



**Timber Queensland Limited**

**Cypress Industry Preliminary  
Socio-Economic Survey**

March 2006  
This report contains 8 pages  
Survey Data Report - Final

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# 1 Introduction

Timber Queensland Limited (TQL) was formed out of the merger between the Queensland Timber Board and the Timber Research and Development Advisory Council in July 2003. TQL is the peak industry body and is funded by the forest and timber industries. A key role of TQL is to support and encourage the development and expansion of the forest industry to secure long-term business viability of its members.

The Queensland Cypress industry is predominantly based around state-owned production managed by DPI Forestry on 1.5 million hectares in south-west Queensland.

TQL is seeking to gain an understanding of the key social and economic features of the Cypress industry in Queensland to provide initial input into the Government's forest planning process over the next two years. To gather the pertinent data TQL developed a socio-economic survey that was distributed to a sample of industry participants. The survey is intended to provide a preliminary understanding of the key social and economic features of the industry only.

TQL has engaged KPMG to assist with the collation and analysis of survey responses. KPMG's role has been limited to receiving survey forms, following up participants to clarify some responses, development of models to analyse the financial data and preparation of this report to summarise the survey results. KPMG has not sought to validate the accuracy or completeness of survey responses, but has attempted to clarify responses if they appeared inconsistent.

The following sections provide an overview of the data gathered through the survey. The survey analysis is based on the sample of 21 mills that responded to TQL's socio-economic survey.

## 1.1 Disclaimer

This report is delivered subject to the agreed written terms of KPMG's engagement. It provides a summary of KPMG's findings during the course of the work undertaken for Timber Queensland Limited under the terms of the engagement letter dated 14 November 2005.

This report is provided solely for the benefit of the parties identified in the engagement letter/contract. KPMG accepts no responsibility to anyone other than the parties identified in the engagement letter for the information contained in this report.

This KPMG report was produced solely for the use and benefit of Timber Queensland Limited and cannot be relied on or distributed, in whole or in part, in any format by any other party. The report is dated February 2006 and KPMG accepts no liability for and has not undertaken work in respect of any event subsequent to that date which may affect the report.

Responsibility for the security of any electronic distribution of this report remains the responsibility of Timber Queensland Limited and KPMG accepts no liability if the report is or has been altered in any way by any person.

## **2 Survey outcomes**

The survey was distributed to 26 mills in Queensland. These mills were selected based on the expectation that they represented the majority of crown resource log usage in Queensland and the larger mills relying on private resource. Responses were received from 21 mills.

A copy of the survey form has been attached at Appendix A.

### **2.1 Log inputs by source and value of sales at mill door**

- The total 2004-05 log input across the respondent mills was in the order of 150,000m<sup>3</sup>, which is in line with the five-year average log input across these mills.
- In 2004-05, 85% of log inputs for respondents came from State owned forests with the remaining 15% contributed by private forests. In comparison, the five-year average log input from State forests was 88% versus 12% contributed by private forests.
- The total value of respondents' sales at mill door in 2004-05 was \$39m (approximately \$256 per m<sup>3</sup> of log input), of which 41% were contributed by green sales and 59% from value added sales. Residue sales account for less than 0.1% of total sales.
- The average annual log input from 2000-01 to 2003-04 across the entire Queensland Cypress industry has been reported to be 189,290m<sup>3</sup><sup>1</sup>. Of the total log input 149,345m<sup>3</sup> (79%) have been contributed by DPI Forestry native timber removals and the remaining 39,945m<sup>3</sup> (21%) by private milling timber removals. On average the survey respondents therefore represent in the order of 79% of the total Queensland Cypress industry.
- Based on a simple extrapolation of results, assuming that log inputs are a reasonable indicator of sales and the proportion of green and value added sales for the sample is indicative of the total Queensland industry, the total value of Queensland sales at mill door for 2004-05 would be in the order of \$49m.

### **2.2 Mill employment**

- The respondent mills employ a total of 372 employees and 113 contractors divided into:
  - 254 permanent full-time employees and 75 permanent full-time contractors,
  - 18 permanent part-time employees and 38 permanent part-time contractors, and
  - 100 casual employees working directly for the mills.

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<sup>1</sup> DPI Forestry Yearbooks (Annual Reports) 2001-02 to 2003-04. Similar statistics are not available for 2004-05 as DPI did not report on Queensland private timber removals in its annual report.

Table 1 below provides an overview of the Local Government Areas (LGA's) of residence of the employees and contractors working at the respondent mills. Further, the table highlights the number of respondent mills located within each LGA. It is apparent that the majority of mills source their employees from the immediate surrounding regions with the majority of employees residing in 23 towns in the rural/regional LGA's indicated in the table.

*Table 1 – LGA's of residence for employees and contractors of respondent mills*

LGA	Direct Employees	Contractors	No. of Towns of Residence in LGA	No of mills in LGA
Roma Town	44	20	1	2
Toowoomba City	92		1	1
Inglewood Shire	22	14	1	1
Warwick Shire	1		1	-
Chinchilla Shire	24	23	1	2
Dalby Town	3	3	1	-
Taroom Shire		1	1	-
Tambo Shire	14	2	1	1
Cooloola Shire		2	1	-
Balonne Shire		2	1	-
Bungil Shire	53	8	1	2
Murilla Shire	9	1	1	1
Waroo Shire	9	5	2	2
Millmerran Shire	46	13	2	4
Wambo Shire	5		2	1
Murweh Shire	11	5	1	1
Booringa Shire	31	12	2	2
Bendemere Shire	3	2	1	-
Waggamba Shire	5		1	1
<b>Total</b>	<b>372</b>	<b>113</b>	<b>23</b>	<b>21</b>

- As previously outlined the respondent mills represent approximately 79% of the total Queensland Cypress industry based on total log input. Based on a simple extrapolation of this assumption and assuming that the 79% of the market surveyed represents the remaining 21%, the Queensland Cypress industry employs in the order of 470 direct employees and 140 contractors.<sup>2,3</sup>

<sup>2</sup> The respondent mills generally represent larger mills that are likely to experience economies of scale. Therefore the extrapolation of employees of respondent mills is likely to represent an underestimation of the total industry employment.

<sup>3</sup> The extrapolation does not account for different types of employment (i.e. full-time, part-time of casual employment).

## **2.3 Main upstream and downstream linkages**

- The majority of respondent mills have stated that the main upstream linkages include DPI Forestry Logs, mill equipment providers and local suppliers for repairs and supplies such as engineering shops and hardware stores.
- Not many survey respondents provided information in relation to downstream linkages. Several respondent mills have stated that the main downstream linkages include transport companies and interstate/intrastate processors/manufacturers that rely on a mill's products.

## **2.4 Past and planned capital expenditure**

Limited information was provided by respondents in this area, particularly with regard to the cost of capital expenditure.

- Major capital expenditure over the past ten years across respondent mills is primarily related to plant and equipment. A large number of mills have reported the purchase of new machinery such as moulders, front end loaders, debarkers, forklifts or sawbenches. Some mills have expended capital (up to \$1m) to rebuild mills or undertake extensions to the current mill(s).
- Similarly, planned major capital expenditure (with resource security) is primarily related to equipment upgrades. One mill stated that it plans to expand its value-adding operations and to increase its staff numbers while two other mills are planning significant expenditure (\$1m+) for the reconstruction of mills or the addition/upgrade of facilities.

## **2.5 Proportion of sales to different market regions**

- As previously outlined, green product represented 41% of the total revenue generated by the respondents in 2004-05. Based on sales revenue at mill door, interstate markets were the largest geographical market for green product, accounting for 36% of total green product sales. 32% of green product revenue was generated from customers located in regional Queensland including Toowoomba, 17% from the South-East Queensland region, a further 14% was exported overseas and the remaining 1% was generated through the Central and North Queensland region.
- As highlighted earlier, value-added sales accounted for 59% of total sales of the respondent mills in 2004-05. Export markets accounted for 40% of total value-added sales revenue, a further 35% were sold interstate, 15% were sold into the South-East Queensland region, 9% to regional Queensland including Toowoomba and the remaining 1% of revenue was generated from Central and North Queensland.

# A Appendix A – Survey form

## CYPRESS SOCIO-ECONOMIC SURVEY

This survey is being undertaken to quickly capture an estimate of the industry's employment and economic contribution to Queensland's regional economy. It is expected that this information will be used by Timber Queensland, industry members and the community at large to demonstrate the importance of the cypress industry, in support of arguments for continuing to maintain access to the cypress forests. It is expected that a more comprehensive socio-economic study will be commissioned as part of the proposed Cypress SFP, due to commence in the next term of government.

**November 2005**

**1. Date**

date (dd/mmm/yyyy)		
		2005

**2. Company details**

Company name	
Contact name	
Contact phone number	
Mill location	
Mill first constructed	

**3. Log input by source (000m3)**

	Av for past 5 years	2004/05
Crown		
Private		
Total		

**4. Mill employment**

Please include only direct mill employees

	Number employees
Permanent full time employees	
Permanent part time employees	
Casual employees	
Total number of individual employees	

**5. Employee town of residence**

For all employees identified in previous question in what towns do they live?

	Town Name	Number living in the town
Town 1		
Town 2		
Town 3		
Town 4		
Town 5		

**6. Contractor employment (harvest and haulage)**

Please estimate number of employees associated with your operations

Full time employees	
Part time employees	
Total number of individual employees	
% of business associated with your operations	

**7. Contractor town of residence**

If possible, please detail the towns of residence for contractors and employees?

	Town Name	Number living in the town
Town 1		
Town 2		
Town 3		

**8. Sales**

Please provide an estimate of the value of sales at the mill door and proportion into each market

Value of sales at mill door (\$)	Markets (%)				
	Brisbane / S'shine & Gold Coast	Central & Nth Qld	Regional Qld incl T'woomba	Interstate	Export
Green					
Value added					
Residue					
<b>Total</b>					

**9. Capital expenditure - major upgrades/refurbishment**

What major investments (e.g. > \$100,000) have been made in the past 10 years, and what investments would be made with certainty about future resource (at current levels)?

Year	Description
Past 10 yrs	
Planned major upgrades with resource security	

**10. Upstream and downstream processor linkages**

Please identify any other businesses that are heavily reliant on your products or your purchase of their products

Major downstream linkages:  
i.e. other processors or manufacturers that  
rely on your products  
(incl. name, linkage and town)
