

## **TWENTY FIRST CENTURY FOREST INDUSTRIES IN VICTORIA**

**August 2007**

Twenty-first Century forest industries face a number of challenges and opportunities in Victoria.

These industries have been through a tough and challenging transition over the past 10 years. This includes the resource reductions implemented through Our Forests Our Future (OFOF) in 2002, the impact of the 2003 and 2006/07 forest fires, the introduction of a new auction system for the sale of timber in 2004 and ongoing consolidation of businesses in the context of very competitive globalising commodity markets. The impacts of these reductions in resource availability, lack of resource and tenure security and the recent forest fires continue to be keenly felt. VAFI believes that the forest industries and the State Government need to work together to address these and suggests they be addressed in the context of the following priorities and our Vision 2025, below.

### **Vision 2025**

**VAFI's Goal is to have robust and sustainable forest industries in Victoria.**

**This goal is supported by VAFI's desire for Victoria's forest industries to be recognised as the World's best managed and ecologically sustainable.**

### **VAFI's objectives**

**These are the essential elements for working towards our goal:**

- To work with the State Government & Others to develop policies supportive of robust and sustainable forest industries in Victoria, economically and socially viable, long term, based on innovative, design, technologies and processes.
- For Victoria's forest industries to be world's best managed, ecologically sustainable and recognised as such.
- To work with the Federal Government and Others to introduce polices to restrict imports of illegally and unsustainably harvested timber and redressing Australia's trade deficit.
- To have recognised, native hardwood timber, sustainably harvested, used and regrown, as one of the most environmentally friendly materials we can use. Trees store carbon as they grow and wood based products continue to store that carbon.

## 1. Resource Security, Critical Mass & Commercial Scale

Resource security is an ongoing issue for the native forest timber industry in particular. Resource reductions have occurred regularly over several decades, especially over the last five years. Most recently these have been as a consequence of:

- (i) reassessment of sustainable harvest levels with the implementation of OFOF in 2002;
- (ii) the 2003 and 2006/07 fires and salvage harvesting;
- (iii) VicForests' analysis of resource availability ahead of the implementation of the auction system 2004; and
- (iv) the Government's election policy to extend national parks in East Gippsland, November 2006

### 1.1 Industry Consolidation

The Victorian native forest timber industry is currently experiencing significant consolidation. There are a number of drivers but the lack of certainty especially around resource security remains key. Consolidation will deliver productivity and efficiency gains but there is a real risk that the current speed of consolidation will reduce competition and threaten the critical mass, undermining the Government's own policy agenda for sustainable forest industries and the auction system. This can be addressed substantially by improving the legislative support for increased security of tenure immediately.

### 1.2 Security of Tenure

The native forest sector in Victoria needs to have this security of tenure for up to 20 years to match that offered in other states, and to provide incentives for investment and participation in Victoria's highly competitive timber market. Without this, the Government's recent work in designing and implementing an open market auction system for the pricing and allocation of timber resources will be significantly undermined. **Legislated Commitment to no Further Reductions in the Timber Resource Availability from State Forests and increased security of tenure for up to 20 years.**

There is continuing and significant pressure from environmental campaigns aimed at further reducing the area of available forest if not annihilating all resource availability. This includes pressure on Melbourne's water catchments, rainforest buffers, bushfire management, fauna, habitat and other regulatory impacts. The government must commit to a no net timber resource loss in relation to the introduction of any further regulation and/or land use changes to ensure the viability of the timber industry.

### 1.3 Victorian Election Policy, 2006

There is also need for immediate implementation of all parts of the Government's pre-election policy 2006 for the extension of the national parks in East Gippsland, ie balancing protection and industry on the basis of the declared Labor Government Policy

which is as follows:

- This extension is the finalisation of reserves in East Gippsland
- No job losses
- Redirection of harvesting from Old Growth to actively managed thinned regrowth and other possible improvements to forest management.
- An increase of 10,000m<sup>3</sup>/year of small sawlogs by 2012 in East Gippsland
- The re-establishment of an Industry Transaction Taskforce (ITT) with some \$500,000 available over two years.
- \$1m to be made available for the establishment of a state-of-the-art small log processing plant
- \$250,000 over two years for a union liaison officer

#### **1.4 Statewide Sustainable Yield**

VAFI believes there needs to be a return to the maintenance of sustainable yield at the 2002 OFOF commitment of 567,000m<sup>3</sup> calculated on a state-wide basis. A more flexible approach to regional sustainable yield is needed following the fires given on-going industry rationalisation which means fewer, larger mills drawing from multiple Forest Management Areas (FMAs). At the same time, there needs to be an expanded use of thinning and timber stand improvement works and related forest management improvements.

Since OFOF in 2002, further losses in the West, the Otways and Portland (60,000m<sup>3</sup>), the Midlands (Wombat Forest) some 60,000m<sup>3</sup> following the 2003 fires. The recent National Parks extension is supposed to be worth no net loss. This is yet to be demonstrated. Further losses are expected post the 2006/2007 fires (60,000 – 100,000m<sup>3</sup>). This leaves less than 500,000m<sup>3</sup> as the base resource making the industry's scale/critical mass very vulnerable.

**A further loss of wood resource from the 2006/07 forest fires following on from the previous 2003 fires makes it imperative to maximise timber salvage and to go to state-wide sustainable yield as a matter of urgency and to develop ways and means of return to the OFOF base of 567,000m<sup>3</sup>.**

## **1.5 Plantations & Farm Forestry**

Plantation growers are also exposed to resource security issues, competition for land as well as poorly defined and inconsistently implemented policy regulation and planning frameworks. The result is that Victoria's timber industries, across all sectors, are operating at a competitive disadvantage to imported timber and other non-timber products. A thorough, long term strategy for plantation development is required.

## **1.6 Innovation and Improved Forestry Practices & Resource Availability**

Given the dramatic impacts of the 2003 and 2006/07 fires, there is an imperative to increase the area and volume of timber available to the industry. This requires investment and innovation. Investment in thinning, improved silviculture and harvesting practices will allow improvements in the quality and continuity of native forest timber supply. VAFI considers that the Government should take the opportunity to rethink the way that sustainable harvest levels are calculated, with a view to increasing the annual volume available to the industry and making sustainable yield state-wide. Support for investment in research and analysis of the best methods to achieve efficient and greater productivity and resource availability is required across government. This is crucial to ensure that the critical mass/scale of commercial forestry remains viable now and longer term. In turn, such investment, innovation and value must be encouraged along the whole of the supply chain by government policy frameworks, procurement procedures and other investment incentives.

## **2. Contribution of Forest Industries to a Sustainable Society**

Forest industries and their products are the unrecognised good news story for sustainable societies and the planet especially in the context of a carbon and water constrained future.

### **2.1 Climate Change, Carbon Offsets and Storage Along the Life Cycle**

In particular, forestry and the forest industries have critical roles to play because of the capacity for forests, timber and related products to store carbon and minimise greenhouse gas emissions in their growth, manufacture, use and even post service. Production forestry, its wood and paper products is perhaps the most carbon positive extractive and manufacturing industry on the planet. Research to place this in context is currently taking place, with life cycle analysis as the basic methodology.

Forest industries as a whole, along the supply chain, need to be recognised for their greenhouse positive life cycle contribution to saving the planet from global warming. This includes fair recognition of this in any emissions trading scheme, incentives for the production of bio-energy from native forestry residue and recognition of carbon stored in wood and paper products.

It should be recognised that forest industries, products and materials manufactured, provide greenhouse friendly life cycle unlike any other. It also means that perverse ecolabelling/certification and related indicators like 5 Star/Green Star and other eco-specifiers need to be corrected. Government procurement policies should ensure the utilisation of local, native hardwood as a sustainable, carbon positive material to be utilised in all their projects. This needs a whole of Government, coherent approach.

State Government commitment to the utilisation of its own sustainably harvested native timber in new design and construction projects, would have a significant and positive effect on the local market.

**In the search for renewable energy it is necessary to review the policy frameworks for the use of forest residues as a renewable heat and energy source. Currently this is not recognised under the VRET Scheme.**

## **2.2 Certification, Building Codes, Ecolabelling & Procurement Policies**

Victoria's native forests and plantations are now mostly certified to either the Australian Forestry Standard (AFS) or the Forest Stewardship Council (FSC). This is a major positive for the State's timber industries and the industry would like to work with the Government to establish and promote these certifications to all customers and all parts of the community, locally and globally.

## **2.3 Water & Equity**

Water issues are most often simplified or misrepresented in terms of production forestry. Government needs to ensure the best science and methods are used, that inaccurate public perceptions/positions are corrected. Work conducted in other States demonstrates that silvicultural regimes can be adopted which increase the water yield from sustainably managed, forested catchments. The Government must explore this as part of its commitment to Action 2.21 of the Water White Paper – Our Water our Future. Any analysis of competitive uses of resources, timber, land and water must be based on proper, thorough Life Cycle Analysis and the Triple Bottom Line. It is imperative that production forestry is treated equitably with other land uses in terms of water, its availability and costs.

## **2.4 Forest Health, Biodiversity and Forest Fires**

The role of active forest management in delivering effective fire management must be properly considered. It is clear that active forest management is an important and under-utilised tool for managing forest disturbance to ensure that the full range of age structures and habitat types are sustained. A whole range of ecosystem services need recognition here as do the reconfiguring of forest and fire management across all types of land management, public and private.

### **3. Whole of Government Leadership & Social Licence to Operate**

Forestry and the forest industries have a complex set of interfaces with Government and communities. VAFI understands the need to develop whole-of-Government solutions to forest industries issues. In particular, it is critical that Government is consistent across the various departments, agencies and portfolios. VAFI believes that the Government needs to take a long term, broad view of the future of forest industries to ensure it has the best policy settings in place.

VAFI believes that the Government should consider the outcomes from the introduction of OFOF in 2002 as the basis for setting the policy framework for Victorian forestry, ongoing, to reflect this integrated, consolidated view. Seminal to this is Government Leadership support and promotion for the industry as a whole, throughout its own departments as well as with the broader community, opinion leaders and other industries.

Key issues to address here include:

- 3.1** Effective engagement of the industry in the necessary development of an integrated, cross-sectoral timber industry strategy to provide the policy and resource settings and administrative arrangements for forestry and forest industries in Victoria.
- 3.2** Review of current administrative arrangements for the delivery of the existing policy settings in a streamlined, efficient, productive and sensible fashion.
- 3.3** Consistent whole of Government coherence, understanding and promotion of the industry as part of a carbon constrained twenty first century. This should be from forest management to the use of timber in all State Government construction projects.
- 3.4** Addressing areas of policy conflict and contradiction, particularly in relation to Green Star/Five Star and other Government endorsed procurement policies which preclude or discriminate unfairly against the use of products manufactured by Australian companies from sustainably harvested and native forests. Even AFS (PEFC) Certification is not recognised in some of these specifications and procurement policies.
- 3.5** A reaffirmed commitment to the future of Victoria's native forest timber industry by providing legislative and policy change to provide timber supply security for up to 20 years and legislated resource security overall.
- 3.6** The need to work with industry to further develop effective product stewardship for timber and timber products in Victoria from forest certification to chain of custody for the consumer.
- 3.7** The need to increase investment in diversity and value adding, marketing and promotion as well as recognition of the enhanced carbon storage value of all timber products.

- 3.8** The need for support and incentives to ensure capacity and availability of skills, expertise, management and leadership at all levels across the industry.
- 3.9** Leadership in community discussions/debate about the value/nature/ operations of sustainable forest industries in Victoria.

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**In order to achieve our goal and objectives, VAFI is committed to establishing:**

- Industry leadership with credibility & recognition around sustainable forest issues and change, especially economic and resource certainty for the industry
- A whole of supply chain presence with co-operation and innovation
- Community understanding & support by working with diverse organisations & voices
- Demonstrable credentials around the best forest management, including multiple values of production forests including ecosystems services, carbon, biodiversity, water, soil
- The case for sustainable native forest industries in Victoria

**Native Forestry, Plantations, Farm Forestry should be viewed as part of sustainable land use policy, planning and management incorporating all the dimensions of sustainability, economic, environment, social and cultural, governance. As well, forest industries should be recognised for their contribution to local communities, and infrastructure, from road routes to fighting fires and being mayors and school councillors.**