

# INQUIRY INTO THE MANAGEMENT OF PUBLIC LAND IN NEW SOUTH WALES

for the General Purpose Standing Committee Number 5

SUBMISSION BY THE INSTITUTE OF FORESTERS OF AUSTRALIA (IFA)

2 August 2012

The Institute of Foresters of Australia (IFA) welcomes the opportunity to provide a submission to the Inquiry into the Management of Public Land in New South Wales.

The Institute of Foresters Australia (IFA) is the peak professional body for forest scientists, forest educators and forested land managers in Australia. We are a non-profit organisation with 1200 members who are committed to the principles of sustainable forest management and the processes and practices which translate these principles into outcomes.

The IFA has a long history of involvement and interest in the science and sustainable management of the public and private native forests in NSW. Our submission includes contributions from IFA members who are senior foresters from the public and private sectors who are working or have worked in these forests for many years, both in management and scientific research capacities.

The IFA particularly acknowledges the major contribution made to this submission by Ron Wilson, as well as the contributions from John Ball, Ross Irvine and Hillary Smith.

The Institute would be pleased to make a member available to discuss the submission and any other issues the Committee may wish to raise.



Alison Carmichael

Chief Executive Officer

Institute of Foresters of Australia

PO Box 7002, Yarralumla ACT 2600

Phone: (02) 6281 3992 ~ Mobile: 0414 287 079

Email: [alison.carmichael@forestry.org.au](mailto:alison.carmichael@forestry.org.au)

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## 1. EXECUTIVE SUMMARY

The Institute of Foresters of Australia (IFA) has provided background to the NSW Government forest decisions from the four NSW Regional Forest Agreements (RFAs) of the mid to late 1990s to the present. The IFA believes that 3 of the 4 forest decisions made by the previous NSW Government since the RFAs, which were the transfer of 65,000 ha of regrowth State forests to National Park and reserves in the Upper North East in 2003 and related decisions, the Pilliga forest decision of 2005 and the Red gum decision of 2010, were bad policy decisions for NSW. These decisions transferred too much area from previous regrowth State forests into reserves, downsizing or closing dependent forest industry companies, and causing economic hardship in affected regional communities. The IFA has demonstrated that the claimed environmental and ecological benefits of the large areas transferred to reserves by the then Government are largely overstated, the downsides of reserve management are significant and that proactive management of public native forests under the regimes practised by Forests NSW provide a high level of environmental outcome and community benefit.

The IFA also believes that the Integrated Forest Operations Approvals (IFOA), which apply to public native forests, are onerous and expensive to administer and there is an urgent need to review and improve them. The IFA has also recommended a review of the regulations applying to management of private native forests, to provide a more streamlined process for assessment and determination and more certainty to private forest owners in the longer term management of their forests.

The IFA has made recommendations for the Red gum region to reverse the recent lopsided transfer of regrowth State forests to National Parks (NP) and reserves which will allow commercial thinning of nominated areas, currently reserved, to improve the health of the forests while providing employment in the affected communities. It is important to make new decisions about the active management of these forests while skilled timber industry workers and milling infrastructure are still available. The IFA has also proposed a review of the Pilliga area with a transfer of areas zoned for conservation, recreation and mineral extraction to be zoned for forestry, recreation and mineral extraction. Lastly the IFA has provided a number of proposals for the coastal and tablelands hardwood forest to address the looming shortfall in resources and impacts on affected communities at the completion of current long term commitments to the timber industry.

## 2. GOVERNMENT DECISIONS FOR NATIVE FORESTS IN NSW - OVERVIEW

During the period 1995 to March 2011 the NSW Labor Government managed the transfer of approx. 2 million hectares of productive native forest, previously dedicated as State forest into National Park or other reserve tenure, over which the harvesting of timber has ceased. There are now 7 million ha of National Park in NSW and 1.8 million ha of native forests in State forests.

During the period 1995 to around 2002 the transfers were part of the Regional Forest Agreement (RFA) process in conjunction with the Commonwealth Government. The Commonwealth controlled native forest woodchip exports and required that continuation of the woodchip export licence depended on a satisfactory RFA. This Regional Forest Agreement process, with 4 regions in NSW, involved the development of a Comprehensive Adequate Representative (CAR) set of forest reserves as documented in the National Forest Policy of 1992. The Comprehensive Regional Assessment, on which these reserves were proposed, was intended to be a scientific and objective assessment of the full range of values in forests and the IFA generally supported this process, which involved many consultant's reports and committees to recommend the change of tenures for native forests in NSW. In hindsight many of the decisions creating National Parks were made in an executive capacity, rather than on the basis of good science, by the NSW Government with signoff by the Commonwealth. Officials from Forests NSW and National Parks and Wildlife Service (NPWS) were involved in the details of the decisions, but the agenda was clearly to satisfy the reservation ambitions of a "green" State government with close ties to environmental NGOs.

The areas of forest that have been reserved have far exceeded the original targets. Within the four coastal RFA areas (Eden, Southern, Lower North East and Upper North East), reserved forest areas currently total 4,036,541 hectares which is nearly four times the area of dedicated State Forest.

While the hardwood timber industry had quota sawlog reductions of generally 50%, the provision of the Forest Industry Structural Adjustment Program (FISAP) with a budget in excess of \$120 million, and contributions from both Commonwealth and NSW Governments, assisted the industry to restructure into a better performing industry with greater investment in value adding and to assist generally poorer performing companies to exit the industry.

At the conclusion of the RFA process in NSW the coastal and tableland forests had been covered by RFAs but the western forests, including the cypress belt in State forests west from Narrandera to the SA border and north to the Queensland border and the Red gum forests of the Riverina and western rivers, were not covered by any review process such as the RFAs. As there were no woodchip exports from these forests the Commonwealth Government was not involved in any way in further reviews and forest decisions.

Between 2002 and 2011 the NSW Government made 4 significant forest decisions in addition to the previous RFAs. These were:

1. The decision to transfer an additional 65,000 ha of hardwood State forests in the upper north east of the State to National Parks in early 2003, and related hardwood forest decisions,
2. The Brigalow Belt Bioregion South decision transferring 360,000 ha of hardwood and cypress forests of the Pilliga to NP in May 2005,
3. The Red gum decision of 2010 where over 100,000 ha of Red gum forest was transferred to NP and reserves, and
4. The South West Cypress belt decision of 2011 where around 40,000 ha of State forest was transferred to NP and reserves.

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#### A. THE NORTH COAST DECISION OF 2003 AND RELATED HARDWOOD FOREST DECISIONS

The RFA outcome for industry on the NSW North Coast in March 1999 was a commitment to supply 269,000 m<sup>3</sup> per annum of High Quality Large (HQL) Sawlogs for 20 years under Wood Supply Agreement (WSA) terms through to 2018, with a review of supply levels to be conducted in 2006.

In 2003 the NSW government (in election mode) unilaterally placed a further 65,000 hectares of high quality regrowth forest into the National Park reserve system, including some of the most intensively managed Blackbutt forests such as Pine Creek, Queens Lake and Whian Whian.

This 2003 decision, announced by the Premier, was challenged by the then NSW Minister responsible for forests with strong support from the CEO of Forests NSW and the Board of Forests NSW. Because of a leak of internal papers with allegations about the source of the leak, the Minister, the Chairman of the Board, and the

CEO of Forests NSW were all sacked by the Government in March 2003, and other senior staff left of their own accord shortly afterwards.

Implementation of the decision resulted in the planned 2006 volume review being brought forward and industry commitments were reduced by replacing 25% of the HQL sawlogs with 22.5% of High Quality Small (HQS) sawlogs. (HQL sawlogs are those with a centre diameter under bark of more than 40 cm while HQS sawlogs are those with a centre diameter of less than 40 cm and a small end diameter of more than 20cm.) Companies purchasing high quality poles, piles and girders were also given new wood supply agreements.

So effectively the industry accepted an overall volume cut of 3% but a downgrade in the quality of the log parcel that was committed in the WSA. The 2003 review also extended the WSA's by five years thus committing the NSW Government to supply the contracted volumes through to 2023. Other commitments to release the industry from onerous 'buffers on buffers' rules associated with logging in the vicinity of creeks and drainage lines were also made, but the outcome has been less than satisfactory with respect to releasing any more volume of HQL logs to industry.

Post 2003, the resource commitment from Forests NSW to industry from the two North Coast RFA areas was reduced from 269,000m<sup>3</sup> of HQL sawlogs to a total of 261,000m<sup>3</sup> which included 64,800m<sup>3</sup> of HQS sawlogs. This volume has to be produced through to 2023 from a net harvestable area of about 315,000 hectares of forest. While the North Coast timber industry was concerned at the decision the provision of improved agreements and support under the Forest Industry Structural Adjustment Package (FISAP) scheme kept the industry quiet.

The empirical evidence of IFA members working on the ground in the North Coast forests is that this level of cut is unsustainable with respect to the area of forest that is available for harvesting. The evidence of this is available on the public record via a NSW Auditor General's report released in April 2009 titled "Sustaining Native Forest Operations". This report found that:

- the 2003 forest reservations into the National Park estate had grown from the announced 65,000 hectares to more than 100,000 hectares;
- the North Coast native forest areas were being cut faster than they could grow back;

- supply commitments to sawmills had not always been met; and
- the log mix quality had declined.

In recent times Boral, the major industry player on the North Coast, has taken Forests NSW to court for non-performance against WSA commitments and in response Forests NSW have clear-felled a very significant area of the total eucalypt plantation resource across the North Coast to bolster log supplies against commitments.

All of these factors point to a looming catastrophe for the industry which cannot exist without its fundamental input resource of logs by grade that are committed under WSA contracts with the NSW government, and some dire outcomes for the condition of the forests which will be over-harvested in what are likely to be unsuccessful efforts to meet the WSAs. The bottom line is that the area of forest available for wood production has been reduced to a level that cannot sustain the level of cut needed by industry and promised by Government.

In 2010 the IFA provided a submission to the NSW Government review of the NSW Forest Agreements and Integrated Forestry Operations Approval (IFOA) which contained the following statement:

*“While the review does not intend to specifically revisit resource decisions that surround the NSW Forest Agreements and the associated Integrated Forestry Operations Approvals, throughout the document there is reference to and linkages with log yields and log resource availability through to 2023. It is an inescapable conclusion that while there is massive emphasis on the sustainability of ecological and environmental parameters, there is minimal emphasis on the sustainability of the resource which is a fundamental input to industry. This imbalance potentially provides very serious future consequences for a decentralized regional industry with associated negative social and economic consequences for NSW.”*

The IFA’s submission was largely ignored in the Government’s response to this review.

Within the RFA areas, the public (State Forest) resource in hectares that is managed at world best practice for a wide range of community values is shown in the following table.



**Table 1: Areas of State Forest by RFA**

	Southern	Eden	Lower North East	Upper North East	Totals
<b>Total State Forest area</b>	269,551	169,577	384,919	340,464	1,164,511
<b>Total Non-Harvest area</b>	96,962	48,909	221,322	183,465	550,658
<b>Total Available</b>	172,589	120,668	163,597	156,999	613,853
<b>% Available for harvest</b>	64%	71%	42.5%	46%	52.7%
<b>Hardwood Plantation Area</b>	34	0	6,370	19,491	25,895

Source: DECCW Review of the NSW Forest Agreements 2010

Note that on top of the formal National Park reserves, effectively 50% of the productive forest area is also reserved from harvesting by a system of formal and informal reserves and threatened species prescriptions. It is likely that the imposition of increasing levels of threatened species prescriptions under the IFOA, across all RFA areas, but particularly on the North Coast, has reduced the area that is available for harvest even further since 2010.

## B. RELATED NATIVE FOREST MANAGEMENT ISSUES

- Regulation of the private property logging operations in NSW from 2007 onwards reduced the availability of private property logs to sawmills by at least 25% and possibly up to 40% in many areas. This loss was modelled by the then Department of Natural Resources, however the output figures from the model were never publicly released. Private property logging operations must comply with mandatory Codes of Practice and operations are subject to audit by the Office of Environment and Heritage. Most “crown” sawmills (those with a majority of their log input supplied by commitments from State forests (SF)) supplemented their SF log volumes and species from incidental logging operations on private property. The regulation of Private Native Forestry (PNF) post 2007 has resulted in increased competition for a smaller private property (PP) resource and reduced opportunities for mitigating the decline in State Forest produced logs.

- All public forests (State forest) areas are specifically managed for a broad array of non-wood values and community benefits (many of which are uncostered). Examples include water catchment protection and conservation of native flora and fauna and biodiversity values. State forests are also managed for a large range of recreation activities that are not available in National Park. They also provide domestic firewood and are an essential resource for the Apiary industry. Foresters are specifically trained to manage forests for all of these values in addition to their primary product of timber.
- The level of expertise, scientific knowledge and technology that is applied to monitoring both public and private forest resources in NSW is leading edge and world class best practice and can be benchmarked with any other forestry management in the world. On the other hand, the massive areas of production forest reserved within the National Park estate have had minimal subsequent monitoring or research that indicates whether the objectives of reserving these ecosystems with respect to either biodiversity values or conservation of endangered species and ecosystems have been met.

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### C. HARDWOOD PLANTATIONS IN NSW

- Of the 2 million hectares of timber plantation in Australia, half are softwood (dominantly *Pinus* spp) and the other half are hardwood (dominantly *Eucalyptus* spp). The markets for softwood and hardwood are quite distinct and are not readily substituted. Softwood plantations are grown mainly to produce structural timber for use in house construction. Timber from hardwood plantations has a broader range of utility, structural and decorative applications, however only around 10% of Australia's hardwood plantations are being managed for this purpose. The vast bulk of Australia's hardwood plantations are being managed over short rotations for pulpwood (woodchip export for paper production).
- In NSW forest strategy to unsustainably cut the available public native forest through to 2023 at which point hardwood plantations are proposed to be available to make up the very significant shortfall in logs is fundamentally flawed. The species mix and rate of plantation development in NSW

post 2000 makes this unachievable and over the last 2 or 3 years Forests NSW have effectively liquidated their mature plantation resource to try and meet current log commitments to industry.

- Hardwood plantations under the best management regimes on good sites take at least 30 years to 35 years, to produce logs of a quality and size that matches natural forest logs. However plantation grown hardwood will never successfully produce the range of species and associated specialty wood qualities that can be provided by timber harvested from managed natural forests.

Managing plantations for efficient sawlog production means that markets must be found for “thinnings” logs, which must be removed twice in the plantation cycle. Virtually all of the first thinning material and a large percentage of second thinnings will only make pulpwood grade, under current processing constraints. Without an established industry (market) to utilize this wood, plantations will not produce sawlog size trees within a reasonable timescale. Across Australia and particularly in northern NSW, there has been widespread and vocal (albeit minority), opposition to the establishment of any fibre based processing facility. This is a critical fundamental issue – without a fibre based market, eucalypt plantations will not grow sawlogs any faster than a natural forest and they will not substitute for the logging of natural forest areas.

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#### D. THE RULES FOR HARVESTING NATIVE FORESTS

The rules for harvesting forests under the RFAs, i.e. the coastal and tablelands forests, were prepared by the NSW Government. These were the Integrated Forest Operations Approvals (IFOA) and were “negotiated” between National Parks and Wildlife Service (NPWS), Environmental Protection Agency (EPA) and Forests NSW. The prescriptions for harvesting under the IFOAs are, in the professional opinion of IFA foresters, quite onerous and heavily biased on precautionary principles with scant regard to practical considerations. These IFOAs are in urgent need of review. While the IFOAs were originally developed for the North Coast they have been applied to all RFA Regions using the same principles. It is important that the proposed review is done for IFOAs in all areas in NSW, including the North Coast, the south coast, the Pilliga, Red gum forests and the South West cypress belt.

There has been constant pressure from environmental NGOs placed on the NSW Government through NPWS and EPA to make further restrictions to harvesting under IFOAs, on the basis of various, largely

unsubstantiated, claims. In the last 5 years there has been an incremental decrease in areas available for harvest due to extra scientific committee listings, such as for endangered ecological communities and threatened populations of yellow belly gliders in specific geographic locations, which is at odds with the RFA.

The IFA believes that the regulator (EPA) sees no urgency in resolving issues that have serious consequences for all regions. As a case in point 'negotiations' about Koalas have been going on for over 13 years and remain unresolved, resulting in confusing, inconsistent and fluid prescriptions. It could be argued that it is not in the interest of the regulator to resolve these issues at all.

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## E. THE PILLIGA DECISION OF 2005

The second decision, relating to the Pilliga was reached following considerable consultation with stakeholders, but was clearly the decision of a "green" Government which chose the highest reservation option (no. 5) out of options 1 to 5, with option 1 being highest on socioeconomic and industry focus with 5 being highest on reservation. The reduction to cypress timber supplies was around 50% of previous levels and the decision resulted in 12 of the 17 cypress sawmilling business having to close and exit because of the reduction to timber supply. The impacts of this decision to regional communities such as Baradine and Gwabegar are still being felt.

There were bitter debates in the NSW Parliament about this decision. There was also a committee of eminent people, including a retired local politician, which recommended more balanced outcomes than the decision. A planned visit by the Minister and senior Government officials to Gunnedah following the decision was cancelled at the last minute because of protests by the townspeople of Gunnedah, reflecting the lack of local support for such a decision. This "preservation biased" decision caught the IFA, and other stakeholders, off-guard and the IFA did not have time to prepare a professional submission. The cost to Government to buy-out and restructure the timber industry was approximately \$50 million.

The Red gum decision of the Keneally Government of June 2010 was also bitterly debated in the NSW Parliament and was accompanied by protests and media stories for and against. The Red gum review process was organised by the NSW Natural Resources Commission (NRC). Submissions were invited from all stakeholders and a number of visits were made to the Red gum region by NRC members. While the NRC review gave the appearance of a professional based approach to the Red gum forests, with many relevant topics

included in the reporting, it became clear to the IFA that the NRC had a high priority for transferring Red gum State forests to National Parks and other reserves. It also became very clear that the Red gum decision was politically motivated and paid only “lip service” to the needs of local communities, the timber industry and forestry professionals. The submissions and input from foresters from Forests NSW and IFA were largely ignored throughout the process. The cost to government to compensate businesses and timber workers affected by the transfer of State forests to National Parks was again in excess of \$50m. A detailed critique of the final Red gum decision is included below with recommendations for the future.

The South West Cypress decision of 2011 was a completely different outcome. While the area under review was large there were few timber industry communities affected. This review was organised by the NRC but with different personnel. The IFA made a submission which was much briefer than the IFA submission to the Red gum inquiry but nevertheless put forward important principles for forest management. It was surprising to the IFA that the NRC seemed to accept the principles put forward by Forests NSW, IFA and other stakeholders about the importance of pro-active management and continuing harvesting of cypress at existing commitment levels. The NRC gave considerable weight to the opinions of foresters in its recommendations. The Government’s final decision increased the area to be transferred from State forest to NP, against the recommendations of the NRC, but it was claimed that this additional reservation would not affect the timber supply under the wood supply agreements. What is striking about the NRC recommendations and decision for the South West Cypress is that the principles espoused were compatible with those of the foresters who were involved in the process. These principles for the South West Cypress were quite different to those used in the Red gum review and also the earlier Brigalow review, showing a clear inconsistency by Government and reinforcing the political nature of the earlier decisions. The IFA generally welcomed the South West Cypress recommendations and decision because of the soundly based silvicultural and management principles which underpinned the outcome.

The decisions on the Pilliga and Red gum forests were based on the premise that transfer of State forest to National park would satisfy a perceived need to save the “ancient” high conservation forests from logging and thereby create strong environmental outcomes. This perception is historically and ecologically inaccurate. These two forest types, which were the basis of a sustainable timber industry, only developed since the arrival of white settlers. Prior to that much of the area covered by forests was a grassy woodland with scattered

trees, where aborigines practised regular burning to maintain a food supply from grazing native animals. There is irrefutable evidence of this prior forest structure (refer Eric Rolls “A million Wild Acres” – Pilliga and David Joss – Red gum). With white settlement came farming and grazing and the prevention of fire which in turn allowed the development of commercial forest structures. The establishment of the timber industries from the late 1880s fostered cultivation of these forests by thinning, harvesting and regeneration so that by the time the forest decisions were made by the NSW Government the forests were largely regrowth forests with a long history of harvesting and management. There is no doubt that a well maintained production forest of cypress or red gum, which has a scattered population of remnant large trees, is aesthetically attractive and it is intuitive that people concerned about preserving forests would identify these forests for preservation. However, it is clear to foresters that active management of these forests is needed to keep them healthy, along with the dependent wildlife. Active management means preventing catastrophic fires and includes thinning and harvesting under strict guidelines. Also in the case of Red gum a reliable water supply.

This overview of forest decisions by the NSW State Government, particularly in the period 2002 to 2011, which can be demonstrated by reports from IFA and its members, an independent professional body, indicate a political bias to creating National Parks at the expense of State forests, with a significant negative impact on forest based industries and communities in the affected regions. The IFA strongly believes that these State decisions have favoured the agendas of minority groups, and the decisions have not been in accordance with good policy for the State. There is an opportunity now to review these decisions and take new options which will reverse the negative outcomes which are clearly evident today.

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## F. INTERNATIONAL EXAMPLES

There are recent overseas examples where decisions to preserve forest, close the timber industry and change forest management, have been or are in the process of being reversed because the consequences of these decision have had adverse outcomes. The most recent significant decision was for the softwood forests (mainly *Pinus ponderosa*) of Arizona (United States) near the Grand Canyon around Flagstaff. These native forests, which had previously supported pulp and paper and sawmilling industries, were reserved from all harvesting during the 1990s. After some years the forests became unhealthy because of overcrowding, suffered from serious insect attack and then catastrophic wildfire in the early 2000s. The affected local

communities approached the US Congress for grants of around \$1 billion for an ongoing program of forest health and fire prevention work. This request was refused and after many debates the decision was made to reintroduce the timber industry for thinning and proactive management. This decision would have no cost to Arizona and have better managed and healthier forests. The timber industry now insists on long term wood supply contracts because their predecessors had been taken out of business with no compensation. The US Forest Service is now preparing long-term contracts to thin 750,000 acres (304,000 ha) in Arizona (*pers. comm* Dave Atkins, USDA Forest Service, 2011).

Other States of the US have sanitation harvesting of National Parks with the sale of the timber to industry. The Lake Tahoe area of California is one example (personal inspection). In Europe some countries also practice commercial harvesting in National Parks. Another NSW IFA member who visited Slovenia around 10 years ago witnessed this practice.

There are other overseas examples, which taken together with those above, demonstrate that commercial tree harvesting, particularly thinning, is a valuable tool for managing forests to maintain their health and minimise the impact of natural disasters, and can be complementary to the objectives of management associated land tenure typically associated with conservation .

### 3. PROPOSALS TO ADDRESS THE THREE FLAWED FOREST DECISIONS IN NSW

Commentary and proposals are provided for each of the Red gum, Pilliga and North Coast hardwood decisions below. These are in reverse chronological order.

#### A. THE RED GUM DECISION OF 2010

The Government's decision of 2010 transferred over 100,000 ha of State forest to reserves (65,922 ha to National Park, 15,286 ha to regional parks and 20,684 ha to indigenous protected areas) leaving around 37,000 ha of State forest. The area reserved was the most productive of the red gum forest, including most of Millewa and Gulpa State forests near Deniliquin. The forests remaining in timber production are Koondrook, Pericoota and Campbell's Island, which are generally in lower timber yield classes. The supply of red gum timber has reduced by approximately 84 percent from previous levels (NRC recommended around 70% reduction) and direct employment in the industry has reduced from a reported approximately 300 persons to less than 100 persons today. The Government provided a \$97 million support package, including payment to the forest industry based companies and workers who exited the industry, the setting up of the National Park administration in the area, and programs of management such as the ecological thinning trials.

Key principles espoused by Government for this major change in land use were:

- Water reform was needed for the Red gum forests to improve health of the forests. This was supported by IFA except for the idea that environmental water would only be supplied to National Parks.
- The transfer of more than 100,000 ha of "iconic, internationally recognised River Red gums" to National Park and other reserves was needed for their protection.
- The then drought combined with forecast climate changes had resulted in a high level of tree mortality which meant that timber yields already needed to be reduced significantly, so the timber industry would have had significant reductions in timber supply even without transfers of State forest to National Park.
- The local communities would benefit from the package of payments and from presumed increases in visitation to the new National Parks.



The IFA contributed significantly to the debate over the Red gum forests by:

- making a substantive submission to the original call for submissions of 26 October 2009;
- writing to Government Ministers with proposals for balanced outcomes;
- preparing a detailed response and criticism of the final NSW Natural Resources Commission (NRC) Report and Recommendations of February 2010;
- preparing media statements and being interviewed for articles in news media;
- attending a protest meeting outside the NSW Parliament;
- meeting with the NRC members; and
- providing information and advice to Cross Bench members of the Upper House.

This effort by IFA was largely ignored by Government. Foresters employed by Forests NSW, who had been managing these forests for decades and who had experience and skills in all aspects of management were largely sidelined by Government throughout the decision making process. Foresters were also kept out of the negotiations over the financial package for business exit and industry assistance with the Red gum timber industry, which was a significant departure from previous practice.

The IFA strongly believes that the Government decision was bad policy for NSW. It was far too lopsided by transferring too much State forest to reserves. Transfer of State forest to National Park does not automatically provide improved conservation and environmental outcomes for those forests. Minimising the impact of catastrophic wildfire is paramount to maintaining the current diversity and structure of these forests. This can be achieved more cost effectively under active management (as a State forest) because such management delivers better access, requires a skilled and experience workforce and equipment is generally on-site or nearby to initiate an effective first response to minimise the area and intensity of the fire.

Transfer of large areas of State forest to National Park were also very expensive decisions resulting in compensation for business exit, foregoing a revenue stream from timber sales, and the cost of managing the forest under National Park tenure.

The IFA has demonstrated serious flaws in the NRC's Report, including major inaccuracies in the future yield of Red gum timber, which was a significant plank in the NRC reasoning for making its recommendations on the level of transfer of State forest to National Park. Subsequent acknowledgement of the inaccuracies in timber yield by the NRC had no impact on the decision regarding the size of the National Park or future shape of the timber industry.

Rather than repeat the detailed information prepared by IFA throughout the process, relevant documents can be made available to support the positions we have taken.

#### **i. Before and after comparisons of the affected forest communities**

The NRC report and recommendations did identify that some communities in the Red gum regions would be negatively impacted by the decision to reduce harvesting by more than 70 percent. The parts of the package to provide funds for business exit, and assistance funding for local Government, for example a grant of \$1million to Deniliquin Shire for a medical centre, has apparently provided some mitigation to the downsizing of the timber industry. Some timber companies which were paid out for their quotas have remained in operation but at a much reduced scale on small quantities of timber from private property, so the results of the decision are still unfolding.

The IFA is not aware of any Government initiated surveys of the impacts of the Red gum forest decision on the affected communities. Table 5 below shows the employment figures in the NRC report prior to the decision and Table 5 - 2012 shows some figures compiled by forestry and timber industry persons who reside in those towns. Two towns have retained sawmilling Koondrook (Vic) at around the same level as previous, and Mathoura where a sawmilling company has relocated and refurbished an existing sawmill.

The towns with major losses in employment are Barham, Deniliquin, Darlington Point, Balranald and Merbein, where the largest sawmills have either closed or significantly downsized. Firewood operations continue at some of these locations.

**Table 5 River red gum employment in businesses that hold licences in towns of interest**

Town of interest	Employment in affected red gum businesses (FTE, survey)	Total employment in urban localities (Positions, ABS 2006)	% total jobs in 2006
Barham	70	407	17%
Koondrook (Vic)	49	318	15%
Deniliquin	28	3,219	1%
Mathoura	31	225	14%
Darlington Point	20	435	5%
Balranald	24	516	5%
Merbein (Vic)	25	743	3%
<b>Other</b>	27		
<b>Total</b>	274		

Source: River Red Gum Assessment: Socio-economic Impact Assessment, NSW Natural Resources Commission, December 2009

**Table 5 - 2012.** Approximate before/after figures following declaration of national parks.

Town of interest	Employment prior to decision	Employment after decision	Total employment	% total jobs in 2006	Estimated % total jobs in 2012
<b>Barham</b>	70	20	407	17%	5%
<b>Koondrook (V)</b>	49	49**	318	15%	15%**
<b>Deniliquin</b>	28	6	3,219	1%	0.2%
<b>Mathoura</b>	31	15*	225	14%	6.7%*
<b>Darlington Pt.</b>	20	nil	435	5%	Nil
<b>Balranald</b>	24	7*	516	5%	1.4%
<b>Merbein (V)</b>	25	nil	743	3%	nil
<b>Other</b>	27				*estimate
<b>Total</b>	274				** assumed no change

Sources: David Joss, Faye O'Brien, Ben Danckert, Vic Eddy, July 2012

Mathoura was one of the towns identified as likely to be badly impacted by the decision. However Government assistance to relocate redundant sawmilling equipment from Barham to a disused mill site at

Mathoura, and redevelopment of the site by one of the remaining timber companies, has helped this community by retaining around one half of the previous timber industry employment. Despite this positive outcome, contact by the IFA with townspeople has clearly shown that confidence in the future and the income in that community has dropped since the decision. The town has gone backwards. Prior to 2010 Mathoura fielded a very strong football team. Two years later most of the good players have moved elsewhere because they don't see much of a future for themselves in Mathoura. The town now has a struggling team at the bottom of the ladder. The town has been badly impacted by the downsizing of its main industry – forestry and timber.

The NRC report forecast that tourism in the new NPs would be a significant substitute for the timber industry. Yet information provided by locals in the tourism industry reveals that this has not been the case and that forest-based tourism in the Mathoura area has declined.

One of the people interviewed for this report is the owner of a business in Mathoura which sells hardware, camping and fishing equipment and related services. He advised that his business has dropped by 30% since the National Park decision mainly because there are fewer tourists who camp and make use of the forests – now NPs. These tourists who had been coming to the area for 30 or more years now don't come because they can't stay where they want to and can't bring their dogs. There were 2 groups of 30 people who regularly came at Christmas and Easter who don't come any more. He also estimated that locally 200 to 250 tourists stay in the caravan parks while 600 to 1,000 people would stay in the forest during the peak Christmas and Easter periods. The main impact has been on the visitors who stay in the forest.

It appears that there has not been any monitoring of the socioeconomic condition of the affected communities since the decisions were made. It is important now to find out what has happened to the communities which bear the brunt of Government policy changes.

## **ii. Options for change**

The IFA has consistently argued that a reserve system of reasonable proportions, with representative areas over the Region is appropriate, but that that this should be balanced in order to satisfy a wider spectrum of the NSW community expectations, including a viable but downsized red gum timber industry. The IFA believes that when Governments make balanced forestry decisions based on professional advice they become lasting

decisions with a minimum of tension, providing a stable platform for the future. The decision taken in 2010 was unbalanced and has created uncertainty for stakeholders as well as for the state of the forests.

The options facing the Government today are to continue business-as-usual and let affected communities and forests wither further, or to make new decisions for the forests transferred to reserves, to bring back active management of those forests and promote forest health while providing a boost of economic activity to the communities which have been badly impacted.

It is clear to IFA members that the conservation and environmental values of the public owned native Red gum forests can be maintained and enhanced with a higher level of proactive management, including timber harvesting, than is now the case. For Red gum forests the lack of proactive management will see the forests decline through drought cycles and fire; which will become evident through declining health and death of trees. The impact of drought can be reduced by thinning overcrowded forests and providing a water supply. Fire is a constant threat which foresters have learnt to manage over many decades of experience.

The IFA believes that the lopsided transfer of State forest to National Park and reserves was a bad policy decision and needs to be revised to ensure the on-going health of the forest and local communities. One option is to transfer back some of the reserved forest to State forest and then manage these areas the same way as the remaining State forests are managed, with harvesting under the recently approved Integrated Forest Operations Approvals (IFOA) for Red gum.

It is appreciated that the reversal of tenure for part of the new NPs and other reserves may be difficult for Government in political and practical terms.

The alternative option is to zone the National Parks and reserves such that nominated areas are proactively managed, with thinning under the IFOA and sale of the harvested timber. IFA understands that the National Parks and Wildlife Act does not provide for commercial timber harvesting on National Park. However, changes could be made to legislation to allow commercial timber harvesting on specific areas, which would be much less controversial than tenure reversal.

Persons who have witnessed the current ecological thinning trials on National Park have reported that no timber is provided to industry from these operations and the trees cut down are left in place to rot on the

forest floor and becomes a fire hazard. This is not good management when compared with the thinning programs that have been undertaken by Forests NSW. These current ecological thinning operations are a cost drain on the Government.

Some pointers to these further decisions which the IFA submits for consideration are:

- The selection of areas within National Park and reserves for active management should be spread over the estate, and taking into consideration the proximity of those areas to the affected communities and potential to have the active management implemented.
- Thinning operations under IFOA conditions should be managed by FNSW given they have the experience and systems to ensure the environmental, social and economic outcomes are delivered.
- The timber supply generated, which comprises all grades of sawlogs and firewood/residue timber, should be made available under a regulated supply principle, so that the timber companies purchasing the timber have a certainty of supply from period to period.
- Allocation of the timber to industry should be on competitive merit based principles, facilitating the participation of those persons put out of work by the forest decision.

The IFA believes that the option to allow commercial thinning in National Parks could produce an annual supply of all grades of sawlogs in the order of 30,000m<sup>3</sup>. Based on current indications this would create employment of more than 30 direct and 20 indirect jobs (multiplier 1.659, December 1995 Margules Groome Poyry). In addition firewood operations could recover a further 15,000 tonnes per year and provide additional employment.

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## B. THE PILLIGA FORESTS DECISION OF 2005

If the Government had adopted the principles applied in the South West Cypress decision of 2011 to the cypress component of the Brigalow Belt Bioregion South (Pilliga) area in 2005 there would have been a very different outcome. Much less forest would have been transferred to National Park and reserves and the State forests would have supported a larger and more viable cypress sawmilling industry. The cypress forests under reserve within the current Community Conservation Area (CCA) zoning will decline in health over time, are at increased fire risk and continue to be a cost drain on Government.

The areas retained as State forest are generally of lower site quality and had already been harvested prior to the 2005 decision, due to pre-emptive restrictions placed on harvesting in the areas sought for reservation. The present sawmilling industry is having difficulty producing their traditional mix of sawn products and without some improvement in the log mix the industry will remain under economic stress.

Cypress regenerates prolifically under ideal conditions to create a dense forest where trees stay small for many years. This is different to Eucalypt forests in which the suppressed trees in a forest will die, having a self-thinning result. Cypress needs to be thinned to create a healthy forest of larger trees. The Pilliga forests were thinned by depression labour in the 1930s and 1940s and became a commercial forest thereafter.

One key factor for thinning cypress forests today is cost. Without any market for thinnings the operation is a financial drain on the forest owner. Thinning cypress forest produces sawlogs as well as residue timber, which is suited to biomass or bioenergy production. However, at present there are legislative and policy restrictions to using any native forest timbers for biomass curtailing this opportunity and acting as an impediment on the creation of new markets for these forest products. The relevant legislation is the *Protection of Environment Operations Act NSW 1997* (POEO (General) Reg cl 96 & 97). This Act along with constraints within the IFOA, are stopping forester managers implementing good silviculture and developing commercial solutions to a forest management problem. The IFA raised this issue in regard to thinning the large areas of un-thinned cypress on private property in the South West cypress decision of 2011. In addition to the NSW legislation there is also the restriction through Commonwealth legislation. A recent proposed amendment to the Commonwealth Act, that would have removed this barrier, was narrowly defeated in the Australian Parliament. The IFA is a strong proponent for change to this NSW and Commonwealth legislation to allow prescribed use of native forest timbers for biomass and bioenergy which will facilitate the active management of forests by thinning for long term health as well as economic activity.

The IFA believes that some of the areas reserved as NP should be re-zoned from CCA-3 (for conservation, recreation and mineral extraction) to CCA 4 (for forestry, recreation and mineral extraction) and managed by Forests NSW. There are 95,000 hectares of CCA Zone 3 in the Pilliga which should be transferred to CCA Zone 4 so that thinning can take place to ensure future health of the forests while at the same time to allow timber production and regional economic activity. The IFA also proposes that change is made to the restrictions on

commercial use of the residues produced from thinning so that some form of biomass or bioenergy development can occur.

The forecast increase in tourism made by Government as a result of the transfers has not occurred. Reports available to IFA have shown a decrease in visitations by tourists to the forests since 2005.

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## C. THE NORTH COAST HARDWOOD AREA

The additional dedication of 65,000 ha of high quality native forest in the upper north east has been in place for around 10 years. The issues facing the North Coast have been comprehensively documented above. The IFA believes the NSW Government can make a series of changes to the present situation to give a better future to the timber industry and forest based communities without impacting on environmental values of the forests.

Key pointers to change are:

- Review the public native forest areas placed in reserves for areas which can be returned to multiple-use management including timber harvesting.
- Review the IFOAs for North Coast harvesting to remove some of the onerous restrictions which have unnecessarily quarantined timber supplies. Also to streamline operational planning and to reduce cost.
- Review the regulations in a similar way to above for harvesting on private property.
- Develop incentives and assistance to the private native forestry sector so it can play a bigger role in the NSW economy and mitigate some of the difficulties facing the native forest timber industry.
- Work with the native forest timber industry to develop a plan for the looming shortfall in timber resources following the completion of current wood supply agreements in 2023.

The IFA acknowledges that the NSW Government has set up various committees to address the issues raised above. The documentation of the history and ideas for improvement of the North Coast native hardwood sector has been made to demonstrate the concern by IFA and our willingness to assist Government in the difficult task of addressing a series of prior flawed decisions.



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#### D. SOUTH COAST AND EDEN

Native forest areas covered by the South Coast and Eden RFAs have not been mentioned in detail in this submission. However there have been some decisions made by the NSW Government since the RFAs to transfer State forest to reserves. The IFOAs applying to these areas are similarly onerous and restrictive and are badly in need of objective review. The IFA understands that there will also be a significant reduction in timber supply at the end of the long term wood supply agreements in these Regions. A review of the IFOAs as already mentioned will provide for better long term forest management and timber supply to the areas covered by the Southern and Eden RFAs.

## 4. OVERVIEW

The information set out in this submission paints a fairly grim picture of the current state of forest management in the NSW coastal forests and the situation in western forests. From 1997 to the present day the coastal hardwood regrowth forests have been heavily cut due to government land use decisions that did not leave sufficient areas of production forest to sustainably meet commitments to industry. The critical point is that the current level of cut in the area of public forest that is available for harvesting is unsustainable.

The Western areas have had too high a proportion of previous State forests transferred into National Parks and reserves.

This presents both a challenge and opportunity for the NSW Government. The challenge is to revise previous Government decisions to get balanced outcomes for the future, which will no doubt create controversy and opposition from some sectors. The opportunity is to increase active forest management to promote healthy forests and enhance rural economic development and employment through increased timber production.

The IFA has provided detailed documentation and proposals for the future of native forests in NSW and is willing to further explain and demonstrate the strength of the ideas we have put forward.