arrangements led to the need for Forestry Corporation to compensate the dominant company for their inability to supply the species & volumes committed under their contract.

Forestry Corporation however in an effort to minimise the full cost of compensation they would otherwise have to pay, locked in even more favourable species & log specification supply arrangements with that company alone.

This has had an extremely negative impact on all other High Quality Log Supply Agreement holders in the North East region. The impact is that while the common agreement holders still receive the gross volume of sawlogs as per their agreements, the specie mix received is less favourable. Often less of the highly marketable industry preferred species are received with greater harvest & haulage costs incurred than would otherwise be the case had the High Quality Supply Agreement Holders been on one common agreement.

This results in higher costs for products of lower market value being delivered to Hurfords & other agreement holders. This is in contravention of clause 74 – Changes to the total area of State Forest –not to affect wood supply, not just in terms of volume as specified in the agreement, but also just as importantly in terms of species & quality.

Clearly this obligation has not been met – the overall RFA volumes have not been met & even the lesser bar of totals of all agreement volumes could not be met – that is why Boral’s Wood Supply Agreement volume had to be reduced & compensation paid yet the report states (page 54) ‘This commitment was achieved during Period 1, Period 2 and Period 3’. This should be changed to ‘commitment not met’.

This has incurred significant additional haulage cost transporting logs from longer distances & a poorer species mix than would have been the case had the RFA been fully honoured. This places Hurfords at a significant competitive disadvantage to Boral.

We request that the report more accurately address this issue.

Private Property Timber Supplementation Programme. (part of milestone Attachment 12, 19 see page 111 of EPA report)

Hurfords object to this programme on the grounds that it does not supplement the supply of timber at all. It simply robs Peter (the private property supply resource) to pay Paul (the High Quality Agreement volumes.)

It really has the perverse effect of removing available sawlogs from processors such as Hurfords who are active in the Private Property Log Supply market & uses that volume to prop up commitments already made under the RFA & LTWSA.

Hurfords request that any further activity in this area by Forestry Corporation cease & Forestry Corporation focus on managing its own estate to greater health & productivity.

Hardwood Plantation Supplementation Programme.

Hurfords are strongly supportive of this programme as it is the only means currently available to potentially increase future sustainable volumes of timber.

While the report records this milestone as partly met we wish to point out that the report does not list the breakup of the 9,660 hectares established under this programme by area planted by species. It is Hurfords understanding that the majority of species established under this programme – certainly in Hurfords supply area in the Upper North East are E. Dunnii (Dunn’s White Gum) & E Grandis (Flooded Gum) Both of these species are unsuitable for high value solid wood products.

E. Dunnii & E. Grandis are planted all over the world predominately for woodchips to supply the Pulp & Paper Industry. These species are of the lowest durability, strength & hardness. They will yield little or no volume of sawlogs suitable for the High Quality timber producers on the North Coast.

Hurfords request that the EPA report document the specie mix by area established in the post RFA plantations. Further that a complete inventory of Plantation Specie by supply zone be completed to better inform industry of the species mix & areas established.

We request that a review be conducted to ascertain what areas of unsuitable species could be harvested for woodchips now & replanted with durable species more suited to the original purpose – Supplementation of High Quality Sawlog Supply. As this milestone purpose has not been met Hurfords request that the Government now fund a programme to complete this critical RFA commitment.

Thank you for the opportunity to comment on the Report.

Yours Sincerely

Andrew Hurford
Director
Hurford Hardwood