

Boral Timber's Wood Supply Agreements in North East NSW

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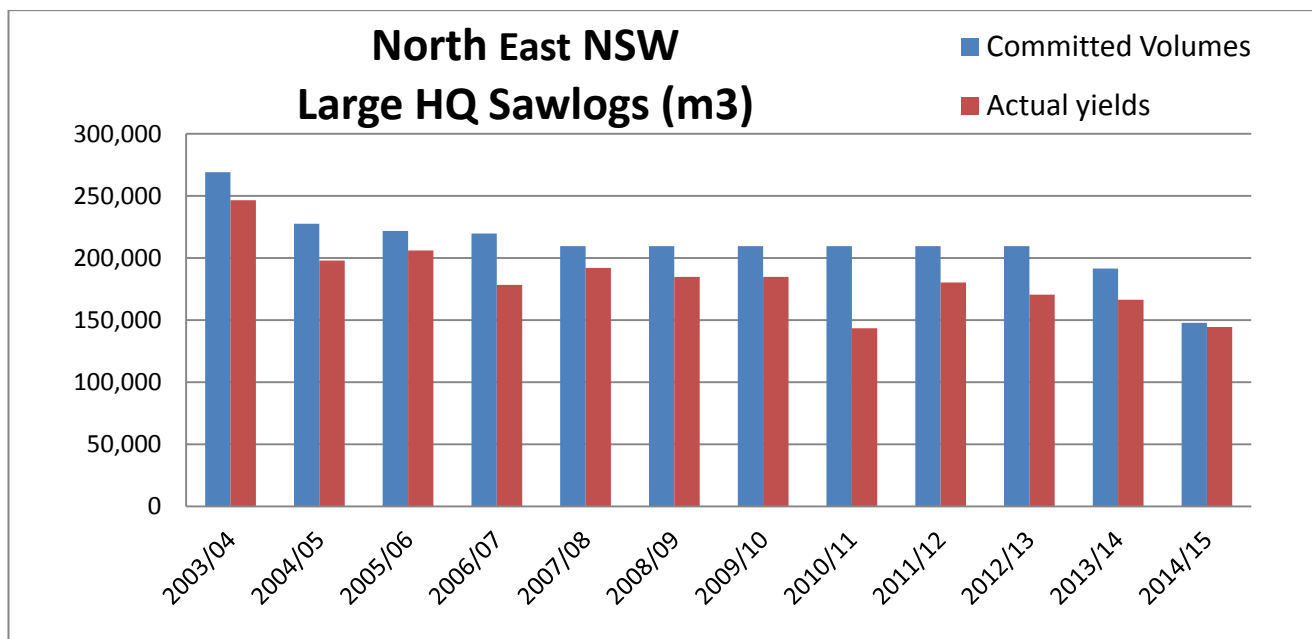
As an outcome of the 1998 Regional Forest Agreement for North East NSW, the NSW Government issued Wood Supply Agreements (WSAs) to all "quota" sawmillers for a total of commitment of 269,000m³ of large high quality sawlogs (incl. large veneer) per annum (p.a.) for 20 years until 2018 - at 124% of the Forestry Corporation's then estimated sustainable yield. Millers paid nothing for these extremely generous commitments from public forests. Boral received favourable species (notably 60% Blackbutt) and size commitments. Since then:

- In 2001 the NSW Government decided to forgive a \$1 million debt in return for surrender of a WSA of 15,000m³ per annum.
- By 2002 Monitoring showed sawlog volumes were only 87 per cent of predicted. A desktop review identified that short term yields should be reduced by 18% and long-term sustainable volumes by 40%.
- In 2003-4 new Wood Supply Agreements were issued for 215,422 m³ of large high quality sawlogs per annum for 20 years until 2023. While annual volumes were decreased by 15%, the 5 year extension increased overall volumes of large high quality sawlogs committed by 17%. Government removed the need for a yield review in 2006 and the clause from the WSAs that allowed yields to be adjusted in line with revised resource assessments. Boral's new WSA was for 165,000 m³ (up to 24,350 of which may be substituted with small sawlogs at a ratio of 1 to 1.25), of which at least 60% must be Blackbutt and 25% over 50cm centre diameter. Boral also bought out Fennings Timbers' Walcha allocation giving them an additional 18,000m³ of large sawlogs, and raising their stake to 85% of large sawlog allocations.
- In 2006 Forests NSW had to pay Boral \$550,000 in compensation for 34,000m³ of high quality large sawlog they were unable to supply during 2004-2006. Forests NSW paid another company \$500,000 to purchase 2,000m³ per annum of a WSA.
- In 2007 a WSA for 10,194m³ per annum was purchased by Forests NSW for \$2,277,000.
- In 2010 Boral Timber commenced legal proceedings against Forests NSW for failure to supply commitments every year since 2006, though the outcome is confidential.
- In 2012 Boral terminated their Walcha WSA for 18,000m³ of large high quality sawlogs, and 5,723m³ of small high-quality sawlogs, because of the poor timber quality, though the compensation paid to the Forestry Corporation for cancelling the contract is unknown.
- In 2014 the NSW Minister for Primary Industries, Katrina Hodgkinson, announced the decision to pay Boral \$8.55 million to buy back 50,000 m³ of timber allocations (actually 49,000) annually for the next nine and a half years, reducing their WSA to 116,000m³ p.a. Some 40,000 is to be blackbutt, leaving Boral with a minimum of 58,000 m³ p.a. of blackbutt sawlogs. Boral's WSA was extended from December 2023 to December 2028, giving them an additional 5 years allocation. This means that the Government paid \$8.55 million to buy back a total of 465,500 m³ of sawlogs (9.5 years), while giving the company an additional 580,000 m³ of sawlogs for free. Boral also had their preferential allocation of Blackbutt extended further into a period of dramatically declining yields, enhancing their stranglehold on available yields.
- In 2015 AS Nicholas & Sons P/L WSA for 1,900m³ was terminated for breach of contract.

Since 1998 Wood Supply Agreements have been reduced from 269,000 m³ of large high quality sawlogs p.a. for 20 years, down to 142,337m³ p.a. from 2015-16, this is a reduction of 47%. This is primarily due to grossly inflated resource assessments, and not tenure changes as sometimes claimed. State Forests ESFM Plans (2005) identify that from 1998-2004 there was a 95,000ha reduction in the area of State Forest (due to delayed implementation of tenure changes identified in the RFA and the creation of some 45,000 ha of additional reserves in 2003), despite this there was a

32,731 ha increase in the loggable area, primarily because of a major reduction in areas protected by prescription (mostly the removal of "buffers on buffers" by allowing trees to be felled into exclusion areas). There was a further major reduction in excluded areas by the opening up "unmapped" stream buffers for logging in 2004, making tens of thousands of hectares available for logging.

Yields have also been propped up by significant purchases from private properties. The Regional Forest Agreement (CofA 2000) allocated \$18 million between 1999 and 2004 to purchase Private Land and/or timber rights. The Auditor General (2009) identified that over the last five financial years, the Forestry Corporation had purchased 34,787m³ of sawlogs from private properties and had a target of 30,000m³ p.a.



Even then, over the 12 financial years 2004-15 there has been a shortfall of 340,000 cubic metres between commitments and yields of large sawlogs. Over the five years up to July 2014 the average annual undercut was 38,834 m³ p.a.

It has so far cost NSW taxpayers at least \$12.9 million to buy back timber committed in Wood Supply Agreements given to sawmillers for no cost. The Forestry Corporation (Annual Report 2014-15) also acknowledges it "... may have onerous contracts in relation to wood supply agreements for native forest timber", for which the present value of the contract is negative. With yields of large sawlogs still declining, and sawmillers increasingly complaining about shortages, it seems it will cost millions more to buy back "phantom" timber that never really existed.

Not only are we having to pay-out sawmillers for timber we gave them for free, and buy private timber for them, we also have to pay to deliver our timber to their mills. As identified by the Australia Institute (2016) "in the 6 years between FY09 and FY14 ..., the Hardwood Forests Division (native forestry) lost an average of \$11m per annum in operating profit".

The over-logging currently underway is denuding public native forests of large sawlogs. The loggers are knowingly and deliberately cutting out their own future. Regrettably they are leaving severely degraded forests behind, with depleted wildlife, damaged soils, sick streams, severe weed infestations and spreading dieback. It will cost millions more to repair their mess.