

NF McDonnell and Sons are a family owned business and have been operating a sawmilling business in the Mount Gambier district since 1944, in almost all of that time we have been customers of the original Woods and Forest Department now Forestry SA.

I along with my brother Anthony now own and operate our business with my son Shaun (4<sup>th</sup> generation) also recently becoming a partner in the business, currently we employ approximately 85 people on a fulltime basis.

Over time we have faced many threats and challenges but none in my opinion as serious or potentially threatening as the proposed sell off of the income stream from harvesting rights by the current state government for up to 111 years.

I believe I can speak with some authority on this having owned and operated a sawmill in Gippsland Victoria from 1998 to 2008, during this time the Victorian government sold its Radiata plantations to a private overseas company and the effects on our business were almost immediate.

The following are main points I would like to address the committee on as sawmill operator in the South East and possible threats I see.

### **Commitment of Private owner to local production and communities**

The FSA plantations are regarded as some of the best quality plantations in Australia and New Zealand for producing structural quality timber. Without this continuing it would be impossible for local mills to continue operating. This can be effected very quickly by reducing the rotation age and or changing the silvicultural practices that have been such an important part of making the forests what they are today.

A private company in control of this could and probably would be tempted to do this to get a quicker turnaround of rotations and selling the log to export markets.

FSA has as part of their charter a responsibility to the regional communities in South Australia to consider the economic benefit when selling the logs.

### **Capital Investment and Resource Security**

From a business point of view it would be almost impossible to make the investment necessary to remain competitive in today's market unless longer term resource security can be guaranteed.

Sawmilling is a very capital intensive business and a medium sized business like ours needs to invest large amounts of capital every 5-10 years to remain viable, to do this we need the security of resource to be able to do this.

A reasonable supply agreement needs to be in the order of 15 years minimum. This is something private owners have not wanted to commit to in other areas and we have seen sales agreements for as short as 12 months in New Zealand and 4-5 years here in Australia.

### **Growth Strategy**

I believe our state government needs to look at growing its plantation estate and attracting more business and investment to our state instead of the short term cash grab they appear to be focused on.

If you take the time to read South Australian Forest Industry Strategy for 2011-15 commissioned by the Forest Industry Development Board (a government appointed body) the proposed forward sale is listed as one of the threats to the industry.

I look forward to discussing the above and other experiences I have had with "privatization" when the committee meets in Mount Gambier.

Yours Sincerely

Ian Mc Donnell

Managing Director

NF McDonnell and Sons, Mount Gambier.