

McKay Timber

McKay Timber is a family owned sawmilling, timber processing and truss manufacturing Company.

McKay Timber was established in 1947 by Alec McKay trading as W A McKay in Marys Hope Road in Rosetta moving to the Company's current location at Wrights Avenue, Glenorchy in 1950.

In 1969 Alec stood aside to allow his son, Bernard to run the business which he continues to do today.

McKay Timber has sawmills at St Helens and Bridgewater, a truss factory and sales outlet in Launceston, timber drying, truss and wall frame manufacturing facilities at the Glenorchy site.

McKays Timber directly employs 115 people across its operations along with three full time cartage contractors.

The two sawmills combined process 39,000 m³ of logs each year,

For some thirty years now the forest industries have been subjected to attacks by environmental groups in an effort to close the industry down. It started back in the mid eighties with the Helsham Inquiry which placed around 275,000 hectares of forested land into reserves.

Then there was the Salamanca Agreement and the Regional Forest Agreement which placed an additional 293,000 hectares of forested land into reservation.

In 2005 there was the Tasmanian Community Forest Agreement which locked up a further 184,000 hectares.

In every case of these lockups, the science was ignored and political decisions were the order of the day. It is ironical that in the climate change debate that politicians and others are touting that the science cannot be ignored.

With all these lockups a very significant proportion of the highest quality mature native hardwood saw and veneer logs have been put into reserves.

The result of these three enactments coupled with the ever increasing impacts of the Forest Practices Code restrictions and with voluntary restrictions introduced by Forestry Tasmania has reduced the area of land for saw and veneer log quite markedly.

Our opponents have been quite vocal in demanding that the sawmilling industry can switch to the plantation resource but that resource is not mature plus the *Eucalyptus Nitens*, which is the prominent species, has proven unsuitable for appearance grade timbers as it is very susceptible to internal checking. This species was grown in plantation initially for fibre production and because it was frost tolerant.

Blue Gum or *Eucalyptus Globulus* in plantations has proven to be a far better species for appearance grade products but is susceptible to frost which limits the areas in which it can be established.

The industry has conducted trials on *Eucalyptus Nitens* in conjunction with CSIRO scientists in a bid to find ways to dry this species without internal checking. In the green form the wood has a great appearance, saws well but despite our varied attempts at drying, the industry has been unable to prevent internal checking which rules it out at this time as an appearance grade product.

Eucalyptus Nitens can be used for construction grade material but is uneconomical as structurally it is no better than plantation grown pine and is uncompetitive with pine due to the higher cost of production and lower recovery of sawn timber.

In May 2010, Dr P Volker, Chairman of Foresters Institute of Australia, Glenn and Shawn Britton of Britton Timber Smithton and I went on a self funded study tour to find out what other countries are doing to grow Eucalypts for saw log and veneer log from plantations.

We travelled to Spain, Chile, Uruguay and Argentina to inspect at first hand the Eucalypt plantations and found both in Spain and Chile where *Eucalyptus Nitens* and *Eucalyptus Globulus* can be grown (due to climate similar to Tasmania) that *Eucalyptus Nitens* were severely affected by internal check and despite efforts to date by scientific and industry efforts they, like us, have not been able to find a process that either minimizes or prevents the occurrence of internal check.

Uruguay and Argentina mainly grow *Eucalyptus Grandis* in plantations which will not grow in the cooler climates of Northern Spain, Chile or Tasmania.

While overseas, we were able to see at first hand silviculture regimes that enabled the establishment of viable sawlog and veneer log plantations. This was more evident in Uruguay but was also being practiced in some plantations in Chile and there are moves for it to happen in some locations in Spain.

The main theme of this silviculture regime is to progressively thin and prune plantation stands from 1100 stems per hectare at establishment to as low as 100 stems per hectare to grow quality viable saw and veneer logs over a 20-25 year period.

This is referred to as the "lonely happy tree" regime which has been practiced in these countries for quite some time with excellent results and we believe it can happen here if adopted.

It is our belief that our native forest estate should be enhanced and kept available for industry. Much of the claim for high conservation forests include previously cut over forests and also includes some established plantation stands.

There is a great long term potential with suitable silviculture regimes including substantial thinning to significantly increase the future of sawlogs from native regrowth forests at a much lower cost than establishing new plantations and without having to clear land for plantations.

Gunns have stated they are pulling out of native forests and if this happens the forest harvesting and haulage, wood chipping and sawmilling industries will halve. Maintaining our present native forest estates will reduce industries footprint but if further lockups occur, the footprint will not change on areas that can be harvested.

A greater portion of our current sawlog supply is sourced from regrowth native forests and we are able to produce appearance grade products in sufficient quantities to remain viable.

We also produce framing grade products for the local home building industry from this resource as not all sawlogs, regardless of their origin, will make appearance grade products because of features that lower the grade.

McKay Timber back in 2002 was a relatively small sawmilling company with a crown sawlog allocation of around 14,000 cubic metres per annum. It had two small out of date sawmills and in order to upgrade these mills to have scale of efficiency and a safer working environment for its employees, it had to increase its resource base.

In 2003, McKay Timber was able to purchase another sawmilling business that had 10,000 cubic metres of crown sawlog allocation per annum and a sawmill at St Helens that also needed some upgrading which was commenced about 12 months after the acquisition. The Regional Forest Agreement brought with it resource security which gave the company confidence to invest in machinery upgrades including major upgrades at its Glenorchy site by way of additional kiln capacity and timber processing.

In 2008 another sawmilling and timber processing company came on the market and the company had the confidence to purchase this business as the Tasmanian Community Forest Agreement had been negotiated and resource security was assured. In addition, the Federal Government of the day made available funds as part of the TCFA to assist Industry in the transition of upgrading timber processing facilities to process the change in resource more efficiently.

McKay Timber now had 39,000 M3 of Crown Category 1 and 3 sawlog allocation with resource security assured and that set the scene and the confidence to further upgrade the St Helens sawmill and to upgrade the newly acquired mill at Bridgewater.

Included in this redevelopment was more kilns and timber processing facilities to cope with the additional throughput.

In all, McKay Timber spent some \$7.5 million dollars on equipment upgrades with the Commonwealth providing around 25% (\$1.8M) of these funds through the Tasmanian Community Forest Agreement Grants.

The resource access we have acquired over the years is now again under threat and if this resource is reduced or taken away, it would decimate McKay Timber and put 115 employees out of work in a relatively short period and make the whole redevelopment programme a sheer waste of time and money both by McKay Timber and the Commonwealth Government.

We could not switch to plantation resource as there is no sawlog available in these plantations and as *Eucalyptus Nitens* has to date proven unsuitable for appearance grade products, it would take a minimum of 30 years to establish and grow a more suitable plantation species.

It has been suggested that our markets have changed and we need to change as well but this is not the case for sawn timber products. Our products are in constant demand and many of our customers are deeply concerned over what is happening in our forests and what they are going to do for timber supplies to keep their businesses functioning should the native sawlog resource be locked away. These concerns are regularly voiced by furniture manufacturers, cabinet makers, builders and joiners

Concerns are also raised quite regularly from businesses who rely on the forest industries for a big part of their existence. This is broad ranging from businesses supplying tyres, fuel, engineering products and take-away food to name a few that rely on the regular income this industry provides.

Eighty one percent of old growth forest is in reserves and almost 50% of Tasmania's land mass is in reserves.

Tasmania can ill afford to do away with any industry or business and the Forest and Sawmilling Industry is a very significant contributor to Tasmania's economy and employment.

Tony Jaeger