



The time to end native forest logging in NSW is now

Transition support for the NSW native forest sector

With the Victorian government announcing an end to native forest logging by 1 January 2024, we revisit a recent report prepared for WWF–Australia (World Wide Fund for Nature Australia) in August last year. In it, Rachel Lowry, Acting CEO, WWF–Australia explains, “This report was not commissioned to ignite or exacerbate ‘forestry wars’. Instead, it is designed to inform and motivate critical solution-focussed discussions, ideally led by the NSW Government.”

The New South Wales (NSW) native forest sector has been contracting over a long period as publicly provided wood supply has fallen to more sustainable levels. The 2019–20 Black Summer fires compounded this trend, significantly reducing sustainable wood supplies, particularly in the South Coast and Tumut regions. This shock to the sector, economy and regional communities – combined with an increased recognition of the significantly higher value that standing native forests offer in comparison to logging– provides an opportunity to reconsider the best use of NSW’s native forest resource. Other states including Victoria and Western Australia facing similar issues have made the decision to end the native forest logging.

In this context, Frontier Economics was engaged by WWF–Australia to consider options for the design of appropriate structural adjustment arrangements that would accompany a decision to end public native forest logging in NSW. Our Report, *Transition support for the NSW native forest sector*, outlines a design and cost estimate of such structural adjustment supports.



The financial return and economic contribution of public native forestry is small

Our Report found that Forestry Corporation of NSW's (FCNSW's) native forest logging business appears to offer poor financial returns to NSW taxpayers, with some parts of the hardwood business unlikely to be covering costs. The Independent Pricing and Regulatory Tribunal of NSW (IPART) has also reported on the loss-making activities of FCNSW's hardwood division.

There is also clear evidence that that value of the native forest would be higher as a standing resource.

The volume of wood supplied by FCNSW's native forest business has been falling, and is unlikely to return to historic levels of production given the current state of the native forest after the Black Summer fires and the increasing impacts of climate change.

Employment and economic contribution have also fallen to modest levels, even when both hardwood and softwood, and private and public industry in NSW is accounted for. Direct employment associated with FCNSW's hardwood business is in the order of 1,070 across the State – including those employed by FCNSW, harvest/haulage contractors and mills.

Designing a comprehensive structural adjustment support package

A comprehensive structural adjustment package should accompany the decision to cease the remaining native forest logging activity by FCNSW. This package would support impacted employees, firms and communities during the transition.

Across jurisdictions, there is a broad consistency in the design of public native forest logging structural adjustment packages, including:

- Support for workers through redundancy top-up payments and resources for retraining,
- Support for harvest/haulage contractors and mills through capital redundancy payments,

- Wood supply contract buy-backs, and
- Longer term funding to diversify local regional economies.

Structural adjustment packages are also often complimented with longer term support for increased investment in plantation resources.

Alongside a package of structural adjustment support, our Report finds there are likely to be alternative employment opportunities for displaced workers from the public native forestry sector, particularly in management of protected forest areas, recreation and tourism, plantation-based forestry work, fire and invasive species management and the management of carbon and biodiversity credits.

The estimated cost of structural adjustment support

The estimated cost of the government-funded structural adjustment is \$302 million in total. This includes:

- Up front structural adjustment funding of \$244 million. This covers payments to support worker redundancies and retraining, capital redundancies and Wood Supply Agreement (WSA) buy-backs, and
- Structural adjustment funding for regional economic diversification of \$58 million, spent over a 10-year period.

Our Report developed these estimates along similar lines to those adopted in other jurisdictions. It is assumed the adjustment package would be implemented from 2028- 29 once the majority of the current WSAs with processors have expired.

The cost of the structural adjustment package is likely to be readily outweighed by a range of positive budgetary impacts including:

- Avoided ongoing structural adjustment and bushfire support to the hardwood sector,
- Avoided equity injections to FCNSW, and



- The likelihood of increased dividends from FCNSW over time by avoiding the loss-making activities of the hardwood division.

FCNSW and plantation investment

Complementing a structural adjustment support package, the NSW Government may invest in increased plantation resources. The Victorian and West Australian governments have announced funding for plantations of \$110 million and \$350 million, respectively.

Alternatively, FCNSW may consider the investment opportunity to expand its hardwood plantation estate in the expectation of a long-term financial return.

The forestry sector would sensibly lead any plantation expansion in NSW based on its understanding of the best locations, appropriate size of expansion, plantation species and market needs.

[View the full report commissioned by WWF-Australia here.](#)

Contact Us

Frontier Economics has been providing independent advice to businesses, regulators and governments for over 20 years. From offices in Australia and Singapore, our team has a diverse range of skills and experiences to support the needs of our clients. And includes specialist econometricians and modellers.

Graham Phelan leads Frontier Economics' Environmental, Social, Governance (ESG) practice. He has experience working across governments, regulators, and public financing authorities.

Deirdre Rose is a founding member of Frontier Economics, with extensive experience in policy making, economic regulation and market design across a range of sectors including energy, water and natural resources.

To speak with one of our economists, please contact:



Graham Phelan

Economist

T: +61 3 9620 4488

E: graham.phelan@frontier-economics.com.au



Deirdre Rose

Economist

T: +61 3 9620 4488

E: deirdre.rose@frontier-economics.com.au

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