TRANSCRIPT OF PROCEEDINGS

TIMBER NSW

INDEPENDENT FORESTRY PANEL:	MR PETER DUNCAN AM (CHAIR) PROFESSOR MARY O'KANE AC THE HON. MICK VEITCH
INDEPENDENT FORESTRY PANEL SECRETARIAT:	CLARE MILLER CALLUM FIRTH
TIMBER NSW:	ANDREW HURFORD MAREE MCCASKILL STUART COPPOCK NICK CAMERON TODD GELLETLY
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<THE MEETING COMMENCED

MR PETER DUNCAN: What we might do then is introduce ourselves and just go around the screen. To start with, my name's Peter Duncan. Other panel members are Professor Mary O'Kane and Mick Veitch. And we're constituting what's called the Independent Forestry Panel, which has its purpose and objective to lead and report on key stakeholder engagement and to provide advice to government as the Forest Industry Action Plan and supporting business case are developed over the next whatever months are required by government to do that.

We're not developing the – I want to make it quite clear. We're not developing the Forest Industry Action Plan, we're really doing the stakeholder consultation and we've talked to a number of groups over the last couple of weeks and of course your group is key to this and Timber New South Wales and obviously we talked to Andrew and suggested that he would bring a group of people together and that's why you're on the invitation list. We've got Clare and Callum with us, supporting us as the secretariat from the Independent Planning Commission. They are really helping us with the process but it's the panel members that will sign off on the report. I think we've got Andrew there now. Hi, Andrew.

MR ANDREW HURFORD: Hi, sorry about that, guys. Technical issues.

MR DUNCAN: All right. Don't worry, I've had some this week as well. We're all in the same boat. Andrew, I was just introducing the panel members. I'm not sure whether you know Professor Mary O'Kane and Mick Veitch?

MR HURFORD: Hi, I don't believe we've met. I have met Mick years back in his role in parliament, of course, but –

MR MICK VEITCH: You're looking well, Andrew. You haven't changed a bit.

MR HURFORD: Thank you. You too, Mick. Thank you.

MR DUNCAN: And Clare Miller and Callum as well online from the Independent Planning Commission, who are supporting us in the process of this. Andrew, I was just clarifying, our role is not to develop the Forest Industry Action Plan. Our role really is to lead and report on key stakeholder engagement, which is what we're doing. And we actually, despite the whole plan maybe taking some time, we have a fairly tight timeframe and we'll be reporting some time [redacted] and then we'll see what happens after that.

So I was also explaining that really it's your opportunity to talk to us today and Timber New South Wales we felt was a key stakeholder and the group of people that you've brought together. So really I think we should hand it to you and maybe you can introduce those that are with you and we've got an hour and a half but please leave some time for questions if we can and make this interactive as possible.

MR HURFORD: Yes, thank you, Peter. I welcome the opportunity to present to the panel. It's a great opportunity for us and one that hopefully we can add some good information to your deliberations and hence the group I've pulled together has different experience for different aspects of the industry. Maree McCaskill of course the CEO of Timber New South Wales. You may have already introduced yourself, Maree, before I got here, so apologise if you have.

MS MAREE MCCASKILL: No, no, no, none of us have, that's fine.

MR HURFORD: Okay. So Maree has been with Timber New South Wales now in that role for more than 10 years. You might like to give a very brief overview.

MS MCCASKILL: My potted history?

MR HURFORD: Yes.

MS MCCASKILL: Yes, I've been with the industry now 11 years but my background is in peak industry organisations, right back to 1973. I first started going into parliament in 1970, so I am very old. I've covered everything from animal welfare, zoological parks, I've covered cotton, wool, grains, beverages, publishing and now timber. So I've gone across a very wide spectrum of organisations with very similar type issues.

MR HURFORD: Thanks, Maree. We've also got Nick Cameron and Nick is currently the manager at the North East New South Wales Forestry Hub and might let Nick just introduce what that organisation does and a little bit of your background as well, Nick.

MR NICK CAMERON: Yes, thanks, Andrew. So I've been with the Hub about two and a half years. The Forestry Hubs, there's 11 of them spread around Australia. They're Commonwealth funded. Essentially we are a research and development entity that reports back to the Commonwealth. We investigate sort of opportunities and barriers to the forest industry. I report to a committee of eight, which are mainly industry based. The focus for me is the North East Forestry region which aligns with the RFA for North East New South Wales.

So essentially I cover from the Hawkesbury River in the south up to the Queensland border in the north. Yes, we've been going for a couple of years since 2019. All our material that we produce is on our website. We made a submission to this process and I went to a bit of trouble to sort of identify the things that I thought were relevant to your investigations that we've done. So it's all available on the website but there is some stuff we've got in train at the moment that hasn't yet been published, so happy to talk to you or supply that down the track if need be.

That's probably enough. Just briefly myself, got a background in forestry, professional forester by training, roughly 30 years' experience. About 23 of those years I worked with Forest New South Wales or Forestry Corporation now in a range of different roles, from operational to planning and marketing. I then moved to forest science group in Department of Primary Industries, where I was their principal resource analyst. I've done a lot of work on private native forestry, looking at the opportunities there. Yes, so that's me, probably enough. Thank you.

MR DUNCAN: Thanks.

MR HURFORD: Thanks, Nick. Stuart Coppock, who's the legal advisor to Timber New South Wales. Stuart, do you want to just give us your background, please, and what you're here to do today?

MR STUART COPPOCK: Yes, I've been a fully qualified solicitor for far too long. I think it's 30 years, it could be more. My career took me through private practice into the Commonwealth public service, where I worked in three agencies for a total of 20 years, finally landing in the tax office at the end of that. I spent 12 years on one of Australia's largest mutuals in the health insurance area. I was in local council as a councillor, elected person for just over 20 years. I work with Maree through at least three of her professional postings and this is the last one and I offer advice on mostly these days on the law around environmental legislation impacting upon forestry and on the wood supply agreements.

MR HURFORD: Thank you, Stuart. And lastly Todd. Todd Gelletly.

MR TODD GELLETLY: Hi. Thanks for the opportunity to speak to you guys today. I'm involved in the red gum timber industry, I've been involved in that industry since I was a 10-year-old kid helping Dad on school holidays and I'm part of the broader industry now that employs over 130 full-time employees, which is critical to our small community of Barham Koondrook on the Murray River. Board member of Timber New South Wales, qualified firefighter and hold a Diploma of Public Safety, which basically means I'm an ex-copper.

MR HURFORD: Thanks, Todd. I guess leaves myself, Andrew Hurford. I'm the chair of Timber New South Wales. Had a fairly long tenure there. I've been in that role for 15 years now. I was on the board prior to that. Does give me a fairly broad understanding of the industry in New South Wales but also within our own business.

I've had a 45 year working career from when I left school through until now and like Todd, before that I sort of grew up, well, in the backyard of a sawmill I guess initially and our business, from what was a little business in North Lismore, sawing timber, supplying banana cases and the local building industry, to today we have five sawmills, three dry mills, wholesale and marketing businesses in each of the capital cities of Australia, one in New Zealand and operations in the US and in France.

So we both import and export timber as well as producing New South Wales hardwood. So we have a good understanding or a reasonable understanding of the hardwood markets internationally as well as in Australia and the timber that we import to fill the existing void in the market that we don't produce near as much hardwood as we use in Australia and in New South Wales already.

So it was one of the themes that we want to go to is any further reductions in supply will just amount to greater levels of importation, which I think we've all probably covered a lot of these points in our submissions, which are lengthy and detailed and I guess we don't probably have the time here today for each one of us to go through what are fairly substantial submissions to the panel.

Hopefully we'll have time to consume those but we probably want to touch on or we do want to touch on probably the most relevant points as we see them. We can probably just set the scene by talking about well what is the hardwood industry within the context of the state's economy? We had a study done by Ernst & Young a number – it's only probably 12 to 18 months old now, I think, Maree, so still the most recent –

MS MCCASKILL: 2023, yes.

MR HURFORD: – relevant piece of work. Valued the contribution to the state's economy at 2.9 billion, employment at 8,900 people. So it goes to economic significance of the hardwood sector. There's 88% of New South Wales public native forests that are already protected in national parks and reserves within state forests with 12% of the publicly owned estate being available for sustainable timber supply. That data was supplied from GIS mapping analysis by Department of Primary Industries but again that's referenced in our submissions if you want to have a look at how we come to that.

In any given year only 0.2 of a percent of the public estate are subjected to timber harvesting and harvested forests are always regrown. So the forest area remains constant. So that's kind of the context of the economic landscape and the forest landscape that we operate in. Despite the economic importance, the New South Wales industry faces several challenges, including the establishment of The Great Koala National Park and recent forestry shutdowns due to changes by the EPA to control measures surrounding the southern greater glider. These new measures were implemented with no notice and based on no known science and we'll go to some of the detail of that as we get further into the discussion, I suspect.

Further restrictions or closure of our sustainable industry will result in negative impacts for the New South Wales economy along with perverse environmental outcomes with imports from poorer managed nations and substitution with higher carbon emitting products such as concrete, steel and plastic. While we are locking up working hardwood forests here in Australia, other first world economies such as those in Europe and North America continue to manage their forests and legislate for greater use of carbon friendly timber in their built environment. So that's kind of I guess the headline of the items we'd like to flesh out in our discussion today. Are there other areas that the panel would like us to cover that I haven't headlined there?

MR DUNCAN: Andrew, no, I think that's right and you've got your submissions in as well, so we don't have to repeat that. It's probably if we could talk with all of you and get those sort of highlights and then that will probably open up to some more questions, I think. That's the way we'd like to do it. Even if we pose the question, we'll document the questions, if we run out of time we might send them on for out of session –

MR HURFORD: Sure. If there's anything you want further background – because people can sit here and make any kind of wild claim. We'd like to think we can support anything we say with appropriate research or documentation and [cross-talk].

MR DUNCAN: And look, that's particularly important to us. In this we're looking for the truth and that's a hard thing and there's been a big debate over many, many years. So anything you can give us with supporting information like the EY study and things like that is quite helpful. So anything you can cite or point us to would be very helpful.

MR HURFORD: Sure. Did you want to – Nick, did you want to speak to some of the recent papers that are relevant? I think one line of inquiry from the panel possibly is this notion of substitutional transition to plantation seems to be a fairly strong theme in government thinking at the moment and we could talk around some of the challenges with that as well as some of the possibilities, if that's of interest.

MR DUNCAN: That is of interest. I think too just understanding a bit more about your views about current native forest harvesting and practices and where that can change there, nothing's locked in time and I mean there's a whole lot of issues that bear on that sustainable yield, bushfires and disasters and all sorts of things that you've gone through over the last few years. So I think –

MR HURFORD: Okay, so there is a lot we can cover there as far as the sustainability of native forest harvesting. I mean, as I've just outlined, we obviously believe that is sustainable, the figures that we've been – that have been unearthed during the process we're going through as members of the industry panel for The Great Koala National Park basically show that state forest is harvesting less than the sustainable production volume of the forests on the north coast. There's a number of reasons for that which we can go to.

But I don't think there's any question that from a resource growth and production and perspective, we are harvesting, well, less than a sustainable volume of timber from the allowed footprint but there are some significant challenges, particularly post from the 2019-20 wildfires on, there have been a number of challenges which have frustrated and hampered what we would call normal operations and normal production. Some of those have been the fire itself followed by the flooding two years later and then more recently constraints applied by EPA in response to pressure from the NGOs, as we see it.

So with what – well, we don't see a scientific approach to some of the changes in protocols that EPA has applied almost ad hoc or with very little notice. Yes, so that has led to a lot of constraints on supply but it doesn't really go to the question of sustainability which the industry is basically sustainable, left to its devices, the production of – we have more demand for our product than we're able to produce in general terms. The markets do move up and down in the normal way of markets but in general terms we do need to import hardwood to fill the gap in what we are able to produce.

There is some discussion or sometimes you'll see very simplistic arguments that we can just transition to softwood plantations, we don't really need hardwood. I would argue against that in a number of ways. One is that the current market doesn't back that up as a proposition. The value of kiln dried softwood framing is around $4-500 a cubic metre, stress graded pine framing, it's a valuable commodity, we use it to build our homes. It's mostly an unseen product in the structure of the house wrapped up in cladding and lining and whatever else.

Most of the – and so that products sells at say 4 or $500 a cubic metre, that's what the value the market places on that. Hardwood flooring on the other hand is about $3,000 a cubic metre, select North Coast hardwood flooring. So the market pays quite a significant difference and there is a significant difference in the cost to produce those products and the labour intensity of producing those products, hence part of the difference in the price.

So on the North Coast, there's somewhere between 50 and 70 sawmills or processing centres on the North Coast processing hardwood. Quite specialised, there's power pole producers, there's plywood producers, there's people producing at the lower end fencing and landscaping and pallets and then in between that you have people sawing bespoke architectural timbers that have high bushfire resilience for specific architectural projects.

And then there's people kiln drying boards and value adding to that as flooring joinery, cladding, wall lining and that end of the market. So there's a whole spread of specialised processes processing these things. By the standards of the softwood industry, they're quite niche in size and, as I say, specialised on the markets they're supplying and the type of resource that they're sourcing to produce those products.

So from any natural resource you'll get a range of outputs and timber's no different to that, just as you would have in the cattle industry or whatever where you're producing high quality sirloin steaks and at the same time you're producing blood and bone as well, to utilise the whole value range and it's no different in hardwood. So you have the high quality sawlogs and able to produce veneers and able to produce those joinery timbers that we spoke about and then as you drop down the value chain, you've got landscaping timbers, fencing timbers and then you drop down to timber that's used for pallets.

And people might say, "Oh, what a travesty, sawing native hardwood into pallets" but it tends to be the limby top of the tree or a defective tree that's used for that. Why does the pallet industry want those? Well, they get 10 years' life out of a hardwood pallet, at least five times the life of a softwood pallet. And in fact most softwood pallets are single use pallets. So there's quite a difference, even at that level of the industry between what softwood produces and what hardwood produces. I never think of myself – we're not in competition with the softwood industry.

MR CAMERON: Can I just add a couple of points? So yes, my analysis of the industry is it's one of the most sort of diverse and well-integrated industries in the world in terms of a lot of industries just service one sector but we service agriculture, energy, mining, construction and transport. Yes, I mean Andrew's been alluding to a lot of those things but yes, there's not many sectors that sort of service the economy so broadly and one you have mentioned, Andrew, is the utilities, the electricity poles, which are essential infrastructure. Yes, that's just one of hundreds of different products that we supply.

MR HURFORD: Yes, the other thing is just processing scale. So in our very effective timber producing wood basket, like softwood producing wood baskets, they'll have one to two million cubic metres or tonnes of fibre coming out of being grown and produces in those baskets a year to make the whole thing hanging together, to have a sawmill at world scale that can produce timber at a world competitive price, they have a throughput of definitely greater than 500,000 cubic metres a year. Probably getting up towards a million a lot of them these days. And then the cardboard and pulp manufacturers off the side of that, the chipboard and all the other pieces of that puzzle, that is the kind of size of wood basket that you need.

Now, on the North Coast, the pine's sustainable supply that was put out by Forest Corp only 12 months ago is about something in the order of 100,000 tonnes a year. So a small fraction of what is required to run a world competitive softwood production estate. It would need to be 10 times the size and then you would still lose the 70 sawmills that you've got because none of them are set up to process softwood at that kind of scale. So it's just a totally – just a different industry. It's really like saying I could replace the avocado industry with the macadamia industry because they both grow on trees. It's just not – they're just different markets, different value points, whole different proposition really. So I think there's –

MR DUNCAN: Andrew, just while you're at this point, do you want to sort of venture into the hardwood plantation substitution –

MR HURFORD: Sure.

MR DUNCAN: – [cross-talk] as well because that's also there and that's probably quite strong in sort of some people's minds.

MR HURFORD: Yes.

MR VEITCH: And Peter, just on that, the hardwood plantation, we're quite lucky we've got Todd who can talk about the red gum, because as I understand it, red gum is not suitable to plantation. Would that be correct, Todd?

MR GELLETLY: Yes. We haven't got the rainfall, Mick, and there are various plantations that people have trialled in their farming systems and they've just been an utter failure. There's a plantation on the Deniliquin Barham Road that was planted in the mid-1990s and most – 95% of the trees would be dead and what are still alive would be 2 metres tall, two and a half metres tall, as thick as your wrist if you're lucky, at the butt, and that's 29, 30 years ago. So we don't have the rainfall, the cost to set them up and the high reliability water required to keep them alive just blows the cost out of it. It's unviable. Simple as that.

MR HURFORD: So I think it'd be fair to say, Todd, the whole kind of western division of New South Wales, whether that be cypress or red gum, just due to that rainfall issue is just unsuitable for [cross-talk].

MR GELLETLY: Absolutely.

MR HURFORD: There are species out there that are adapted to that landscape such as the cypress pine and the red gum but they're not – the sort of growth time cycles are just not conducive.

MR GELLETLY: Well, the red gum is actually grown on a flood plain. So it comes out of – it's only really there because it's got access to floodwater from the Murray River system which was regulated obviously back in the 1950s, which changed the flooding regime to larger floods but less frequent rather than some of the history suggests nine years in 10 most of the creek systems in the bush were flooded. Whereas now river regulation, diversion for irrigation means our forests have a lot less access to floodwater.

But in saying that, in the last 15 years, I hope you can read this in my submission to the panel, we've actually had quite good access to floodwater. So red gum really needs about a 7 or an 800 ml a year rainfall just to survive or access to flooding probably three in 10 years as a minimum, with that flooding duration ideally in the spring from September through to until November and then the summer heat dries up the floodwater and the trees really – and the new growth regenerates and off it goes.

MR DUNCAN: Okay. Look, I'd like to keep talking for a bit, Todd, if I can for the others – I want to get hardwood plantations, coastal hardwood plantations. Todd, one thing I wanted to ask you in particular, you'll probably recall I was involved in the red gum structural adjustment process 15 or 20 years ago.

MR GELLETLY: Yes.

MR DUNCAN: I would like to understand your reflections of that. What are you doing now as a result of that and the reflections of how that process went?

MR GELLETLY: Well, our business – I think we're the only business left that didn't receive any funding whatsoever, which was quite frustrating in the restructure. Businesses like a medical centre in Deniliquin got a million dollars, a café down the street got $70,000 to put a new veranda on the front of their café. I just thought the money was ill directed. But the big thing for me out of the national park decision was what it's done to the township of Mathoura and I think the term "social destruction" is close to summing it up, probably doesn't cover it all.

And I really hope the panel does take the time to read my submission and look at the information that I've put in there about Mathoura and just what's happened to it as a town and the failings of the promised – from the NRC and government that tourism would be the saviour of the town and replace the timber industry, which is just – the facts are it does not, will not and never will replace a viable industry that's there year in, year out.

MR DUNCAN: So on the issue of resource then, obviously a lot of resource was not available, how does your business keep going? How do you get the resource as a result of that structural adjustment change?

MR GELLETLY: So the Koondrook, Perricoota and Campbells Island forests remained as state forests. So there's about 36,000 hectares in those three forests in total and I think the numbers are basically 110,000 hectares of red gum forest was locked up into national park. And that's in addition to the 30 odd thousand hectares of the Barmah National Park in Victoria.

And now on the Victorian side of the river we've had the closure of the Victorian native industry and so the sawmill, the one remaining red gum sawmill in Victoria has now had its resource reduced again. They've just spent over a million dollars on a sawmill, you know, not many people build new sawmills and they did. They just spent a million dollars on setting up a new sawmill and then Dan Andrews comes in and pulls the rug and it's just there's no rhyme or reason for it to occur.

MR DUNCAN: So the forest that's available to you, are you the only business working out of that forest?

MR GELLETLY: No, so Forest Corp, there's two main areas in red gum. So there's the red gum state forest, which is the forest I've just mentioned. So those business left there are Arbuthnot Sawmill in Koondrook, ourselves, Gelletly Red Gum Firewood, Wayne Campi or Campi Bulk Transport has a small firewood licence and do so does Peter Strange. And the other major customer there is O'Brien's Redgum. And then you have the western lend lease country which is if you use Balranald as a guide, a lot of the western land lease country is around Balranald and further west towards Mildura or Euston and then goes up as far north as Broken Hill. There's two main operators in the western land lease country and they produce firewood and sawlogs for the mill in Koondrook.

MR DUNCAN: Look, we'll go back to your submission there. We might come back to you. But I'd like to sort of – with the plantations, Andrew, particularly hardwood coastal plantations, there's a whole lot wrapped up in it, availability of land, quality of the timber you get out of it, I recall the colonial research that someone like Michael Henson was doing and whether there's value in doing more of that in the future if there were more plantations. And we'd just like to hear how Timber New South Wales feels about that.

MR HURFORD: Yes, you're right, Peter, there's a bit to unpack there. Currently state forest New South Wales in the North Coast RFA region or their North Coast supply zone, their modelling is around about 15% of sustainable supply can and will and does come from their hardwood plantations. That is lumpy though, it's not even. Post the wildfires due to regulatory constraint, state forests were held out of any of the burnt areas from operating due to IFOA conditions.

At the same time they were also constrained from harvesting in the unburnt areas as it was deemed to be wildlife refugia. So there was a period there, one to two – more than one year and less than two, that really the plantations on the North Coast were kind of the saviour of the industry. But unfortunately they were harvested ahead of schedule to keep that supply going while they were constrained from providing native forest supply. So that means that we have taken a big bite out of that forward plantation supply. Some plantations were harvested ahead of what would've been their normal harvest date.

So in other words, there's a bit of a dip in plantation supply now off the back of that, which has now been filled by the native forest which wasn't being harvested for those previous two years. So you do get these ebbs and flows for different reasons but 15% is kind of a long-term average at the moment. I think there's a little uptick on that from about 2035, which will be those plantations coming online from the late 90s and early 2000s. There was a bump up in plantation establishment at that time post the RFA decisions of then.

So it gives us a bit of a feel of the lag from a plantation investment in hardwood to when it actually turns into a meaningful timber supply. They are doing some thinning harvests in those plantations now but they're largely yielding a pulp grade resource or a woodchip resource going out of the Port of Brisbane, where it's possible. So there's quite a lot in that. So can we grow native hardwood in plantations? Definitely yes, we can. But there's a lot to go through.

You're right, there was significant genetic development improvement done at the time started in I think around 2019, ran through until probably 05 to 07, somewhere there and it stopped, it was defunded and didn't continue. The challenge with that is now we haven't had any genetic improvement done for 20 years and really the work that was done back then didn't really reach a point – I mean it definitely moved us forward a bit and there's some improvement seed stock that Forest Corp can supply from that and our own company plants and grows plantations and manages them, so I'm pretty familiar with the challenges. But that hasn't been improved for 20 years.

Now, I would question what other agricultural commodity is planting the same seeds and stock that they were growing 20 years. I'd suggest none. And again I think the challenge in Australia has always been well we have this large beautiful productive native forest estate, so why would we go off doing that and that's been one of the limiting factors. The other challenge we have in our own native species if of course just as we have these species sitting here, we have all of the pests and diseases that predate upon them that have evolved and it's like an arms race.

So trees have defences to pests and diseases, pests and diseases find ways to eat them. So we have all of that. If you take Australian eucalypts and plant them in Brazil, they grow beautifully because nothing there eats them. The trouble we have in Australia and why we need a lot more work is that when you go and plant at scale hundreds or thousands of hectares of given eucalyptus, what you get coming over the hill is a big pile of monolepta and other leaf chewing insects that think this is just a smorgasbord. And certainly damages the eucs and worst case it leads to the mortality of the trees and potentially even the failure of the plantation and there's been a lot of well-advertised kind of failures along those lines back in the early 2000s.

Well matched to site, now Forest Corp's done a lot of work on blackbutt, they have good blackbutt but blackbutt is a very finicky species. It grows close to the coast, it's called coastal blackbutt in its common name. It needs frequent rainfall and well-drained soils. It's a great specie, it's our most common New South Wales hardwood produced specie, it's strong, durable, fire resilient, it's got a lot going for it but it is not drought tolerant and it cannot stand frost or wet feet. So it needs consistent rainfall, good draining soil and no frost and not sitting in water inundated country. So it is quite limited, even though it is our most important specie. So then you move into other species that can do these other jobs and unfortunately there's just been less work done on those.

We grow Dunn's white gum in some of those sites for its frost tolerance but as far as use to a solid wood durable wood industry, it is of no use. Great if you had a paper mill but we don't have any paper mills. It was planted as a quick solution in those zones but the wood is highly prone to collapse, shrinkage and distortion. As I say, really good for producing paper. Consequently most of it gets harvested, whacked on a truck and shipped out of the Port of Brisbane. So it's not really generating any great amount of industry or employment or value adding in New South Wales and to me the challenge would be developing genetics for eucalypts that we can grow in those sort of –

MR DUNCAN: So Andrew, some of those Dunn's white gums would've been planted in APM and other plantations?

MR HURFORD: Mostly in the – the biggest planting of Dunn's white gum was in the 90s, late 90s, early 2000s where the forestry was charged with getting a certain amount of eucalypts in the ground each year following the RFA decisions and it was a solution to those sorts of sites, which make up about 50% of your plantable area. So there's a lot of spotted gum planted above the frost and a lot of white gum planted below.

MR DUNCAN: Okay. [cross-talk].

MR HURFORD: The industry was quite concerned about it at the time but that was kind of the only solution they had. There are other species that grow there that tend to be slower growing and like ironbarks, red gums, grey boxes and these kind of things not typically seen as plantation species but certainly high durability, high strength and species that are seen as good in native forests. They're slower growing, hence they're not generally chosen in plantations. Anyway, there's a number of challenges there for tree breeders –

MR CAMERON: Andrew, can I just jump in?

MR HURFORD: Yes, Nick.

MR CAMERON: Yes, so Forestry Hub just published a bit of work on the performance of our existing plantations. That's available on the website. Yes, pretty disappointing all up in terms of how things are going. So there was 26 hardwood sites that were measured and assessed, spread right up and down the coast. The average mean annual increment of those plantations, which are mostly mid-rotation age now, so in the order of 20 years old, was 7.3 cubic metres per hectare per year. Now, a commercial plantation growing rate for radiata pine, which most people would be familiar with, is in the order of sort of 16 to 18 cubic metres per hectare per year. So we're sort of yes, less than half, well less than half of where we need to be and also hugely variable in terms of that performance.

So you know, MAIs, sure, they got up to 14 I think was the best and but as low as two. So a long way to go with hardwood plantations. That said, it can be done. The softwood industry, it was sort or 60 years in the making. The industry that now sort of profits off the back of it will tell you how good softwoods are but for many, many decades and literally a couple of rotations, there was a huge investment there directed to tree breeding and getting the best out of the pines. Yes, so if we want to go down that track, we can but yes, it's a long-term venture and –

MR DUNCAN: I understand.

MR CAMERON: – Laboured with challenges.

MR DUNCAN: We did hear some of that yesterday but we might just stop here. We're halfway and I might ask Mary and Mick if there's some questions. Mary, over to you.

PROF MARY O'KANE: Thanks, Peter. No, not really. I'm finding this very useful, so I'm just happy to listen.

MR DUNCAN: Okay. All right, Mick. Have you got any questions at this stage?

MR VEITCH: Yes, I do. I might just flag them and you can sort of build them into your responses going forward but there's just a couple of things. Andrew, in particular, has mentioned the role of EPA several times in the last little bit and so I'd be keen on people's views about the EPA's role going forward and what that looks like or whether they have views about that. And I'm also a bit interested in the wood supply agreement issue which has been flagged a couple of times as well, if people could just talk us through why they're mentioning wood supply agreements and do they have concerns or issues about those?

MR HURFORD: Maree, would you be happy if I referred to Stuart there or did you want to make a point?

MS MCCASKILL: No, all I was going to say is we've been a bit disjointed and I think we actually need to get the puzzle in place and I think for the benefit of the panel, it's important for you to understand that in hardwoods, there are four different sectors. There's the North Coast hardwoods, there's the South Coast hardwoods in the Eden region, then there's red gum and cypress and they all autonomously operate almost to the exclusion of each other and that's why you often get people – when you hear them, they talk about their own particular region and their own particular markets and they are very different.

And I think it's important to acknowledge that difference because they are produced for very different markets and different segments and I think it's also important for people to understand that somebody like the Arbuthnot mill in the red gum, which is basically the high quality sawmill left, is producing not only furniture grade wood where their markets are largely the Victorian market, which likes the deeper red of woods and they're doing flooring as well, but they're also producing a vitally important product called railway sleepers. And that's because of the durability of the wood, the strength and the durability. So they've got a really interesting diverse market.

If you move to the North Coast where Andrew is, you've got everything from high grade appearance grade quality hardwood fit outs to people who are producing also railway sleepers. But the issue that I think is vital is that we've got producers there and mills that are servicing the transport hubs, not just railway sleepers, bridges, wharfing, Darling Harbour, for instance. All those timbers are coming out of the North Coast and some of them are heritage timbers. So something like the heritage replacement of the Pyrmont Bridge right now is coming out of Coffs Harbour hardwoods, who have to source very specific matching timbers to be able to fulfil state government contracts.

They are really concerned because if their business is shut down, they're not going to be able to fulfil some long term contracts on all of the Darling Harbour sites, the Pyrmont Bridge, all of the wharves that the ferries use and there are a couple of operations on the North Coast that are vital to do that. And some of the very wharves right now are behind schedule on being able to replace damaged wharves simply because of the inhibiting factors in being able to produce enough of those very high quality timbers like turpentine, et cetera, to be able to withstand marine environments.

So I think it's important and for cypress – cypress is an interesting material because it's seen as a weed by post of the farmers in the western division of New South Wales. But what is interesting about cypress is that it's termite resistant and therefore they have a market that they developed of shipping timber, finished timber, into Japan, who has an absolute preference for cypress. And they've developed markets in the United States, wanting specifically Australian cypress. They do cladding, they do playground equipment.

So there's a really big diverse range of products and I think often because people talk about softwood, which is basically a similar type of wood going through and being processed, the variation in hardwood is enormous and to some extent because it's such a large variation, people don't understand what is hardwood and where it comes from and it's almost wallpaper to many. So I just wanted to make sure people understood that that's the diversity sitting in there and then we've got plantation growers like Andrew, like Super Forest Plantations, who are growing very specifically for a market but they're not going to be growing the sort of timbers that are required for wharves and bridges.

MR DUNCAN: Maree, you make –

MS MCCASKILL: I think people – you can't just suddenly establish the really heavy duty timbers in a plantation, grow it for the next 50 or 70 years so that you can fix your bridges in Sydney or your wharfing in Sydney. I think that's often overlooked and if you're going to change it, then you're going to have to use things like steel and fibreglass and what have you, which have got sometimes shorter durability lives.

MR DUNCAN: Yes. And look, you make an important point and we've been hearing a lot about the regionality of the forests as well, so it sorts of flows all the way through that not only the forests themselves but also the way you produce it and the markets as well. So it is a good point that it they are quite unique systems.

MS MCCASKILL: It is and that flows to the fact that yes, there is production constraints right now, Mick. It's quite critical and that's because there is a greater focus by the Environment Protection Authority on a whole raft off issues which can shut an industry down.

So two days ago, the red gum industry that Todd is in was completely shut down. They don't know how long it will be for shut down and it's basically over cultural heritage. So that's every mill, all the contractors as of two days ago have been completely shut down. Similarly, on the South Coast when the issue of a dead glider, which could not, even with the forensic testing, be related to the timber industry, was used as a pressure point to close the industry. More people came out looking for gliders, the entire protocol changed overnight for the industry and as a risk assessment, Forest Corp shut the industry down. And then it had an impact on the North Coast.

So for some time there it went up to about almost I think six weeks to two months, depending upon the contractors. They had no employment and no payment and we had to put some significant pressure on the government to at least release some payments to keep those families alive because some of them have got – they've tried to keep their staff going and it's impossible when you have a rule change. So I say to people it would be like the Minister for Transport coming out overnight and telling you all that all of the speed limits had changed and fines were immediately imposed. There would be screams.

MR GELLETLY: And red gum's a stumpage arrangement with Forest Corp, so there's no compensation clauses for any of the customers or harvest and haul contractors. It's just let's just stop until we figure out a way forward and we'll let you know when we're going to get going again. I've asked to be regularly updated and the reply I got was "We'll let you know when there's something we can tell you."

MR DUNCAN: The cultural heritage issue, is it something, Todd, that you've been previously aware of or is this something new to you?

MR GELLETLY: No, it's actually – the issue is actually between Forest Corp and DECCW or whatever their acronym is now. It's to do with the recording of the cultural heritage points that Forest Corp identify.

MR DUNCAN: Right.

MR GELLETLY: And in this case, the cultural heritage is – to the letter of the Cultural Heritage Act or the legislation that Forest Corp are under, Forestry Act, it's meant to be recorded in AHIMS but my information is that the local Aboriginal lands council people have requested specifically to Forest Corp, "We don't want Forest Corp entering that information into AHIMS or recording it in AHIMS because –

MR HURFORD: Explain what that is, Todd, AHIMS.

MR GELLETLY: So AHIMS is the – it's a cultural heritage database. So we set up a new firewood mill four or five years ago. The first thing we had to do, we put in a lot and DP number into the AHIMS database and that basically – it comes up with whether there's any cultural heritage points or sites contained on that lot and DP number.

MR COPPOCK: It's a federal register, isn't it, Todd?

MR GELLETLY: I'm assuming it is federal now, yes.

MR COPPOCK: I think it is federal. I think you'll find it's federal.

MR DUNCAN: I think you're right. And so here this is an issue really of a debate about the privacy or the protection of their cultural heritage knowledge, not so much a forestry practice?

MR GELLETLY: Yes, well Forest Corp identify them, they're in their mapping and they're excluded in our harvesting operations. But yes, when the local Aboriginal council guys say, "No, we don't want you doing that," I think we have to listen and that's certainly what's happened and to me our stand down is more about Forest Corp are being lambasted or dragged through the courts so much in the last three, four, five years or beyond that they're that frightened –

MR DUNCAN: Sensitive, yes.

MR GELLETLY: – to make any further mistakes that their approach is let's just stop everyone in their tracks until we figure out what's going to happen. And I don't think that's fair on Forest Corp and I don't think that's fair on any of the industries that are suffering from it.

MR DUNCAN: Yes. So just we might move on to contracts but as we're moving on, can you just explain stumpage and just how that works for you and that you don't get any compensation?

MR GELLETLY: So what stumpage basically means is we pay for the wood at the stump. So Forest Corp give us the harvest plan, off we go into the bush, harvest the wood and the customers pay for the wood as a royalty at the stump and they arrange their own harvesters, they buy their own harvest and haulage equipment or they engage contractors to harvest and haul it under private contracts.

MR DUNCAN: So in this case, because you can't get the wood, you get nothing –

MR GELLETLY: No. Not that I'm aware of. I'll try and send someone a bill but I don't think I'll get any luck and get it paid.

MR HURFORD: Stuart, I think just to go to Mick's question there briefly because we've kind of gone around the EPA a bit now, but you had some work on EPA [cross-talk] around the gliders and so forth.

MR COPPOCK: Yes, if I may, very quickly I'm going to make four points. The first thing on plantations, the technical side of the discussion I found interesting but the real issue is where is the land. Even there's a growth time and a development time which Nick referred to, where is the replacement land to actually start planting new hardwood plantations? That's one of the other great limiters because it comes down to economic return and you can't make a farmer get rid of his prime land, particularly for blackbutt, for a forest which he'll probably be dead before he gets a return out of it. It just doesn't happen and that's one of the big limiters, economic return on just agricultural land.

The second point is Forest Corp tends to have standardised contracts. The harvesting contracts have absolutely no – they're all one sided, effectively. There are some clauses there which allow some compensation for industrial strife but it's all in the discretion of what Forest Corp staff want to do. There is no clause in the contract which allows a person who's a contractor to simply say, "I can't find this – the circumstances have changed so much that I find it untenable to make this a commercially viable contract, therefore I want to give notice that I want to get out."

There is simply no mechanism really for any person who's a contractor with Forest Corp to get out of a contract which has changed so dramatically, even if it's not Forest Corp's fault, that they're going to go broke. They've got to sit there and wear it. I've actually had a look at this in the last three or four weeks. It's impossible to leave the contract unless Forest Corp close it. So that's the thing about compensation for bureaucratic interferences, which there's been a lot of in recent times and not just natural causes and stuff, it's really one sided.

The wood supply agreements on the North Coast fall into four types, A, B, C, D. The contract structure is quite old. It reflects how Forest Corp used to work on a regional basis, one sawmill per valley. So there was very little delivery costs, you only got out of the management plan in the valley what could be cut, that was called run of the bush and those concepts flowed through into a standard contract which ran literally across the whole of the northeast forest region. So what's in Bulahdelah is at Lismore. They're all the same basically.

And so those contracts, once you understand that and you start reading the annexures, you start to see why what is really going on and the historical basis for it, which as a lawyer is quite important to make sense of the contract. When you get into the body of the contract, they're actually still quite sound even though they're old documents. They have a two year flexibility for overcut and undercut. So the bush will only supply what it can, wet weather comes in, supplies away, you could have a program to cut and it's interfered with. So the contract's got this quite amazing flexibility of give and take from both Forest Corp and the sawmiller who's receiving and that's a good mechanism.

There is a problem with where things have headed with the force majeure clause, a very serious problem. I'm not going got talk about that today, I can talk about it offline if you're interested, but it's the big elephant in the contract, which in today's circumstances really make an industry unsustainable because what sits in the middle of that clause is a financing devil which is buried. So if I have this contract as part of security and Forest Corp have to for their own protection commercially invoke this clause, I could trigger my finance clauses, Forest Corp are still treating it as though the contract's on foot but it's not because the way the clause works and that's the legal interpretation, which I've got from counsel on this point.

Major problem in that for going forward for a sustainable modern industry in that clause. The rest of the contract in the way it's actually drafted and the way it works is sound from where it came from. There has been one major change to the whole structure of the wood supply agreements and it takes you back to fundamentals. The fundamental is how does a sovereign state takes its resource and put it into a commercial market? How does it do that. We've got an example in the mining industry. The other industry really is in fact the timber industry. And so what we've got is an equality of supply, an equality of contract, an equality of participating and that's how it used to work.

So what that means in the contract is you get volume of what you can cut, right, so you don't get species allocations or anything like that, you just get volume, right. So you just pick what you want and the contracts are standard on supply. I'll come back to the issue of competition, which is quite important. We had the ACCC look at this in the last 10 years, it might be less than that. So the issue is then when you get one contract, which is in fact your largest contract, the Allen Taylor contract, and you start putting species preferences in there and then that gets amended so you've got a floored and capped structure, so the non-commercial timbers are capped and the good timbers are floored, you have a contract which you have to meet those specifications, not just volume in the delivery yard.

And so what that does to your forest, you are no longer cutting for what the forest will give you, you are cutting to get out of a forest what you have to supply. And in good times, you go, well, what the heck. But when supply gets short or shortened, then what you're doing is actually you are having to go and cut the bush to stop yourself being in a courtroom. All right, because this contract went to a courtroom. Right. So what you then do is change the whole equity of supply and structure of all your wood supply agreements, which are just volume, so you've got an uncommercial or non-competitive structure in the supply of the sovereign resource.

Back to competition. If you supply everyone the same, i.e. what the bush will give, you get, then you get a mixture of stuff and what is proven in the work so far in recent times, the competition on the North Coast is quite extraordinary. Not one mill that I'm aware of does exactly the same thing. They're not really competitors with each other. They are processors of hardwood for the huge range of markets and that brings you back to what the contracts do. The contracts recognise some of those markets, girders, floorboards, et cetera, they're in the type A to D, so they're recognising that part of the structure as well but the problem with that is that Forest Corp no longer get the full recovery of the tree.

So the whole point about silviculture is when you cut a tree down, you do not waste anything. All right. We are now wasting in New South Wales, I don't know what the figures are but we're only taking the good timber and we're leaving the rest on the ground. So residue which is D and et cetera in those contracts, there's no pulp. You look at the figures, there's very little pulp on the North Coast. There's only pulp on the South Coast because they're trying to fix up the forest but there's no natural market for pulp. Look at timber worldwide and we're the exception. So the contractual structure has been changed by the Department of Environment, so only the top half works, and you have this preference clause which is actually changing the way the cutting of the forest works and how the competition will supply into the market or your sawmill is working.

So if you start shrinking the supply, given that the preference contract has all blackbutt basically in the top commercial stuff and they have to be supplied first, if you have a fixed volume, a candy box and you take away three quarters of the candy box, then what you do is lose all of your mills but the one with the preference contract. And I submit, I have [non-transcribable] that is absolutely against any principle of a sovereign state supplying a sovereign resource. It is fundamentally wrong. But that's where we've landed and this problem has to be fixed, otherwise you cannot put back sustainability of the marketplace for sawmillers or sustainability of the forests. And then there's the other things I mentioned before about the couple of clauses which need to be modernised.

Now, the next thing is the EPA. So the Forest Act is 2012, in that was introduced because of politics of the New South Wales bureaucracy, two government departments to look at certain operations, particularly part 5B in the Forestry Act. So if you go back to there's two parallels here, so I'll talk first about the administrative orders. If you go back to 2015 and come all the way to 2023 I think was when Minns was elected and there's been no order since. This is in my submission as annexure.

You'll find that every time it comes to the Forestry Act, two departments are mentioned, DPI, or the equivalent, and Environment, or the equivalent. And you'll notice at 5B is the one that goes to where the Environment has the input and the rest is DPI and that has been consistent all the way through. In 2018 we amended the Forestry Act and the whole point of what the notes to the legislation say is that they try to put, in my terms, one stop shopping. And it actually makes sense, Biodiversity Act, all the rest of the stuff, so it's one parcel and that takes us to the IFOA, which I'll come back to in a moment.

So there were certain amendments made. The agency, not the department, the agency which had the drafting instructions was the New South Wales EPA. Nowhere in the administrative orders is the New South Wales EPA mentioned in respect to the Forestry Act. I sought to get the drafting instructions but they used the cabinet principle against me, which I would argue elsewhere is totally irrelevant and doesn't work but I wasn't going to run the risk of a costs order to try and do that. But the point is the EPA, who in the legislation is the policeman, the compliance department, not the policy department, actually enters the realm of policy and drafted all of the amendments to part 5B.

In there they inserted the word "protocol" and the word "protocol" is rather interesting because it's a term used in forestry back to when forestry first kicked off but it's also a term in the EPA's governing legislation and it's got a particular role there and it requires consultation and ministerial sign off. And strangely enough, any changes to the IFOA also require consultation and ministerial sign off. However, the EPA's been allowed to take the word "protocol" and it gives them the right to have ad hoc when they wish, without public consultation or ministerial sign off, changes to the IFOA. Doesn't mean they can't change it but there's a process they've got to follow and they have never followed that process.

As a result, you've got the red gum with Environment, you've got the glider, the koala hubs is the only process where the minister gave a direction under the legislation which was followed properly and that's all since 2018. And so my point in my submission is very simple, if you're going to have a sustainable industry, then you've got to have a governance framework that you set up, which the parliament has, and it's got to be followed. If you don't follow it, then you'll end up with all the problems where we are now, where you get people with stop orders overnight without any warning. If there's a warning on consultation, at least you know what's coming. All right.

So there needs to be some sort of order put back into the parliament's directions and proper interpretation of what clearly was intended. I haven't seen the cabinet papers, I haven't seen the drafting, but if you stand back and look at it, it's very clear. Public consultation and ministerial sign off to an amendment to the IFOA is required by the legislation and I simply pose the question, if I'm going to change a protocol, why isn't that an amendment or an alteration? And the Act's very clear. Yes, I'll leave it at that. So there's no consultation from the EPA to the industry or anyone, it's all [non-transcribable].

MR DUNCAN: [non-transcribable] Stuart, we have heard this issue, it has come up again, so you're not the only one raising it.

MR COPPOCK: Okay, well good. Okay, well good, I'm not some mad lawyer then.

MR DUNCAN: No, no.

MR COPPOCK: But what really struck me was the drafting instructions. I was just gobsmacked as a lawyer. The integral structure of governance of delegation just wasn't followed.

MR DUNCAN: Yes.

MR COPPOCK: And it's just extraordinary. So they're the things that – the only other two things which really need to be looked at in the wood supply agreements are in clauses 17 and 18 and that is the stumpage price and the delivery charges. And the stumpage price is what it is and you can't quibble, there's a cost of selling a sovereign resource. But the delivery charges used to be quite low to try and keep the resource price down. Forest Corp decided to literally turn the whole of the region into one delivery area. So you can get timber from Bulahdelah taken to Lismore and you pay the freight. It's a hard issue but there needs to be some thought given to really how this works.

So, for example, if The Great Koala National Park proceeds, then all of the blackbutt in there which supplies basically the Allen Taylor contract and a few others because of the locality and stuff, because delivery charges are looked at so you don't get big haulage costs, then haulage costs for blackbutt or anything like that is what's left after the Allen Taylor contract is going to make the industry very difficult to be sustainable because the delivery costs are going to go through the roof.

You've currently got timber, so I hear on the grapevine, I have verified this, going from the north to the south of the state. The haulage costs really – we're actually pricing the commodity out of the market. So given the historical nature of the contract, which is a problem because it's been modernised over time, these delivery costs really are part of sustainability. I'll just leave it there. Thank you.

MR DUNCAN: Yes, we were hearing the same thing yesterday, Stuart, from the Softwoods, they're getting haulage from Walcha to Tumut and things like that.

MR COPPOCK: Yes, that's right. Yes.

MR DUNCAN: It's the same issues. And probably different causes there, it's more a result of the bushfires and the impacts to that southern forest.

MR COPPOCK: Well, if the state wants to subsidise it, yes, but if it's part of your actual running business cost, which has never been thought about and it suddenly changes overnight, which is what happened, I think there's a real issue with the sustainability industry if you can make extraordinary changes like that because where else – where else do you see that? You don't.

MR DUNCAN: Okay. Look, we've got about 20 minutes left, so Andrew, I'll let you think about what we haven't covered but in the meantime, Mary or Mick, are there further questions that you'd like to raise? Mary?

PROF O'KANE: Just on the EPA, so thank you, that was very helpful, Stuart. But on the EPA, Andrew, can I ask you, did that cover all your issues with the EPA or are there other ones? Because we've heard a bit about the role of the EPA, quite differing views on its role. So I just wanted to see that it covered everything you were concerned about.

MR HURFORD: Yes. Well, it's possibly a wide ranging topic but the Tasmanian approach to this is to have a specialist regulator for forestry because it's recognising that it is quite a specialised area. The EPA is very good at measuring emissions and controlling pollution and doing all of those things that an environmental protection authority would normally do. But in terms of the way they try to regulate forestry seems to be from a tick box type approach where hard measured things and which may or may not have environmental benefit, it seems to be that the NGOs like basically want the EPA to basically regulate forestry out of business and if that's not happening, they feel the EPA is not doing its job. So we have rules that are agreed.

In the past it was every five years there's a review of the performance of the IFOA and how it's operating and how it's working, what impacts is it having, doing some science through the NRC, getting reviews done to see what the effects of the different measures are, what effect are they having on wood supply, what effect are they having – are they having their desired effect on the environment? Monitor that over those five years, review that, then modify it and go again. That's kind of active and adaptive management.

Whereas what we've got at the moment seems to be just regulation on foot. Someone finds a dead glider in Tallaganda State Forest several months after a harvesting event and not actually in the footprint of the harvesting event, they conduct an autopsy and find that they don't know why the glider died, probably of natural causes, and then suddenly we get this ricocheting of regulation on the industry around one animal that yes, it is defined as endangered I think on the list, I think we had an estimate from Forest Corp that there's around about a million gliders in their estate. That doesn't sound like they're on their last legs. It does sound like the measures that are in place are working.

The survey – the extensive survey that's just been done in the footprint of The Great Koala National Park found I think a very large number of koalas but a population of greater gliders of about two and a half times the number of koalas. So there was 10-14,000 koalas in the footprint, the proposed footprint of the park. There was 38,000 gliders modelled to be in that footprint.

So if we're going to chase every single glider around to its own home address and get concerned about that, that's more, I would believe, an animal welfare issue and as concerning as that is, I don't believe that's what forest science is trying to manage for habitat and for occupation and for population numbers and that's where to me at that high landscape level, that's where we should be looking and managing for and if we do have an issue, we need to modify and adapt. But these kind of changes on the fly that the EPA has been introducing, I don't think there's any evidence that they're responding to a known problem or that they're doing anything to address a known problem. So that is a challenge –

MR COPPOCK: Can I just add one thing on that, please, very quickly? If you go to the IFOA document, you'll find that in each section there's a thing called "Outcomes" at the top, it's in a grey box. If you go back and look at the document, legally outcomes have no legal impact in the document. They do not influence the interpretation at all, yet Forest Corp are of the view and have said publicly and I've heard them say it, these outcomes is what Andrew just said, the whole process about making sure outcomes, landscape outcomes are the outcome of the harvesting, selective harvesting. Whereas the interpretation from the EPA is literally black and white protocol interpretation. And legally they are correct because the way the delegated legislation has been drafted because the outcomes are not actually in the interpretation of the document. They're just there.

MR CAMERON: Could I jump in here as well? One of the reasons why we're in the sort of position we're in is sort of lack of data and we were on the cusp of having a sort of cross tenure forest monitoring and improvement program and the current government sort of decided that money was needed elsewhere in the economy. But the absence of a monitoring program is why we're in the state we're in. So we just do not know about what's going on in national parks and until we start looking and keeping regular records of what's happening, we're just flying blind here. And so we've got this reactionary approach to everything, we've got over a thousand species now that are on the threatened species list.

I honestly believe if we actually went out and surveyed comprehensively for these things, there'd be a very small fraction of those species left on the list. But it's all about maintaining the mystery and not spending the money to solve the dilemma of what is the true conservation status of this thing. We're not looking at that. So we're just in this constant cycle of precautionary principle and yes, shutting things down when we find things. So it's not going to change until we invest some money in long-term monitoring.

MR DUNCAN: Okay, thanks.

UNKNOWN SPEAKER: So that really leads to a question, doesn't it, with 88% of the Crown forests locked up for conservation or managed for conservation and just 12% available for timber harvesting, why are we still seeing animals added to the endangered species list? It should be going the other way. The 88% is not delivering the outcomes.

MR HURFORD: Or we don't really know is the –

MS MCCASKILL: We don't know.

MR HURFORD: It's not well monitored and reported on. That's the issue.

MR DUNCAN: Can I just go back to Mary for a minute, was there something else, Mary, on that question? Mick, have you got anything at this stage? Okay. Andrew –

MR HURFORD: I think the one area of alternative supply which also gets a bit of coverage is the private property sector and we haven't kind of touched on that at all. But I don't want to jump across to that if we've left any business unattended to on this topic.

MS MCCASKILL: No. Andrew, the only thing we need to mention for Mr Duncan and the panel's benefit is what we now know as of Wednesday's meeting for The Great Koala National Park.

MR HURFORD: Yes, okay.

MS MCCASKILL: Because that is critical to the whole issue.

MR DUNCAN: In about 10 minutes, if we can cover those two things because private property is part of the equation ultimately whatever happens and would like to know a little bit about that but also hear obviously what you want to tell us about the meeting on Wednesday.

MR HURFORD: Sure. Okay, well private property I think we can do pretty quickly. Nick, do you just want to give us the stats on what we think the proportion of supply to the – well, you can certainly talk to the coast but I don't know if you know more broadly or –

MR CAMERON: I think statewide native forests, 75% is produced from the public estate and 25% from private landholders. Roughly 80% of the private native forestry activity is occurring on the North Coast. Local land services are the authority on this, so you should consult with them about exactly what's going on where. But historically private native forestry has been sort of opportunistic and exploitative. Traditionally most of the timber off private property came from land clearing associated with agriculture. But yes, it's certainly supplementary to the main supply, which comes from state forest but is important. The opportunities to expand private native forestry are significant because it's such a big estate.

For example, in the northeast region, close to 3 million hectares of private native forest. So huge estate, however a long history of sort of neglect and lack of investment. Unlike Forest Corp or state forest, you've had sort of over a hundred years of public money going in to infrastructure and silvicultural improvement, fire management and the like. You've just not had any of that in private native forest. What you've had in private native forest is opportunistic harvesting and as a consequence of that, you've got a lot of forests in a degraded state where the best timber has been removed on repeated occasions, leaving the poorer quality stems, genetically poor as well as physically poorer and so if you want to, in the future, rely more heavily on private forests, you're going to need to put some investment into silviculture to improve the health and productivity of those forests to make them anywhere near comparable what's occurring on state forest. I'll leave it there.

MR HURFORD: Yes. So to go to that, I guess one of the issues, why is that the case and talk to a lot of private property forest owners, I am one myself and we certainly take the longer term view, probably different to the average profile Nick's outlined there. But a lot of private property holders do just feel, well we sort of think about a 20 year cycle on the North Coast between harvesting events. You can make it more frequent or longer depending on how you manage your forest.

But the issue they see is just what you'd call sovereign risk. They fundamentally just don't trust the government and they'll typically say to our foresters, "Look, just take what you can now because I don't have any faith that I may be able to harvest this again in the future." So that is kind of an anathema to sustainable forestry. You should be setting your forest up for that next harvest and that involves some cash input to infrastructure, to replanting if needed, to removing poorer quality stems and what you do tend to see is the reverse of that, the removing, as Nick's just said, of the higher quality stems in the stand.

And achieving retention rates, which the LLS, the Private Native Forestry Code requires a certain basal area retention within the forest after you've harvested. And to achieve those retention rates, landholders can leave the poorer stems there and that ticks the regulatory box and everybody's happy and we move on, except that when you come back in 10 years, 15 years, 20 years later, you've got a poorer forest from which to harvest.

So that's the challenge, I suppose of getting PNF, landholders need to have faith and it's the same – I've struck the same thing with plantation owners who are clear falling plantations, the landholders don't have faith, even though we have a code there that gives that assurance. They don't have faith that the government's going to allow them to harvest those trees in 20 years, so I'll clear fall them now and the problem's gone for me.

So that is a big issue in landholders' minds is that certainty that I can harvest these trees if I invest it now, if I'm restrained and I remove the lower quality stems now at a greater cost and a lower return for a better forest in the future and a better harvest down the track for myself, for my forebears, I've got to trust that the government is going to allow me to do that when that time comes. So that's a big issue.

In Tasmania they've created I believe now what's like a 100-year timber covenant that you can put on the land, a bit like a conservation covenant if you like but it's a timber production covenant. It says, well I'm going to manage this land in this way, there's some mutual obligation there, I'm going to do these things but in return you're going to allow me to harvest it under these conditions in the future. And there's a lot less –

because we have these overlapping things that Stuart can speak to in New South Wales, it's not just the PNF code.

There's planning legislation that overlays on top of that, there's zonings and things that come along that interfere with your ability to manage your land as you may have done and thought you were going to do over generations. But these things come along – we have a thing that's called dual consent in New South Wales potentially where a council or an LEP, local environment plan requires approval for forestry operations and that can impact on plantations just as well as private native forestry, where you would need to go to your local council, having got the state authorisation for either a plantation or for your private native forestry operations.

You may have that but at the same time you need to trot down to the council and get their sign off because of the zoning of your land and the requirements on the zoning. Those approvals are potentially almost impossible because they're literally a DA, a development approval, which DAs are just not designed for that purpose, they're all about an event or a project, like the construction of a house or the construction of a dwelling or a building or a tourist facility. They're not really designed for sustainable forestry and typically councils don't have staff that have experience or qualifications in that area. So it offsets –

MR DUNCAN: I understand. We probably need to wrap up in a minute but I was just –

MR HURFORD: Okay. So we have some significant issues in realising the potential of the private forestry estate, both planted and natural.

MR DUNCAN: Yes. And if anybody, whether you or Maree, can point us to the Tasmanian experience, we've heard a bit about Tasmania and some of the changes there, so we'd be interested in pointers, particularly that covenant concept that you just mentioned. Just in a minute, do you want to briefly outline what you mentioned about the meeting on Wednesday?

MS MCCASKILL: Yes, I'll tick tack with Nick on this. I think it's really important to know you are aware there's been a process underway since December last year looking at an assessment area of 176,000 hectares of state forest to be looked at in terms of whether or not it has value or to take the entire area or parts of the area to make a Great Koala National Park to add to the existing national park. There's been a whole lot of assessment work done. The industry panel has had some real concerns about the governance processes and the transparency.

I asked on Wednesday, because of the timelines, we became aware that they would be making recommendations to cabinet in November about the park, whether or not they were referencing the Independent Forestry Panel because of the work that you were doing. And I think the answer comfortably was, "We're not sure but cabinet might." But I think it's important for you to understand that part of the assessment work that was being done and Nick butt in quickly, is indicating at this stage that if they take the entire area, somewhere between 39 and 40% of the type A quality hardwoods will go. And keep in mind how those contracts work.

MR DUNCAN: Yes.

MS MCCASKILL: Because largely what you'll see is one contract left standing. But the relevance, I think, for Mary, which I think is really important is there's been a lot of scientific assessment on the forest. Nick, do you want to say quickly what they are because it's not appearing on the national park. Quick.

MR CAMERON: Okay. Well, yes, they've done – it's the most intensive drone koala survey in the history of koala surveys and that included about 25% I think of the area that was surveyed was national park but yes, the results, they're very much just focusing in on the state forest. As it turned out, the occupancy was actually slightly higher on the state forest than it was on the national park and similarly was the case for greater glider and yellow belly glider. Higher density and higher occupancy on state forest than the national parks that they surveyed. Now, there was some issues about apples and oranges there but fundamentally, hundred years of forest management, those sort of three iconic threatened species are doing well and by all accounts as well on state forest and national park.

MR DUNCAN: And Nick, that's Brad Law's work, is it?

MR CAMERON: No, no, this is work which was completely independent of Brad Law. It was managed and overseen by the National Parks and that's why it's so important and valuable because it basically proves that Brad Law's work is – the modelling work that he's done, seven years of surveys which show that koala populations are stable is sound and it's consistent with his work and yet yes, there's very little – in the draft report we've seen there's no acknowledgement of that specifically that does align with his work. But yes, it –

MS MCCASKILL: But the issue is the same amount of examination has not been done on the equivalent national park estate that will become the whole Great Koala National Park and we think the government needs to know that because you need to know what's on that other part of the estate and it may be the most brilliant news. It might show that both tenures are in fact in a really healthy state and that's the bit of the science that's missing is there should've been an equivalent survey done on the area that currently is a national park adjoining what they propose to take from state forests. I think it's vitally important.

PROF O'KANE: Peter, I'm going to have to go, I'm sorry, for another meeting. So thank you all.

MR DUNCAN: Yes. We have to wrap up. It's been very, very helpful, all the information you've provided us today. We might come back to you if we've got further questions. Mick, is there anything that you want to say at the end?

MR VEITCH: No, other than it's been very informative and thank you all for your contributions. It was quite a good session, thank you.

MR DUNCAN: Okay. And just to sign off, we were aware of this other work going on, we're not involved in it, The Koala National Park obviously and those sorts of things. [redacted] some of these works are going to come together with government at some stage before the end of the year.

MS MCCASKILL: It's important you get to see the documents.

MR DUNCAN: Yes.

MR HURFORD: Yes, thank you, Peter.

MS MCCASKILL: Thank you.

MR HURFORD: Thank you for the opportunity and look, we are all available if you want to probe out any more information or supportive documentation on any of the statements we've made today.

MR DUNCAN: Understand. Look, thank you all for your time today. It's been very helpful. Okay. Good to see you all again.

MS MCCASKILL: Thank you.

MR DUNCAN: Okay, bye.

MR HURFORD: Thank you.

>THE MEETING CONCLUDED