

Submission to the Inquiry into the Triabunna Woodchip Mill and Future Development Opportunities for the Triabunna Region

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Thank you for the opportunity to submit comments regarding the future development of forest industry opportunities for the Triabunna region. I submit these comments in my role as CEO for Forico Pty Limited which commenced trading on 5th September 2014. I will focus on the development opportunities facing Tasmania with respect to the plantation forest industry. Forico is a forestry services company established to manage a 175,000 hectare freehold forestry estate that includes approximately 100,000 hectares of plantations across Tasmania. All of Forico's timber production comes from plantations. We do not commercially manage natural forest areas on our land for timber products of any kind, and will not do so in future.

Forico manages Tasmania's largest private hardwood plantation estate and offers end-to-end operations from seedling nursery to plantations to export. The Forico business includes:

- 100,000 ha of timber plantations
- 175,000 ha of freehold land
- 2 Northern woodchip mills
 - the Forico Surrey Hills Mill located at Hampshire exporting through the Port of Burnie
 - the Forico Long Reach Mill on the Tamar that processes and exports from on-site
- A high-quality seedling nursery (Somerset)
- A fibre technology laboratory and testing facility (Ridgley)
- An experienced team of 35 professionals with extensive operating experience in Tasmania

Forico seeks to be a leading forestry service provider and plantation timber company in Tasmania. Our focus is on steadily adding value for our owners and the communities in which we operate. We are currently investing in our Northern processing and export facilities, a capital works programme that will bring our production and export potential to approximately 3 million tonnes of plantation-based woodchips per annum. When operating at this level we expect the business to support 45 employees directly as well as approximately 300 contractors in the harvest and haul industry. Our plan is to also invest in the Ridgley and Somerset facilities to create centres of excellence in forestry research and innovation. This will drive higher productivity from our plantations and open new markets for our forest products.

As one of Tasmania's largest land-owners and forestry industry operators, we consider that we have a broader responsibility to the communities in which we operate. This is reflected in the long-term view we take of our investment, the manner in which we manage our plantations, the stewardship of our land and other natural assets as well as the broader support we can provide the industry. We will be engaging with local private land-owners who have, or wish to have plantations on their property. As a large operator we can facilitate the establishment, management and ultimate harvest and sale of private tree-crops – activities which can be technically and commercially challenging for the individual owner when operating on a smaller scale. In doing so we will support a sector that is larger and so more viable as well as encouraging plantation establishment across the broader Tasmanian landscape which brings significant economic, ecological and amenity value to the state.

As a commercial enterprise, we also face a degree of uncertainty due to the changing conditions of the local forest industry as well as regional timber markets. I would like to provide some examples of how Forico approaches this uncertainty in managing our Southern resource to help inform the inquiry.

Forico's estate includes 8,689 hectares of hardwood plantations in Southern Tasmania, which at an average harvest age of 15 years can yield 170 green metric tonnes (GMT) per hectare. The estate could produce approximately 200,000 GMT per annum starting in 2015-16 and for a period of up to seven years. Of course to harvest these plantations we must seek a positive margin on the harvest, haul, and sale of the timber. At this time we are focused on hardwood chip export opportunities.

Triabunna and Hobart Ports are the logical and natural points of export for timber products from our plantations in Southern Tasmania. In the absence of Southern port access, Forico must consider other viable but potentially less attractive options for our Southern plantations. If these ports are not available to us for export, then we face substantially longer haul distances to our export facility at Long Reach. The Long Reach port faces potential capacity constraints with more than 1 million GMT per annum available from the Northeastern regional wood basket.

Even without capacity constraints at Long Reach, the extra transport costs would render the majority of Southern plantation estate loss-making or only marginally profitable, even if wood chip prices recover significantly.

As such the absence of a Southern port facility will leave the Company with two likely options:

- Liquidation of the Southern estate by removing trees and transitioning properties to agricultural production
- Managing the estate for solid wood products, which might also be exported through a Southern port facility

The economics of these options are still being explored and no determination has been made by the Company at this time.

Forico is supportive of Southern port options for woodchip export, and we have provided an estimate of our potential supply for such facilities. If a Southern port facility is developed, as a long-term investor we would expect to be able to commit the resource from our Southern estate for both the current and subsequent rotations of the tree-crop. We could further look to expand our operations in the region over time, whether through direct ownership or the management of 3rd-party private plantation estates as described above. If a facility is not developed, the long-term future of our Southern estate as a provider of plantation based wood products is questionable.

Thank you again for the consideration of our submission to this inquiry.