

Attachment D

**T Digwood Briefing Notes for Meeting with Treasurer Eric Roozendaal 2009:
SUMMARY**

- 1) Forests NSW is making a loss on the operations of its Southern Regional Office - 06/07 about \$3.3 mn after allowing for \$2.2 million of head office costs attributable to the SRO.
- 2) Sawlogs subsidise the supply of pulplogs:
The price of pulplogs is at 1989 levels in money terms - average price \$11.86/tonne in 07/08
The price of sawlogs has gone up 120% since 1989 - \$57/cu m in 07/08
- 3) Since woodchipping began in 1969 the State is likely not to have made a profit. The chipmill has made \$318 million before tax, \$194 mn after tax.
- 4) Over the life of the 2 RFA's Forests NSW will support the chipmill by about \$142 million in the form of low royalties. From 99/00-07/08 about \$42 million. Comparison used: inflation indexed rates Vs actual rates.
- 5) The chipmill cannot pay inflation indexed rates for pulplogs - which would be \$29.84/t in 08. The chipmill's breakeven point is about \$23-\$25/tonne.
- 6) FNSW has become trapped by the chipmill in a high cost low price situation - as much of its focus is about supplying the chipmill with pulplogs.