This study has been prepared for the Department of State and Regional Development and the Riverina Murray Softwoods Working Group, which is jointly sponsored by the Riverina and Murray Regional Development Boards. It provides an overview of the value of the forest industries in the South West Slopes region of New South Wales.

The region includes the Local Government Areas of:

- Tumut;
- Tumbarumba;
- Gundagai;
- Wagga Wagga;
- Greater Hume; and
- Albury

The forest resources included in the study are those located in area bounded by the Hume Highway to the west, the Murrumbidgee River to the north, the Kosciusko National Park to the east and the Murray River to the south.

The South West Slopes region is strategically located between Sydney and Melbourne and is well serviced with transport and other infrastructure including highly developed telecommunications, widely available reticulated natural gas and electricity; high quality water supplies and extensive educational and health facilities.

Forest resources in the South West Slopes

The region contains substantial softwood plantations of around 116,323 hectares and over 68,000 ha of native forest available for timber production.

Forest resources in the South West Slopes region (2002/03)

Forest type	Area (ha)		
	Public	Private	Total
Softwood plantation	85,078	31,940	116,323
Native forest*	68,256*	0	68,256

**The native forests land areas only include those areas deemed to be available for commercial timber production.*

The majority of these forests are publicly owned. The native forest types harvested for the production of sawlogs are the alpine ash and gum forest types. Both of these forest types are well represented in National Parks and other reserves and the total area in State forest is less than 20% of the total area of the resource.

There is also a significant area of privately owned softwood plantations, comprising 27% of the softwood resource base.

Forest product processing in the South West Slopes region

The expansion of softwood plantations has provided the resource base for the development of world-scale wood processing industries in Tumut, Tumbarumba and Albury. The significance of the role the forest industries play in the economy of the South West Slopes region is demonstrated below.

Direct and indirect economic impacts of the forest sector in the South West Slopes (2002/03)

Sector	Value of production ($ million)		Employment (number)	
	Direct	Indirect*	Direct	Indirect*
Plantation softwood	574.47	1148.95	1,748	3,496
Native Forest	8.65	17.31	80	160
Total	**583.13**	**1166.25**	**1,828**	**3,656**

**Indirect effects are estimated based on a typical regional income and employment multiplier of two.*

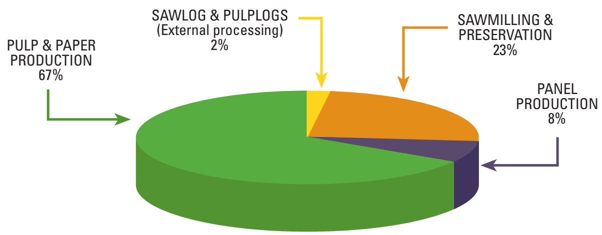
— In 2002/03 the forest industries directly generated income of $583.13 million and directly employed 1,828 people.

— Including indirect impacts, the forest sector in the South West Slopes contributed $1.166 billion and generated employment for 3,656 people in the region.

— Sawmilling and preservation account for around 49% of the total wood processed but contributed 26% of the total income of processing industries.

— Pulp and paper production utilised 48% of the total volume of wood processed in the region but accounted for 65% of the total income.

The value of production associated with forest product processing in the South West Slopes region 2002/03



Resource utilisation

Forest product processors in the South West Slopes region utilised a total of 1.87 million m^3 of forest resources in 2002/03, including:

— 964,450 m^3 of sawlogs; and

— 907,000 m^3 pulpwood.

Processors also utilised resources from outside the region, in particular from North East Victoria, which comprises the majority of the remaining forest resources in the 'Murray Valley wood basket'. Resources obtained from outside the study area include:

— 266,750 m^3 of sawlogs and pulpwood and

— 87,250 m^3 of sawmill residues purchased from outside the region.

— In contrast the region's hardwood sawmills utilised only logs harvested from native forests in the region, around 55,000 m^3 in 2002/03.

Employment

In 2002/03 the forest industries in the region employed 1,828 people of which 1,748 (96%) people were in the softwood industry and 80 people (4%) were employed in the native forest industry.

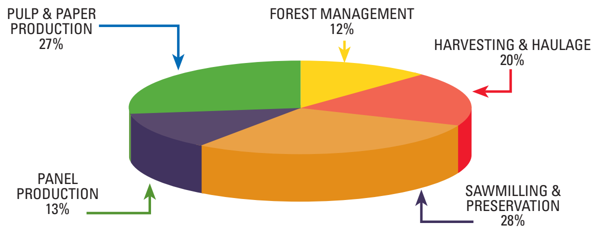
— The sawmilling and preservation sector employed the largest number of people, accounting for 28% (524 people) of the total forest industries employment.

— Pulp and paper manufacturing was next largest employer with 505 people or 27%.

— It is estimated the harvesting and haulage sector employed around 357 people (20%).

— Employment associated with panel production also provided a significant employment base, for 230 people (13 %).

Employment in the forest industries 2002/03



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Future industry development

The South West Slopes region is one of the leading plantation forestry regions in Australia:

- The plantation resource base located within the region is responsible for supporting one direct job for every 65 ha of plantation, due to development of value adding processing located within the region.
- The high level of local processing ensures that the South West Slopes region captures a large proportion of the potential economic benefits that are derived from the extensive softwood plantations in the region.

Industries in the region have undergone substantial change in recent years and are continuing to grow with a number of processors currently implementing or planning mill expansions in the next 5 years, including the following major capital investments:

Current and Planned Investment in Wood Processing

	Current raw material intake	Future raw material intake intake	Value of future investment ($M)
Sawlog ('000m³)			
Hyne & Son	290	804	$106
Weyerhaeuser	530	650	$10
ITI	160	250	$21
Woodchip ('000t)			
Norske Skog	320	384	$130
Visy	795	1790	$360

It is estimated that the economic benefits associated with these expansions over the next 5 years will translate to a mill door value of production of at least:

- $260 million per annum from the softwood sawlog processing sector; and
- $752 million per annum from pulpwood and residue processors.

Combined these industries therefore have the potential to contribute $1.012 billion to the region's economy directly. Including indirect income generation, the industry could contribute a total of $2.024 billion, virtually doubling the value of production of the forest industries in the region.

A realistic estimate of additional employment generated by these expansion plans is around 450 equivalent full time positions, and a similar number of equivalent full time positions indirectly, as a number of efficiency gains are likely to be made as a part of these plans. However, in addition to long term employment changes, planned expansions would also provide additional employment during construction.

Regional Plantation Development

Due to low plantation establishment rates since the late 1990s the availability of softwood resources from within the region is expected to be inadequate to meet the expected demand for wood resources in the longer term without an increase in the rate of new plantation establishment.

The presence of efficient, value adding softwood processors in the region, which have developed due to the concentration of the existing resource, suggests there is an opportunity for further softwood plantation development in the region to meet the potential future wood supply deficit.

New plantation establishment in the region would provide significant benefits to the region, as the processing industries require ongoing economical access to raw material inputs. It is likely that the impact of importing resource from outside the region will negatively impact the cost efficiencies processors within the region are seeking to achieve through large-scale operations. Therefore if plantation establishment can avoid the potential negative consequences of industry restructuring or decline in the future, it is an important activity for the region to pursue.

Establishment of plantations on second rotation sites is expected to continue given the demand for timber resources in the region. This would imply an average annual establishment rate of around 2,500-3,500 ha over the next 10-15 years across public and privately owned plantations.

Over the next decade the rate of new plantation expansion is expected to be about 2,500 ha per annum, therefore the total area of the softwood plantation estate will grow to around 140,000 ha. This translates to an increase in the planted area across the entire South West Slopes land base of less than 2.5%.

The value of plantation establishment over the next 10 years has been estimated as the cost of establishment and maintenance only, which alone are likely to provide a net incremental benefit of $69.45 million over the next 10 years, or an annual equivalent of $6.95 million.

It is estimated that the additional planting will generate over 50 extra jobs over the next 10-year period.

The major economic benefits from additional wood supplies will not accrue until pulplogs are harvested from first thinning operations in about 15 years. The larger economic benefits from sawlogs will not accrue until around 25-30 years.

The major influences on the viability of ongoing new plantation establishment will be:

- The willingness of investors to commit to long term softwood plantations;
- The price of land; and
- Local community attitudes towards plantation forestry.

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Softwood Plantations – the cross-border picture

The combined South West Slopes region of NSW and the adjacent North East region of Victoria, known as the Murray Valley region, support about 18% of Australia's softwood plantations and, is arguably the nation's richest timber "basket".

- The combined area of softwood plantation is around 178,800 ha with 116,300 ha in NSW and 62,500 ha in Victoria.
- The softwood plantations produce over 1.5 million m³ of sawlogs and peeler logs and over 1.0 million m³ of pulplogs.
- Substantial volume of sawlogs and pulplogs are transported across the NSW-Victoria border.
- Overall about 90% of the 2.5 million m³ of logs produced are processed in the Murray Valley area.

An extensive infrastructure of timber processing industries has been developed in the Murray Valley area including:

- 5 large sawmills processing in excess 100,000 m³ of softwood sawlogs per annum and a similar number of smaller sawmills;
- 2 internationally competitive pulp and paper mills;
- 2 particleboard plants;
- 1 medium density fibreboard plant;
- 2 structural plywood plants; and
- A number of preservation plants, including a number integrated with sawmills, treating both sawn and round timber.

The establishment of the softwood plantations, the subsequent development and expansion of logging, transport and processing industries has provided major economic benefits to both regions.

The mill door value of production of timber industries located in the Murray Valley area and processing softwood plantation logs from that area is estimated to be $730 million per annum:

- Sawmilling and timber preservation — $186 million
- Panel products — $140 million
- Pulp and paper — $388 million

In addition to the above sales of sawlogs and pulplogs to domestic processors or exporters who are located outside the Murray Valley area are estimated to have a mill gate value of $16 million per annum.

The softwood plantation industries in the Murray Valley area directly employ around 2,830 persons. In terms of direct employment the 178,800 ha. of softwood plantation support one job per 63 ha. This figure is substantially higher than that for many agricultural industries including wheat cropping and sheep and cattle grazing In terms of both direct and indirect employment the softwood plantations and associated industries support some 5,660 jobs on the Murray Valley area.