

Victorian
Government
Policy Statement
on Forests



Our **Forests** Our Future

Balancing Communities, Jobs and the Environment

A Government Statement by the
Premier of Victoria
The Hon Steve Bracks MP
and
Minister for Environment and Conservation
The Hon Sheryl Garbutt MP

February 2002



Saving Our Forests and Timber Communities

Our Forests, Our Future presents a significant opportunity for the Government, in partnership with the community, to ensure the long-term future of our forests and regional communities.

We know that the current level of logging in Victorian forests is unsustainable and that we are at risk of losing one of our most valuable resources.

We risk not only the survival of our forests, but the future prosperity of our towns and communities that rely upon them – unless we act now.

We recognise the many roles our forests play – in protecting biodiversity, as water catchments, as sources of timber and non-timber products, as the generator of employment in many small rural communities, in nature conservation, in recreation and eco-tourism and as carbon sinks.

If we do not act now we will stand condemned by future generations of Victorians on three fronts: for failing to protect our precious natural environment, for failing to secure the future of an important industry and for failing to provide the right conditions for new jobs and investment across the whole of Victoria.

Decisive action is required, and the Bracks Government is taking that action.

Unlike the Kennett Government in the 1990s, the Bracks Government will not authorise unsustainable levels of logging or wilfully ignore evidence of inaccurate and inadequate estimates of sustainable yields from our forests.

Last year, in response to the concerns of industry, workers and environment groups the Government established an Expert Data Reference Group. For the first time, Government commissioned an independent analysis of the data and methodologies which underpin current hardwood timber resource estimates.

This new independent analysis has confirmed community concerns that the sustainability of our forests is at risk.

The new figures reveal that if logging licences were renewed at current levels our reserves of suitable timber could be exhausted by as early as 2011 in some areas.

In response, the Government is taking swift action to save our hardwood timber industry and give it a long-term sustainable future. Sawlog harvesting in State forests will be cut by about a third (31%). The most dramatic change is in the Midlands, where the figures show a reduction of 80%.

Our Forests, Our Future will ensure our forests, the timber industry and their communities are protected for the long term.

New funding of up to \$80 million will be provided over the next four years to buy back licences, assist workers and affected communities, implement the recommendations of the Expert Data Reference Group, set up a new entity – VicForests – to manage

the industry on a sustainable and commercial footing, establish a Sustainable Timber Industry Council and improve the stewardship of our forests.

In addition, the Government will establish a Ministerial Task Force to coordinate a whole of Government approach to help generate jobs and minimise the impact of the restructure of the timber industry on regional communities.

The Government is making a substantial investment in forestry reform.

The Government believes the timber industry has great potential to create long-term jobs and valuable exports, but this future depends on the ability of our forests to regenerate. It also requires us to sweep aside archaic models of supply an allocation and inefficient Government practices in a strategic and transparent way.

The Government accepts its responsibility to show leadership so that economic growth and social development are environmentally sustainable.

Our forests belong to all Victorians. They are part of our children's inheritance. We must protect our forests, as part of our environmental heritage and as a sustainable and valuable resource.

Increases to the Reserve System – the Regional Forests Agreements

In March 2000, following extensive public consultation, the Bracks Government completed the two remaining Regional Forest Agreements (RFAs) – Gippsland and Western Victoria.

This was the culmination of an eight year nationwide process to ensure representative examples of the diverse types of forest across Victoria were protected in national parks and reserves.

These final Agreements saw the addition of over 450,000 hectares to conservation reserves, bringing to 900,000 hectares the total increase to the reserve system as a result of the RFA process in Victoria.

Around one-third of Victoria is public land. Of this, about half is State forest. More than two-thirds of Victoria's public forests are now protected in our National Parks and reserve system.

Following the RFA process, the Government established a range of industry reviews – the Licence Renewal Project, the Timber Pricing Review and the Examination of Log Harvesting and Haulage Arrangements – to provide more accurate information on which to base decisions.

In addition, Regional Forest Reference Groups in the Midlands, Otways and East Gippsland were established, securing for the first time community participation in sustainable forest management.

The *Our Forests, Our Future* package is the culmination of commitments made by the Bracks Government following the finalisation of the RFA process in March 2000.

Our Forests, Our Future focuses on changes to the timber licensing system, timber industry development and forest management. Essentially it is about the way we are going to ensure the sustainability of the forests that are *not* included in the reserve system and therefore available for commercial timber harvesting.

Victoria's Box Ironbark forests were not included in the RFA process but their future management has recently been the subject of an investigation by the Environment Conservation Council.

As there is no large-scale commercial timber harvesting in Box Ironbark forests, this package does not apply to these regions. The Government will be making a major statement in relation to the future management and protection of Box Ironbark forests in coming months.

A Sustainable Resource Base for the Future

Victoria's forest resource inventory has historically been under-resourced, inadequate and fragmented, but we have now made significant inroads into the process of upgrading and resourcing it.

The Government is committed to ensuring that our State forests are managed so that timber harvesting only occurs at or below the rate at which the forests are growing, in order to achieve a "sustainable yield".

Under the Forest Act 1958 the Government is required to review sustainable yield every five years for each Forest Management Area.

The last review conducted by the previous Government in 1996 failed to adjust the sustainable yield rates despite significant community concern that the logging volumes were too high. We now know that the review was not given sufficient priority by the previous Government, with measurements based on "guesstimates" from maps and aerial photography.

The functionality of the forest resource inventory reflected the general lack of resources and the culture of secrecy under the previous Government.

During consultations held by the Bracks Government on the development of the Gippsland and Western RFAs, the one thing that all stakeholders agreed on was that the previous Government's sustainable yield figures were highly questionable.

Faced with the expiry of long-term timber supply licences from June 2002 onwards, the Bracks Government commenced a review of sustainable yield in conjunction with industry.



The review involved a comprehensive, independent assessment of the Department of Natural Resources and Environment (NRE's) data and methodologies used to determine hardwood sawlog resource estimates. This independent assessment was undertaken by an Expert Data Reference Group, chaired by Professor Jerry Vanclay, Chair of Sustainable Forestry, from Southern Cross University.

We have, for the first time produced a definitive *estimate* of timber which is accessible and of a quality suited to the changing needs of industry. The newly-available data provides more sophisticated and reliable estimates of sustainable yield than in the past. Where available, the SFRI data has been used to make this assessment.

The Statewide Forest Resource Inventory (SFRI) had been started in 1994 and was intended to provide a comprehensive and consistent database for establishing sustainable yields for each Forest Management Area. In May 2000 the Bracks Government allocated \$3 million to fast track the SFRI – it will be completed in 2004.

Our new resource estimates, which will be progressively refined by the SFRI, require dramatic adjustments to forest management.

In some areas this will mean slight reductions and in other areas there will need to be dramatic reductions.

The differences between previous and new estimates are stark.

The previous Government effectively allowed over-logging in Victoria's native forests by increasing the number of trees which could be logged. Our new estimates suggest that sawlog supply levels must be reduced by around 31% across the state.

Reductions will be the most significant in East Gippsland, Central Gippsland and Midlands.

Elsewhere, the Bracks Government is committed to the long-term viability of the timber industry as part of its commitment to regional Victoria.

In order to bring the licensed volumes down to the revised estimates, the *Our Forests, Our Future* package will fund a Voluntary Licence Reduction Program – a scheme to buy back sawlog licences to reduce native timber harvesting.

This is a significant financial investment in the sustainability of our forests and the timber industry.

The Bracks Government will:

- continue to refine the current resource estimates and give high priority to completion of the SFRI.
- use the newly-available resource estimates to guide the setting of future timber supply levels
- fund a Voluntary Licence Reduction Program
- not take undue risks in setting new timber supply levels while data is being further refined and upgraded.
- establish a comprehensive system of annual monitoring and reporting on the extent of harvesting undertaken and its impacts on estimated sawlog reductions including sustainable yield rates in consultation with stakeholders.

A Sustainable Future for the Timber Industry

Victoria's forest industry has an annual turnover of around \$540 million, generating direct employment of over 4,000 people. Indirect employment is estimated at around 10,000 people.

In 1999, the Victorian timber industry contributed around \$1.8 billion to Victoria's total Gross State Product of \$160.5 billion.

As a result of the initiatives in the *Our Forests, Our Future* package, there is a viable future for Victoria's timber industry. Changes are already occurring. Significant sections of the hardwood industry have recognised the necessity for restructuring.

The future of the Victorian hardwood industry almost certainly lies in markets where hardwood timber products are highly valued, both domestically and overseas. This is an outcome of market changes and competition not dissimilar to those that have faced other Victorian industries.

The rapid rate of global economic change is providing challenges and opportunities for economic prosperity. The Victorian Government, as the monopoly supplier of hardwood sawlogs, will work in partnership with the timber industry to ensure it is sustainable and produces innovative, high value and quality products.

To ensure the settings are right for the long term future of the timber industry, we are going to reform the way Government manages its

commercial operations in native forests, create a new licensing and timber pricing system and establish a Sustainable Timber Industry Council to provide expert advice to Government on a range of industry development issues.

VicForests – a New Commercial Entity

One of the main inhibitors to the restructure of the industry has been Government itself. Government is both the monopoly supplier of native forest timber and the environmental regulator. As a result of the inevitable conflicts of these dual roles, the management and protection of Victoria's forests have suffered.

In accordance with our commitment to National Competition Policy principles, we are required to take into account ecological sustainable development, social welfare and equity considerations, economic and regional development and the efficient allocation of resources, in forming policy.

The National Competition Policy Review of the Forests Act 1958 pointed to the need to reinforce the separation between NRE's commercial roles and its policy, monitoring and regulatory roles in forest management.

In addition, the data and the range of independent reviews commissioned by the Bracks Government make it very clear that current management arrangements are not suited to delivering the Government's objectives for ecologically sustainable forest management. Substantial changes are required.

The creation of a separate commercial forest service entity, VicForests, will transparently disentangle the commercial objectives from the regulatory functions of Government.

The establishment of VicForests will also ensure that the Government's commercial forest operations are open and accountable and that the logging industry is managed more efficiently and competitively.

The Government will:

- establish VicForests as a separate, fully commercial entity to manage the commercial interface with industry, reporting through an independent Board.
- clearly separate forest policy, regulatory and commercial functions
- enhance competition and efficiency in the utilisation of forest produce
- identify and directly fund from the government budget community service obligations
- improve transparency in the allocation of rights and use of forest produce

We will investigate the feasibility of taking forest management out of Melbourne and into regional Victoria by locating VicForests in regional Victoria.



A New Licensing and Pricing System

Long term (15 years) timber licences were struck in the 1980s and 1990s with a view to providing a viable investment horizon for value adding and the establishment of new markets. While some will not expire until later this decade, many are due to expire this year and in 2003.

While sections of the industry are seeking new 15 year licences, it is vital that licensing strategies are consistent with the latest sustainable yield/resource data and reflect the amount of timber available.

The independent Expert Data Reference Group chaired by Professor Jerry Vanclay has provided unequivocal advice that based on the best information available at present, the Government is not well placed to make long term commitments to industry.

We will not risk over-committing resources or over-cutting of our forests again. Where activities are not sustainable, they will not continue.

While sustainable yield is now better estimated, the Government will need the flexibility to adjust supply commitments either upwards or downwards as further refinement of resource estimates occurs. This flexibility is essential to secure the long-term future of the timber industry.

We will therefore issue a combination of new short and long-term (up to 10 year) licences and logging volumes will be regulated by on going assessments of the health of our forests.

It is also clear that sawlog prices paid to Government have not been set on a transparently commercial basis. Recent independent advice to Government suggests that the most appropriate means of ensuring a fair return to the State for resources supplied to the industry is to establish market-based prices by selling timber competitively.

The Government will:

- fund an *Our Forests, Our Future* package of up to \$80 million, including assistance for affected workers and a voluntary licence reduction program.
- grant new short-term licences to companies whose licences expire in 2002 and 2003, while new allocation arrangements are established.
- in consultation with the industry and affected communities, develop regionally appropriate transitions to the new sustainable yields.
- in future, allocate timber on a mix of short term and long term supply arrangements
- in consultation with the timber industry, phase in market-based sawlog pricing and allocation.

Sustainable Timber Industry Council

Sustainable and effective management of our forests will be assisted by the industry itself. Issues best addressed by the industry include supply chain management, occupational health and safety, new products and markets, processing efficiencies, plantation establishment and management, certification and labelling and new environmental service opportunities such as carbon trading.

The industry should also assist Government with building an integrated picture of the future of Victoria's timber industries, covering both public and private forestry. The Government is also keen to ensure opportunities for industry and financial investment in private forestry in strategic locations across Victoria.

While over 95% of our hardwood sawlogs are sourced from public forests, private forestry will play a critical role in the future, providing a complementary and expanding resource for the industry.

The Government will:

- establish a new Sustainable Timber Industry Council as the peak body to provide advice on strategic issues affecting industry reform. The Council will consist of representatives from the key industry sectors, including both public and private forestry.
- support the Council in developing a long term plan for the wood products industry including native forests, and hardwood and softwood plantations and timber-based industries.

A New Emphasis for the Department of Natural Resources and Environment (NRE)

The Government is committed to ensuring NRE improves its management of the entire forest estate for a variety of uses. The Bracks Government will continue to foster a culture of openness, partnership and participation with the full range of forest interest groups.



The Government will:

- ensure that NRE focuses on the vital task of managing the entire forest estate. Priorities will include:
 - strengthening consultation as a routine element of NRE's normal means of operating.
 - providing communities, including indigenous groups, with the information they require to make informed inputs on forest management issues.
 - releasing Victoria's first State of the Forests Report, which will set the year 2002 as a benchmark for regular, five yearly reports.
 - establishing an expert, independent advisory panel to review harvesting rates annually and to advise the Minister whether they are consistent with sustainable yields.
 - improving forest resource information.
 - making the application of the Code of Forest Practices for Timber Production more transparent by, for example, introducing community audits on public land.

- developing an Environmental Management System for key activities in State forests.
- ensuring access and tourism infrastructure in State forests is well-maintained.
- strengthening enforcement controls over illegal and inappropriate activities and controlling plant and animal pests.
- developing options for community participation in forest management.

Industry Transition Taskforce

The Government will establish an Industry Transition Taskforce to advise the Government on implementing the significant reforms set out in *Our Forests, Our Future*.

This taskforce will report directly to the Minister for the Environment and Conservation, who will be responsible for managing the interface with industry until the establishment of VicForests.

This proposed taskforce will consist of representatives from the timber industry and the Government.

The taskforce will advise the Government on new licensing process, criteria for business exit and worker assistance packages and the restructure of the harvesting and haulage sector.

The Government is committed to restructuring the harvesting and haulage sector to ensure that contracting arrangements are fair and equitable and the sector adopts best practice workplace and environmental management systems.

Working with Regional Communities

The Government is fully committed to ensuring that those areas of regional Victoria that are affected by the reduction in the volume of native timber that is harvested are looked after.

In a number of regional centres and rural towns, particularly in eastern Victoria, the local economy is partly or largely dependent on timber industries. The Victorian hardwood industry has been adjusting to changing market and regulatory conditions over the past two decades.

The renegotiation of supply allocations will be carefully managed to mitigate, as far as possible, impacts on industry, employees and affected communities. The Government will assist the industry and all affected communities through the transition process.

While specific impacts will not become clear until revised resource allocation options have been settled and individual enterprises have signalled their intentions, no worker who currently works in the timber industry will be abandoned.

Key components of the Government's *Our Forests, Our Future* package is a fully funded workers assistance package and the Voluntary Licence Reduction program referred to above.

Towns endangered by over-logging will be helped through assistance to find replacement industries for displaced timber workers and funding committed to local infrastructure projects and business start-ups. This will be coordinated by a Ministerial Taskforce, chaired by the Minister for State and Regional Development.

The Government will:

- provide up to \$80 million that will help regional communities, the timber industry and workers adjust to the lower timber volumes. This will include:
 - a Voluntary Licence Reduction program to assist industry.
 - a comprehensive Workers Assistance program.

In addition, Government will:

- establish a Ministerial Taskforce, chaired by the Minister for State and Regional Development to assist and support affected regional communities to generate local jobs. Including programs for developing and growing small businesses, funding community infrastructure projects, supporting community events and developing community leadership skills.

A Better Future

Our Forests, Our Future makes a fundamental commitment to the sustainable allocation of forest resources.

This package will have significant implications for Victoria's timber industry. Better balancing the competing demands for use of our forests means that reduced volumes of timber will be available for harvesting. This will require more efficient use of the available timber resources, as well as expansion of the economic base of some regional communities to ensure new, sustainable employment opportunities. Working together, the Government, the timber industry and regional communities will be able to manage the transitions required.

The Government is determined to ensure that small and medium-sized timber enterprises in regional and rural communities are sustainable and make the most of the forest resource available.

We recognise that these businesses are key economic drivers in regional and rural Victoria and important sources of employment.

The Government believes that the care of our natural environment and assets in perpetuity is a fundamental responsibility of government.

Lifting our sights to a whole-of-forest approach will require significant adjustments within the timber industry.



Working with the Sustainable Timber Industry Council, the Government will support the timber industry in moving forward on a more sustainable basis. The industry will continue to rationalise and find its own efficiencies. New technologies will be applied along the whole supply chain to maximise value from available resources. The Government and the industry together will take a whole-of-industry approach, supporting value-adding opportunities in the hardwood industry.

The previous government chose to ignore advice about the need for change in the management of State forests. *Our Forests, Our Future* now gives a firm guarantee that there will be a sustainable future for our precious native forests. This will be the product of the Government's long-term vision, and its commitment to sustainability as the foundation for managing the multiple roles of our forests in maintaining our natural heritage, biodiversity, health, well-being and prosperity.



For Further Information

For more information about the management of Victoria's State Forests, please contact the Department of Natural Resources and Environment's Customer Service Centre on 136 186 or visit www.nre.vic.gov.au

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