Northern Territory and Ord Valley Forestry Hub Strategic action plan May 2023

GREENWOOD STRATEGY

Contents

Disclaimer

The Northern Territory & Ord Valley Forestry Hub (“the Hub”) engaged Greenwood Strategy Solutions Pty Ltd (“Greenwood Strategy") to prepare this report.

This report has been prepared by Greenwood Strategy in good faith under the terms of the engagement which includes Greenwood Strategy’s response to the request for proposals. It is based on information provided by the Hub, from a range of publicly available information sources and material, from consultation with stakeholders and from the existing knowledge of Greenwood Strategy. Where possible or relevant, the source of data has been quoted in this report.

Greenwood Strategy does not make any representation or warranty that the information in the report is accurate, complete or up to date. The information upon which this report is based, or draws from for its conclusions, contains various assumptions about prevailing circumstances, market conditions and policies, and if those circumstances, market conditions or policies change, the conclusions and opinions expressed in the report may change.

The report contains assertions and key findings which will be influenced by many factors which are unable to be predicted. Nothing in the report is, or should be relied upon as, a promise by Greenwood Strategy as to future investment outcomes, economic outcomes, prices or costs. Actual results and details may be different from the information presented in this report, as future events may not occur as expected and the variation may be significant.

This report is provided solely for the use of the Hub and for its purposes. The contents of the report are selective, and the report does not purport to be conclusive.

Nothing in this report constitutes legal, financial, investment, accounting, tax or other advice.

Except for the agreed purpose, neither this report, nor any part of it, may be published in any way without Greenwood Strategy’s written consent.

To the extent permitted by law, Greenwood Strategy disclaims any responsibility or liability whatsoever (in negligence, contract or otherwise) in respect of any errors, misstatements or omissions in this report and in respect of any claims which may arise out of any reliance on the contents of it or its use for any purpose.

ABN 56 635 341 721

INTRODUCTION

GREENWOOD
STRATEGY

Background

About the Hub

The Northern Territory & Ord Valley Forestry Hub (the Hub) was established in August 2021 This report was commissioned by the Hub with funding from the Australian Government, Department of Agriculture, Fisheries and Forestry. It is one of eleven regional forestry hubs located in key regions in Australia. The Hub's mission is to work with key stakeholders to undertake strategic planning, technical assessments, and analysis which will support improved productivity, investment and expansion in the regional forest industry and inform the Commonwealth's future investment and strategic policy decisions for the forest and wood products sector in the region.

Priority focus areas

At its inception, the Hub identified five strategic focus areas as priorities for its work:

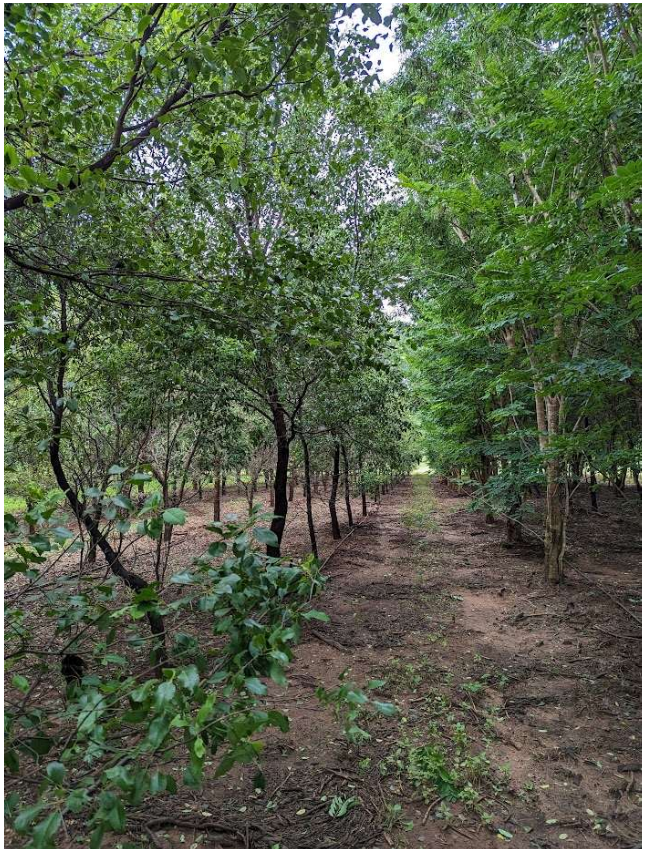
1. **Infrastructure and supply chain analysis**: Focused on the whole of supply chain (production, logistics, processing, etc), with the aim of delivering a productive, cost efficient, world competitive industry which is attractive to further investment and expansion.
2. **Indigenous forestry project development**: Focused on resource appraisal, land tenure and accessibility assessment, and Indigenous engagement with the aim of supporting the development of successful Indigenous-led businesses.
3. **Manufacturing and value-adding**: Focused on biochar, energy generation and saleable end products (furniture, cut timber, etc) with the aim of extracting ultimate value from whole of grown product and retaining benefits in local region.
4. **Attract, train and retain – workforce development**: Focused on next generation, Indigenous communities and upskilling with the aim of establishing and retaining a vibrant inclusive, well-resourced workforce for industry.
5. **Carbon and biodiversity opportunities**: Focused on carbon and biodiversity methodologies and policy development with the specific aim of facilitating full and fair participation in programs by the region's industry.

Regional industry overview

Industry description

The forest and wood products sector in the Hub region is relatively small and underdeveloped compared to other key forestry regions in Australia. However, it is an important sector in the regional context. It incorporates:

- 18.7 million hectares of Indigenous owned or managed native forest in the Northern Territory
- 46,000 hectares (net) of plantation (Acacia mangium, *Eucalyptus pellita*, *Khaya senegalensis* and *Santalum* spp.) in mainland Northern Territory and Western Australia, and on Melville Island.
- Dedicated woodchip export facility on Melville Island.
- Sandalwood pre-processing in Western Australia.
- Native forest timber harvesting, sawmilling and manufacture in East Arnhem.
- Specialist high-end furniture manufacture in Milingimbi.
- 200 full time employees.
- Annual industry value of $115 million.



Industry structure

The industry in the region comprises four discrete sub-sectors with no overlap in species, forest management approach or markets.

African mahogany (*Khaya senegalensis*): grown in the Douglas Daly region to produce high-value sawn timber. African Mahogany Australia manages approximately 14,000 ha of dryland plantations.

Black wattle (*Acacia mangium*): The Melville Island plantation estate is a significant resource established mostly during the 1990s (although there is a long history of plantation trials there) and grown specifically for the export woodchip market.

Sandalwood, (various *Santalum* spp): There is a significant area of plantations across the region, centred on Kununurra and the Douglas Daly region.

Native forestry: There is a small but important native forest harvesting and timber manufacturing operation being run in East Arnhem by Gumatj Corporation.

PROJECT OVERVIEW

Purpose and outcomes

Rationale

The Hub has recognised the need to create an action plan which will guide the development and implementation of projects to deliver against its identified priorities. To help inform the development of an action plan, the consulting team has undertaken interviews with the Hub committee members and has also engaged with other service providers (Industry Edge and Kimberley Cultural Connections), other Hubs and the Department of Agriculture, Fisheries and Forestry (DAFF).

Aim

The aim of the project is to:

- Confirm the strategic priorities for the Hub.
- Identify streams of project work which can deliver against those priorities, including a rationale for the projects.
- Agree interdependencies and timing for project work.
- Develop a project schedule (action plan).
- Develop a preliminary scope for the identified projects.

Outcomes

The primary project outcome~~s~~ is the development of an actionable program of project work that will underpin the Hub's efforts in addressing its objectives over the next two to three years, as outlined in this report.

METHODOLOGY AND PROCESS

Pre-planning

The consulting team interviewed each of the Hub committee members and consulted the Department of Agriculture, Fisheries and Forestry (DAFF), other service providers to the Hub and several other Hubs. The interviews addressed four topics:

- Whether the current priorities are correct and how they should be ranked.
- Whether there are any views about potential projects to include in the action plan.
- What factors about the Hub will drive success.
- What are the impediments to success.

The outcomes of the interviews were consolidated and analysed to establish a view about topics and themes of alignment as well as priorities, in order to develop a preliminary perspective on potential focus areas.

Based on these interviews, the consulting team developed a pre-planning discussion paper which was circulated to all Committee members prior to a facilitated workshop. The pre-planning report identified these issues, provided an industry overview and addressed key challenges and opportunities for the Hub to focus on in developing action priorities.

Planning session

A planning session was held with Hub Committee members on 27 February 2023. The purpose of the planning session was to distil the findings from the pre-planning process and develop a shared view of:

- Refinements to the strategic focus areas.
- Priority focus areas for projects.
- Specific projects and actions.

STRATEGIC REVIEW

GREENWOOD
STRATEGY

Barriers and opportunities

Based on stakeholder consultation

Factors underpinning success

Diversity of representation

The Hub has brought together a broad range of stakeholders with a wide variety of interests, including related sectors (specifically farming and Indigenous land management), as well as representatives from the four different forestry sub-sectors. This is likely to be a fundamental driver of success.

Networking

Building networks of interest across the broader economy and Government in the region is seen as a positive factor for future success, particularly in raising awareness of the Hub and the forest and wood products sector more broadly. There has also been good engagement with the other regional forestry hubs, which will enable lessons to be learned which is important for a small and geographically isolated industry. There is a view that forestry and wood products manufacturing is increasingly a part of the broader economic agenda.

Commitment of members

It was noted by some committee members that there had recently been a notable shift in engagement by Committee members. In particular, the move to actively develop the strategy and action plan is perceived to be galvanising for the Committee, as it will provide a sound basis for implementation and deliver a sense of achievement.

Potential impediments to success

Lack of direction and progress

Committee members desire a clear direction about what the Hub is trying to achieve and how it is going to get there, with documented plans, milestones and deliverables. This has not yet been achieved and without it the Hub will struggle to make progress.

Committee and meeting structure and governance

There is a need for clear agendas, papers and items requiring decisions prepared well in advance of meetings. It is imperative that good information is provided well in advance to enable informed discussion and decision-making to be made.

Broader industry awareness

Improving broader industry, political, bureaucratic and community awareness and understanding of the forest and wood products sector is considered a critical function for the Hub.

Industry structure and Hub function

The four different forest management activities in the region are currently undertaken by four specific businesses. There is a concern that the rules around Hub function (specifically the requirement that Hubs do not provide specific individual business advice and support) means that it will be challenging to develop projects and action plans that can deliver anything more than generic outcomes.

External factors

There are external factors which are perceived as potential impediments to success, including the practicalities and expense of transport logistics, processing capability, access to land (and investment attractiveness) and access to markets (port costs) in northern Australia.

Review of strategic priorities

Context

The Committee continues to be broadly supportive of the original five focus areas. However, there is a view that the priorities need to be adjusted to reflect new knowledge, work undertaken to date and emerging opportunities. Work completed and currently underway includes:

1. Infrastructure and supply chain analysis
2. Indigenous engagement
3. Workforce needs assessment

There is recognition that a suite of potential projects cannot be progressed until the Indigenous engagement project is completed. There are, however, a number of potential projects that can be progressed in the meantime.

One major change identified was the need to enhance the profile of the industry across the board, including with Government, other sectors, the education system, markets and potential workers. The other is refocusing on expanding the region's forest and wood products sector.

Updated priorities

Based on these considerations, it is proposed to refine the strategic priorities as presented below:

Strategy 1: Indigenous forestry project development: priority remains, to be informed by the Indigenous engagement project.

Strategy 2: Infrastructure and supply chain security: building on work undertaken so far, focus on specific issues to ensure secure supply chains.

Strategy 3: Manufacturing, value-adding and markets: priority expanded to include markets

Strategy 4: Expanding the forest and wood products sector: incorporates the existing focus on carbon and biodiversity, as well as plantation expansion opportunities.

Strategy 5: Enhancing the industry profile: expands on the existing "Grow, Train, Retain" priority to include broader focus for building the industry profile.

These priority focus areas are explored in more detail in the following pages.

Indigenous forestry project development

Context

A unique characteristic of northern Australia is the very high proportion of land which is under Traditional Ownership. In many instances, Traditional Owner control of land is quite recent and there is concern among Indigenous communities that by accepting potential developments on their land, they are at risk of losing control of resources and not being appropriately rewarded in terms of revenue, business development opportunities and partnership.

Nevertheless, there are two strong examples of Indigenous owned forestry enterprises – plantations on Melville Island and native forest management and timber processing in East Arnhem. These two examples provide some guidance about how forestry projects could be developed on Country.

A critical consideration is the need to acknowledge and maintain Traditional forest management practices to meet the range of material, spiritual and cultural needs of Indigenous communities.

The challenge is how to work with Traditional Owner groups, industry and investors to implement appropriate development mechanisms and approaches.

Focus

The Hub has engaged Kimberley Cultural Connections to develop an Indigenous Engagement Strategy on its behalf. That work is currently underway and when completed will form the basis on which the Hub can identify and progress specific projects with Traditional Owner groups across the region.

Initially it appears there are several potential opportunities which it may be possible to pursue with Indigenous communities. These include, for example:

1. Former mining sites: rehabilitation to native ecosystems, or establishment of commercial plantation species.
2. Carbon and ecosystems services projects.
3. Expansion of the Gumatj Corporation model for native forest management and timber production.

To progress these projects requires developing a clearer understanding of the requirements and concerns of specific communities, better understanding the extent of the opportunity (e.g. through resource assessment) and developing communications models and tools to assist communities with understanding forestry.

Infrastructure and Supply Chain Security

Context

The Hub region has significant supply chain and infrastructure challenges. There are a number of contributing factors. Some of these are generic to all industries, for example environmental factors which impact transport infrastructure and low population density which limits digital infrastructure. Others are industry specific, for example the absence of industry scale.

The Hub engaged Industry Edge to develop a Supply Chain and Infrastructure analysis. The draft report for this project has identified some major infrastructure and supply chain needs, with a focus on:

- Road infrastructure.
- Digital infrastructure.
- Access to reliable energy.
- Workforce accommodation.
- Training and needs development.
- Wood processing capability.
- Back freight options.
- Local timber demand.

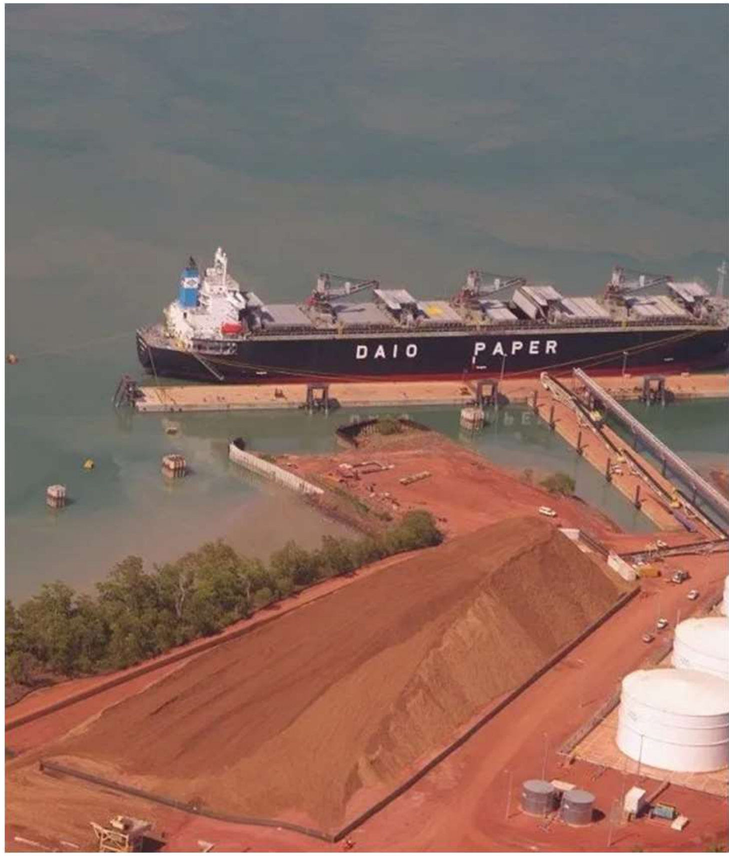
Focus

During the planning process the Hub identified road and telecommunications infrastructure as critical focus areas. These two issues are important with respect to both supply chain function and safety. There are also important links between this strategic priority and the Manufacturing, Value-adding and Markets priority, particularly with respect to wood processing capability and infrastructure requirements.

In relation to road infrastructure, within the region there is a need to improve all weather access capable of providing year-round transport of harvesting machinery, log products and forest industry workers. There is also a need to understand the road infrastructure and supply chain requirements that will best facilitate export of log and processed products to other regions in Australia.

For telecommunications infrastructure, there is a need to identify and implement communications solutions, particularly as harvest levels are set to ramp up over the next five years.

Energy infrastructure and availability is both a challenge and an opportunity.



Manufacturing, Value-adding and Markets

Context

Currently there is very little wood processing capacity or capability in the region. Woodchips are produced and exported from Melville Island, Gumatj Corporation processes a small (though important) volume of sawn timber for local use in East Arnhem and Quintis pre-processes sandalwood for transport from the Ord Valley to Albany for further refinement.

Direct market access for timber products to either domestic or export markets is significantly challenged by distance, freight cost and lack of scale to generate market interest, particularly for round wood.

Manufacturing and value-adding is one potential solution to market access, if it can be developed. There is also potential to explore opportunities in relation to the local (particularly Darwin) market, as all construction timber is currently imported to the region.

However, there is currently only limited knowledge about potential markets and what they require or demand. Addressing this priority may also result in creating more skilled employment opportunities.

Focus

The immediate focus needs to be towards the market. That entails consideration of:

- What are the markets and where are they?
- How do markets vary for unprocessed (log), processed (sawn and pre-processed wood) and manufactured products?
- What would be required to increase processing and manufacturing in the region?
- What is the current domestic and international demand for key products both domestically and internationally?
- What solutions are available to increase freight efficiency and reduce costs?
- What are the current and potential barriers to market entry?

Addressing these issues is a pressing priority for the Hub, the industry and the Territory Government. If commercially viable access to markets cannot be achieved, it will be difficult for the industry to maintain and enhance its scale in the region.

Expanding the Forest and Wood Products Sector

Context

The forestry sector is an important land use in the region but it lacks scale when compared to other key forestry regions and there are considerable barriers to its expansion.

The first challenge that the sector must address is how to ensure it maintains its current scale. In this sense, the Manufacturing, Value-adding and Markets strategic priority is important because if the market access challenge can be solved, it will provide significant rationale for maintaining the current estate.

The second challenge facing the sector is how to expand the scale of the industry. In the first instance, that relies on investment, the establishment of new plantations and extension of commercial native forest management models, particularly in East Arnhem.

There are potentially significant opportunities to explore the role of carbon and other ecosystem services both in support of active commercial forest management, and as primary management objectives in their own right. There may also be opportunities to undertake a more in-depth exploration of integration of commercial forestry with other land uses.

Focus

There is currently a limited understanding of barriers and opportunities for plantation expansion, in particular. That relates to:

- Biophysical constraints (such as soil, rainfall, temperature, accessibility and species suitability).
- Institutional constraints (such as land tenure and availability, and policy and regulatory limitations).

The initial focus for the Hub should be to develop a comprehensive picture of the opportunities for plantation expansion in the region, addressing commercial timber production, carbon and ecosystem services.

There is also a need to understand the opportunities on Indigenous owned and managed land and how those opportunities can be realised in a manner which ensures Traditional Owners maintain control of land management outcomes and benefit in terms of community and economic development. Addressing this focus area will depend on the outcomes of the Indigenous Engagement project.

Enhancing the Industry Profile

Context

While important inroads have been made with respect to improving the Hub's institutional relationships within the Northern Territory Government, the industry lacks profile with policy makers, the broader community, potential employees, the broader agricultural community, Traditional Owners and prospective investors.

Addressing the challenges of industry expansion, infrastructure, supply chains, processing and marketing requires a focus on enhancing the industry's profile both within the region and more broadly.

The forest industry offers many benefits to northern Australia, including the potential to attract new sources of investment as well as contributing to solving environmental and land management issues, both locally and at the national scale.

Over the past few years significant effort has been invested in the establishment of FIANT and the Hub. There is an important opportunity to leverage that investment to improve the industry's profile. The Hub also has a role in providing good quality data and information that can be applied in developing the Territory's emerging policy, legislative and regulatory framework for sustainable forestry.

Focus

The focus areas for enhancing the industry's profile relate to challenges that have already been identified. These include:

- Workforce attraction and development, with forestry and forest products manufacturing seen as a career of choice.
- Improving the general community's understanding and appreciation of the benefits of a viable and growing industry.
- Improving institutional (government) understanding of the broader economic, cultural, social and environmental benefits of forestry.
- Working with Traditional Owners to improve their understanding of the industry and how they can participate to generate positive community outcomes.
- Presenting the region as an attractive and viable destination for forestry investment.

ACTION PLAN

GREENWOOD STRATEGY

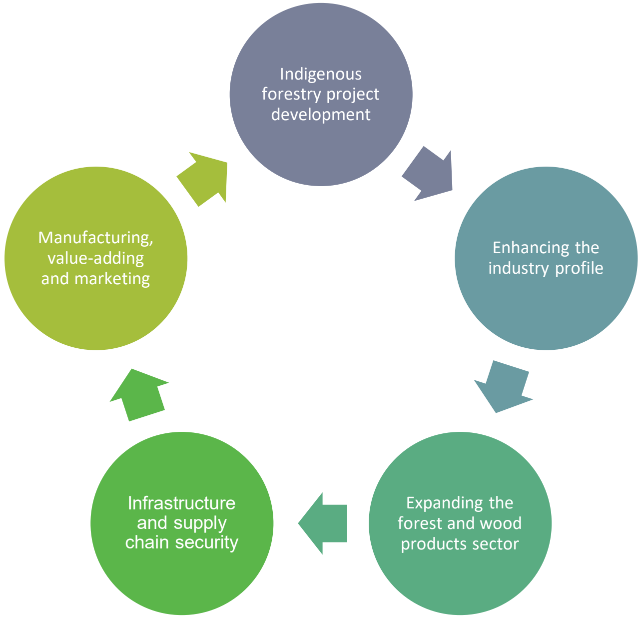
Overview

Project identification

A total of twelve projects have been proposed for the action plan. The projects span the five revised strategic priority themes. This section provides a description of each of the proposed projects, including the rationale, project requirements, linkages between strategic priorities and dependencies between projects. The action plan also includes preferred timing and an indicative budget range for each project.

The upper cost range for delivering the projects over the next two to three years is in the order of $1 million. That requires careful attention to timing and ranking of projects.

Several of the projects can be considered foundation studies, as they will underpin much of the later work to be undertaken by the Hub. It is also important to note that two of those foundation studies – the Indigenous Engagement Strategy and Infrastructure and Supply Chain Needs Analysis are currently underway or in draft form. Specifically, some of the proposed projects are dependent on completion of the Indigenous Engagement Strategy before they are confirmed.



Strategy 1: Indigenous forestry project development

Project title	Description and rationale	Linkages and dependencies	Timing (completion)	Budget (maximum)
1.1 Northern Territory native forest business opportunity assessment	The commercial native forest management and timber processing model undertaken by Gumatj Corporation provides a framework for similar enterprises to be developed by other Indigenous land-owners. However, there is currently a poor understanding of which communities might be interested, whether they have sufficient native forest resources, infrastructure and production capability, what specific enterprise structures might work for them and what specific cultural sensitivities need to be considered. This project would aim to undertake a native forest business opportunity assessment across the Northern Territory, with the aim of assisting other Traditional Owner groups to develop similar businesses.	Dependent on completion of Indigenous Engagement Strategy Links to Strategy 4: Expanding the forest and wood products sector	June 2025	$150,000
1.2 Assessment of land rehabilitation opportunities on Indigenous owned land	There are opportunities to facilitate land rehabilitation on former mining sites on Indigenous owned land in the region. It may be possible to consider rehabilitation to pre-mining condition, with a focus on ecosystem recovery and traditional land use. Alternatively, there may be opportunities to consider rehabilitation with commercial plantation species. Regardless of the rehabilitation objective, there is currently poor knowledge about what can be done and what species are most suitable. There is also a lack of infrastructure, skills and capability for collecting and storing seed, raising seedlings (nursery) and planting.	Dependent on completion of Indigenous Engagement Strategy Links to Strategy 4: Expanding the forest and wood products sector	June 2025	$150,000
1.3 Traditional Owner forestry communication	A recognised barrier to progressing Traditional Owner engagement with respect to forest management is low awareness and understanding of the elements of sustainable forest management and how opportunities can be identified and realised. This project would extend on the Indigenous Engagement Strategy and Strategy 5 to develop culturally appropriate communication tools, models and collateral.	Dependent on completion of Indigenous Engagement Strategy Links to Strategy 5: Enhancing the industry profile	June 2025	$150,000

Strategy 2: Infrastructure and supply chain security

Project title	Description and rationale	Linkages and dependencies	Timing (completion)	Budget (maximum)
2.1 Energy production and infrastructure feasibility study	There is enormous potential for the region's forest and wood products sector to generate energy from residues and woody waste. It is likely that the energy generated would be in excess of what the industry requires. With the appropriate infrastructure in place (i.e. poles and lines to connect to the grid), this energy could be utilised to underpin reliable energy supply for the broader community. There has been reluctance by the Territory Government to commit to investment in this infrastructure. The proposed project would consider how much energy can be produced in specific locations, how much the industry would need for its own use, how much could be made available for specific communities or for the Territory energy grid and what infrastructure investment is required to make that happen.	Links to Strategy 3: Manufacturing, value-adding and markets, and Strategy 4: Expanding the forest and wood products sector	June 2024	$100,000
2.2 Back freight analysis and tools	This is a relatively small project intended to equip the industry with quantitative analysis of back freight opportunities to facilitate commercial discussions with freight suppliers about improving transport efficiencies and cost.		December 2023	$25,000
2.3 Forest industry road needs analysis	The aim of this project is to develop a comprehensive inventory of existing public road infrastructure required by the industry, identification of additional road infrastructure requirements and assessment of maintenance and upgrade requirements.		December 2023	$75,000
2.4 Forest industry digital infrastructure needs analysis	Limited access to quality digital infrastructure is a major challenge for the industry in the Hub region, for both safety and efficiency purposes. This project is aimed at undertaking a gap analysis of existing infrastructure against identified industry needs, reviewing and assessing potential solutions and developing a recommended path to resolving the challenge.		June 2024	$75,000

Strategy 3: Manufacturing, value-adding and markets

Project title	Description and rationale	Linkages and dependencies	Timing (completion)	Budget (maximum)
3.1 Demand study: market barriers and opportunities for the Northern Territory and Ord Valley forest industry	This important project will consider the demand outlook for the industry in the Hub region. It will look at and assess the outlook, barriers and opportunities for the local, domestic and export market for unprocessed and processed wood products as well as manufactured products. A key component of the study should be to determine the relative value to the industry and the economy of processed versus unprocessed forest products.	Strategy 4: Expanding the Forest and Wood Products Sector	March 2024	$80,000
3.2 Douglas –Daly manufacturing hub feasibility study	There is currently limited timber processing capacity in the region. As harvesting commences across the African mahogany and Indian sandalwood estate in the Northern Territory, there is potential to establish an industry manufacturing hub in the Douglas-Daly. This project is aimed at assessing the potential manufacturing scenarios for the sector (from pre-processing to advanced manufacturing), what would be required to develop a manufacturing hub and determining its feasibility under the range of scenarios.	Dependent on the Demand Study. Strategy 2: Infrastructure and Supply Chain Security and Strategy 4: Expanding the Forest and Wood Products Sector	December 2024	$100,000

Strategy 4: Expanding the forest and wood products sector

Project title	Description and rationale	Linkages and dependencies	Timing (completion)	Budget (maximum)
4.1 Plantation capability and development analysis	This is a foundation project with two key elements: 1. Quantitative and spatial analysis of plantation capability, suitability and feasibility. It would look at the opportunities across a suite of target species (including long rotation pine), considering issues such as land availability (including tenure and policy constraints), plantation financial analysis and biophysical factors (e.g. soil and climate). It would look at timber only, carbon only and timber and carbon. 2. A qualitative review of the policy, land use and economic barriers and opportunities for plantation expansion in the region. ***Note: it would be possible to break this into two projects.***	Links to all strategies	June 2024	$250,000
4.2 Opportunities and barriers for the development of multiple use native forest management in the Northern Territory	This study would expand on the native forest resource assessment under Strategy 1: Indigenous Forestry Project Development. It will look at the specific opportunities and barriers for developing and expanding multiple use native forest management.	Dependent on Indigenous Engagement Strategy Dependent on the native forest resource assessment project	June 2026	$75,000

Strategy 5: Enhancing the industry profile

Project title	Description and rationale	Linkages and dependencies	Timing (completion)	Budget (maximum)
5.1 Forest industry communications strategy and materials	This project comprises two stages: 1. Development of an overarching industry communications strategy which clearly identifies and articulates specific communications requirements, target audiences and methods. Indicatively, the focus audiences will include: a. The general community b. Policy makers c. The education sector d. Potential employees e. Potential industry investors and markets f. Traditional Owners. g. The agricultural and farming community. Stage 1 will aim to confirm the suite of target audiences, clarify the messages which are to be communicated, identify the most effective communications methods and tools to reach those audiences and recommend priority focus areas. 2. Stage 2 will involve the development of communications materials and tools required to implement the strategy. ***Note: It would be possible to separate this in to two or more projects and it may make sense to focus on Stage 1 first.***	Links with all other strategies	June 2024	$200,000

GREENWOOD STRATEGY