

12<sup>th</sup> November 2010

Subject – Forward Sale of Forest Harvest

Dear Sir,

There is one important reason why a forward sale of Government forest harvesting rights could be very detrimental to the South East Region.

Irrespective of who might own those rights in the future or what any agreement with them might say, the critical factor concerns the mix of value adding industries that the Region has, and the way that the integrated supply arrangements that currently exist have built up over many years.

The SE has companies that specialise in milling high quality sawlogs and others who have equipment and access to markets suited to lower quality logs. There are particle board plants, wood chip export outlets, and markets for by-products such as wood shavings, boiler fuel, and bark for compost and landscape supplies. Just as important are the existing pulp mill and roundwood preservation markets, which are critical to the economics of thinning and the creation of higher value forest products, later in rotations.

All forest owners are constantly faced with the dilemma of the best way to turn trees from thinning and clear falling into the best profitable mix of products to produce and sell at any one time under supply agreements. When trees are felled and cut into products, a certain volume of higher value logs are produced along with lower value logs and pulpwood. The markets for these different products always have their ups and downs. There needs to be a mix of “top and bottom feeders” for all the products from the forest to be sold and for the system to work. This doesn’t just happen, it takes effort and vigilance to maintain these markets, their profitability, and to ensure that they are there over time.

This somewhat delicate balance and inter-reliance is the one critical thing that the SE Region has going for it. It would be put at serious risk by a long term sale of harvest rights through potential loss of local control over the value-adding mix.

The success of South Australian Forestry stems from political foresight dating back to 1875. In my 40 years of working in the Industry it is very apparent that this mix of markets for softwood has been the envy of other forest regions around the world.

Yours sincerely

Michael Bleby