

**INQUIRY INTO RESPONSE TO MAJOR FLOODING  
ACROSS NEW SOUTH WALES IN 2022**

**Organisation:** Timber NSW

**Date Received:** 22 June 2022

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20 June 2022

## Submission to the NSW Independent Flood Inquiry

This submission addresses the following terms of reference in this Enquiry:

- 1(e) (i) – financial support,
- 1(e) (ii) – long-term community rebuilding support, and
- 1(f) – any other matters that the inquiry deems appropriate in relation to the floods.

Attached is a submission written in early March and then updated weekly until 3 June 2022 and supplied to the NSW Government, concerning recovery from flood damage arising out of the 2022 Northern Rivers floods. The remarks contained in this document are still relevant and now of greater urgency.

Community recovery from a flood that impacts any business is both short term and long term. In regional areas the important economic feature is to retain people in the area affected by flooding. The movement of people away through lack of income due to business closures – temporary or permanent, is of the greatest concern as a region seeks to restart businesses so employers can provide income to communities and assist with the local rebuilding of families and commerce.

The Covid-19 lockdown and its use of ‘Job keeper’ is a prime example of the policy required in the aftermath of natural disaster. It retained workforces to businesses until lockdown was removed.

The timber industry is a significant local employer in the Northern Rivers area. It is also a significant employer on the North Coast.

The timber industry in the Northern Rivers has had three recent disruptions to sawlog supply. The bushfires of 2019 -2020, the heavy rains and floods of 2021, the floods of 2022, and the loss of access infrastructure from these events.

From all reports and inquiries there is little or no supply of sawlogs to mill yards or in the pipeline to these yards. It is estimated that by 30 June a significant number of mills will be closed. The use of leave and other means to schedule employees on rosters to deal with intermittent supply of timber has all but been exhausted due to the circumstances since 2019.

Already the capacity to fill mill jobs had been changing before these series of natural disasters. Reports indicated that the request for timber supply is great but the capacity to meet timber demand is difficult through lack of sawlog supply and availability of employees. Without assistance to hold current skilled and unskilled employees then the challenges to Northern Rivers employment and business viability will be tested.

What is little understood is that the entire North coast is a supply zone so whatever impacts part of the area such as the Northern River Floods, has a domino effect on the entire industry on the north coast.

Part of the problem is that the definition of a primary producer that largely excludes forestry and that there are designated flood impacted LGAs where a business must have its office and be registered. Forestry businesses that operate across the north coast are usually located centrally which means many will be in the central part of the north coast – referred to as the mid north coast where they can service the northern end of the Hunter Valley (Cessnock) up to the Richmond Valley.

The floods have ground the industry to a halt. There are businesses that have been closed since March with no supply because of damaged roads, bridges and infrastructure that prevents any forestry activity along with washaways, areas still too wet to access and therefore no income. However they are desperate to retain trained staff so keeping the businesses afloat eats into the reserves. The skill set of timber and forestry workers overlaps with the mining industry (large machinery operators working in hazardous environments). These are the first people to be called upon for fire and flood emergencies so it is important to retain skilled staff locally and avoid them bleeding to the mining industry remote from the North Coast. Additionally many of the staff were impacted by floods and lost everything and many of the timber businesses gave employees additional money to match the government allocation.

Many of the contractors and haulage companies have finance over equipment and machinery and are servicing bank loans. So while they have not been impacted directly by floodwater, they have no work anywhere on the north coast. There is a huge risk that many of them will close permanently by 30 June. The criteria for grants and business support does not ever take into account that particularly in our industry, people travel long distances to work across the north coast so being resident in or business registered in a designated LGA does not work but they are impacted in a major way by those floods.

To date the native forest industry has largely been ineligible for any of the grants post floods and similarly post fires of 2019/20.

### **Impacts on the Forest Industry Businesses on the North Coast by Floods**

Timber NSW has continually surveyed in detail 57 key businesses (members and non-members) across the north coast of NSW since late February to ascertain their status, direct flood impacts and indirect impacts as a result of the flood damage. These figures do not include the very much smaller businesses or the many subcontractors in harvest and haul.

Two larger businesses have not been included in the statistics - Pentarch Forestry (former Boral operations on north coast) and Koppers Wood Products. Pentarch have determined to make their own representation to government, however we are aware that their Murwillumbah plant was completely submerged and suffered major impacts – the second time since the 2017 floods and the cost of clean-up and repair exceeds \$3M. They are now unable to insure.

Koppers Wood Products is a US owned business and is the major supplier in Australia of power poles for electricity supply so a vital and emergency utility supplier. Koppers now are impacted from the floods and continuing wet weather and utility supplies of poles to replace flood damaged stock is difficult and stock is dwindling.

The forest industry is a key employer on the north coast and prior to the floods, had already been operating at reduced levels since the wildfires of 2019/20.

Most of those businesses did not qualify for assistance in the post fires grants and continued through Covid-19 to operate as an essential service to building and construction, mining, railways and energy providers without Covid assistance.

We have seen a creeping reduction in staffing as these businesses tried to cope with lower supply levels due to the fires, the mid north coast floods in 2020, continued wet weather over the 2021/22 summer period and now catastrophic flooding and wet weather in northern NSW.

Timber NSW believes that this industry sector should be considered for assistance as the impact of these floods and fires will continue well past June 2022 until there is the opportunity for state and local government to repair roads and bridges, access roads to forests and the private forest landholders repair the damage to their properties. The outlook is grim as wet weather is predicted until the end of 2022.

The industry has been crippled by supply at a time when demand for timber for housing and construction and transportation of goods is at an all-time high. Most mills could operate at triple the current capacity and level if they had access to resource.

**While the industry is often considered a smaller contributor to agricultural income, we are one of the bigger employers on the north coast.**

**Currently many of the forestry businesses are already closed or close to closing and staff have been stood down.** Some of those businesses have privately contributed funds to their directly flood impacted staff who have lost homes, personal effects, vehicles etc. in order to ensure they have the capacity to get food and shelter.

**We predict that unless there is a support package, many if not most of the businesses will close by 30 June.** Most yards are destocked, private property is similarly impacted by floods and wet weather conditions and these businesses cannot continue with no prospect of resource for processing for some months.

Some of our members are key businesses supplying the railways and energy providers who urgently need sleepers and poles to replace those damaged in the floods. The poles are a priority business and have some supplies but the sleepers cannot be cut.

**Some of the smaller mills operate with a farming business attached. They have, as previously in the post fire assistance in 2020, applied for the primary producer grant to manage roads and fences washed away to enable access to cattle yards etc and they have been rejected because of the mill income – which is closed due to flooding.**

The new transport haulage subsidy while welcomed will most likely be unused as finding timber that the mills are equipped to cut is unlikely as out of supply zone (North Coast and South Coast to Eden, remain inaccessible and particularly in Queensland – their native forest industry has been similarly impacted.

Figures following are only indicative of the spread of business from the Hunter Valley to the Tweed Shire and the supply chain of business that rely on the forest industries is being severely impacted.

No. of Flood Affected Businesses	Total cost of operating per month \$?	Total cost of employees per month \$?	How many employees?	What if any flood damage?
57	\$15,539,977	\$5,718,737	1001	\$1.4M reported

LGA	No of Businesses
Bellingen	1
Cessnock	1
Clarence Valley	6
Coffs Harbour	6
Hawkesbury City Council	1
Kempsey	7
Kempsey/Kyogle/Lismore/Richmond Valley Count	1
Kyogle	1
Mid Coast	17
Nambucca Valley	1
Port Macquarie Hastings	7
Port Stephens	3
Richmond Valley	4
Walcha	1
<b>Grand Total</b>	<b>57</b>

<b>LGA</b>	<b>No and size of businesses</b>
Clarence Valley	4 M
Coffs Harbour	1 M
Kempsey/Kyogle/Lismore/Richmond Valley	1 M
Mid Coast	4 M
Port Macquarie Hastings	2 M
Port Stephens	1 M
Richmond Valley	1 M
Bellingen	1 S
Cessnock	1 S
Clarence Valley	2 S
Coffs Harbour	5 S
Hawkesbury City Council	1 S
Kempsey	7 S
Kyogle	1 S
Mid Coast	13 S
Nambucca Valley	1 S
Port Macquarie Hastings	5 S
Port Stephens	2 S
Richmond Valley	3 S
Walcha	1 S
Grand Count	57

## Relief options for the timber industry

- A JobKeeper like program to keep staff in place so that the industry does not lose the skills. They can be deployed to assist with tasks related to access to roads and bridges and community assistance in addition to tasks within the business.
- A grant similar to the Primary Producer grant of up to \$100k (joint Commonwealth State Disaster Recovery Grant) - while we know the Primary Producer grant is for repairs to farms etc consideration of the damage to access roads and premises and lack of resource stock for manufacturing should be considered.
- Payment on loss of turnover - min 30% or more turnover - same as Covid 19 payment - for flood impacted business
- Low interest loans and/or loans to cover capital repayments that need to be made
- Payroll tax exemptions
- Pressure put on insurance companies to offer extended payments on insurance premium payments
- Extending the immediate grant of the \$1000 per adult plus \$400 per eligible child to flood victims on the north coast, to people who have lost jobs or been stood down as a result of the business unable to function, as an immediate payment even if they have not incurred flood damage to their houses. Some recognition of financial grants given by employers to their staff who have lost houses, vehicles and all personal effects.
- A haulage subsidy to bring in logs from further afield including interstate. We have used the resources of the haulage industry for our data. This need to be made retrospective to just after the floods.
  - Subsidy to apply for haulage distances in excess of 100km
  - Haulage in excess of 100km to be paid at a rate of 14c/t/km (applicable rate for 6 axles) plus fuel surcharge
  - Fuel surcharge to be based on FCNSW's contractor fuel adjustment report method which includes adjustments for GST and fuel on road subsidy of 17.8c

**The new haulage subsidy introduced in early June, is too complex and largely unable to be accessed by most of the industry.**

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Chief Executive Officer  
**Timber NSW**