

BRIEFING NOTE



November 2019

Victorian Government's announcement to close down the hardwood timber industry

Background

On Thursday 7 November 2019 Victorian Premier Daniel Andrews announced the Victorian Government will end native forestry harvesting in the state-owned forest by 2030.

Key elements of the announcement are:

- There will also be an immediate cessation of “old-growth” harvesting, which in any case was already being phased out by VicForests as part of its FSC bid, and accounted for very little of what VicForests currently harvested
- There will be a \$120 million industry support package to retrain workers, retool mills, and top up redundancies
- The Victorian Government will plant 50,000 hectares in new plantations in the Latrobe Valley to transition Australian Paper to full plantation resource from 2030. The Victorian Government allocated \$110 million for these plantations in the 2017-18 Budget
- Sawmills will be offered contracts based on existing volumes until 2024. Beyond that there will be significant year-on-year reductions in sawlog availability
- The immediate lock-up of 96,000 hectares of forest in East Gippsland as Greater Glider habitat

Analysis

The Victorian Government's decision to phase out native forestry for timber production from 2024 will have immediate impact in confidence and investment in the Victorian hardwood industry. Contractors, sawmills and associated businesses have no certainty, with serious doubts around how the Government will meet existing volume obligations to 2024 when it has announced the lock-up of significant production areas.

Premier Andrews has used a range of justifications for the decision, none of which stand up to scrutiny (these are refuted below). Furthermore, the assertion that the announcement provides certainty for workers and that will somehow facilitate a “transition” to plantation hardwood for the industry is completely baseless. Notwithstanding real doubt about the Government's capacity to plant 50,000 hectares of plantation eucalypts by 2030 with the

\$110 million allocated in the 2017-18 Budget (two years on, only 250 hectares have been planted), this type of plantation is only for “pulp wood” which will enable Australian Paper to phase out its native forestry resource. However, pulp logs are not suitable for timber products, and thus there is no transition for the thousands of workers employed by the hardwood timber sawmilling industry.

The announcement is already having repercussions outside of Victoria. Environment groups and Greens in Tasmania, NSW and WA have been emboldened by the announcement to press for an end to native forestry in their state, and we can expect those campaigns to intensify in the lead up to state elections.

Industry response

The Victorian and Australian forest industries have unanimously denounced the Victorian Government’s announcement to close down an environmentally sustainable, profitable industry with no justification and no consultation. AFPA, VAFI and AFCA have requested an urgent meeting with the Premier to brief the Government on the impact this decision will have on the livelihoods of tens of thousands of Victorians in regional communities. The industry plans to campaign against this announcement and make it an election issue at a state and federal level in 2022.

Overview of Victoria’s sustainable forest industries

The Victorian native timber industry is highly regulated and environmentally responsible, with only 3,000 hectares per year harvested and replanted, in an overall forest estate of nearly 8 million hectares. To put this in perspective, only 4 trees out of every 10,000 are harvested annually every year, and every tree is replaced as the areas are regenerated and regrown by law.

Furthermore, the most recent economic analysis by VicForests showed that the native timber sector generates approximately 2,500 direct jobs and thousands more indirect jobs. Native timber generated \$770 million in revenue, with \$297 million value added in regional communities. As the industry is the underpinning economic ‘keystone’ of many small communities, the loss of the workers will flow through to all the small businesses, schools, pharmacies and medical enterprises. The hollowing out of regional towns can be expected. Tourism is not a replacement.

While many of the direct jobs are located in rural and regional areas there are large numbers of downstream value adding jobs in other regional and outer urban centres and electorates. For example, a further 10,000 people are making furniture from timber.

Timber production forests are better managed to mitigate against bushfires

The vital role of the timber industry in managing bushfire risk and fighting fires is not well known or recognised.

In Victoria, of VicForests' 130 staff, 72 are trained in firefighting and firefighting support. VicForests staff undertake a broad range of fire roles including operational firefighting, incident management and support roles such as logistics and information, and plant and aircraft support.

Furthermore, forest contracting businesses engaged by VicForests also play a critical role in fire suppression by providing plant equipment such as bulldozers, excavators, skidders and harvesters at blazes to create fire breaks and remove dangerous trees. VicForests' contractors use a fleet of over 200 specialised machines, as well as operate transport that relocate this machinery around the forest. Without a timber industry this vital resource will be lost. Contractors also create many of the roads used to access areas and have reported that they are often the first to observe fire activity, report it and act to extinguish it before it becomes a greater threat.

Experience has also shown that National Parks and reserves are not well managed to mitigate against bushfire risk, particularly with respect to fuel loads and access roads.

While public land managers continue to view fire protection as a critical management function, the conversion of state forest into parks and reserves has substantially reduced government revenue (from timber sales) with a concurrent loss of considerable forest and fire expertise from government agencies.

Urban based environmentalism has lower enthusiasm for the broad-scale use of controlled fire. This contrasts sharply with the strong culture of active management and heightened summer readiness that was traditionally associated with state forests - typified by relatively high levels of fuel reduction burning, maintained road and track access, larger and more experienced government workforces located closer to forests, an economic imperative to protect timber resources, and far greater availability of skilled timber industry men and machines for fire-fighting.

Importing more timber from overseas is not the answer

Australia currently imports more than \$5 billion of wood products from overseas; a significant amount of which comes from the tropical forests of developing nations.

VicForests is certified under the PEFC international forest certification standard, operating as Responsible Wood in Australia. This is viewed internationally as the gold standard for sustainable forest management, on par with the FSC forest stewardship standard. In contrast, more than 80 per cent of the world's timber-producing forests are not certified at all and at high risk of illegal logging, poor working conditions and contributing to deforestation (as they are not replanted and regenerated).

With high demand in Australia and globally for hardwood products for applications such as floorboards, staircases and furniture, the Victorian Government's decision to cease native forestry will increase imports from countries with weaker environmental regulations, including those where tropical rainforests are logged unsustainably and illegally.

'Transitioning to plantations' not an option

Plantations play a major role in the industry. However, the current plantation estate is not suitable for high-quality timber products.

Hardwood timber from our native forests is sustainably harvested typically after more than 60 years, giving it time to develop the strength and appearance properties required.

Approximately 90% of hardwood plantations are harvested on short rotations (10-15 years) specifically for woodchips. As a result, this wood does not develop the same size, strength and visual properties as timber from our native forests and cannot be used by sawmills.

Locking up Victoria's multi-use forests will not store more carbon

The Victorian Government and environmental groups wrongly claim that reduced harvesting in native forests will increase carbon sequestration. This is at odds with the international and Australian scientific evidence.

The significant potential for the forestry and forest products industry to contribute to climate change mitigation was acknowledged in the 4th assessment report of the Intergovernmental Panel on Climate Change (IPCC), which stated:

A sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit.

This is achieved by storing carbon in wood products which both minimises carbon losses from future bushfires and produces renewable, low emissions materials.

Trees in forests and plantations typically sequester carbon at a maximum rate between 10 to 30 years old. After this age, if the trees are not harvested, the sequestration rate slows until maturity at about 80 to 100 years of age. Reforesting cleared areas will create carbon sinks to counteract greenhouse gas emissions and will also assist in controlling salinity and creation of wildlife habitat.

Furthermore, all native forest harvested in Victoria (and Australia) is sustainably regenerated by law and so does not result in deforestation. Claims that a reduction in timber harvesting sequesters more carbon also ignores the stored carbon from the timber and paper products produced, and the substitution that would occur with imported wood and paper products from countries that do not have the stringent environmental protections and sophisticated forest managements practices that are in place in Australia.

Very little 'old-growth' forest is currently harvested in Victoria, and it was being phased out anyway

VicForests ceased all old growth forest harvesting from 1 September 2019. Prior to that, only a tiny amount of old growth in East Gippsland was being harvested at a rate of 100 hectares per year, or 0.015 per cent of Victoria's 670,000 hectares of old-growth forest. No old-growth forest in Victoria's Central Highlands region has been harvested for decades.

Severe bushfires have been, and will continue to be, the greatest threat to Victoria's old growth forests most already in National Parks and have reduced their extent by around 20% since 2003.

VicForests' voluntary decision to stop harvesting old-growth was part of its bid to attain FSC Australia certification, which is ongoing.

Timber harvesting does not affect Victoria's water supply

Timber harvesting is excluded from many of Victoria's domestic water catchments and is only a proportionally minor activity within those catchments where it is permitted. Harvesting takes place in around 200 hectares (0.14% of catchment area) per year.

Large scale bushfire remains the biggest threat to water supply and quality in Melbourne's catchment areas. The 2009 Black Saturday fires impacted around 30% of Melbourne's water catchments – two and a half times greater than the forest area harvested for timber within these catchments, over an 80-year period.

VicForests' forestry operations are profitable and generate significant economic and employment activity for Victoria

The economic contribution of Victoria's native timber industry cannot be measured by Vicforests' sales revenue, which represents only a fraction of the economic benefit the industry provides for the Victorian economy.

The resource provided by VicForests generates hundreds of millions of dollars in economic activity through downstream processing and sales and supports thousands of jobs across regional Victoria.

An [economic study by Deloitte Access Economics](#) published last year showed that the native timber sector underpinned by the VicForests resource generates approximately 2,500 direct jobs and thousands more indirect jobs Native timber generated \$770 million in revenue, with \$297 million value added in regional communities.

According to VicForests' 2018-19 [Annual Report](#), VicForests recorded a profit from operations before income tax of \$4.1 million in 2018-19, and net profit after tax of \$2.0 million (up from \$2.6 million and \$1.2 million respectively in 2017-18). This is despite significant reductions in the area available for harvest as a result of production forest lost due to record numbers of Leadbeater's Possum sightings.

Furthermore, VicForests funds a range of social and environmental activities as part of its operating budget including bushfire mitigation and surveillance, threatened species and ecological surveys and research, and maintaining recreational facilities and roads in state forests. Without the timber sales to fund these activities they will need to be funded by the Victorian Government.