



Softwoods Working Group

Presentation to
Cootamundra-Gundagai Council
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A Brief History of the Plantation Estate

- ▶ 1880's Identified softwood shortages
- ▶ 1905 Government enquiry into softwood shortages
- ▶ 1916 Forestry Commission of NSW established with part of that legislation requiring the FC to establish softwood plantations
- ▶ WW1 Softwood shortage exacerbated and planting ceased
- ▶ WW2 Further softwood shortages
- ▶ Early 1960's State Commonwealth Softwood Forestry Agreement (SCSFA)
This identified a number of potential plantation development areas

A Brief History of the Plantation Estate (cont)

- ▶ Early 1970's SCSFA ceases
- ▶ 1980's-'90's Transfer of vast areas of State Forest to NPWS
- ▶ Late 1980's Plantations 2020 Vision to triple the plantation estate
- ▶ 1991 Richardson's 'Rainforest Election'. 2020 Document reconfirmed
- ▶ 2006 2020 Document reconfirmed yet again
Forestry MIS's to continue
- ▶ 2010 Demise of MIS Schemes
- ▶ 2017 Lack of new plantation areas generating possibilities of wood shortages that will rival those of post WW2 era

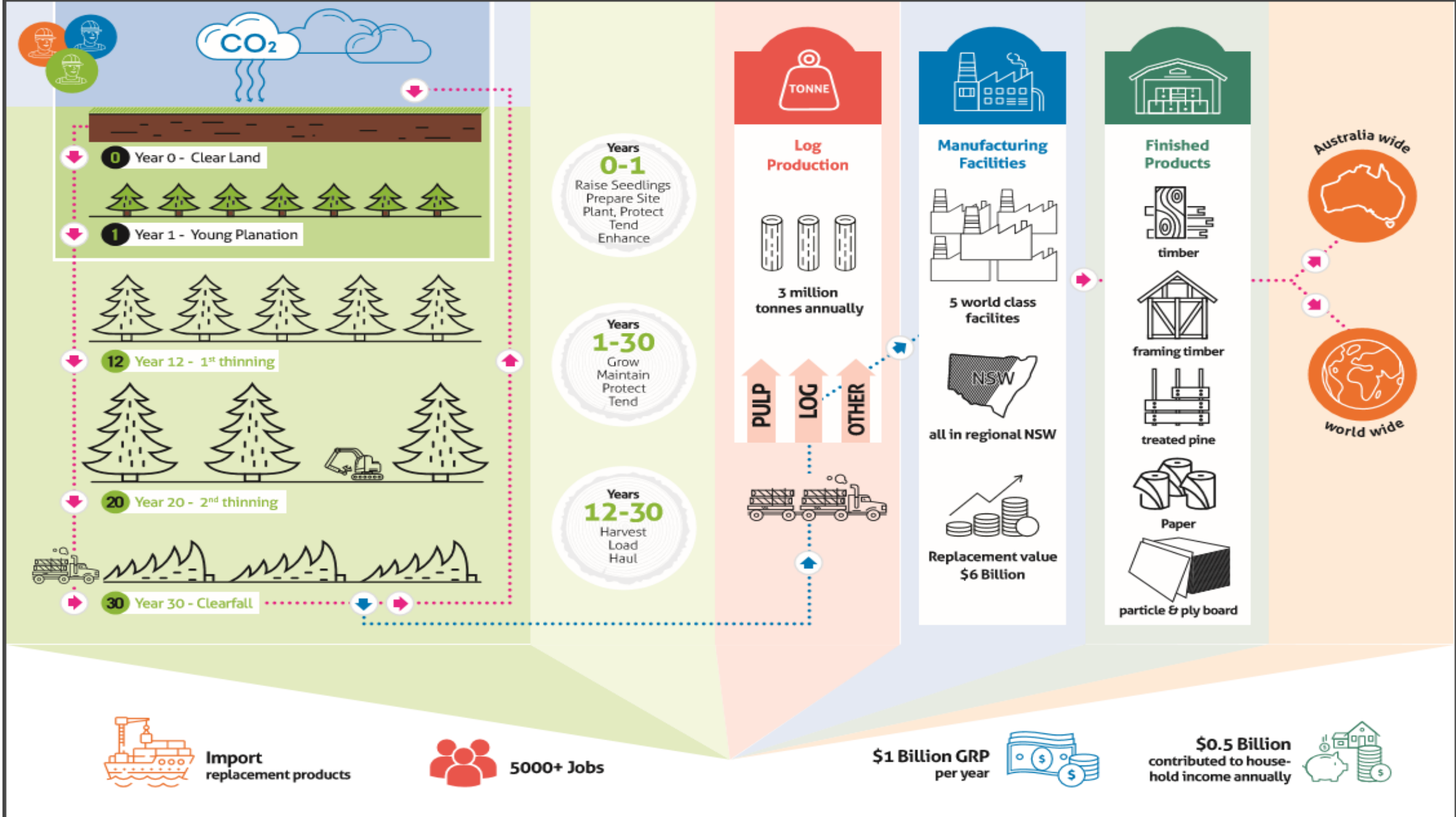
A Brief History of the SWG

- ▶ Formed in 1987
- ▶ A unique, locally based industry forum focussed on a 'whole of community' approach.
- ▶ Initial Focus on Roding Infrastructure.
- ▶ Recent years - Expanded Focus
 - ▶ Member mandate to get involved with plantation expansion issue
- ▶ Current Membership consists of:
 - ▶ Four Local Councils (Snowy Valleys, Coota-Gundagai, Greater Hume, Albury City)
 - ▶ Major plantation owners (FC NSW, GFP Entities)
 - ▶ Industry (Visy, Hyne, Norske Skog, Carter Holt Harvey, Big River Timbers)
 - ▶ Two RDA Committees (Riverina & Murray)
 - ▶ NSW State Govt depts. (RMS & Dept of P & C)

SWG Achievements from RHS's

Year	Activity	Approx Value
1987	Prelim discussions re the Albury-Wodonga by-pass for ANM (now Norske Skog) wood abandoned due to higher priorities on regional arterials	
1990	1 st RHS prepared	
1992	Full priority list agreed by SWG members. DMR agrees to fund complete reconstruction of Jingellic/Tumba section of MR 85	\$10m
~1995	MR 284 (Tumba to little Billabong) Costs unknown but extensive. DMR justified the project based on SWG planning and priorities	
	Vic Roads approves Shelley-Walwa Rd as b-double route. Log haul savings generated.	~\$500k/ann
	Tumut River Bridge and approaches	\$5M
1998	NSW Govt ongoing funding for regional arterials DMR expenditure always >>than this figure	\$6M/ann
1997-98	Visy Access Rd	\$6M
1999	Commonwealth Dept of Transport allocates funds for local roads in Tumut, Gundagai, Holbrook \$Wagga LGAs	\$5M
2004-2006	Reclassification of Broadleaf Park Rd (Shire section) to Regional/Main Rd	
~2005	Hyne contribution to MR 284 intersection	\$150k
2006?	Green Hills Access Rd (JV between TuSC, FNSW, Feds?)	\$3M
2008	NSW allocates funds to Gocup Rd/ Snowy Mtns Highway Intersection	\$1.5M
2010	Coppabella Rd Joint funding agreement. NSW Govt contribution 50%	\$3.5M
2010-2013	Gocup Rd is Priority #1 for SWG plans. Various amounts from RMS and Councils	~\$10M
2014	Gocup Rd funding announced by NSW govt	\$70M
2015	MR 331 Yarrara Gap	\$2.5M
2016	Fixing Country Roads	\$0.75M
2016	Heavy Vehicle Safety and Productivity Program	\$1.75M
TOTAL	Approx	\$125M

CASE STUDY - The SWS of NSW



Recent SWG Projects

1. Road Haulage Study (v6)
 - Priorities for Joint Road Funding Submission
2. Industry Impacts Study
3. Plantation Expansion

1. Road Haulage Study

- ▶ 6th Iteration completed in 2016 (~5 year review cycle)
- ▶ This latest report presented as “business case” (IRR/BCR assessed) as change from previous “engineering” summaries
- ▶ Co-Operative approach to prioritisation for road funding
- ▶ Considerable success with politicians and govt depts.

3 RHS 'Top Picks' (each LGA)

LGA	Road	Length of Project (kms)	Cost of Project (\$M)	Timber Hauled	
				Yrs1-5	Yrs 6-10
Greater Hume	Coppabella	12	8	920,000	836,000
	Bobs Creek	5.6	1.5	128,000	80,000
	Jingellic	45	9	78,000	104,000
Gundagai	Redhill	8.1	0.83	304,000	516,000
	Nanangroe	18.1	1.47	137,000	440,000
	Adjungbilly	11.5	1.2	120,000	0
Tumbarumba	Taradale complex (includes Broadleaf Park Road)	19	8.15	469,000	262,000
	Elliott Way complex (includes Tooma Rd, Maragle Rd, and Moody's Hill Rd)	54	15	1,152,000	939,000
	Munderoo-Ournie Road	6	2.23	20,000	0
Tumut	Bombowlee Ck	28	5.02	3,305,000	2,646,000
	Greenhills Access	21	1.6	2,443,000	2,264,000
	Dunns	7	0.44	100,000	50,000
TOTALS		235.3	54.44	9,176,000	8,137,000

The Short List

- ▶ Bombowlee Creek Road in Tumut Shire
- ▶ Broadleaf Park Road in Tumbarumba Shire
- ▶ Coppabella Road in Greater Hume Shire
- ▶ A complex of roads in Gundagai Shire, involving sections of the Adjungbilly, Redhill, and Nanangroe Roads (termed the Northern Road Complex).

Case Study	Capex (\$m.)	IRR (%)	BCR @ 5%	Capex/km	Capex/tonne
Bombowlee Creek Road	5.020	9.79	1.33	\$0.492 mill	\$9.33
Broadleaf Park Road	1.150	na	0.71	\$0.158 mill	\$18.21
Coppabella Road	5.000	na	0.48	\$0.625 mill	\$22.44
Northern road complex	3.295	na	0.84	\$0.106 mill	\$20.77
TOTAL CASE STUDIES	14.465	1.56	0.88	\$0.256 mill	\$14.72

Summary of Benefits

- ▶ Grant funding sought - \$15.5 million, to be spent over 57 km of roads in three LGA's. Priority roads project will deliver an IRR of 1.56, and a BCR of 0.88.
- ▶ Timber volumes ~ 1 million tonnes of timber/year for next 10 years
Average annual log value ~ \$70 million.
All public roads, available to other industries and the community.
- ▶ Essential infrastructure delivered for accessing timber resources that are 100% harvested, processed and transported by local private-sector contractors and industries.
- ▶ Investment will protect the international competitiveness and maintain jobs and output for the region.
- ▶ Business case also supported by other factors
 - ▶ reduced strategic risk to industry from road failure,
 - ▶ safer access to timber resource.
 - ▶ reduction in operating costs for the haulage sector and improved competitiveness with imports.
 - ▶ environmental benefits (water, soil, dust, vegetation)
- ▶ Savings in fossil fuel use and greenhouse gas reductions.

2. The Industry Impacts Study

Background

The need for a study of socio-economic impacts

- Australia's forest industries are important to many regional communities
- In most regions, information on socio-economic impacts is dated – usually more than a decade old
- Many factors are contributing to change in both forest industries, and the communities they operate in
- Up-to-date information is needed by local governments, industry groups, local communities

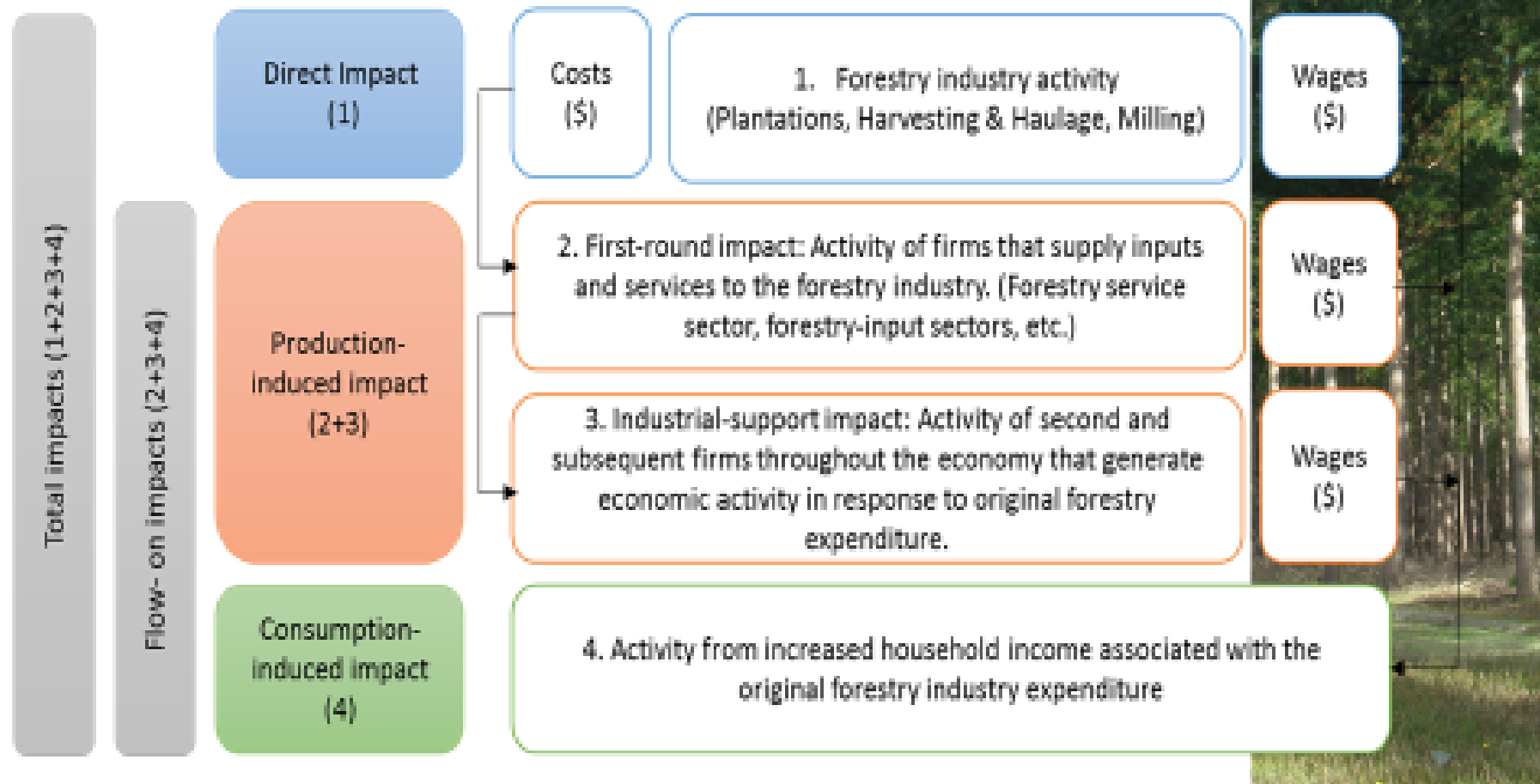
The Industry Impacts Study

- ▶ A case study using the SWS region
 - ▶ Links to UC work with FWPA nationally
- ▶ An update on what the industry actually contributes to the wider region
- ▶ The scale of impacts identified is impressive:
 - ▶ Over 5000 jobs in total (including indirects) - industry supports 50% of SVC LGA workforce)
 - ▶ \$1 bill/yr. total value-added (GRP), and over \$2 bill/yr gross value of output
 - ▶ \$0.5 bill/yr contribution to household incomes
 - ▶ Education and skills provided and required

Full report available here:

http://www.crownland.nsw.gov.au/__data/assets/pdf_file/0005/721724/socio-economic-impacts-of-the-softwood-plantation-industry.pdf

Understanding the economic contribution of the industry



Jobs by local government area

Snowy Valleys Council & Snowy Monaro Regional Council have high dependence on jobs generated by the plantation industry

Local government area	Direct jobs	Total workforce size, 2011	% local workers directly employed in the industry	% local workers whose jobs depend on the industry (direct + flow on)
Snowy-Monaro – Bombala	240	1092	22.0%	61.7%
Snowy Valleys – Tumut	903	4858	18.6%	52.2%
Snowy Valleys - Tumbarumba	234	1446	16.2%	45.4%
Gundagai	17	1682	1.0%	2.8%
Greater Hume Shire	41	4559	0.9%	2.5%
Albury City	160	22433	0.7%	1.9%
Wagga Wagga	175	29070	0.6%	1.7%
SWS & Bombala region	1917	73496	2.4%	6.7%
Note: Flow-on estimate based on assuming an even distribution of flow-on effects across different LGAs				

Are the jobs any good? Income

The wages paid by the plantation industry are higher than the regional average

SWS & Bombala region		
Type of work	Plantation industry (2011)	All industries (2011)
Earns <\$600 / week	9.3%	32.3%
Earns > \$1250/ week	38.4%	22.5%

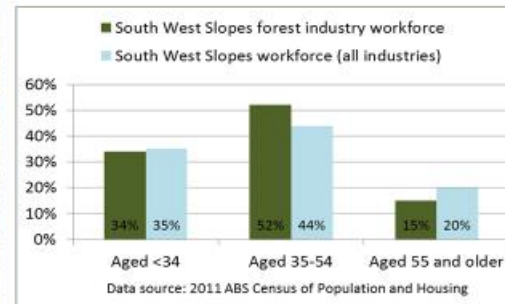
Data source: 2011 ABS Census of Population and Housing

Higher than average incomes are a result of (i) high rates of full-time work and (ii) higher pay rates compared to other industries in the region.

The higher than average income means the industry contributes disproportionately to consumer spending in the region.

Workforce demographic sustainability

Does the industry have an ageing workforce?

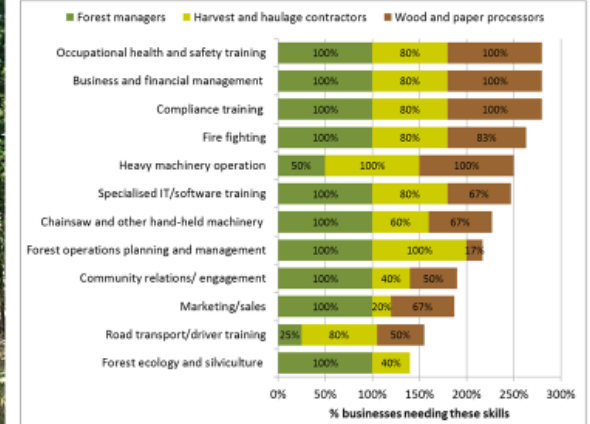


In 2011 industry's workforce age profile similar to regional average

However, at some processing sites a large group of workers now in 50s are approaching retirement

Skills and training needs

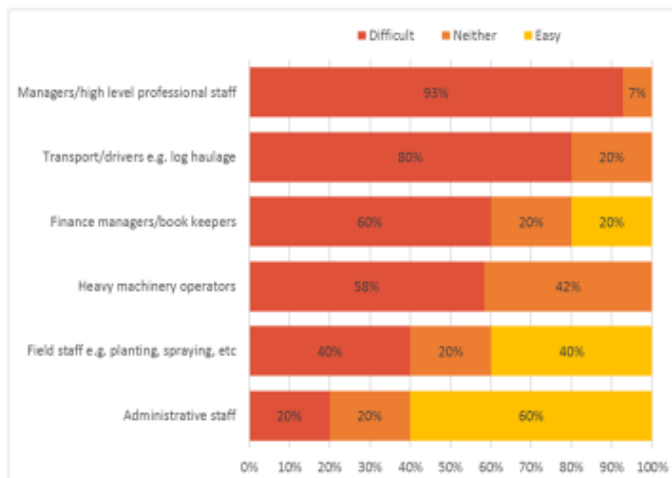
Skills needs reported by industry survey participants



Recruiting staff

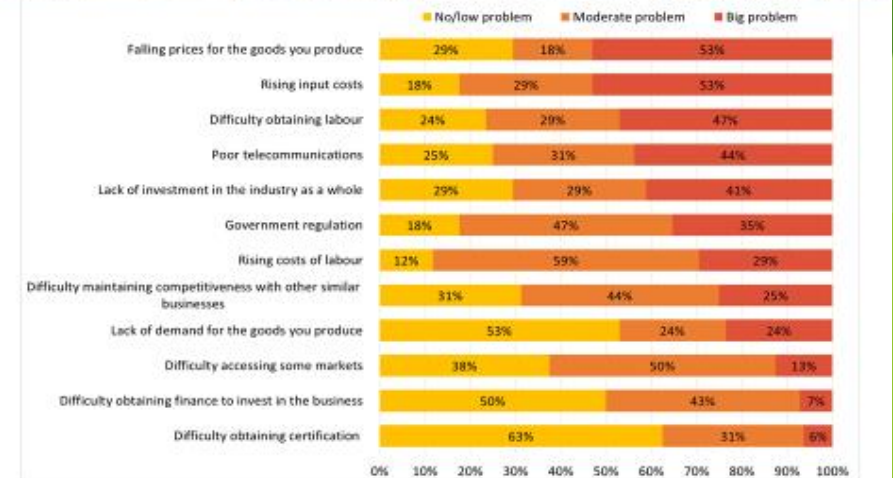
How many plantation businesses report difficulties recruiting some types of workers?

Many businesses find it challenging to recruit managers, professional staff, transport, finance, and machinery operators



Business challenges

Most industry businesses report good market demand & access
Key challenges are lack of investment in the industry (particularly plantation estate); rising costs and falling prices



Conclusions

- The softwood plantation industry is a significant contributor to the region's economy
- Ongoing investment has enabled maintenance of large direct and indirect employment and economic value while growing productivity
- Skills needs are growing over time - and it is often challenging to recruit workers with the right skills
- There is a need for further investment in local skills & training provision, and recruitment of greater diversity of workers

3. The Plantation Expansion Study

► Scope (Stage 1):

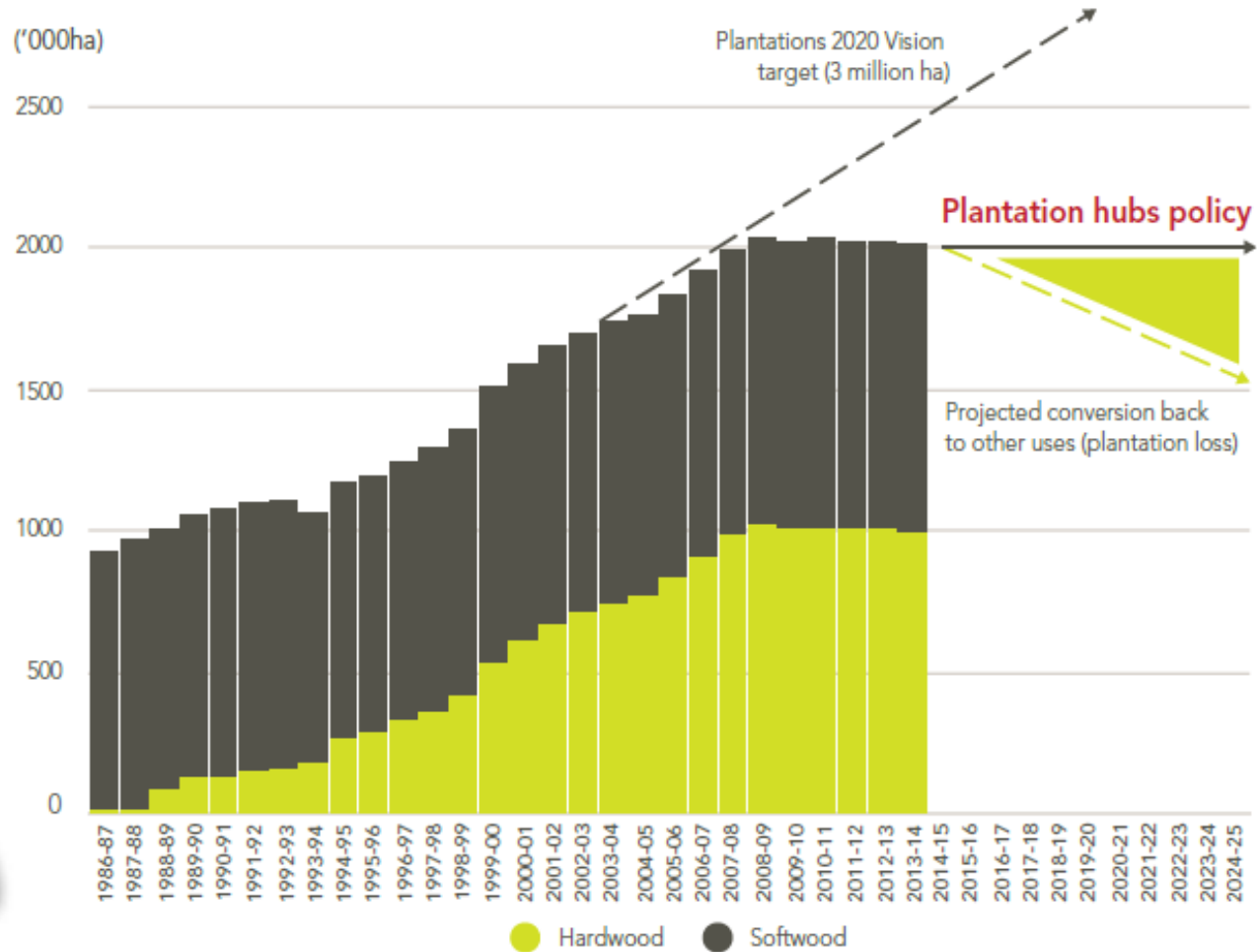
- Review of current supply and demand balance
- Develop future demand scenarios
- Identify & value the 'gap' in supply (locally & nationally)
- Estimate new plantation required
- Develop the Plantation Feasibility Model to test sensitivity to changed variables

► Scope (Stage 2)

- Land suitability/desirability study
- Assessment of land availability
- Mechanism for Community Engagement
- Review and re-assess water implications
- Identify 'Attractors' for plantation development
- Identify range of possible options to maximise 'attractors'

A Not So Pretty Picture Nationally

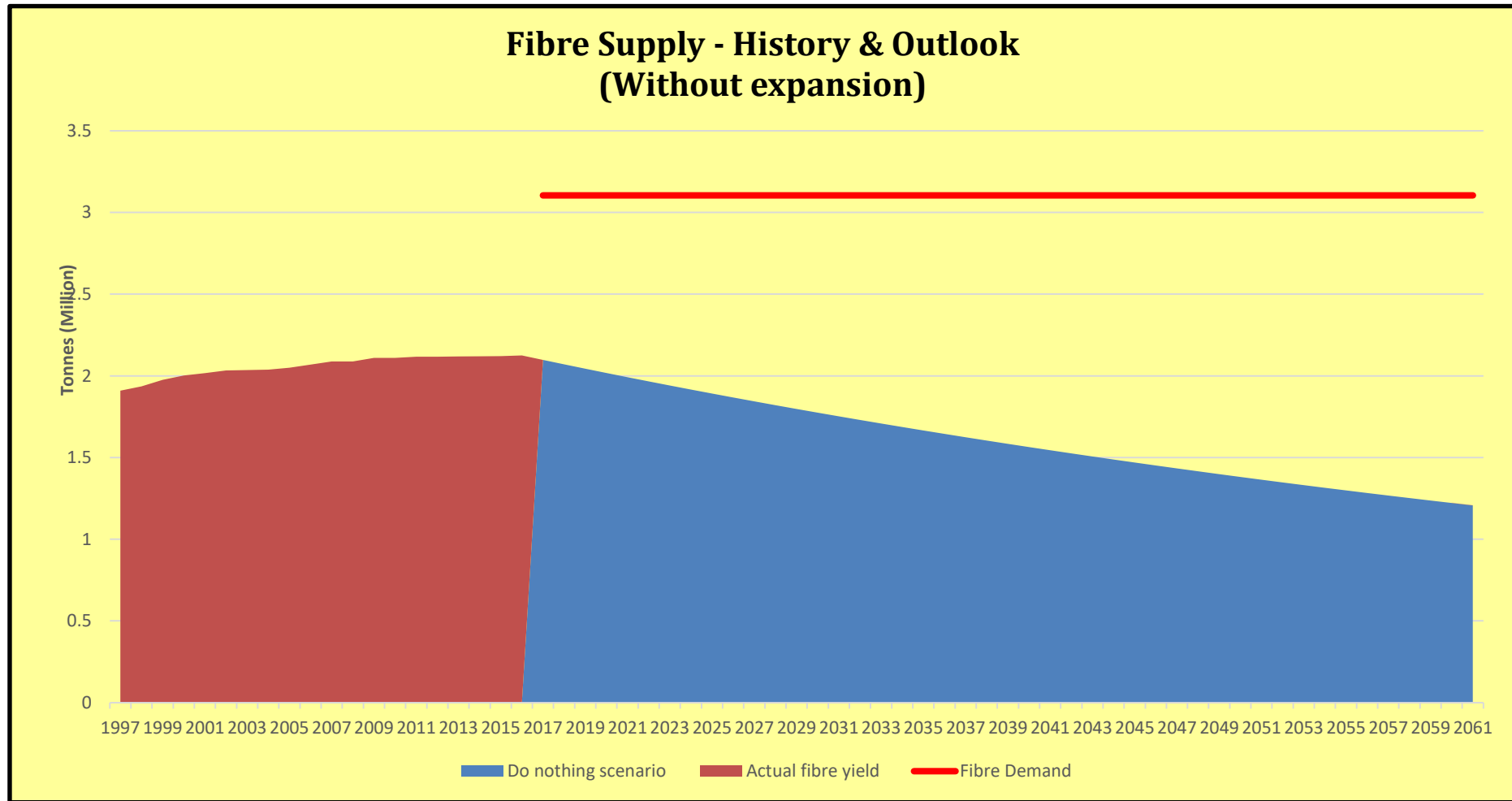
TOTAL PLANTATION AREA IN AUSTRALIA



The Current Situation (SWS)

- ▶ 3 million t/ann used by SWS Industry
- ▶ 2 million t/ann produced from SWS
- ▶ 1 million t/ann 'imported'
- ▶ 'Imports' not sustainable med-long term (our opinion)
- ▶ Some reversion of plantation areas to farmland already happening
- ▶ No new plantations of note for nearly 10 years

A Not So Pretty Picture Locally



The PExP

- ▶ Perfect area for a case-study
- ▶ Aim: Develop a Business Case for Further Plantation Development on the SWS
 - ▶ Quantify increasing risk of shortfalls in fibre supply to SW Slopes industry
 - ▶ Build interactive model for assessing;
 - ▶ impacts of key cost drivers (sensitivities) on financial returns
 - ▶ Potential supply impacts of additional plantation area
- ▶ Plantations presented as infrastructure investment
- ▶ The Regional Development Story
 - ▶ Talk about ***Jobs and Growth!!***
- ▶ Carbon Sequestration Potential

Returns from Plantations

- ▶ Financial returns from plantation investment do generate a positive IRR
- ▶ Plantation investment - very sensitive to land prices
- ▶ Potential for carbon to improve returns
- ▶ Economic returns (to State and nation) created by **WHOLE** value chain, can be quantified through:
 - ▶ Balance of payments impact
 - ▶ Loss of GRP (value added)
 - ▶ Loss of employment
- ▶ The costs of “do nothing” can be quantified - and are considerable, representing lost opportunities for local economic development

The Future

- ▶ Globally competitive Industry
- ▶ Scale maintenance/enhancement is essential
- ▶ Doing Nothing - **Not Acceptable**
- ▶ Future of timber-based manufacturing very bullish
- ▶ Innovative products
- ▶ Potential revenue stream with carbon sequestration
- ▶ The potential plantation shortage is real - and costly

The Recommendations

- ▶ Additional 30,000 ha (net) required
- ▶ Investment in plantations by government = investment in regional infrastructure
- ▶ Real economic benefits - jobs and growth - delivered. Potential for C benefits to be valued.
- ▶ The NSW Government should consider options to encourage additional plantation investment within the SWS region.
- ▶ Options might include:
 - ▶ Use of appropriate financial instruments
 - ▶ Public - private partnership arrangements.