

Submission  
No 233

**INQUIRY INTO LONG TERM SUSTAINABILITY AND  
FUTURE OF THE TIMBER AND FOREST PRODUCTS  
INDUSTRY**

**Organisation:** Pentarch Forestry

**Date Received:** 28 April 2022

---

28 April 2022

**Pentarch Forestry submission to the NSW Upper House inquiry into the long-term sustainability and future of the timber and forest products industry**

Thank you for the opportunity to participate in this inquiry and thank you for visiting our production site in Eden prior to the hearing held in Moruya. What you saw in Eden was clearly a work in progress – a site recovering from bushfires, storms and in the midst of a major capital transformation. Hopefully you got a sense of the strong commitment we hold for our local community, our passion for sustainable forestry and our vision for creating a modern fibre business to underpin vital parts of the NSW manufacturing, industrial, energy and construction economy.

**Pentarch Overview:**

Pentarch is a privately owned Australian company with major investments in Agriculture and Forestry. Our Forestry Division supplies softwood structural timber and house framing into the domestic new house construction industry, high end decorative hardwood products like flooring and decking for the construction industry, hardwood industrial timbers for major domestic manufacturers and logistics companies like Bluescope and CHEP and we operate export ports in Burnie and Eden supplying mill and forest residues and surplus logs to global markets. With our recent acquisition of the Boral Timber business and the Victorian Dormit pallet manufacturing operations, we now run more than 20 sites nationally with a high concentration of timber mills in NSW. We employ over 600 people in our Forestry Division.

Over the last decade, Pentarch Forestry has invested heavily in the Timber and Forest Products industry and we continue to explore innovative growth and value adding ideas:

- Acquisition of the Eden export facility from Japanese owners and rebuilding of this site after the 2016 storm disaster and the 2020 bushfires.
- Acquisition of the Victorian Dormit timber mills and pallet production facility.
- Acquisition of the Boral softwood and hardwood businesses and national distribution footprint.
- Construction of a new sawmill and briquette plant at Eden to produce industrial products from low grade pulpwood.
- Pipeline of new business development and innovation currently under review in many areas of bio-fuels, aquaculture, permaculture and value adding to low grade fibre. We are strong advocates for the circular bio-economy and we are reviewing a number of new investments in this space.
- Development of forest restoration and flood resilience projects across NSW currently underway.

Pentarch strongly supports the expansion of our hardwood and softwood plantation estate and we hold direct investment in plantation assets but we also advocate for the permanent retention of regrowth multi use State Forest. Well run, sustainably managed regrowth forests can deliver on positive bio-diversity and economic outcomes.

### **Current State of the Timber and Forest Products Industry in NSW**

Our NSW Timber and Forest Products industry contributes \$2.5 billion directly to the NSW economy and employs 19,000 workers. In addition, we underpin many vulnerable regional communities, help to protect and manage a large permanent native forest estate and provide critical inputs to very significant NSW construction, manufacturing and logistics industries. There is no question, however, that we've seen some extraordinary disruptions to timber supply and demand dynamics over the last two years:

- Catastrophic fires in our plantation and regrowth forests.
- Covid driven collapse in trade and disruption to global supply chains creating major shortages in imported timber construction materials.
- Surge in construction driven demand, underpinning our post-covid economic recovery.
- Floods which have destroyed not only assets in our industry but whole communities from many traditional timber regions (including extensive damage to our own mill in Murwillumbah).
- Unprecedented challenges through the legal system and in our timber communities to the on-going operation of our multi-use state forests.

As this inquiry contemplates these emerging supply and demand factors, it's clear to all that we face a chronic shortage of timber supply due to historical underinvestment in plantations and major reductions in supply from regrowth state forest.

There is also a growing awareness of the critical role timber plays in major construction, manufacturing, logistics and packaging industries and potentially in many emerging bio-economy applications. The current pallet supply crisis, the shortage of house framing timber (estimated by our Industry to represent over 250,000 house frames over the next 10 years) and the dearth of investment in all sectors of timber manufacturing as supply contracts become more tenuous are examples of the crisis we find ourselves in.

The Timber and Forest Products industry is so much more than forestry and it is a narrow lens to judge the contribution we make to this state by simply counting forestry jobs, harvesting revenues or activities in the bush. The real economic contribution extends way beyond forestry itself. As we contemplate a post covid realignment in globalisation, our products will play a vital part in underpinning major downstream industries like construction, logistics, value added manufacturing and potentially emerging opportunities in the energy and bio-materials economy. To lose our industry or to thwart its growth will expose us to an uncertain import economy and clearly put pressure on far less well managed tropical forests. Bluescope, CHEP, and all the major housing construction companies are tightly linked to timber supply and the complex web of value adding remanufacturers that rely on timber products.

Covid has exposed the vulnerability of global trade and the value of local self-sufficiency in strategic industries like forestry. Frustratingly, and despite the strength of our strong agricultural economy, we run a \$2Bn national trade deficit in forest products we need to import up to 30% of our domestic residential house framing timber. Almost all of our highly value added engineered Timber products are imported. NSW can lead the country in reversing this situation and with Government support our industry is ready to invest to make it happen.

In reality, there are very few agricultural industries which offer as much potential in carbon sequestration, land management, biodiversity improvement, bushfire management and regional employment.

Typically, a market response to a crisis of this magnitude would see new investment and in time, a rebalancing of the supply /demand equation but we find ourselves facing a “market failure” driven by uncertainty and conflict. Uncertainty in wood supply, plantation and carbon policy and in water, land management and environmental policies. Investment confidence is further undermined by conflict politics playing out in public policy and green advocacy. Under these conditions, serious investment has stalled.

For such a vital and strategically important industry, we see many signs of “Market failure” which could derail our own vision for growth and innovation.

- Unclear carbon policy.
- Short investment horizons driven by RFA and contract uncertainty.
- Politics and advocacy influencing public support.
- Ineffective land management policies potentially creating risk to assets and investments.
- Insurance difficulties created by fuel loads on public lands, fires and floods.

Government has a role to play in working with industry to manage these market failures and we hope this inquiry will lead that.

Our Industry in NSW is now far better organised to work closely with Government, various departments and Forest Corporation to bring about lasting change:

- A new peak body, AFPA NSW, has been formed to work with Industry and other organisations like Timber NSW and the Softwood Working Group on advocacy .
- Four Federally funded NSW “Hubs” have been established in our Hardwood and Softwood growing regions to commission and manage vital regional projects like infrastructure reviews, fire management assessments, plantation scoping and training.
- There have been some positive changes in industry ownership, in particular the Pentarch acquisition of Boral Timber. We now have a number of large, motivated industry players in NSW who are looking to invest and grow.

### **The particular challenges to our vital regrowth hardwood forests**

Particularly since the fires, ideology, rather than science has contributed to short sighted political decisions to shut down regrowth hardwood forestry in WA and Victoria with looming catastrophic impact on forest industry communities and the many value added construction, manufacturing and logistics industries which rely on forest products underpinning very significant sectors of our state's economies. WA and Vic face the loss of critical industry with no demonstrable improvement in bio-diversity or forest health outcomes. Even worse, our reliance on tropical forest hardwood imports will add enormous pressure to these fragile and far less well managed environments and accelerate land clearing in these countries.

NSW retains a substantial Regrowth Forest industry, based around our multi use state forests and we support the continued management of these permanent forests for sustainable industry, recreation and bio-diversity.

Here in NSW, major bushfires across all tenures of native forest in 2019/20 caused significant damage and although recovery, fuelled by two years of exceptional rain, has been generally excellent, very little has been done to manage forest recovery and the restoration of forest health. Global and local research, the experience of indigenous land managers and the expertise offered by passionate foresters has all been largely sidelined in a politically charged debate resulting in neglect of many forests where recovery could have been improved with management practice. The Forest Industry could play a role in this and also in ensuring that there is greater forest resilience in the face of future fires.

We note for particular mention the potential for very significant forest restoration activity in the Ash forests of southern NSW. Ash species, unlike many coastal eucalypts, suffer wide scale death after fire and forest recovery occurs from reseedling. There are now vast areas of our southern State Forests, dead or in the process of dying which have been left unmanaged and which still contain many millions of tonnes of viable sawlogs. If left unmanaged, this over story of dead timber will create safety risks from falling branches, leave a significant residual fuel load for future fires and also inhibit any ability to manage growing invasive weeds (some areas are reportedly 30% covered by blackberry).

A forest restoration harvesting process could effectively "reset" these forests for future health, safe public access and also supply much needed fibre for our struggling construction and logistics industries.

Frustratingly, the Coastal IFOA forest management framework limits harvest of "dead" trees for habitat retention but this prescription really was designed for the retention of individual, aged, "habitat trees" rather than entire forests and it's also a fact that Ash trees fail to form hollows for habitat when they die.

Addressing this situation as a matter of urgency could deliver significant forest health, public amenity and industry benefits. The development of “Forest Restoration Templates” would also be an outcome of this work which could offer learnings to private property owners and other crown land tenures including National Parks.

If through neglect, naivety and self-serving advocacy or popular policy we follow the same path as WA and Vic, we face:

- An enormous loss of regional employment. The EY report commissioned recently identifies an economic impact of more than \$1.3bn annually.
- The worsening of the supply crisis already facing our major construction, packaging and manufacturing industries which rely on hardwood supply.
- An irreplaceable vacuum of skills and assets to fight fire and protect communities, noting that the timber industry contractors and over 600 FC staff were employed constantly on the front line of the 2019/20 fires clearing breaks and using their extensive training and forest knowledge to fight fire.
- The loss of unique expertise in forest management including the reawakening of indigenous forestry practices.
- We change forever the experience of 10's of millions of recreational visitations each year to our state forests.
- We place enormous environmental pressure on Asian, African and South American old growth forests from those far less tightly managed regions as imports replace sustainable domestic timber products.
- We stand to lose so many emerging opportunities to grow new industries in engineered timber products and in the bio-economy, including energy and liquid transport fuel production.
- And we turn our back on the positive contribution that our forests and forest industries can have on major global environmental challenges of deforestation, loss of bio-diversity and carbon abatement.

A vibrant Forestry Industry can also become a vital asset for our state as we chart a course to net carbon neutrality and a transition to the bio-economy. Our working regrowth forests and plantations can also play their part in restoring bio-diversity, landscape function and wildfire management in the face of climate change.

**Pentarch's Recommendations:**

We seek the revitalisation of Government-Industry relationship to build a more constructive dialogue and work to solve problems.

Specifically, we support:

- The national “billion tree” plantation programme promoted by our industry and the removal of legislative impediments such as the CFI water rule in the remaining growing regions where this rule exists.
- Direct NSW Government efforts to address “Market Failures” which are inhibiting investment and growth such as restrictive contract tenures, legal challenge to the national RFA legislation, support for industry initiatives to create insurance vehicles.
- A harder line from NSW Government to preserve security and safety in forestry and milling workplaces where protest activities have created unnecessary community conflict.
- Direct NSW Government support for “resilience and innovation” programmes to help us attract, train and retain a professional skilled workforce, particularly with a focus on improving participation rates for women in our industry and to ensure that our manufacturing assets are improved in the face of natural disasters.
- Recognition of the much broader impact the Timber and Forest Industry has on the broader industrial and construction economy. It is unclear to us that the Forest Industry belongs in the Agriculture Portfolio, considering its much greater involvement in construction and industry.
- Urgent support for adoption of a “Burnt Forest Restoration Template” in the Southern Ash State Forests to restore forest health, reinstate public access and provide emergency fibre supply to industry.
- The revitalisation of the Forest Industry Taskforce. A government/Industry group previously established to advise on forestry policy etc.
- Formation of a NSW bi-partisan “Parliamentary Friends of Forestry” group, convened by AFPA NSW.

Regards and Thanks

**Stephen Dadd**

Executive Director – The Pentarch Group

Chair – AFPA NSW

Chair - Central West Forestry Hub