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Forestry Bushfire Recovery Plan

MAY 2020

Purpose

The Forestry Bushfire Recovery Plan sets out the broad framework and priorities for targeted sector-wide industry recovery post the 2019-20 bushfires.

This Plan has been developed to support the implementation of the Bushfire Industry Recovery Package, which is an \$140 million investment by the NSW Government for critical regional industries, to support the creation and retention of jobs and strengthening of local supply chains.

This Plan is intended to serve as a guide for industry applicants to the Bushfire Industry Recovery Plan to identify projects to put forward through the sector development stream of the Package.

Overview of Forestry industry in NSW



Economically important

- Forestry and related industries are worth \$2.8 billion to NSW (2018-19)
- Softwoods is valued at \$2.24 billion
- native hardwood forestry at \$560 million



Large proportion of workforce

Forestry and related industries are responsible for over 22,300 jobs.



Growing demand

- Log production in 2017-18 increased 4% year-on-year
 - Softwood production totalled 4.99 million m³
 - Hardwood production totalled 1.23 million m³

Overview of bushfire impacts



Fire impact summary

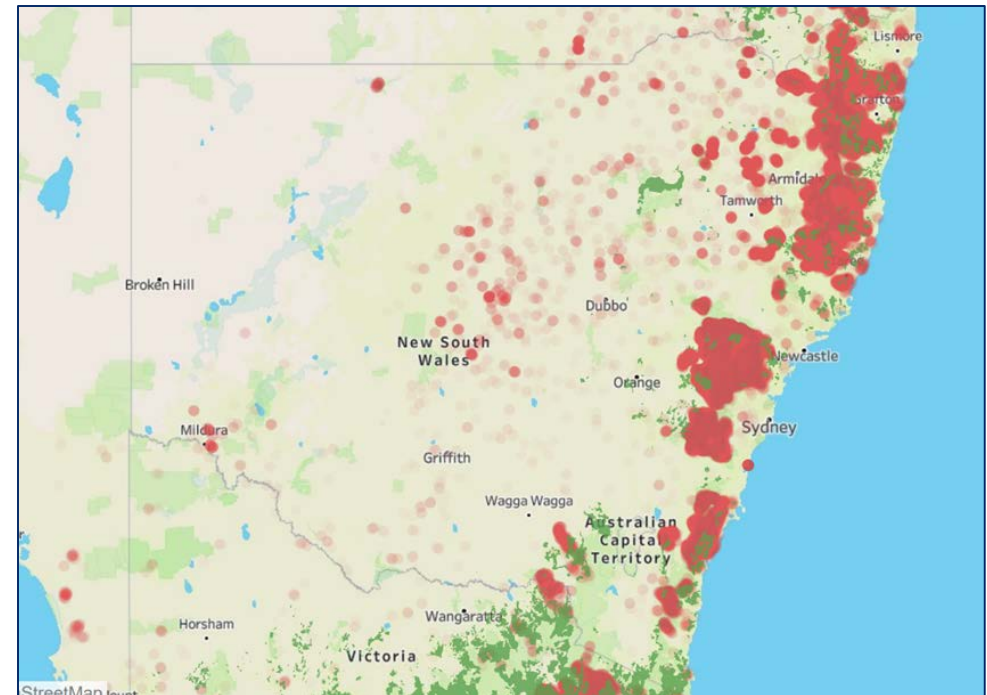
- **~5 million hectares in NSW impacted by fire**
 - 5.7% of NSW land area
- **Large area of forests damaged by fires**
 - Over 428,500 hectares (62%) of harvestable native forest
 - Over 57,000 hectares (25%) of public softwood plantations
 - Over 5,500 (16%) of public hardwood plantations
 - Around 51,000 hectares (23%) of private softwood and hardwood plantations
 - Around 213,000 hectares across 1200 approved Private Native Forestry (PNF) Plan areas
- **Major downstream assets impacted**
 - Damage to hardwood and softwood mills and export facilities
 - Loss of supply significantly threatening viability of world scale industry



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Map of fire affected areas



There are three impact themes that drive economic impact to forestry businesses



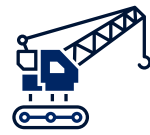
Loss of forestry supply

1 Damage to softwoods supply

- Burnt softwoods do not recover from fire and have significantly reduced value once burnt
- Significant impact to supply over long-time horizon given 15-30 year growth period

2 Damage to hardwoods supply

- Degree of impact dependent on intensity of fire but potential for up to 10% of native hardwood forests lost
- Access issues to process burnt timber, including environmental approvals



Damage to supporting infrastructure

1 Access infrastructure damaged

- Forest roads and timber bridges damaged or destroyed
- Areas planned for future offtake accelerated but often lacking sufficient infrastructure

2 Impact to plant and equipment

- Loss of harvesting plant and equipment in some areas



Production and manufacturing industry impact

1 Mills damaged or destroyed

- For example, Rappville timber mill destroyed in Northern Rivers
- Eden chip mill damaged, a current large employer and energy source to adjacent industries

2 Downstream production and processing

- Increased cost to process and store burnt salvaged timber
- Significantly reduced supply to materially affect output and threaten employment, particularly in softwoods industry



Economic impact to businesses

1 Immediate economic impact

- Initial increase in activity to manage salvage operation in softwoods, but potentially reduced value
- Increased cost to process and store lower value burnt products

2 Longer term impact

- Long term output reduced due to forest loss
- Reduced resilience for forestry businesses to any future production shocks
- Negative impact on employment across industry



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Deep Dive: Implications for economic activity and employment



Softwoods

- Softwood plantations are not fire resistant. Burnt plantations will die and must be replanted by hand
- **Short term**
 - Opportunity for increased activity during salvage, clean up and re-establishment
 - Barriers to activity due to increased costs across supply chain
 - Salvage must be done within several months of fires due to wood degradation and risks of fungal and insect attack. Some local mills oversupplied
- **Medium term**
 - Downturn in activity as salvage supply runs out and plantations re-establish
 - Ongoing work in infrastructure rebuild and replanting. Significant reduction in harvesting work and local supply for mills.
- **Long term**
 - Supply starts to return to pre-bushfire levels after 15 years (pulp wood) and by 30 years should have returned to previous levels (sawlogs)
 - High risk of technical knowledge being lost in interim



Hardwoods

- Many species of native hardwoods can survive and regenerate after fire
- **Short term**
 - There are ongoing access issues for burnt timber
 - Forestry Corporation of NSW has enacted force majeure provisions in wood supply agreements on the North Coast
 - Private native forestry (PNF) is experiencing increased demand due to the supply shortage to mills, however access to fire affected areas requires significant upfront cost to implement surface stabilisation and drainage structures and presents a barrier to landholders undertaking PNF
 - These factors are affecting supply to hardwood mills and harvest and haul contractors, meaning a high risk of employee layoff.
 - Significant infrastructure damage at Eden
- **Medium and long term**
 - Investment impeded until supply volume and security implications are understood



Need for government support



Reduced long term output

- Without government support, it is estimated that gross value add (GVA) for the NSW forestry and timber processing industry NSW will reduce by **~\$75 million over the next 3 years**.
- As salvage operations wind down, GVA is forecast to be **~\$915 million lower over 15 years**.
- There will also be flow on effects for regional communities in terms of jobs and economic activity.



Short term supply chain issues

- Salvaging fire-damaged timber imposes additional costs across the supply chain:
 - Additional WHS precautions and damage to machinery during harvest
 - Need for additional storage or haulage to out-of-region mills to process surplus
 - Damage to sawlog processing equipment
 - Lower price on the market for timber that has deteriorated
 - Upfront costs for nurseries and replanting
- Government support can ensure that salvage opportunity is maximised and groundwork is laid for long term recovery



Structural change

- Structural change of the industry is necessary as it will take up to 30 years to return to full softwood supply
- Opportunity for government to work with industry to manage the supply shock by supporting:
 - Ideas that add value to end product
 - Ideas that diversify fibre sources
 - Retraining of workers for new opportunities in forestry and adjacent industries
 - Businesses that demonstrate long-term commitment to the industry in NSW

Approach to forestry recovery

Objective

Minimise the immediate impacts of the bushfires on businesses and employees across the forestry supply chain and to build an economically, socially and environmentally sustainable future for the forestry industry

Priorities

Rebuilding and repairing critical infrastructure



Supporting fire-affected businesses



Harvest, haulage, processing and storage



Clean up, regeneration and re-establishment



Longer term recovery needs



Stakeholders

Forest managers

- Forestry Corporation of NSW: State forest manager, largest supplier of softwoods and hardwoods to mills
- Private softwood plantation owners
- Landholders with approved Private Native Forestry (PNF) plans
- Private hardwood plantation owners

Supply chain

- Upstream: Contractors for harvesting
- Downstream: Contractors for haulage, mills, timber processing facilities
- Exporters
- Industry associations

Advisory

- NSW Department of Primary Industries
- NSW Environment Protection Agency
- Local Land Services
- Softwood Industry Advisory Group
- Hardwood Industry Advisory Group



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Existing bushfire recovery measures in 2019-20



Grants of up to \$75,000 for eligible primary producers, including private forestry

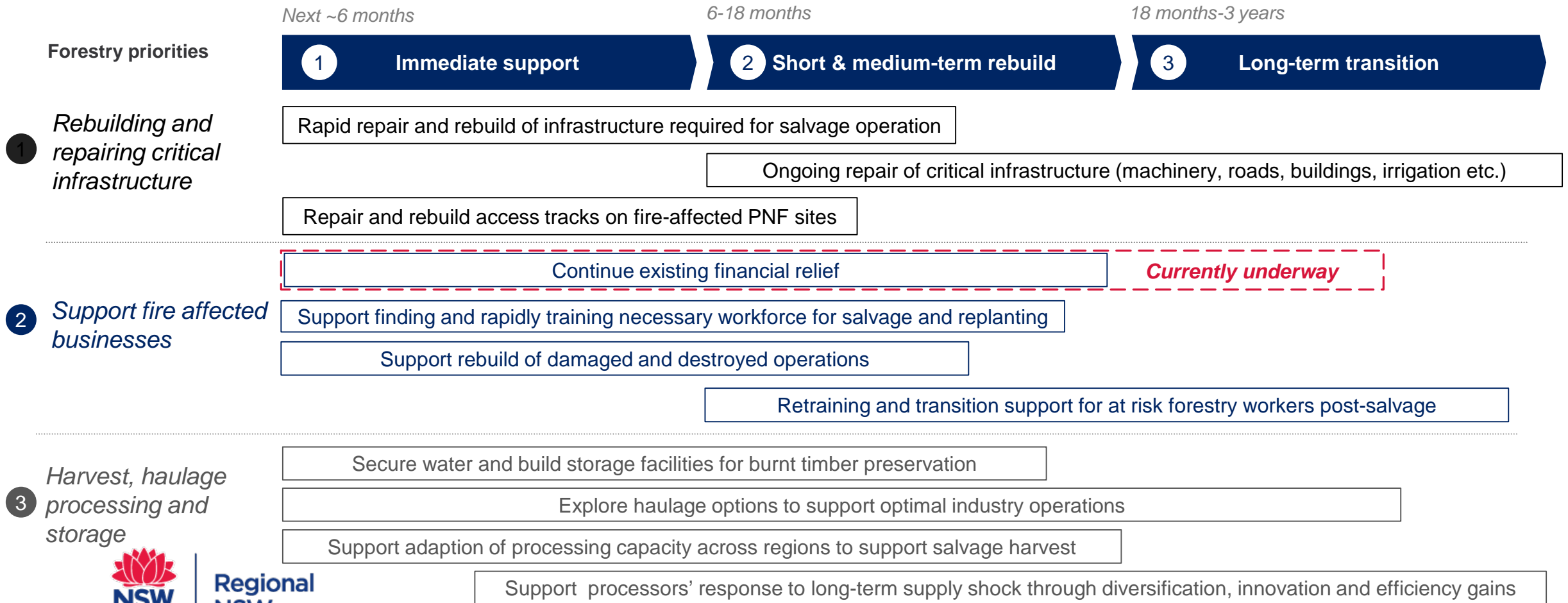
Special Disaster Loans up to \$50,000 (working capital) or \$500,000 (recovery)

\$46 million to Forestry Corporation of NSW for urgent infrastructure repairs, nursery expansions and replanting the forest



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Potential recovery priorities will mitigate impact and promote a more resilient forestry industry (I/II)



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Potential recovery priorities will mitigate impact and promote a more resilient forestry industry (II/II)

