Independent Forestry Panel

Public submission

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1. Sustainability of current and future forestry operations in NSW

This submission is confined to issues related to the North East NSW forestry industry and has been prepared by the manager of the North East NSW Regional Forestry Hub on the Hub's behalf.

There are 11 Regional Forestry Hubs across Australia, established under the National Forestry Industry Plan 2018. The Australian Government's *A Better Plan for Forestry and Forest Products* 2022-23 Budget measure has committed to an additional $8.6 million over three years from 2024-25 to extend and expand the role of the 11 Hubs.

The North East NSW Forestry Hub works with industry, state and local governments, and other key stakeholders to prepare and provide the Government with strategic planning, technical assessments and analyses to support industry sustainability and growth. The Hub is governed by a steering committee of industry and community stakeholders that evaluate and set the Hub's R&D priorities.

The Hubs undertakes strategic planning, technical assessments and analyses that aim to support the forest industries in their region. In addition to continuing this work the role of the Hubs is being expanded to include extension services. This will enable the Hubs to inform local industries and landholders of the outcomes of research and innovation work, particularly those arising from Australia Forest and Wood Innovations. The Hubs do not engage in advocacy, nor do they provide individual business advice.

For more details about the North East NSW Regional Forestry Hub, please see our website.

The North East NSW Hub region covers the NSW North Coast and Northern Tablelands. Its boundary aligns with the North East NSW Regional Forest Agreement Region. Figure 1 shows the extent of the region and the location of its four main forest types.

The North East Region is one of the most forested regions in Australia with 5.84 million hectares of forest and over 60 percent forest cover (Figure 2). Relevant to forestry is its 865,000 hectares of State forest and 2.83 million hectares of private native forest. As well as native forests the region includes Radiata pine plantations (10,600 ha), Southern Pine plantations (15,000 ha) and Eucalypt plantations (80,000 ha[1])

[1] A project is proposed to refine this figure at is believed to be an overestimate. For private plantations it includes DPI approved gross areas and plantations that have been harvested and converted back to agriculture.

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The native forest industry has been operating in the region for more than 150 years. The region's softwood plantation industry was established by the then Forestry Commission of NSW in the 1970s. Hardwood plantations were not established on scale until the 1990s.

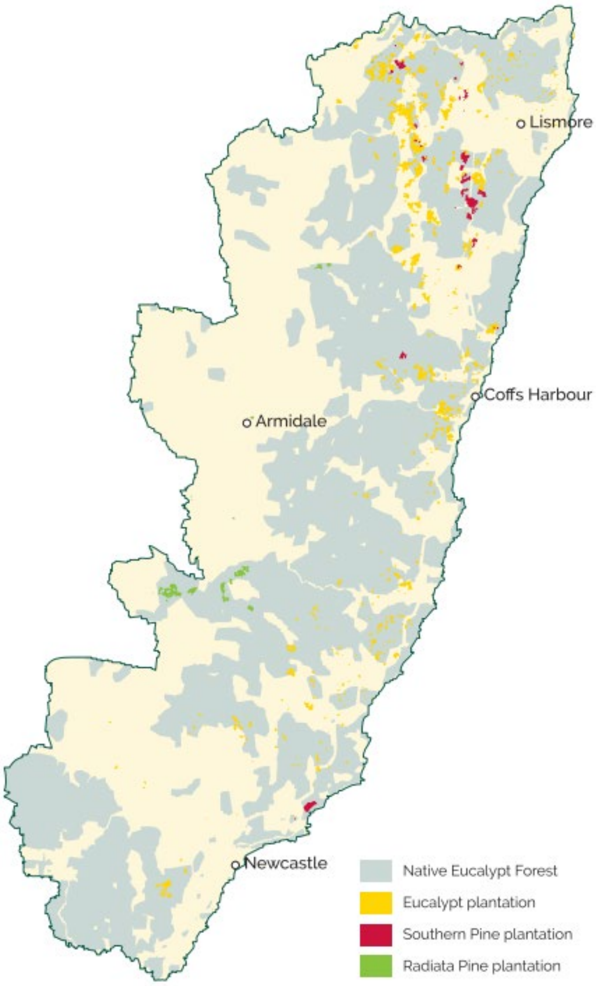

Figure 1 – North East NSW Regional Forestry Hub Region showing the location of its main forest types

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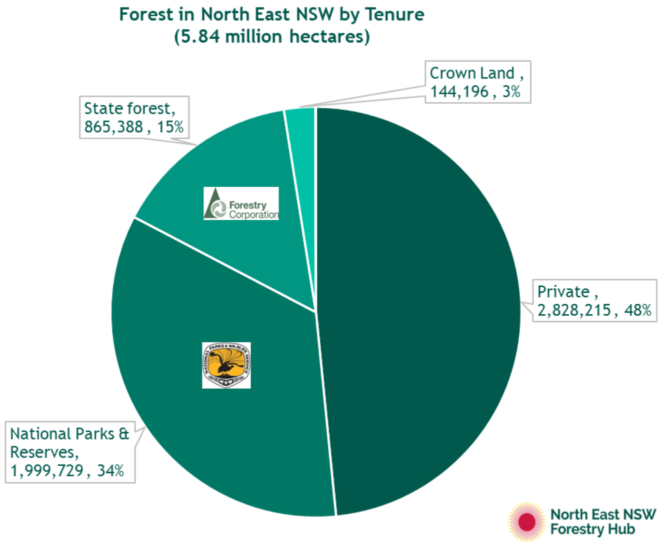

Figure 2 - Forest in North East NSW by Tenure

The Forestry Corporation of NSW (FCNSW) produces around 70% of the region's native timber and 90% of its plantation timber. All timber supplied by Forestry Corporation of NSW is certified as being sustainably managed against independently audited, internationally recognised third party certification bodies (PEFC/Responsible Wood).

Undertaking ecologically sustainable forest management in the region is not without its challenges with 30 Local Government Areas and 40 Local Aboriginal Land Councils.

2. Environmental and cultural values of forests, including threatened species and Aboriginal cultural heritage values

The Hub has recently completed a major R&D project called *Identifying and overcoming legal barriers to cultural burning*. The report, available here, examines, informs and supports the development of practical reform pathways to empower traditional owners and cultural knowledge holders to reclaim responsibility for cultural fire, and to better care for Country in NSW.

The report adds to the growing recognition that at the time of colonisation Australia's Indigenous peoples had curated landscapes across large areas of the continent, including NE NSW, and that moderate fire plays a crucial ecological role in many Australian ecosystems.

The study found that there is a diverse range of barriers to cultural fire management that are intertwined in complex ways with statutory principles that cross multiple legal instruments and governance scales. Despite terra nullius having been rejected in Mabo, its characteristics were found to remain apparent in the purposes, substance, procedure and implementation of native vegetation management and other laws relevant to cultural fire in NSW.

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The report's diagnosis of the barriers to cultural fire management has identified a first step towards implementing related recommendations of the National Royal Commission and the NSW Inquiry.

To enable cultural fire, the study puts forward a suite of reform pathways, beginning with a review of the values that underpin decisions about fire management. Options identified in the report include:

- the formation of new partnerships,
- enhancement of existing enablers and mapping 'pathways through',
- designing novel legal provisions,
- major statutory reform,
- using new market mechanisms to overcome financial barriers,
- strategic litigation,
- insurance and taxes, and
- a state-based Treaty.

The study is an exceptionally detailed and comprehensive analysis. It presents a compelling case for action and includes a suite of creative and practical options for overcoming the many policy and legal barriers in NSW.

3. Demand for timber products, particularly as relates to NSW housing, construction, mining, transport and retail

Wood processing in the North East Region is one of the most diverse and well-integrated sectors in the world. The industry has established business supply chains with agriculture, energy, mining, housing, commercial construction, and transport.

The range of products manufactured by the industry is quite extraordinary (Figure 3). At the lower end there are commodity products like firewood, pellets, and animal bedding. A little higher up there is fencing timber, pallets, mining timber, landscaping timber and industrial timber. Higher order end uses include an important range of building products including flooring , decking, cladding, plywood, and structural timbers, and utility products like poles, piles and girders. Finally, at the top end there is an attractive range of appearance and architectural timbers including recycled timbers.

Demand for these products ebbs and flows with the economy. Having such a large range of markets makes the industry resilient. Being able to service such a broad range of markets is made possible by the diverse range of commercial tree species that grow within the region. Many of these species have unique and special wood properties.

Demand for timber products is being met by many mostly small and medium sized business. In total there are more than 100 wood processing facilities operating in the region with around 40 mills processing more than 3,000 m3 per year (Figure 4). Most of the wood processing facilities are located within 30 kilometres of the Pacific Motorway with a concentration of facilities in Grafton.

Figure 3 – Some examples of NSW hardwood timber products

The economic contribution of this industry is significant. In late 2022 the North East Forestry Hub engaged Ernst and Young to undertake a regional economic study of the NSW Hardwood Industry. The study was co-funded by the South East Forestry Hub, NSW DPI, Forestry Corporation of NSW, Timber NSW, NSW AFPA and Pentarch Forestry. The study found that the hardwood industry in the North East Region contributes $700 million annually to GDP and employs 5,700 people[2]. A copy of the report is available here.

[2] Direct and indirect jobs

Figure 4 – Location of wood processing facilities in North East NSW (source: https://nationalmap.gov.au/renewables/)

4. The future of softwood and hardwood plantations and the continuation of Private Native Forestry in helping meet timber supply needs

The Hub has an in depth understanding of the issues confronting the future softwood and hardwood plantation sectors and the continuation of Private Native Forestry. It has commissioned a range of studies to shed light on the barriers and opportunities. Some examples of its work are summarised below.

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Three pieces of work have been completed to aid understanding of plantations:

- The first study looked at the location and extent of cleared land that may be suitable for the establishment of new planted forests in the North East Region. In 2023 A copy of the report is available here while and an analysis tool can be found here.

- The second study looked at the performance of existing hardwood timber plantations. A copy of the report is available here. It found that the growth of long rotation hardwood plantations in the region has been highly variable with most performing poorly when compared to exotic pine. Growth across 26 hardwood plantation sites, measured as mean annual increments, ranged between 2.2m^3/ha/yr and 13.9, with an average of 7.3. Internal rates of return for timber using Forestry Commission NSW stumpage rates and private establishment and management costs were similarly. low ranging from minus 12.5% to plus 2.1%. Based on these findings caution should be exercised in encouraging new investment. The hub noted that growth and financial performance of long rotation hardwood plantations may be improved through the adoption of the following measures:
    - investment in tree breeding
    - development of markets for thinnings
    - focusing any new investment in higher rainfall zones
    - careful matching of species to sites
    - economies of scale - having a sizeable recurring establishment program to reduce establishment costs
    - inclusion of carbon sequestration benefits
    - financial recognition of other environmental services

- The third study surveyed 301 landholders to gain insight into the barriers and attractions to growing trees. A copy of this report is available here. The study revealed that wood production forestry is not a dominant or preferred landuse and to change this will require considerable targeted encouragement and promotion focusing on the agricultural, financial, environmental and amenity co-benefits.

  Environmental reasons such as biodiversity and climate change (76.1%) and land restoration (69.4%) were selected as reasons to grow trees, as was amenity (69.4%) and if the trees would be complimentary to the landholder's agriculture (67.9%). Land Use Conflict (the landholder is using their property for other endeavours and doesn't have space for trees) was recorded as a barrier by 70% of the group who were unwilling to consider forestry. In the group willing to consider being involved in forestry for timber production the survey found they were more likely to be child free single generation households or businesses, not residing on the property; younger, working off the property and residing towards the north of the survey region. Motivations to grow trees were typically dominated by environmental and amenity reasons.

The incentives favoured by landholders for overcoming barriers to timber production were a mix of information, financial and production support options. Financial and market creation incentives were favoured to overcome the cost barrier. Recasting timber plantations as complementary to farm activities and income will also be paramount to the success of timber production on private land. Landholders will require a suite of information sources to understand and achieve agricultural co-benefits or overcome land use conflict and time barriers.

Work to support the sustainable supply of timber from private native forestry (PNF) is being undertaken jointly with Local land Services.

- In 2022 this included a series of PNF field demonstration days designed to educated landholders about sustainable forest management. A copy of the report is available here.
- More recently LLS commissioned the Hub to undertake a project called *Making Private Native Forestry Future Fit*. This study is focused on gaining a better understanding of attitudes toward private native forestry and the appetite for group certification. The qualitative research for the project has recently been completed and is available here.

5. The role of State Forests in maximising the delivery of a range of environmental, economic and social outcomes and options for diverse management, including Aboriginal forest management models

In 2023 the Hub engaged StollzNow Research to investigate whether native forestry in the region had a social licence to operate. A copy of the report and a video is available here. This study has direct relevance to the future role of State forests as a major supplier of native forest timber.

The research included:

- 10 x focus groups with members of the public – 2 in Sydney – 8 in regional areas in North East NSW
- 2,200 surveys – 1,194 – North East NSW – 1,006 – Greater Sydney
- 19 interviews with Key Opinion Leaders.

The surveys found that:

- 72% think NSW native forest harvesting is a legitimate industry
- 48%think NSW native forest harvesting is an ethical industry
- 50% trust the NSW native timber industry

When those who ‘don’t know’ are removed the responses are:

- 86% think NSW native forest harvesting is a legitimate industry
- 68% think NSW native forest harvesting is an ethical industry
- 67% trust the NSW native timber industry

Ways for the industry to improve its social licence to operate suggested by the researcher included:

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- Providing information about the process of harvesting in native forests that reassures the public the process is sustainable and forest health is the optimal objective
- Finding practical ways to engage people with how forests operate
- Describing how animals are protected during a harvest
- Finding effective ways to communicate information
- Information about how trees will be used; why hardwood is important
- Demonstrate strong leadership
- Convey how sustainable practices are used
- Traditional landowners are involved and are influencing the management of forests
- There are rules and regulations and if these are not followed there are penalties
- Rogue operators are not tolerated in the industry
- Awareness campaigns: when people buy wood they will know where it was grown
- Be seen to be innovative, look for alternatives, develop recycling strategies and commit to local communities.

Research undertaken by the Hub on *Overcoming Legal and Policy Barriers to Cultural Burning* (detailed above) has, similarly, identified some opportunities to help overcome barriers to cultural burning on State forest under the *Forestry Act 2012*.

6. Opportunities to realise carbon and biodiversity benefits and support carbon and biodiversity markets, and mitigate and adapt to climate change risks, including the greenhouse gas emission impacts of different uses of forests and assessment of climate change risks to forests

The Hub recognises the value and importance of emerging carbon and biodiversity markets for attracting investment in new plantations and for getting private landholders engaged in farm forestry

Participation in these markets is currently costly and complex. The Hub has undertaken work to help mitigate these barriers. In 2022 it developed a guide to Realising the Carbon Sequestration Benefits of Planted Forests. A copy of the guide is available here.

In the coming 12 months it plans to be involved in the delivery of workshop/conference in the Lismore area to explore opportunities that will make participation in these markets easier.