

Answers to questions taken on notice on Tuesday 24 May 2022

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The CHAIR: I wonder, what is the magical figure, in your mind, that you would be prepared to pay for new land for softwood plantation? You might not be able to give an exact figure, but where is your cut-off point in terms of price per hectare?

DEAN ANDERSON: Especially seeing how one of my competitors is sitting behind me—we compete for land—I cannot give you the exact figure. We would look to put something together formally. One of those auctions, it went for 300 per cent of what we were considering. So we will put something in writing to you separately.

Answer:

Each acquisition opportunity is assessed individually based on the net present value of foresting the land and on market value. Characteristics vary across land parcels.

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The Hon. MICK VEITCH: Yes, I think most of the Committee would agree. I have two more questions, Chair. Hardwood sector employment—I am trying to get a handle on the numbers within Forestry Corp that are actually engaged in hardwood—both your hardwood plantation and our native forest harvesting. Is it possible to get the current figures? Can you take on notice the current figures of employment in Forestry Corp involved in hardwood?

DEAN KEARNEY: Yes.

The Hon. MICK VEITCH: That would be good. And, if it is possible, maybe the location. I want to get more of a handle on that because I do not have a handle on where they all are.

DEAN KEARNEY: Fair enough. I can give you a brief overview, if that is of use.

The Hon. MICK VEITCH: A brief overview or you can take it on notice. That would be good.

DEAN KEARNEY: Obviously we have staff spread right across the State. We have western districts that go almost all the way to every border. We have our coastal staff spread from Casino in the north all the way to Eden in the south. Across that footprint there are around about 250 staff who are in permanent roles. During the fire season there are a range of staff—up to 50 staff at any given time—who are available for firefighting on more of a casual basis. Some of those people do also undertake casual work year-round as well. In terms of contracting, we will have to take that on notice, but there is probably in the order of 30 to 40 harvesting crews with three to four people in each of those harvesting crews, plus other people in the back room that do support to those contractors as well.

Answer:

Forestry Corporation of NSW employment only represents a small portion of hardwood sector employment. Forestry Corporation engages contractors to carry out timber harvesting and haulage and plantation re-establishment and hardwood products are processed by private companies. At the pay period ending 5 June 2022, Forestry Corporation's Hardwood Forests Division directly employed 291 staff. This does not include contractors or staff employed by Forestry Corporation in non-operational roles including information technology, human resources, safety, payroll, finance, governance, legal, communications, fleet, property management, spatial services and other support services.

A breakdown of staff in the Hardwood Forests Division by location is provided below:

Balranald	2
Baradine	6
Barham	5
Batemans Bay	28
Bombala	1
Bulahdelah	3
Casino	18
Coffs Harbour	53
Condobolin	2
Deniliquin	5

Dorrigo	3
Dubbo	10
Dungog	3
Eden	32
Forbes	3
Gloucester	1
Grafton	18
Inverell	1
Maitland	10
Mandalong	5
Narooma	2
Narrabri	2
Narrandera	2
Taree	13
Tumbarumba	5
Walcha	4
Wauchope	51
West Pennant Hills	3
Grand Total	291

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The Hon. MICK VEITCH: Yes, off to Privileges for me. It has been raised with me, and maybe some other members of the Committee, that the local apiarists are a pretty important stakeholder that you have to work with. When we were down at Mogo looking at the proposed bike track, one of the apiarists, once they found out that we had been there, rang me to say they were pretty concerned. They had a pad that they use to put their hives on and it is, if not adjacent to, pretty close to where this proposed bike track is going to be. They would like to have been involved in greater detail in the discussions about that because they don't want people just turning up riding on the bike track to suddenly find a whole heap of beehives have been put there overnight. Is there a formal process for Forestry Corp to work with apiarists in New South Wales? That aside, how do you work with apiarists on the ground at a local level? They are pretty transient. They move their hives around, quite rightly. How does Forestry Corp engage with them there?

DEAN KEARNEY: We provide permits for the bee sites or the ranges, as they are called. We just provide a permit that has a geographic boundary. They can put their actual set-down sites within that boundary, as long as it is not in an area that's to be excluded because it has old-growth or rainforest or one of those other values that you can't put a set-down site in. We just provide those permits and allow them to undertake that activity in that way. In terms of the example around the mountain bike track, I'm not sure what process has happened there. It's something that I don't have oversight of and I don't think Mr Anderson would have any insight into, either, so we'd have to take that on notice. But it should, in the normal course of events, be that stakeholders like that are part of a process of consideration of design of mountain bike tracks. I can't imagine the mountain bikes would like riding close to the bees, as well.

Answer:

Apiary permits on public land in NSW are managed through a single desk by the Department of Primary Industries. The mountain bike trail project in Mogo State Forest is currently in the planning phase and as part of this, Forestry Corporation has contacted apiarists via the central desk asking them to provide hive set down locations so that the proposed routes can be reviewed in consultation with the affected apiarists. Further discussions will be facilitated between stakeholders where required to identify acceptable solutions.

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Mr JUSTIN FIELD: I understand, and you understand it's still quite contested. We've heard other evidence to that effect. I will move on to contracts and their status. Can you update the Committee whether any of the North Coast wood supply agreements that are currently due to expire in 2023, the non-Boral or Pentarch ones, have been renewed at this stage?

DEAN KEARNEY: I'm not 100 per cent certain about the status of that. I understand the discussions towards those extensions are underway and there is an intent to extend those. I can't tell you exactly what point they're up to. I will have to take that on notice.

Answer:

Wood supply agreements on the north coast are in the process of being extended and updated agreements will be made available on the Forestry Corporation website when that process is complete.

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Mr JUSTIN FIELD: I went back and had a look over the sustainability reports for the last 10 years. Actual volumes taken out of the forest have been well below what Forestry Corporation determines as the sustainable yield from those forests every year since 2011, which I think is the most historical data available in the sustainability reports. Obviously things have changed since the fires, but can you give us a sense of why? It suggests to me that either the timber wasn't there and your sustainable yield analysis is not correct or if there is another explanation for why actual harvest has been below sustainable yield, can you give us a sense of what that is?

DEAN ANDERSON: Do you want me to?

DEAN KEARNEY: Sure. If you can give some perspective.

DEAN ANDERSON: My prior role was general manager of hardwood. In those early years, we had a couple of wet years, so there was underperformance there. The sustainable yield includes the full range of timber products and timber species. The demand is not uniform for all of the species. At times, we don't sell right up to the sustainable yield because there are some species people don't want or can't find a market for.

Mr JUSTIN FIELD: In 2014, despite the fact that for the years before you were harvesting under the sustainable yield, there was the buyback of 50,000 cubic metres.

DEAN KEARNEY: That's why I paused. The period including 2011 overlaps the buyback period. That's why I was pausing—

Mr JUSTIN FIELD: That's my point. There was no logging to that rate, but you still had to buy some back and you haven't logged at your new sustainable yield rate either. I'm just trying to understand—

DEAN KEARNEY: To get the numbers precise, we will probably have to take it on notice. In general terms, at that point, the level of timber that was allocated under the wood supply agreements was above the sustainable yield calculations. Those sustainable yield calculations had been reviewed over time. At that point, those commitments were above. We did that in order to bring the wood supply agreements back in line with the long-term sustainable yield. It was a 2014 process.

Answer:

In May 2012 the NSW Government established a Steering Committee to investigate timber supply on the north coast, including sustainability of supply to the end of the term of current wood supply agreements in 2023 and over the long term.

The Project 2023 Steering Committee consisted of members from Department of Premier and Cabinet, NSW Treasury, the Department of Trade, Investment, Regional Infrastructure and Services, the Environment Protection Authority, the Office of Environment and Heritage, Forestry Corporation of NSW and was independently chaired by Dr John Keniry.

The summary of their review and recommendations is available on the Department of Primary Industries website.

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Mr JUSTIN FIELD: Can I have just one follow-up question on the question from the Hon. Scott Barrett? On the power poles, do you have any sense of how many sticks you sell each year to the electricity sector?

DEAN KEARNEY: I would have to take it on notice but it's quite a few. We are the major supplier across Australia.

Answer:

Forestry Corporation supplies poles to timber processors who sell to the electricity sector for power poles as well as to other customers for construction, telecommunication and other uses.

Over the five-year period FY17-FY21, Forestry Corporation sold an average of 27,600 poles per annum.

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The Hon. PETER PRIMROSE: Can I ask just a quick question and maybe, given the time, for you to take on notice? We have got evidence expressing concern, given the supply chain issues at the moment, that there is a need to introduce an even more rigorous system to ensure that substandard and nonconforming timber doesn't enter the supply chain. Not only are we talking about internationally sourced products but also domestically sourced. Could you take on notice what role you may play in that and what you think that system should look like?

DEAN ANDERSON: We will take that on notice, thank you

Answer:

Forestry Corporation sells logs to customers who produce timber products and does not have control or oversight of the products they produce. Domestically, the majority of structural components produced by processors go through a machine stress grader and that process is closely monitored by processors.

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Mr JUSTIN FIELD: I have one more question, Chair. They might take it on notice, which is fine. I was trying to break down where the money goes. We asked the question when we visited the PNF site. We pointed out a tree and said, "How much is that tree worth and who gets what out of it?" Are you able to give us a sense of—two cubic metres of blackbutt from the North Coast forest—how much do you pay your contractor, how much is the haulage, how much does the mill pay for it, and how much do they get for the timber that comes out of it? Just give us a sense of what are the economics. We have not quite been able to understand that yet, I don't think.

DEAN KEARNEY: Yes, okay.

Mr JUSTIN FIELD: It might be difficult.

DEAN KEARNEY: I will have to take it on notice. It is difficult because there is a range of dynamic factors around that, including—

Mr JUSTIN FIELD: Just even generalities.

DEAN KEARNEY: We can look at averages and things to provide some overview, but I would have to go away and do that mathematics.

Answer:

Forestry Corporation sells log products and does not operate mills. Forestry Corporation does not have data on the costs and returns of its customers who process or sell final products. Forestry Corporation's average costs and returns are summarised below.

Summary of Average High Quality Sawlog Sales from North Coast Forests during period FY19 to FY21 (\$/m³)		
Cost Item	Blackbutt Sawlog	Messmate Sawlog
Average Harvest Cost	\$45.67	\$55.40
Average Haulage Cost	\$23.60	\$45.12
Average Stumpage Return to Forestry Corporation	\$106.19	\$45.42
Average Delivered Price paid by mill	\$175.47	\$145.94