

13 May 2008

The Honourable Ian Macdonald MLC
 Minister for Primary Industries
 Level 33
 Governor Macquarie Tower
 1 Farrer Place
 Sydney
 NSW 2000

Dear Minister,

Forest Productivity, Woodchipping & Royalty Rates

You may recall your comments in Parliament on 29 May 2007 when you referred to chipping as thinning of a forest to improve its productivity.

Figures from 98/99 to 06/07 show differently:

- 1) Forest productivity has fallen substantially
- 2) The area being logged has risen significantly - but the output of large sawlogs has fallen in Eden and has remained relatively constant in South Coast-Southern and Tumut.
- 3) Royalty rates for pulp have fallen substantially - they are significantly less now than what they were in 92/93. If inflation is taken into account, the 06/07 average rate for Eden and the overall average for 'South Coast' are about half of what they were in 92/93.

This situation is not a sustainable business strategy.

Conflict With Forests NSW Corporate Business Strategy

The strategy is to maximise forest productivity, reduce costs and drive pricing policy by value and supply of the product.

For the Southern RFA region Native Forests this appears to have been implemented by increasing the amount of pulp from South Coast-Southern and Tumut-Southern. For Eden region the amount of pulp has also increased. However, the area logged has increased and forest productivity has fallen. The average price for pulp for 'South Coast' (average of Eden, SC-Southern & Tumut) in 06/07 was about half of what it was in 92/93 in real terms. **See page 4.**

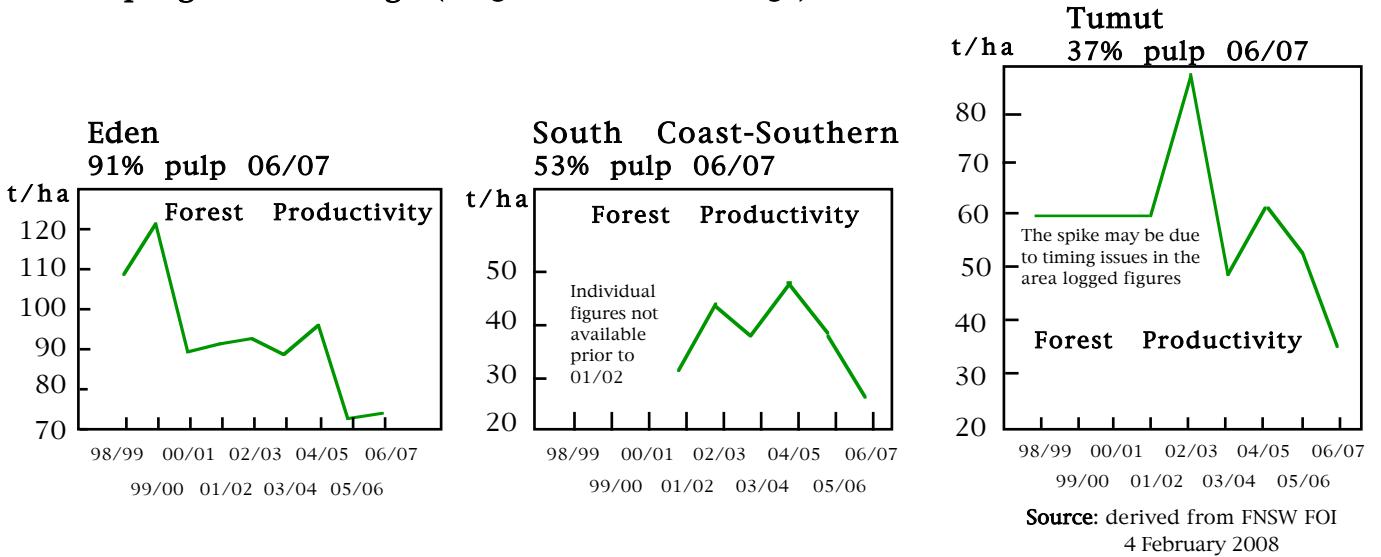
In South Coast-Southern the amount of pulp has risen substantially since 04/05 to 53.5%% of output but yield has fallen. Yield should have risen because of the much higher pulp yield/ha compared to sawlogs.

There is a need to reassess the policy of woodchipping and to redeploy the resources used on this activity on productive pursuits.

1) Forest Productivity

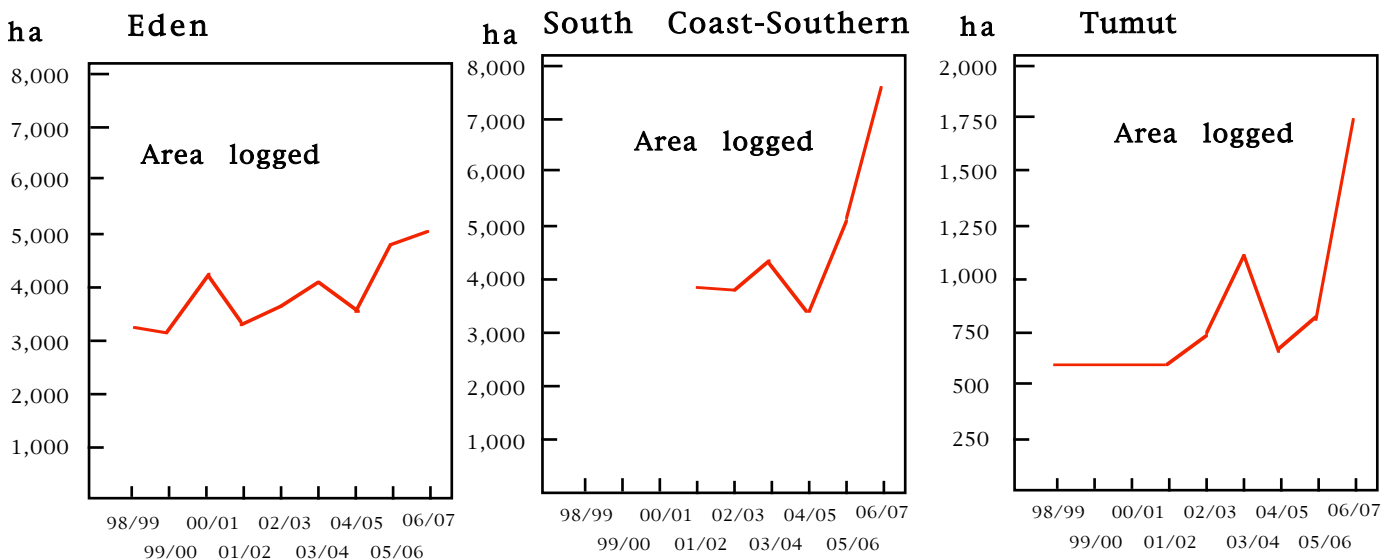
Productivity per hectare has fallen substantially in Eden, South Coast-Southern & Tumut - despite large increases in the supply of pulp from SC-Southern & Tumut.

Forest Productivity per hectare: 98/99 - 06/07, tonnes/ha Pulplogs & Sawlogs (Large + Small + Salvage)



2A) Area Logged: 98/99 - 06/07, hectares

The area logged has risen significantly in Eden, South Coast-Southern & Tumut.



Pulp has risen 15% since 04/05.

Pulp has risen 68% since 04/05.

There was a significant increase in the amount of pulp in 06/07.

The increase in the area logged means that the time period of the cutting cycle is falling. Eden is about 25 years, SC-Southern less than 20 years.

2B) Forest Output: 98/99 - 06/07, tonnes

It is often said that chipping allows for more sawlogs to be produced, because chipping is simply thinning of the forest.

This hasn't happened in practice. Large sawlogs have fallen in Eden since 98/99. In SC-Southern there has been a slight downward trend in large sawlogs since 02/03. The trend level is relatively constant. In Tumut large sawlogs have seesawed around a relatively constant trend level.

If chipping really did allow for more sawlogs to be produced there would not need to be such large increases in the area logged.

Eden - sawlogs

Large
37% fall since 98/99

Small + salvage
steady fall since 03/04
overall, up & down

SC-Sth'n - sawlogs

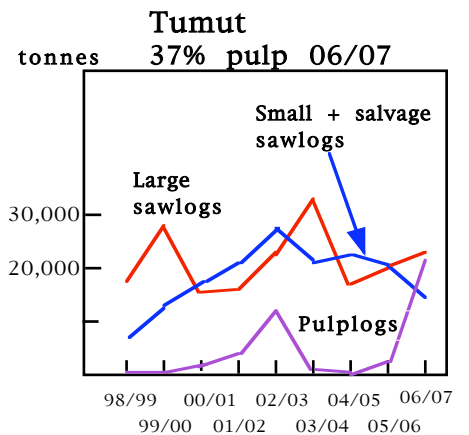
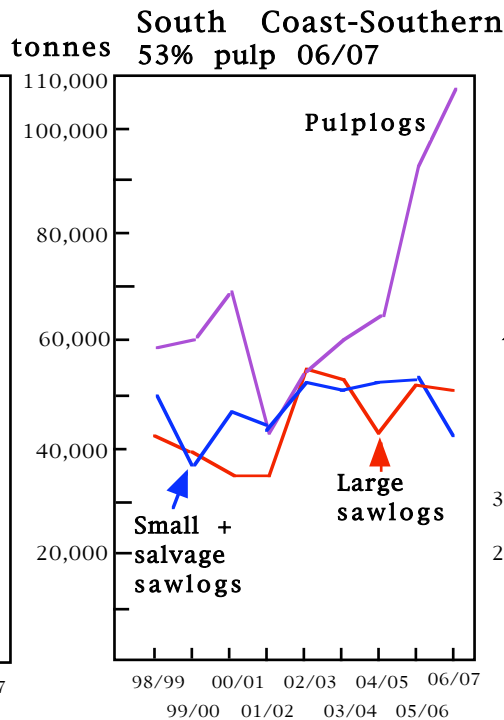
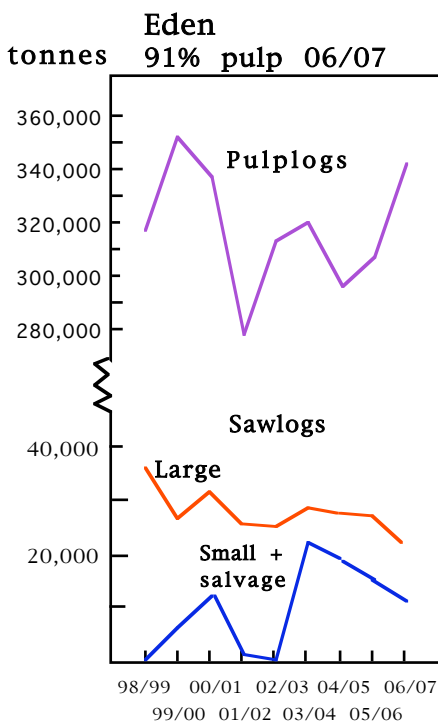
Large
slight down trend since 02/03
Trend level fairly constant

small + salvage
relatively constant trend level

Tumut - sawlogs

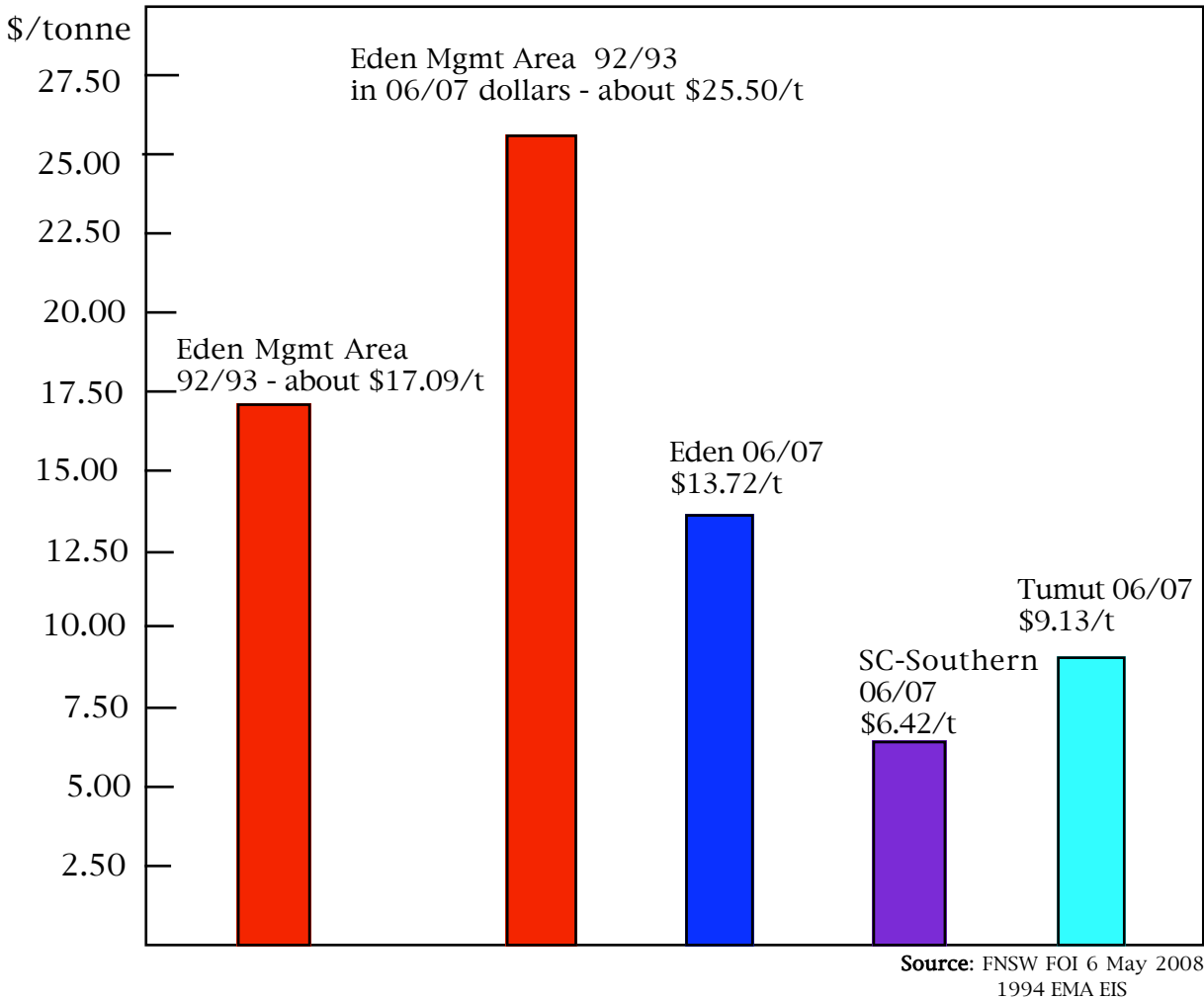
Large
seesaw round trend level

small + salvage
trend down since 02/03
fairly constant trend level



Source: FNSW FOI Responses
4 Feb 2008, 29 Oct 2007,
17 May 07

3) Pulp Royalty Rates



If inflation is taken into account, the 06/07 rate for Eden is about half the 92/93 rate (using GDP deflator for State & Local gov't final consumption exp. ABS 520408.)

The average rate - Eden, SC-Southern & Tumut - for 06/07 was \$11.91/tonne. (Source: FNSW FOI 29 Oct 07)

This compares to the estimated average rate for Eden and South Coast-Southern of about \$15.60/tonne in 92/93 (based on information in the 1994 EIS). Brought forward to 06/07 that \$15.60 is about \$23.28, (using GDP deflator). The \$11.91 is about half of that figure.

NSW Input into Eden Chipmill - tonnes

Eden	342,914	72.5%
SC-Southern	107,370	22.7%
Tumut	22,083	4.7%
Sub total	472,367	

About 27% of the input is at lower royalty rates

NSW sawmill chips - about 31,200 tonnes

The details of the figures in this letter are contained in the Appendices.

Yours faithfully,

A handwritten signature in black ink that reads "T. Digwood". The signature is written in a cursive style with a large, looped 'D'.

T. Digwood
11 Gardiner Street
Downer
ACT 2602

Appendix 1: FOI - 4 February 2008

I have adjusted these figures on account of transfers

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Eden Subregion												
Financial Year	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07			
Graded sawlogs - large m3	30,972	23,735	27,056	22,945	23,640	26,348	25,117	24,806	20,481			
Graded sawlogs - small m3		1,950	2,067	1,378		1,260	1,276	1,785	1,277			
Salvage sawlogs m3		4,089	9,303			17,418	15,503	12,209	8,402			
Pulpwood t	317,508	352,282	337,434	278,379	313,896	320,681	297,080	307,689	324,427			
Miscellaneous m3						43	280					

342,914

South Coast Subregion												
Financial Year	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07			
Graded sawlogs - large m3	369,777	334,744	295,888	291,068	457,368	445,255	372,338	439,455	427,311			
Graded sawlogs - small m3	110,768	76,288	63,522	41,277	35,885	46,977	45,889	64,133	71,577			
Salvage sawlogs m3	314,522	235,055	334,744	310,288	416,544	382,244	405,133	389,766	298,821			
Pulpwood t	69,303	60,560	69,030	42,735	47,022	60,210	64,050	91,854	98,799			
Pulpwood t (thinning)	0	806	0	0	8,202	0			8,568			

from eden
FOI

Tumut Subregion												
Financial Year	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07			
Graded sawlogs - large m3	15,595	24,224	13,316	13,621	19,081	27,859	14,257	16,956	18,925			
Graded sawlogs - small m3	1,170	2,618	2,491	1,992	2,063	2,322	2,505	2,786	2,255			
Salvage sawlogs m3	5,168	9,206	11,967	16,253	20,895	15,402	16,447	14,310	9,922			

Notes:
Blue text indicates values previously supplied

Tumut sub-Region transfers into Eden 2002/03 to 2006/07 (currently included in Eden figures) - not available by FY

Graded sawlog (large and small) 4707
Salvage sawlogs 378
Pulpwood ~~36599~~ ³⁶⁵⁹⁹
Area harvested ~~30449~~ ^{from previous FOIs} 415

South Coast sub-Region transfers into Eden 2002/03 to 2006/07 (currently included in SC figures) - not available by FY

Graded sawlogs large 11,555
Graded sawlogs small 888
Salvage sawlogs 1,793
Pulpwood all pulpwood into Eden
Area harvested not available as from range of compartments

Thinning Eden 1999/00 to 2006/07 (currently included in Eden figures) - not available by FY
Pulpwood 528,196
Area thinned 62,368

Appendix 1 FOI - 4 February 2008

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Area Harvested

Eden Region									
Financial Year	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Area Harvested (ha)	3,238	3,170	4,254	3,339	3,646	4160	3580	4786	5043

South Coast Subregion									
Financial Year	07/1998 to 06/2001			2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Area Harvested (ha)	5211			3794	3710	4363	3361	5095	7618

Tumut Subregion									
Financial Year	07/1998 to 06/2001			2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Area Harvested (ha)	2041			394	718	1110	651	828	1727

Notes:

1. Blue text indicates values previously supplied
2. 1998 to 2001 areas for SC and Tumut sub-Regions are sums of areas harvesting during this time period, no financial year breakdown is available. In SC many areas were not completed and carried forward into subsequent years.

Appendix 2: Adjustments to FOI Figures

- 1) Cubic metres converted to tonnes using 1.17
- 2) Tumut sawlog transfers into Eden averaged & removed from Eden figures
graded sawlogs assumed to be mainly large.
- 3) Tumut sawlog transfers into Eden averaged & added to Tumut figures
- 4) SC-Southern transfers into Eden not adjusted - as already included in SC-Southern
- 5) I did not adjust the area harvested figures for 2 reasons:
 - i) I had asked for them to be supplied on an adjusted basis.
 - ii) The pulp transfers from Tumut into Eden had been shown as a separate item
in another FOI response rather than being included in the Eden figures.

Eden Region

Year	Sawlogs large <i>tonnes</i>	Sawlogs small + salvage <i>tonnes</i>	Pulp <i>tonnes</i>	Total <i>tonnes</i>	Area <i>ha</i>	Yield <i>t/ha</i>
98/99	36,237	0	317,508	353,745	3,238	109.2
99/00	27,770	7,066	352,282	387,118	3,170	122.1
00/01	31,656	13,303	337,434	387,393	4,254	89.9
01/02	26,846	1,612	278,379	306,837	3,339	91.9
02/03	26,558	0	313,896	340,454	3,646	93.4
03/04	29,726	21,765	320,681	372,172	4,160	89.5
04/05	28,286	19,543	297,080	344,909	3,580	96.3
05/06	27,922	16,262	307,669	351,853	4,786	73.5
06/07	22,838	11,236	342,914	376,988	5,043	74.8

South Coast-Southern

Year	Sawlogs large <i>tonnes</i>	Sawlogs small + salvage <i>tonnes</i>	Pulp <i>tonnes</i>	Total <i>tonnes</i>	Area <i>ha</i>	Yield <i>t/ha</i>
98/99	43,263	49,760	59,303	152,326	n.a.	n.a.
99/00	39,165	36,426	61,356	136,141	n.a.	n.a.
00/01	34,618	46,596	69,030	150,244	n.a.	n.a.
01/02	34,056	41,131	42,735	117,922	3,794	31.1
02/03	54,681	52,930	55,224	162,835	3,710	43.9
03/04	52,094	50,241	60,210	162,545	4,363	37.3
04/05	43,568	52,746	64,050	160,364	3,361	47.7
05/06	51,416	52,988	91,854	196,258	5,095	38.5
06/07	49,995	43,264	107,367	200,626	7,618	26.3

Appendix 2: Adjustments to FOI Figures

Tumut

Year	Sawlogs large <i>tonnes</i>	Sawlogs small + salvage <i>tonnes</i>	Pulp <i>tonnes</i>	Total <i>tonnes</i>	Area <i>ha</i>	Yield <i>t/ha</i>
98/99	18,246	7,415	0	25,661	2,435	59.1
99/00	28,342	13,834	0	42,176		
00/01	15,580	16,916	2,004	34,500		
01/02	15,937	21,347	4,385	41,669		
02/03	23,426	26,949	11,982	62,357	718	86.8
03/04	33,696	20,825	0	54,521	1,110	49.1
04/05	17,782	22,262	0	40,044	651	61.5
05/06	20,940	20,090	2,534	43,564	828	52.6
06/07	23,243	14,335	22,083	59,661	1,727	34.5