

SUBMISSION No. 85
Inquiry into the Australian forestry industry

The Secretary
House of Representatives Standing Committee on Agriculture, Resources,
Fisheries and Forestry
Parliament House
CANBERRA ACT 2600

8th April 2011

Dear Committee Secretary,

**Inquiry into the current and future prospects of the
Australian forestry industry**

Hurfords Hardwood Pty Ltd wishes to lodge a submission for consideration by the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry into the current and future prospects of the Australian forestry industry.

HURFORD HARDWOOD PTY LTD

Hurford Hardwood Pty Ltd is a member of a group of companies owned and managed by the Hurford family in the New South Wales Northern Rivers.

It operates sawmills in north eastern NSW at Lismore and Casino, and is currently commissioning a hardwood sawmill at a new site in Kyogle NSW, milling hardwood sawlogs.

It operates kiln drying and dressing operations at a drymill at Tuncester, NSW, utilising boards from its' sawmills, plus purchases from other sawmillers, to produce dry hardwood flooring, cladding, and structural timbers.

Timber residues are sold to contractors who supply cogeneration and fuel pellet operations.

The Hurford family owns and manages some 2,000 hectares of forested and plantation land in the Richmond and Clarence River Catchments. They are Australian Forest Growers' (AFG) NSW Forest Grower of the year 2009-10.

Timber products are sold into a wide range of building and construction products, (including a large segregation of species) throughout the Australian mainland markets and, through our wholesale customers, to the United States and Europe.

Further details about our company and products can be found via links on our website: www.hardwood.com.au .

Projects recently supplied by Hurfords include flooring to the Melbourne Exhibition Hall.

Annual timber sales revenue amount to \$25.9million. Our timber markets include the full range of hardwood species, strengths and durabilities: most of the products are only available from native forests; plantation resources may only produce a very limited range of timber products.

Hurfords timber divisions employ a total of 119 people, and pay wages amounting to \$8,725,000 per annum. In addition, they have employed 27 harvesting and hauling contractor businesses over the last 12 months. Some contractors have many employees; a couple are one man operations.

Hurford's operations source log supply from

- Forests NSW under wood supply contracts as the core resource for operations. We note that these contracts include available plantation sawlog resource, and that Forests NSW may make these supplies from private resources that they may access from time to time.
- Private native forest operations available from individual landowners with approvals under the Native Vegetation Act.
- Private hardwood plantations

Log supplies are of the full range of hardwood species available in the area.

Following forest assessments in 1998, Forest Agreements and the NSW government's forest industry reform agenda Hurfords obtained wood supply contracts with Forests NSW and the State of NSW to secure resource until 2018. Hurfords were required to invest in value added processing in accordance with the government's policy; funding assistance for particular projects became available.

At that time Hurfords initially invested \$6.5million in plant and equipment for drying and dressing timber on a new site at Tuncester NSW (including \$2million FISAP grant).

In 2003 those supply contracts were reduced, amended and extended until 2023. Hurfords took every opportunity to purchase contracts from sawmillers who chose to exit the industry. Contracts were also entered into for lower sawlog qualities. Further development of the business was then possible.

HURFORD GROUP – Capital Expenditure by Timber and Forest Divisions, 1998–2010

SAWMILLING DIVISION (GREEN)	
Lismore Plant	\$2,500,000
Casino Plant	\$2,000,000
Kyogle Plant	\$6,500,000
Kyogle Site	\$1,200,000
Timber Licences	\$1,400,000
DRYMILL DIVISION	
Tuncester Plant	\$8,100,000
FOREST DIVISION - LAND	
(excludes annual planting)	\$1,600,000

We are now very concerned with:

- Continual pressure within government to diminish resource access
- Unrelenting exposure to interruptions, interference and sabotage by minority radical groups, acceptance and the condoning of those actions by government
- Continual threats to conduct new inquiries which will re-assess resource and consequently contracted supplies
- Continual increase in restrictions to resource access by government and agencies by environmental policy and strategy development

- Acceptance of representations that plantation grown timber may be a substitute for native forest hardwoods
 - in volume,
 - in time,
 - in products, and
 - in environmental outcomes.
- Government failure to deliver and manage plantations to meet future resource demand for hardwood sawlogs
- Restriction of plantation development to cleared land, prevention of development and silvicultural treatment of degraded native forests
- Failure of plantation investment schemes
- Government equivocation on delivery of the existing supply contracts
- Forests NSW failure to manage harvest arrangements to ensure delivery
- Continual decline in sawlog size, quality and species mix diminishing our commercial viability.
- Extraordinary escalation of log supply costs, severely diminishing commercial viability
- Australia's depressed building sector, causing timber market recession, limiting prices available (in strong competition with imports) further diminishing commercial viability
- Failure to acknowledge environmental benefits
 - of carbon sequestration in the growth of trees
 - of timber as a building material, as a long term carbon storage
 - of timber as lesser embodied energy as a construction material
 - of timber as a source of renewable energy, alternate to fossil fuel(NSW legislation prohibits the burning of biomaterial for electricity generation).
- Failure to acknowledge the standards for sustainable forest management for the use of Australian timbers in Australia and extended obfuscation of the importation of less sustainable and illegal timber.

We fully support the submissions of our industry Associations in regard to these issues.

We expect that our supply contracts will be delivered for their full term. We expect that we will be able to extend supply contracts into the future to ensure our ongoing operations and the sustainability of our business and the jobs for our staff. That will require strong commitment to the existing Agreements and extension of those agreements on an "evergreen" basis.

In light of these expectations, the Hurford family has continued its substantial financial and social commitment to a long term future in the native timber industry in the NSW Northern Rivers Region.

Andrew Hurford
 Chief Executive
 Hurford Hardwood Pty Ltd

PO Box 393
 Lismore NSW 2478