This report is dedicated to our friend and colleague, Bob Humphreys.
This year we entered a changing world with a new State Government. A change in Government presents a wide range of challenges, but it also presents a world of opportunities. I continue to be proud to be a part of the Victorian forest and wood products industry. I know that all VAFI members feel the same way. We continue to be passionate about the work we do, the resource we work with, and the products we create. We work with a truly amazing resource, one that is renewable, contributes to carbon abatement and provides tremendous environmental benefits like no other. We all actively contribute to Victoria, to its economy, to the community and to the sustainability of the state. I never tire of seeing the great work being done by VAFI members in these areas. It is something we should all be proud of.

This report provides an insight into the great work done by the industry over the past financial year. While we face an array of challenges, the one thing that will always remain is the commitment from everyone to continue to do great work and to ensure a vibrant future for the industry.

I hope you enjoy reading this report.

Julian Mathers
President

Tim Johnston
Message from the Chief Executive Officer

With the release of VAFI’s Industry Review 2015, we are reminded of how far we have come as an industry, the great work we currently do, and how much more we still can achieve. We talk a lot about the future, of stable policy and security of resource. We all want a strong, vibrant and resilient industry. We can have this, by embracing our past, learning from it and heading into the future proud and determined.

As an industry, we need to be thinking about the design and development of sustainable and profitable business models within a broader framework that includes market diversification, product and productivity improvements, as well as climate change impacts. This will require the whole industry working with governments to help consumers and the broader community understand and value the benefits of wood products and why its renewable, recyclable and carbon-storing properties make it the material of the 21st century.

Our industry directly employs more than 21,000 Victorians and another 40,000 to 50,000 indirectly. In addition to employment, Victoria’s forest and wood products industry supports crucial infrastructure which produces many economic and community benefits, including fire management and suppression, recreation and tourism.

In a global economy, VAFI continues to support local forest and wood products industry businesses that span the whole supply chain, both in response to resource security and market access for the industry. VAFI continues to encourage greater uptake of productivity enhancing measures, including new technology, workforce skills and capabilities, industry collaboration and market support.

Ours is not only the industry of the 21st century, it is the industry for centuries to come.

Enjoy reading this report.

Tim Johnston
Chief Executive Officer
## Content

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive summary</td>
<td>4</td>
</tr>
<tr>
<td>About this report</td>
<td>4</td>
</tr>
<tr>
<td>Industry snapshot</td>
<td>5</td>
</tr>
<tr>
<td>Economy</td>
<td>7</td>
</tr>
<tr>
<td>Community</td>
<td>17</td>
</tr>
<tr>
<td>Sustainability</td>
<td>23</td>
</tr>
<tr>
<td>About VAFI</td>
<td>29</td>
</tr>
<tr>
<td>Governance and stakeholders</td>
<td>30</td>
</tr>
<tr>
<td>Endnotes</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Australian Sustainable Hardwoods
The forest and wood products industry in Victoria is a dynamic sector of the economy that uses wood – a renewable, biodegradable, recyclable product – to create materials for new homes, buildings and furniture, paper and fuel for green energy.

Victoria’s natural forests and plantations provide a sustainable resource base for the sector. Australian, State and Territory governments share an objective of an industry based on the sustainable management of forests to integrate environmental, commercial and community values and uses.

Jobs, training, self-supporting communities, local manufacturing and exports are all maintained and furthered by a secure local Victorian forest industry. The industry directly employs more than 21,000 people and indirectly supports another 40,000 to 50,000 jobs, providing a sustainable future for suburban, rural and regional communities across Victoria.

The Victorian Association of Forest Industries (VAFI) is the peak body for the Victorian forest and wood products industry and it represents the entire lifecycle of forestry products, including forest growers and managers, harvest and haul businesses, wood and paper processors, and associated businesses across both the native forest and plantations sectors.

VAFI proudly champions the forest and wood products industry’s values, including managing a renewable resource, which stores carbon and is recyclable. The natural forests and plantations of Victoria available for timber harvesting are highly regulated and well managed. They conserve all three sustainability values: economic, social and environmental.

The VAFI Industry Review 2015 looks at the economic, community and sustainability aspects of the forest and wood products industry and the activities of VAFI as its peak industry body. Annual reviews have been conducted by VAFI since 2005 as a tool for dialogue, a method of recording improvements, and as a resource to support decision-making by industry stakeholders and government.

This review covers the 2014-2015 financial year and measures progress against indicators where possible. A draft of this review was provided to VAFI members for review and comment, as well as to a number of organisations for data and information verification.

The VAFI Members Survey 2015, reports, studies, websites and papers of other industry participants, and the Victorian and Commonwealth State of the Forest Reports 2013 have been lead sources of information for this report. Terms used are those defined in the Glossary to the Victorian SFR 2013.

All comments on this review are welcome. Your feedback will provide important input into further improvement of VAFI’s future industry reviews. Comments should be sent to:

VAFI Industry Review,
GPO Box 4320, Melbourne Vic 3001
Email: info@vafi.org.au
## Industry snapshot

### Direct Industry Employment

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional jobs supported</td>
<td>39,000 – 48,000</td>
<td>40,000 – 50,000</td>
</tr>
<tr>
<td>Value of the industry</td>
<td>$6,423b</td>
<td>$6,115b</td>
</tr>
<tr>
<td>Area of timber plantations in Victoria</td>
<td>434,000</td>
<td>433,000</td>
</tr>
<tr>
<td>Total forest area in Victoria</td>
<td>8.2 million hectares</td>
<td>7.9 million hectares</td>
</tr>
<tr>
<td>Area available and suitable for harvesting by VicForests</td>
<td>Approx. 490,000 ha</td>
<td>Approx. 494,000 ha</td>
</tr>
<tr>
<td>Area of public native forest harvested by VicForests</td>
<td>3,339 hectares (0.04% of total area of native forest in Vic)</td>
<td>2,972 hectares (0.038% of total area of native forest in Vic)</td>
</tr>
</tbody>
</table>

### Volume of logs harvested

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardwood native</td>
<td>1338</td>
<td>1407</td>
</tr>
<tr>
<td>Hardwood plantation</td>
<td>2021</td>
<td>2188</td>
</tr>
<tr>
<td>Softwood</td>
<td>3545</td>
<td>3806</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6.904 million m³</td>
<td>7.401 million m³</td>
</tr>
</tbody>
</table>

### Value of logs harvested

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardwood native</td>
<td>110</td>
<td>114</td>
</tr>
<tr>
<td>Hardwood plantation</td>
<td>115</td>
<td>150</td>
</tr>
<tr>
<td>Softwood plantation</td>
<td>239</td>
<td>269</td>
</tr>
<tr>
<td>Total</td>
<td>$463M</td>
<td>$534M</td>
</tr>
</tbody>
</table>

### Area of Australian forests and plantations independently certified (AFS/PEFC and FSC)

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSC: 306%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFS/PEFC: 235</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSC: 302</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFS/PEFC: 255</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Forest area

Victoria has about 7.9 million hectares of forest across both Crown and private land.

About 5.2 million hectares (65%) is in State forest, parks and conservation reserve.

Between 1988 and 2013, forest cover has either increased or remained the same across all 11 Victorian bioregions. Changes in public land forest area are associated with both human and natural processes, including forestry operations (harvesting and regeneration) and bushfires (crown defoliation and post-fire regeneration).
Introduction

The forest and wood products industry in Victoria is diverse, spanning across the whole state from Central and East Gippsland, the Central Highlands, North-East and Western Victoria. The overall vision for the forest and wood products industry in Australia is that of growth, stability and sustainability. The forest and wood products industry in Australia is a 21st century employer and wealth generator. It is a sunrise, not a sunset industry.

The products it delivers range from sawn and wood panel products for building, paper for printing and packaging, and other manufactured products, including furniture. A successful and sustainable industry requires a holistic supply chain strategy, together with a collaborative vision and business buy-in that covers strategic, tactical and operational drivers. Each part plays an important role in the whole supply chain of the industry.

The volume, the types of products, production methods and even the operational locations within the state have changed over the long and proud history of the industry. Emerging technologies, market demand, availability of resource, and economic factors have all helped to drive and shape the industry as we know it today.

To secure the future profitability of the industry and to ensure it remains competitive, it needs to be able to respond positively and successfully to any opportunities and challenges it will face. It also needs to be well positioned to respond to future demand.

We have an abundance of natural resources in Victoria and the industry should be proud of its record in balancing environmental, social and economic considerations in relation to our forests. The forest and wood products industry in Victoria is highly integrated. We are fortunate to have the resource, we have the processing capacity and we have the manufacturers.

Our industry is diverse; consisting of the growers, the sawmillers, the plantation owners and operators, the processors and the manufacturers through to the retailers and sellers, exporters and importers. We are one industry, greater than the sum of its parts.

Together we will work to create a strong, sustainable and viable future for the forest and wood products industry in Victoria.
The economic framework for Victoria’s forest and wood products industry consists of government policies on investment, regulation, taxation and trade. These settings influence the level of investment in conservation and sustainable management of forests, as well as the sustainable production of forest products, ecosystem services and access to national and international markets. Reporting change to economic frameworks can provide insight into the role of Government in driving trends in the sector.
Operating in a high cost economy is a business challenge that is especially demanding for trade-exposed industries in Australia, such as the forest and wood products industry.

For the last few years, business activity and workforce development in the industry has been shaped by the economic downturn, changes in plantation ownership and diminution of access to significant native forests areas. Many businesses have restructured or ceased operating, and a number of workers have been retrenched resulting in a loss of skills to the industry. Company restructures and considerable reviews of business activity and workforce utilisation have also resulted in a reduction of the workforce and therefore a further loss of critical skills.\(^{20}\)

VAFI is working with industry and Government in this policy space to:
- Grow the resource
- Grow the product mix further up the value chain
- Grow the skill base of the industry

**Investment and innovation**

Investment and innovation are key to any successful industry. To continue to grow the forest and wood products industry in Victoria, investment is vital. Despite recent economic challenges, the forest and wood products industry in Victoria is well positioned to secure significant investment in both plantation development and downstream wood processing facilities. At the same time, many businesses are focusing on value adding production.

Investing in more products that are of a higher value is an opportunity to use timber in different ways that add more value to the local economy and can be processed and manufactured in Australia. However, to be able to better utilise wood in this way, we need further and ongoing investment and research.

VAFI members have continued to invest in their businesses. The 2015 VAFI Members survey shows 55% of members made significant improvements in equipment, products or markets with 38% of respondents making an investment over of $1 million this reporting year. Over 90% said they planned to invest in 2015-16.

**Research and development**

Research and development (R&D) drives innovation and improves productivity across the supply chain in the forest and wood products industry. R&D in Australia has been steadily declining over recent years, which has a significant effect on all areas of the supply chain.

R&D is critical if the innovation required to power the value-adding operations, productivity gains and international competitiveness of the forest and wood products supply chain into the future is realised. Research into improving the quantity and quality of wood resources and value added processing will need to continue to be a high priority for the future of the industry.

Forest and Wood Products Australia (FWPA) is the industry-owned research and development not-for-profit company that provides national, integrated research and development services to the Australian forest and wood products industry. It provides a means for coordinating private and government investment in the industry. FWPA has identified strategic investment areas for R&D through consultation with industry. FWPA’s current investment priorities include: increasing the use of timber and wood construction systems in multi-residential and commercial buildings; maximising product yields and values from current forest resources; improving wood quality and yield; and tools for forest management.\(^{21}\)
Native Forest Estate

Nearly eight million hectares of Crown land is managed to provide environmental, social, cultural and economic benefits to the people of Victoria. The primary tenures of Crown land are Parks and Conservation Reserves or State Forest. Of the 7.9 million hectares of public native forest in Victoria, more than 90% of these forests are unavailable or unsuitable for timber harvesting operations. This includes 4.74 million hectares of native forest in Victoria which is protected in national parks and conservation reserves.

There are many forest types present in Victoria’s State forests. The main forest types are ash forests (which are dominated by E. delegatensis, E. regnans or E. nitens) and mixed species forests (which are dominated by a wide variety of Eucalyptus species including Mountain Ash, Alpine Ash and Messmate). Timber harvesting is permitted within a very small fraction of Victoria’s total native forest area. The area legally available for harvesting is made up of General Management Zones and Special Management Zones. Areas classified as ‘reserved’ are forests within Special Protection Zones and other exclusions such as riparian buffers and slopes.

In total, approximately 494,000 hectares or 6% of the state’s total native forest estate is available to be harvested by VicForests.

In 2013-14 VicForests harvested 2,972 hectares or 0.038% of total native forest area in Victoria.

Regional Forest Agreements

The management of Australia’s forests is guided by the 1992 National Forest Policy Statement (NFPS). The NFPS was signed by the Australian Government and all mainland state and territory governments in December 1992. The NFPS outlines agreed objectives and policies for the future of Australia’s public and private forests.

Following the introduction of the NFPS, Regional Forest Agreements (RFA) were developed. RFA’s represent the cornerstone of native forest resource security policy, balancing the environmental and economic demands on naturally regenerated forests. In Victoria, five 20-year RFA’s were established between 1997 and 2000 to guarantee protection of the most significant biodiversity values within Victoria’s native forests.

VAFI has been a strong supporter of the RFA process and its regional and all-inclusive approach to environmental, social and commercial forest asset interests. VAFI believes that RFAs are a model using regionally specific management of forests, provided for by state based governance. However we believe that industry development has been constrained by resource reductions, sovereign risk associated with resource uncertainty and industry consolidation which are not in accordance with the RFAs. There have been political decisions made in Victoria which have undermined the RFAs and limited the extent to which industry growth can be achieved. VAFI also believes that there are issues with public perception of the RFA process which has led to a lack of community confidence in the RFAs. These can be addressed through communication and demonstration of monitoring, compliance and performance.

As the RFAs approach the end of their current 20 year life, it is necessary to renew the RFAs, extending their life for a further 20 years, to underpin future investment by the sector.

Size of plantation estate

Plantations and farm forestry present an opportunity to increase Australia’s long-term wood supply while contributing significant social, economic and environmental benefits to regional Australia.

In 2013-14 Victoria continued to have the largest total area of plantations of Australian states and territories with 433,000 hectares of commercial hardwood and softwood plantations, up from 383,000 hectares in the ten year period dating back to 2003-04. Hardwood plantations (mostly bluegum) covered 206,000 hectares (47% of plantations) while softwood plantations (mainly radiata pine) covered 226,000 hectares (52%).
Development of new plantations
In 1997, the Plantations for Australia: The 2020 Vision announced a strategic plan to increase the Australia’s plantation estate to reach three million hectares by the year 2020. The 2020 Vision and plantation establishment in Australia has stalled at present and there is no clear plan for plantation expansion.

The rate of new plantation establishment has been declining rapidly since 2000. Plantations play an important role in supplying timber locally and to export markets. Due to the long term nature of plantation investment their establishment has often required government assistance and regulatory support. Plantation trees are either for a ‘short term’ rotation of 8-15 years or a ‘long rotation’ of over 25 years. Short rotation timbers are generally used for woodchips or pulp for paper product. Long rotation timbers are aimed at producing sawlogs for construction or appearance grade applications such as furniture manufacture. Long rotation hardwood plantations are relatively scarce in Victoria and VAFI supports all plantations initiatives in this area.

In 2013-14 Victoria had just 5,000 hectares of new plantation area, a slight increase from the previous year but well down from levels in 2003/4.

Removal of some plantation area is expected to continue over the next five years as some lease agreements end and commercially unviable plantations are not replanted.

Plantations may be a minor land use in the western region of Victoria (less than 8% of the total area), but the hardwood and softwood plantation estate and farm forestry operations are economically significant. Plantation forestry is a legitimate agricultural land use, which provides additional economic diversification at the regional levels as well as environmental benefits including carbon sequestration.

A new vision for plantation expansion for the sector is needed to address the impediments to investment and recognise the broader public (environmental and social) benefits of plantations. This should involve a commitment to a new plantation target, address regulatory impediments, identify specific actions to stimulate new investment in plantations, and support the reestablishment of existing plantations.

VAFI will continue to support initiatives to increase plantation and private forest investment.

<table>
<thead>
<tr>
<th>Plantation area by region (‘000 ha)</th>
<th>2004-05</th>
<th>2012-13</th>
<th>2013-14</th>
<th>Change between 2012-13 and 2013-14(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Triangle (South Australia/Victoria)</td>
<td>298.8</td>
<td>348.1</td>
<td>347.7</td>
<td>-0.1</td>
</tr>
<tr>
<td>Central Victoria</td>
<td>57.2</td>
<td>68.8</td>
<td>68.7</td>
<td>-0.1</td>
</tr>
<tr>
<td>Central Gippsland (Victoria)</td>
<td>92.9</td>
<td>95.0</td>
<td>94.9</td>
<td>-0.1</td>
</tr>
<tr>
<td>Murray Valley (New South Wales/Victoria)</td>
<td>184.6</td>
<td>195.3</td>
<td>195.3</td>
<td>0.0</td>
</tr>
<tr>
<td>East Gippsland–Bombala (Victoria/New South Wales)</td>
<td>46.1</td>
<td>51.5</td>
<td>51.5</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Note: 2004-05 is a calendar year representing 2005; 2012-13 and 2013-14 are financial years. Source: ABARES
Market access and opportunities

Victorian forest and wood products industry businesses produce a wide range of product types from high quality appearance and structural grade timbers through to woodchips and all paper types for the Australian and international markets. Sixty percent of VAFI member respondents to the 2015 survey export their products. Local demand continued to increase in 2015, widening the trade deficit.29

Imports and Exports

The international trade of products is a key influence on Australia’s forest and wood products sector. Overall, Australia imports more forest products than it exports, with an average trade deficit around $2 billion in value per year between 2002 and 2013.30 While imported forest products increase competition for Australian manufacturers, imported products will remain a key part of the forest and wood products industry. Imported products provide an important resource for construction and other applications, particularly where products in demand are not, or cannot, be processed or manufactured in Australia. The total value of imports in 2013-2014 was $4.6 billion, an increase of 11.7% from 2012-13.31 The value of imports across the board has increased in 2013-14, this includes: wood-based panel imports, plywood, paper and paperboard and ‘miscellaneous’ forest products (including wood products for carpentry, mouldings, packing cases, frames, oils and resins).

In 2014–15, Victoria accounted for nearly 40 per cent of the value of Australia’s forest product exports, driven largely by paper and paperboard and roundwood product exports. In the 12 months to June 2015, the value of Victorian forest product exports declined by 3 per cent, to $663 million.32 The major forest and wood products exported in Victoria by value are paper and paperboard, woodchips, roundwood and wastepaper. The forest and wood products export industry is impacted sharply by a reduced Australian dollar. However, lower world woodchip prices and strong competition from lower cost suppliers remain major challenges.

To best serve the domestic forest and wood products industry, negotiated international trade agreements need to be transparent, balanced, and equitable, and contain provision for the continuation of strong anti-dumping provisions.

Source: Radial Timber
Manufacturing

The Victorian forest and wood products industry is a vital part of the Victorian economy. There are approximately 380 businesses operating locally. As well as providing high levels of employment across rural and regional Victoria, the industry provides employment in metropolitan areas. Of the 21,000 direct employees, around 14,000 live and are employed in the suburbs of Melbourne working predominantly in manufacturing such as cabinetry, framing, furniture making, sector, including farmers, fishers, foresters and manufacturers to have their say about opportunities and challenges and the strategic choices that Victoria should make now to help set the sector up for continued success and growth. VAFI made a submission to the Government to help drive growth for the forest and wood products sector.

As a primary industry, the forest and wood products industry has a strong market demand for its products. It has long been a part of the proud history of manufacturing in Australia, with the vast majority of its businesses involved in processing and manufacturing. These include sawmills, engineered wood products manufacturers, appearance product manufacturers (flooring, lining, cladding, mouldings and other products), paper makers, furniture manufacturers and frame and truss fabricators for the construction sector. Many of these businesses have operated for generations and have helped build Victoria’s proud heritage as a centre of manufacturing. The Federal Government has clearly stated it sees Australia as having a strong manufacturing future and our industry will be a strong part of this future.

In 2015, the State Government established the $200 million Future Industries Fund to support six ‘high-growth sectors’ that have potential for economic growth and to create jobs and attract investment in Victoria. The food and fibre sector has been identified as one of these six key industries. The State Government encouraged members of the food and fibre industry to have their say about opportunities and challenges and the strategic choices that Victoria should make now to help set the sector up for continued success and growth. VAFI made a submission to the Government to help drive growth for the forest and wood products sector.

Case study – Britton Timbers

Britton Timbers is a diversified Australian company with interests in domestic timber harvesting, sawmilling and distribution, as well as international timber import and export.

Britton Timbers International (BTI) - a division of Britton Timbers – is now Australia’s largest importer of quality hardwoods from the U.S.A, Asia and Europe.

BTI also supplies international customers with premium PEFC certified Australian species such as Tasmanian Oak, Blackwood and Myrtle from its state-of-the art Tasmanian sawmill, along with Jarrah & Karri from WA supply sources.

BTI imports more than thirty species including modified timbers Cambia & Accoya - all of which are used for residential and large-scale commercial projects - and is the first non USA-based company to be accorded membership of the American Hardwood Export Council.

Britton Timbers and it’s international arm, BTI, are structured to meet the increasing domestic and worldwide demand for quality hardwood and specialty timbers.

Case study – Michael Hayes Custom Made Furniture

Michael Hayes is a 3rd generation joiner, builder, and furniture maker. With both his father and grandfather working as carpenters and joiners, Michael grew up on building sites. Michael started his career as a builder in 1982, learning many aspects of joinery over a 10 year period, before starting in the furniture industry in 1992. Michael worked with a prominent furniture company based in Melbourne, working in all areas of joinery and design until stepping out into his own business producing high quality handmade custom built solid timber furniture in 2001. Michael covers all aspects of furniture, and furniture design producing from dining tables, coffee tables, wall units, and TV consoles. Using recycled wood and Australian and imported timbers to meet with customers needs, custom designing a piece to suit the space the piece will be living in.

He works on each piece individually, using older style joinery to produce, sometimes as a detail, longer lasting furniture. “I believe in making a more durable piece of furniture is more sustainable and far less likely to end up as land fill.” Michael has a strong sense of wanting to produce furniture that isn’t mass produced, and a lot less harmful to the environment.

Luther by Michael Hayes Furniture. Source: Australian Furniture Association

Source: Britton Timbers
Showcasing the Victorian Industry to the world
In early 2015 the Victorian Government ran the first large-scale inbound missions for the year bringing more international buyers, investors and influential figures to Victoria, as part of the Victorian Invitation Program (VIP). The program looks to create business opportunities across industry, encouraging innovation and introducing international buyers and investors to Victoria’s broad range of capabilities. These inbound trade missions provide a platform for the forest and wood products industry to showcase the services, products and capabilities it has to offer. VAFI will work to ensure the industry gets the opportunity to be a part of these missions, and demonstrate the important part the industry plays in the economy.

**Infrastructure**

A key aspect of regional manufacturing businesses is ensuring that the associated infrastructure, such as roads, rail and port facilities, is maintained and developed in step with the growing needs of industry.

Local municipalities often find it difficult to fund maintenance and upgrades of local roads infrastructure which impacts on both the community and the industry alike. Maintenance of these roads is a concern for industry and local government, with the cost threatening to undermine future production.

The established and growing plantations in the Green Triangle region, on the Victorian and South Australian border, and the state forest operations in East Gippsland are key areas where the industry is facing infrastructure constraints. These constraints, if not addressed, will detract from the realisation of the full range of benefits the industry can provide.

Strategic planning of freight infrastructure and efficient access from resource to market provides clear benefits to the whole community, including safety for all other users (e.g. school buses, tourists), regional job security, and improved access for other primary industries including local farmers.

VAFI believes longer term planning is needed, as well as analysis of future wood flows.

**Roads**

The road infrastructure required by our industry spans across remote and rural areas as well as regional and metropolitan areas.

Productivity improvements are critical to Victoria’s economic growth, and a collaborative approach to roading will result in fewer, more efficient trucks on the road, fewer trips and better use of infrastructure and routes. This also leads to improved safety, environmental and efficiency outcomes.

The adequate provision of funding and committed support from governments at all levels is critical to ensuring that the significant economic and employment growth potential of the forest and wood products industry is realised.

Considerable work has been undertaken over the last 10-15 years to identify and prioritise the road infrastructure needs of Victoria’s timber industry.

VAFI works closely with local councils and VicRoads to ensure that the needs of the industry are being met, while also being aware of community considerations.

There have been concerns over incidents involving log trucks, particularly in Western Victoria where the number of log trucks transporting plantation timber has increased in recent years. VAFI attends the Timber Harvest Working Party, convened by the Glenelg Shire and will continue to work in this area for its members.

**Ports**

Victoria’s commercial trading ports are engines for Victoria’s economic growth. They provide critical transfer points in Victoria’s transport network and connect Victoria to international markets.

The Victorian forest and wood products industry exports to numerous countries, predominately China and Japan, and relies heavily on the port system including ports of Melbourne, Geelong, and Portland.

Issues related to ports in Victoria that directly impact the forest and wood products industry, include port capacity and on-port rail access.

Government direction and support is required to increase the availability and reduce the cost associated with the on-port rail as part of ongoing transport efficiencies. This will also assist in reducing trucks on roads around port areas and is part of normal wharf operations in other areas of Australia.
Victorian Timber Industry Production Chain

Forest management
- Hardwood native forests, Hardwood plantations, Softwood plantations
- Sawlogs
- Pulplogs
- Posts & poles
- Forest residues

Initial manufacturing or processing
- Hardwood & Softwood sawn timber (Structural with LOSP treatment for framing)
- Appearance & structural grade
  - Panels
  - Structural grade
  - Panels
  - Bark & Sawdust
  - Packaging grade
- Wood panels – Plywood, Particleboard, MDF
- Pulp and paper
- Peeling & preservation
  - Wood products
  - Appearance & structural grade
  - Panels
  - Structural grade
  - Panels
  - Bark & Sawdust

Environmental services
- Sequestration, biodiversity, habitat, salinity abatement, catchment protection

Further manufacturing or processing
- Joinery & furniture manufacture
- Trusses & frames
- Engineered wood products
- Pallets & boxes
- Wood panels – Plywood, Particleboard, MDF
- Pulp and paper
- Peeling & preservation
- Products
- Bark

End use products
- Residential dwellings, commercial buildings and renovations
- Furniture, doors, stairs, fittings, dwellings, buildings, renovations
- Newsprint, printing & writing, fibre board, fibre boxes, tissues, hygiene products
- Preservative treated posts and poles

Additional details:
- Forest management
  - Environmental services
  - Landscape products, potting mix, chemicals, adhesives, cogeneration energy
  - Sequestration, biodiversity, habitat, salinity abatement, catchment protection
Figure 1. The Victorian timber industry production chain

- **Sawlogs**
- **Pulplogs**
- **Chips**
- **Forest residues**
- **Hardwood** & **Softwood** sawntimber (Structural with LOSP treatment for framing)

**Initial manufacturing or processing**

- **Joinery & furniture manufacture**
- **Trusses & frames**
- **Engineered wood products**
- **Pallets & boxes**

**Further manufacturing**

- **Wood panels – Plywood, Particleboard, MDF**
- **Pulp and paper**
- **Peeling & preservation**

**Products**

- **Appearance & structural grade**
- **Sawdust etc**

**End use by-products**

- **Landscape products, potting mix, chemicals, adhesives, cogeneration energy**

**End use products**

- **Residential dwellings, commercial buildings and renovations**
- **Furniture, doors, stairs, fittings, dwellings, buildings, renovations**
- **Newsprint, printing & writing, fibre board, fibre boxes, tissues, hygiene products**
- **Packaging**
- **Preservative treated posts and poles**
- **Fire wood**

**Forest management**

- **Landscape products, potting mix, chemicals, adhesives, cogeneration energy**

- **Environmental services**

**Other manufacturing**

- **Forest residues, Hardwood native forests, Hardwood plantations, Softwood plantations**

- **Sequestration, biodiversity, habitat, salinity abatement, catchment protection**
Community

The ‘social licence’ of the forest and wood products industry to operate is vital to the future prosperity of the industry. This is the acceptance by the public or society at large that an industry has a right to exist and operate in the community, often utilising a community resource. The forest and wood products industry has many positive, good stories to tell.
The forest and wood products industry is a strong, dynamic industry, with a sustainable, natural, beautiful recyclable product. VAFI is proud to champion the industry and support a number of industry initiatives to provide information about the qualities of forest and wood products.

Programs like the ‘Wood. Naturally Better’ campaign are examples of how we as an industry can tell the ‘good news story’ of the sustainable, natural, beautiful and recyclable forest and wood products industry. Further to this campaign, there is the need for industry to be more confident in telling their story and helping to educate consumers about the whole supply chain. Research has shown that the majority of people are more neutral than positive or negative about the industry. Overall, the public also recognises that it is better to source timber from local forests than import it from overseas. Consumer awareness and education programs, along with targeted campaigns, should aim to reach this target market to help influence a positive mentality towards industry. We want people to see the good in the industry.
The good news story about wood

In early 2015 PlanetArk released its ‘Wood – Housing, Health, Humanity’ report that showed that exposure to wood products and interiors has measurable health benefits, similar to those created by spending time in nature. The studies examining the effects of wooden rooms and furnishings clearly demonstrate that the presence of wood has positive physiological and psychological benefits that mimic the effect of spending time outside in nature. The feelings of natural warmth and comfort that wood elicits in people has the effect of lowering blood pressure and heart rates, reducing stress and anxiety and increasing positive social interactions. Wood products within a room have also been shown to improve indoor air quality by moderating humidity. These benefits are particularly important for environments where it is difficult to incorporate nature indoors, such as hospitals where strict health guidelines may prevent the presence of plants, and office environments where views from the window are of roads and neighbouring concrete buildings. An increasing number of architects who design buildings for healing, learning and relaxation are now incorporating significant amounts of wood into their structures to capitalise on its health and wellbeing benefits.

“Offices with wooden interiors conveyed feelings of innovation, energy and comfort. The use of wooden products (in a nursing home) increased the number of interactions between individuals. Australians appear to be innately drawn towards wood.”

Wood, Naturally Better

This marketing campaign, resource by FWPA, aims to inform the public via print, free-to-air TV and internet (YouTube) about the environmental benefits of wood products. It aims to educate that “wood stores carbon for life” and is “a way to tackle climate change”. It is a successful and innovative partnership with Planet Ark and is fronted by Peter Maddison, architect and host of Grand Designs Australia.

Wood Solutions

Wood Solutions is an industry initiative at the national level to provide independent information on wood products and building materials for industry professionals. FWPA members and others pay a levy to support the publication of 20 Technical Design Guides, the TimberLife Educational Software, training courses and presentations.

Australian Timber Design Awards

Now in its 16th year, these awards promote outstanding timber design in the built environment. The 2015 overall winner was the Melbourne School of Design - The University of Melbourne by John Wardle Architects & NADAA in collaboration. The creative and innovative use of timber is exemplary and showcases the broad range of timber applications in one building.

Wood Products Victoria

Wood Products Victoria (WPV) works closely with VAFI providing “technical-promotional” services for the wood products industry in Victoria. WPV’s assistance and activities range from the ‘forest to the consumer’. Activities of WPV include market protection against adverse specifications and regulations; gathering and disseminating market intelligence; and facilitating the WPV Industry Research & Development Group. WPV also regularly delivers wood product based seminars to educate and inform building professionals and develops and distributes wood related technical information and saleable publications. A portion of WPV’s annual income continues to be provided by VAFI members and VicForests in support of WPV activities.
The Victorian forest and wood products industry is one of Australia’s largest and most diverse industries, providing a broad array of career opportunities in areas including science, research, manufacturing, engineering, logistics, trades and sales to name a few. Within each sector there are people working in many different roles - from plant operators and tradespeople to technicians, managers, salespeople, scientists and more.

The industry remains a strong, reliable source of employment for many regional towns across Victoria and VAFI supports initiatives to ensure that employment not only remains steady, but increases in the future and provides a secure future for its workers.

**Employment Numbers**

- The industry directly employs more than 21,000 full time employees, and supports another 40,000 to 50,000 indirectly.
- Direct employment in the forest and wood products industry represents approximately 1% of the total Victorian workforce.
- There is an overall reduction of employment in the industry nationally, however the Victorian proportion of national employment in the forest industry increased to 30% compared to the all industry average of 25%, indicating that reductions have been greater in other states.

**Employees from Victorian Statistical Divisions (SDs > 1000)**

- Melbourne
- Gippsland
- Barwon
- East Gippsland
- Total SDs <1000
Workers in the forest and wood products industry are highly skilled across a range of different areas from forestry through to furniture making. Employing and retaining skilled employees is a high priority for the industry and important to the continued success of the industry.

With ongoing issues facing all industries in attracting adequately trained and experienced personnel, ensuring there is a workforce available with the required skills is essential if we are to provide a sustainable future for the forest and wood products industry.

Skill shortages in the Australian forest and wood products industry have been a concern for many years. ForestWorks have identified key competency areas that need attention in the short to medium term including: advanced process-oriented technical skills and digital literacy at high technology workplaces, licence compliance and inventory skills across most workplaces, skills for timber products supply chain and logistics solutions and analytics skills and innovation skills (leadership communication, critical thinking, strategic thinking).

Skill shortages for traditional industry-specific occupations including forester, manual chainsaw harvester, wood machinist and timber drying kiln operator, have evolved as a skills gap in the industry.

To further attract Australian’s to study forestry and other related courses, VAFI believes there is more room for the training to go directly to the person and move away from traditional classroom style teaching. In addition, there is the need to widen the scope of what is taught to beyond the science. Workshops undertaken by the University of Melbourne in 2015 found that companies spend time training graduates in the areas of stakeholder engagement, project management and facilitation. Due to the nature of the business there is often not enough time for proper training on the job. To address this gap there is the need to build leadership and other skills into any Vocational Education and Training, as well as University courses. These findings support the competency areas identified by ForestWorks in their annual skills scan.

VAFI encourages the Federal and State Governments to work with industry in investing in the education and work experience of those working in the forest and wood products industry to address the skills and training needs of the sector.

Training continues to be undertaken by staff at VAFI member organisations.
Contributions to community

VAFI members are generous supporters of their local communities in a variety of ways and continued this support over the past year. More than 80% of member respondents to the VAFI 2015 survey contributed financial and in-kind support to the CFA, local sporting clubs and charities.

Case study - Alpine Community Plantation Inc

Alpine Community Plantation Inc. is an independent community based organisation established in 2013. The result of an innovative public, private & community partnership, Alpine Community Plantations Inc. is the first of its kind for Australia and is responsible for the recreational, educational and community use of almost 20,000 hectares of HVP Plantations land within the Alpine Shire.

The aim of the organisation is to develop a nature based tourism precinct with a difference. A community run recreational space that creates iconic hand built walking and mountain bike trails and is the home of national and community events. A space that is created by and for the visitors and residents of the Alpine Shire.

HVP Plantations believe that by increasing community involvement and understanding of plantation management, the community will ultimately have with a greater stake in the ongoing success of the plantation.

Over the last twelve months they have been working on a range of community projects and initiatives including the development of Mystic MTB Park in Bright, in partnership with the Alpine Cycling Club and a dedicated club archery range with Buffalo Bowmen in Myrtleford.

Source: HVP Plantations
Industry contribution to fire management
Sustainable forest management supports a range of environmental, social, cultural and economic values. It is important that forest management practices meet the high regulatory standards required in Victoria and are continually improved to reflect new knowledge, technology and values. The aim of sustainable forest management is to manage forests in a way that maintains their biodiversity, productivity and regeneration capacity. It also aims to make forest regions healthier and more productive.36
Fire management

Although a natural part of the Australian environment, large high intensity bushfires are one of the greatest threats to biodiversity, timber values, water and other values in Victoria's forests. Victoria has experienced three major landscape-scale bushfires since 2000, burning over 3 million hectares of land.

The Department of Environment, Land, Water and Planning (DELWP) has adapted a broader approach to managing bushfire risk as part of ongoing efforts to deliver the recommendations of the Inspector General's Report and government priorities for emergency management. The Department uses strategic bushfire management planning to identify the most effective options to reduce bushfire risk, and reports annually on the effectiveness of fuel management activities.

DELWP undertake planned burnings in parks and forests, both near communities and in remote areas. They work closely with Parks Victoria, VicForests and CFA. Since 1 July 2014, DELWP managed 232,975 hectares of fuel reduction burns.37

VAFI continues to contribute to the DELWP Land and Fire Management Stakeholder Roundtable and the Far East Gippsland Roundtable, providing feedback from the industry on fire management methods and gaining information from the Victorian Government and other stakeholders.

Industry contribution to fire management

Large plantation owners in Victoria are required to fund and run Forest Industry Brigades (FIBs) under the Country Fire Authority Act 1958 if they have in excess of 500 ha of plantation within a 25 km radius. In 2013-14 there were 23 Forest Industry Brigades with around 700 members registered across Victoria.38 Generally, the owners of the specific asset being protected provide much of the equipment and pay for staff members to attend. CFA sets standards, provides training and some equipment. Many of the forest managers are professional foresters with additional training in fire behaviour and backgrounds in forest fire fighting. Forestry companies regularly attend callouts to fires on third party land and many take a shared responsibility view together with CFA, as advocated by the 2009 Victorian Bushfires Royal Commission.

Plantation owners have always accepted their responsibility to manage the risk that bushfires pose to their assets and neighboring properties. They invest considerable effort and resources to preparing for bushfires each summer. This includes the construction and maintenance of access roads, fire breaks and water storage (dams), and fuel reduction burning. As well as reducing the risk on the plantation owners land, this effort reduces the risk of fires spreading beyond their boundaries to neighboring land.

There is considerable cost associated with the maintenance of these FIBs, including capital equipment (fire tankers, slip-on for 4WD vehicles, pumps, hoses, etc), training of staff and contractors and wages of employees involved in fire suppression activities (often after-hours). This can be upwards of $10 million for companies like HVP Plantations.

In 2015 VAFI wrote to the Treasurer regarding the proposed increase in fire services levy (FSL) receipts outlined in the State Budget, and the significant impact this will have on plantation owners and businesses in rural and regional Victoria.

VAFI wrote seeking an exemption or rebate for those businesses that operate their own FIBs. Having the FSL extend to plantation owners is not equitable. Requiring plantation owners to pay the fire services levy is effectively double charging of an industry already overloaded with a costly regulatory regime. In addition, VAFI suggested that the Government cap increases in the FSL at or below the Consumer Price Index (CPI), in the same way that council rates are capped.

VAFI will continue to best represent its members and the wider industry on this matter.

Timber production in Victoria’s public forests is required, by the Sustainable Forests (Timber) Act 2004, to be managed according to the principles of ecologically sustainable development. This includes setting aside areas of significant conservation value that are not harvested and re-seeding and fully regenerating harvested forests.
Regeneration

Regrowing the forest following harvesting is a key part of sustainable forest management. Replacing the older, harvested forest with a younger, growing forest ensures the maintenance of forest cover, biodiversity and habitat across the landscape.30

All commercial forestry operators must comply with the Code of Practice for Timber Production 201440 in order to fulfill their obligations to regenerate harvested coupes. In 2014 DELWP (former DEPI) undertook a review of all rules that apply to harvesting operations as part of the former Government’s Timber Industry Action Plan (TIAP) implementations. VAFI was part of the consultation in the review process. The 2014 version of the Code builds on the 2007 review by consolidating the environmental regulatory framework for entities conducting timber harvesting operations.

The values to be protected under the new Code include soil, water, recreation, cultural heritage and biodiversity. Socio-economic values such as health and safety were found to sit outside the Minister for Environment, Climate Change and Water responsibilities, and are no longer in the Code.

VicForests aims to replicate natural regeneration processes as closely as possible. In 2013-14, VicForests handed back 2,242 hectares of successfully regenerated forest to the State for ongoing management.41

Biodiversity

Conservation of biodiversity, and in particular threatened species, is vital for sustainable forest management. The Victorian forest and wood products industry is focused on ensuring forest conservation values are maintained in the forests in which it operates.

Koalas

Koala management in plantations was the subject of scrutiny in early 2015, particularly in bluegum plantations in Western Victoria. The forest and wood products industry in the region has taken an active approach to working with key local stakeholders and State Government departments to develop processes and operational techniques aimed at minimising harm to koalas. Industry and the State Government have established a Koala Management Leadership Group, supported by a Research Management Group and a Koala Stakeholder Engagement Group led by the local industry’s Green Triangle Regional Plantation Committee. The industry has actively and collaboratively responded to any incidents, working closely with local wildlife carers and the State Government to develop and continuously improve an industry-wide policy and guidelines to ensure koala welfare in plantations in the region, under the oversight of the Green Triangle Regional Plantation Committee.

The first guidelines were introduced in October 2013 and represent a clear commitment by industry to improve outcomes for koala management in plantations. Since then, industry has worked actively with the relevant stakeholders to review and update the Guidelines as new information about koala populations and habits has come to light. Industry has commissioned research into the distribution and density of koalas across the estate and the impacts of harvesting operations on koalas living in a plantation. An update to the Guidelines has been agreed as recently as January 2015. These revised guidelines significantly strengthen protection of koalas, including the mandatory use of spotters over a large portion of the estate.

A key concern for industry remains to ensure that wildlife management is assessed as a landscape rather than tenure issue.

Case Study – Koala Management at Australian Bluegum Plantations

Australian Bluegum Plantations (ABP) is a significant regional employer and a major contributor to the economy in the Green Triangle region. ABP has a dedicated Koala Protection and Management Program and continues to work towards zero harm to koalas in all their plantations.

Following a complete review of their koala management policies in 2013, ABP focused on engaging independent koala spotters to locate koalas in plantations. Koala spotters are deployed on all harvesting sites where koalas are likely to inhabit. The spotters work ahead of the harvesting machines to survey and locate koalas present in the planned harvest area. They are also responsible for monitoring koala welfare during harvest operations. When a koala is spotted, the tree is marked along with eight surrounding trees. The spotter communicates with the harvest operator to inform them of the koala’s presence. Between January 2014 and May 2015 a total of 8582 koala sightings were made.

Additionally, ABP have engaged a suitable and trained person to undertake post-harvest welfare checks on koalas. ABP employs a dedicated Project Officer who is responsible for managing any koala issues which might arise during harvest operations, as well as training staff and contractors in ABP’s koala protection and management procedures, and communicating with a wide range of stakeholders including DELWP, wildlife carers, indigenous groups and contractors. Furthermore, ABP and industry are working with external researchers to further understand koala behaviours.

ABP facilitates regular stakeholder meetings with a view to sharing information and seeking input into ways to improve our practices. ABP continually reviews, trials and adapts new technologies and work practices to respond to changing environments and circumstances.

Source: Australian Bluegum Plantations
Leadbeater’s Possum

In April 2015 the Federal Minister for the Environment, the Hon Greg Hunt MP, announced his decision to upgrade the listing of the Leadbeater’s possum to ‘critically endangered’. The Minister made the announcement following advice from the Threatened Species Scientific Committee.

In 2013 VAFI co-convened the Leadbeater’s Possum Advisory Group with Zoos Victoria, with representation from Parks Victoria, VicForests and the Leadbeater’s Possum Recovery Team. All 13 recommendations were accepted by the former Government, and are being implemented by the current Government.

VicForests has replaced clearfelling harvesting with regrowth retention harvesting in more than 50% of the Ash forest harvested within the Leadbeater’s Possum home range, as well as implementing a number of other changes in line with the outcomes of the Leadbeater’s Possum Advisory Group.

Currently 69% of the potential habitat within the Leadbeater’s Possum’s range is located in formal national parks and conservation reserves, Special Protection Zones in State forest or areas excluded from timber harvesting.

VAFI continues to work with the relevant bodies to ensure the recovery and survival of the Leadbeater’s Possum, while maintaining a sustainable timber industry.

The proposed Great Forest National Park which would add a further 355,000 hectares to the existing 170,000 hectares already in reserve, was the subject of much discussion in the lead up to the 2014 state election. As part of their pre-election environment platform (refer below for excerpt from Our Environment, Our Future ALP Policy Paper 2014), Victorian Labor stated they will facilitate and support the establishment of an Industry Taskforce to provide leadership to reach common ground on the future issues facing the industry, job protection, economic activity, protection of our unique native flora and fauna and threatened species, such as the Leadbeater’s possum.

Labor strongly supports a consensus approach in the establishment of any new national parks. We will facilitate and support the establishment of an Industry Taskforce to provide leadership to reach common ground on the future issues facing the industry, job protection, economic activity, protection of our unique native flora and fauna and threatened species, such as the Leadbeater’s possum. The taskforce will have members from the forestry and forest products industry, unions, environmental groups and scientists, threatened species experts, land owners, timber communities and other relevant stakeholders. A Labor Government will consider any reasonable recommendations and proposals reached by consensus of the major stakeholders through the Industry Task Force, but will not impose solutions.

In early 2015 the Minister for the Environment, Climate Change and Water, the Hon Lisa Neville MP, stated that the Government is implementing the recommendations from the independent Leadbeater’s Possum Advisory Group and reaffirmed support for the taskforce.

VAFI is playing a vital role in the proposed Industry Taskforce and will continue to represent industry in the process.
Forest management and certification

Victoria’s forests are managed within a Sustainable Forest Management System to meet the requirements of the Sustainable Forests (Timber) Act 2004 (Vic) including a wide range of instructions and controls to ensure the regulatory requirements are met by VicForests and DELWP. Internal and external audits are rigorously undertaken to ensure compliance with the Code of Practice for Timber Production. Management Plans, Action Statements and internal requirements. Victoria’s criteria and indicators for sustainable forest management are consistent with the criteria defined through the 1995 Montreal Process, and complement the Framework of Regional (Sub-National) Level Criteria and Indicators of Sustainable Forest Management in Australia. The 45 indicators inform Victorians on progress toward sustainable forest management. Performance against each indicator is reported on a five-yearly basis through Victoria’s State of the Forests Report.

Independent, third-party certification is conducted every three years under the Australian Forestry Standard (aligned to the global Programme for the Endorsement of Forest Certification, the world’s largest forest certification scheme). The Australian Forestry Standard was amended in 2012/13. 2013-14 saw further consolidation of AFS Ltd’s circumstances and, in addition to operating and maintaining the AFCS, AFS Ltd continued to operate as the PEFC National Governing Body for Australia.

VicForests is certified to the Australian Forestry Standard, and undertakes surveillance audits every six months. Regulatory Forest Audit Program (“FAP”) audits, managed by DELWP are also performed each year as well as internal audits conducted by VicForests.

DELWP focus on three key areas in conducting audit projects to assess the range of regulatory requirements relevant to the timber harvesting lifecycle:
- Coupe Planning, Harvesting and Coupe Closure
- Harvest Area Limits
- Regeneration and Finalisation

Regular auditing ensures agencies are up to date with all regulatory requirements and encourages innovation and fresh approaches to ongoing system practices and improvements.

More than 10.4 million hectares of Australian forest, including native forests and plantations are AFS certified. More than 253 million hectares of forest worldwide is certified by schemes endorsed and recognised by the PEFC.

Climate change and carbon

Wood is a renewable resource that stores carbon. There continues to be claims that locking up forests to store carbon in perpetuity is the best way to minimise carbon emissions. A brief prepared for the federal environment minister, the Hon Greg Hunt MP reportedly found ending logging in the Central Highland forests, north-east of Melbourne, would save about 3.2 million tonnes of carbon dioxide emissions a year.

Rejecting such claims, both the United Nations Food and Agriculture Organization and the Intergovernmental Panel on Climate Change have stated that the use of forests for energy and wood products may be one of the most effective ways to achieve sustainable reductions in carbon dioxide emissions.

The practice of sustainable harvesting and regeneration stores carbon in wood products, as well as in regrowth forests. It also allows for the production of low emissions timber products which reduce demand for alternatives, such as steel and concrete, which embody far greater carbon emissions in their production and manufacture.

Lend Lease’s landmark Forté building in Melbourne continues to be the benchmark in the use of timber in multi-storey buildings. The 10-storey residential apartment was constructed using Cross Laminated Timber panels and currently holds the record as the world’s tallest modern timber apartment building. By minimising the use of concrete and steel in favour of CLT, Forté has eliminated 1,450 tonnes of carbon dioxide from the atmosphere – the equivalent of removing 345 cars from Melbourne’s roads each year.

Bioenergy

Bioenergy is energy derived from organic material (biomass). Bioenergy can be used for power generation (such as electricity) and heat applications in all energy sectors including domestic, commercial and industrial purposes, and in the production of liquid fuels for transport.

Currently one of the main sources of Australia’s bioenergy use for generating heat and electricity is wood waste. The wood waste is from forest residues and wood related waste products from sawmill residue (woodchips and sawdust) and pulp mill residue (black liquor and wet wastes).

Using wood residues to produce bioenergy requires sustainable forest management to maintain environmental integrity.

There is potential to expand Australia’s bioenergy sector to increase the use of wood residues from forest operations for electricity and heat generation and transport biofuel production.

Renewable Energy Target

In 2015 the Federal Government and Opposition reached a deal on the Renewable Energy Target (RET) of 33,000 GWh. Following lobbying from industry, the revised target includes wood waste. The amended bill reinstates native forest wood waste as an eligible source of renewable energy under the RET, basing eligibility on exactly the same conditions that were previously in place. All biomass material in question is a waste product and does not affect the level of native forest harvesting in Australia.

The Victorian State Government has asked the Federal Government to lift a ban on state based RET schemes so that it can establish its own renewable energy target. According to the State Government, allowing a Victorian RET would allow projects in Ballarat, Ararat, Warrnambool and Port Fairy to go ahead. Victoria currently derives 13% of its energy from renewable sources.
Pyrenees Timber Case Study

Pyrenees Timber is a small country sawmill located in Chute, Victoria, owned and operated by the Crick family for almost 60 years. The sawmill has seen a lot of change over its lifetime and the current operators, Sally and Ian Crick, recognise the need to diversify practices and stay ahead of the times. The latest exciting addition to the mill, a Moderator eco burner, has arrived after more than 12 months of hard work, extensive research, costings and feasibility studies.

The Moderator eco burner has been imported from Poland by Shaun Quayle from Dragon NRG. Dragon NRG, a new company, aims to help businesses save money and ‘be green’ by facilitating the replacement of heating systems utilising fossil fuels with high efficiency biomass heaters.

The eco burner will enable Pyrenees Timber to repurpose some of the waste material that they produce. Waste material such as sawdust, woodchips and wood shavings, can now be used to kiln dry timber instead of the brown coal briquettes that were used in the past. As a result 120 tonnes of carbon emissions will be saved annually by the eco burner, as the residues are considered carbon neutral. In addition, Pyrenees Timber is expecting to see savings of approximately $25,000 - $30,000 annually.

Pyrenees Timber will now also be able to dry the wood chips that the local hospital uses as fuel in their bioenergy woodchip boiler. In an agreement with Beaufort Hospital, Pyrenees Timber will supply approximately 200 tonnes of quality, criteria standard wood chips per annum raising revenue for the mill by around $20,000.

Australian Paper – Waste Recycling Plant

In 2014 Australian Paper opened Australia’s only premium wastepaper recycling and de-inking plant at their Maryville Mill in Victoria’s Latrobe Valley. Since the closing of operations of the Amcor Fairfield Paper Mill in 2012 the entirety of Australia’s waste paper has either been sent to landfill, or overseas for processing into low grade materials such as cardboard.

The creation of the new $90 million plant means that Australia is now directly benefitting from the wastepaper it creates. The Waste Recycling Plant will take up to 80,000 tonnes of wastepaper out of Australia’s landfill each year, saving up to 200,000 tonnes of carbon emissions every year. That is the equivalent of taking more than 70,000 cars off Australia’s roads.

The Australian Government has supported the project by providing funding. The sustainability advantages of purchasing Australian-made 100% recycled paper over imports are substantial, and the environmental benefits of this project are significant.

The Victorian Government also helped to fund this project, recognising the benefits of creating green jobs in the state. Almost 1,000 Australian jobs were supported during the construction phase of the plant and the ongoing operation has provided flow on employment for around 250 people.

Source: VicForests
The Victorian Association of Forest Industries (VAFI) is the peak body for the Victorian forest and wood products industry.

The forest and wood products industry in Victoria is a dynamic sector of the economy that uses wood - a renewable, biodegradable, recyclable product - to create materials for new homes, buildings and furniture, paper and fuel for green energy. VAFI represents the entire lifecycle of the forest and wood products industry, including forest growers, harvest and haul businesses, wood and paper processors, and associated businesses across both the native forest and plantations sectors.

VAFI represents the entire lifecycle of the forest and wood products industry, including forest growers, harvest and haul businesses, wood and paper processors, and associated businesses across both the native forest and plantations sectors.

The industry directly employs more than 21,000 workers and indirectly supports another 40,000 to 50,000 jobs. This provides a sustainable future for suburban, rural and regional communities across Victoria.

In a global economy VAFI continues to support local forest and wood products businesses, both in response to resource security and market access to the industry. VAFI continues to encourage greater uptake of productivity enhancing measures, including new technology, workforce skills and capabilities, industry collaboration and market support.

VAFI strives to protect and promote the forest and wood products industry’s commitment to Victoria’s economy and community, as well as its ongoing sustainability. VAFI works collaboratively with its members, industry stakeholders, the community and governments to achieve this goal.

Our vision is to ensure an economically, environmentally and socially sustainable future for Victoria’s forest and wood products industry. In working towards our vision, value is measured through what we, our stakeholders and members achieve.

**VAFI’s values include:**

- Leadership and advocacy - VAFI is the trusted ‘voice’ for the Victorian forest and wood products industry.
- Strong relationships - VAFI cultivates strong relationships based on respect, communication and collaboration.
- Knowledge and innovation - VAFI develops strategic and innovative ways of delivering services.
- Action - VAFI is professional, responsive and efficient in achieving the best possible outcome for its members.

**VAFI’s work includes:**

- Representing our members and the Victorian forest and wood products industry to all levels of government, the community, other agencies and organisations;
- Developing policy, in consultation with our members, and advocating our position to support the future success of the forest and wood products industry in Victoria.
- Researching, analysing and advocating key industry and related issues;
- Supporting members on industrial relations, training and education, occupational health and safety and environmental management issues; and
- Developing and maintaining partnerships and collaborations for continuous industry improvement.

Source: Australian Sustainable Hardwoods
Governance and stakeholders

**Membership**
VAFI members include organisations involved with forest and wood products processing, pulp and paper manufacturing, plantation growing and harvest and haulage.

**Full members**
Any person, firm or company who is or usually is an employer carrying on tree-growing, sawmilling or processing of timber, kiln seasoning of timber or independent logging operations in Victoria or adjacent areas.

**Associate members**
Any person, firm, partnership, company, corporation, association (whether incorporated or not) or unincorporated body involved in the forest industries.

**Full Members**
- Arbuthnot Sawmills
- Australian Bluegum Plantations
- Australian Paper
- Australian Sustainable Hardwoods
- Auswest Timbers
- Big Traffic Australia
- Dindi Sawmill
- Fenning Bairnsdale
- Hallmark Oaks
- HVP Plantations
- Midway Ltd
- Montana Timber Holdings Pty Ltd
- Powlettown Sawmills
- Pyrenees Timber
- Radial Timber
- Reid Bros Timber
- Ryan & McNulty Sawmills
- South East Fibre Exports

**Associate Members**
- A E Gibson & Sons
- Britton Timbers
- Conway Transport
- DN & LJ Blackwood
- Jacobs Creek Contractors
- PF Olsen Pty Ltd
- Rubicon Cable Co

**Management**
The VAFI Executive Committee is comprised of a President, four Vice-Presidents and three Executive Committee members. All Executive Committee members represent VAFI member businesses and as a body, they set the policy agenda for the Association and provide oversight of VAFI’s management activities. VAFI CEO, Tim Johnston, manages the Association on a day-to-day basis and is assisted by Jillian Roscoe, Manager Operations. All public affairs issues and social media are managed by Natalie Kimber, Media and Communications Co-ordinator. Contract staff provides IT, finance and industrial relations support.

**Executive Committee Members**
- **President**
  - Julian Mathers, Australian Paper
- **Vice Presidents**
  - Bob Humphreys, Hallmark Oaks
  - Greg McNulty, Ryan & McNulty Sawmillers
  - Michael Taylor, Midway Ltd
  - Vince Hurley, Australian Sustainable Hardwoods
- **Executive committee members**
  - Cameron McDonald, Auswest Timbers
  - Malcolm Warnock, Rubicon Cable Co
  - Rowan Reid, Reid Bros Sawmillers

**VAFI staff**
- Tim Johnston, Chief Executive Officer
- Jillian Roscoe, Manager Operations
- Natalie Kimber, Media and Communications Co-ordinator
- Peter Ryan, Industrial Relations Adviser
- Sean Chua, IT Manager

**VAFI Annual Industry Dinner**
As the key industry event held in Victoria, the VAFI Annual Industry Dinner showcases the Victorian forest and wood products industry and its importance to key government and political representatives and industry stakeholders. The dinner is an opportunity to continue to cultivate the strong ties with key stakeholders across all sectors, whilst recognising the hard work from everyone in the industry.

The 2014 VAFI Annual Dinner was another outstanding success. The 230 attendees consisted of government and political representatives, industry representatives, industry association representatives and media. Speakers included the Hon. Peter Walsh MP, the then Minister for Agriculture and Food Security, and the Hon. Jacinta Allan MP now Minister for Public Transport and Minister for Employment.
Governance and stakeholders

Awards

Each year, VAFI recognises those members who have gone beyond compliance and made strategic improvements in their business, helping to build and secure the future of the Victorian forest and wood products industry.

The purpose, sponsor and recipient of each award in 2014 were:

**Economy Award A**
(Sponsored by First Super)
Encouragement and recognition for significant innovative approaches that resulted in increased productivity, new value-added products or access to new markets for timber.

**Ryan and McNulty Sawmillers**
For their development of a pre-finished solid overlay laminate floor, utilising low grade timber which would otherwise pose a loss to the company and instead creates a new product to enter into the market.

**Community Award B**
(sponsored by Regional Development Victoria)
Encouragement and recognition for initiatives that contribute to the social and cultural wellbeing of regional communities

**HVP Plantations**
For their role in enhancing the relationship between the community and the forestry industry by establishing an independent community based organisation called the 'Alpine Community Plantation Inc'.

**Sustainability Award C**
(sponsored by PF Olsen)
Encouragement and recognition for achieving significant improvements in business, health and safety or environmental sustainability.

**Australian Sustainable Hardwoods**
For their significant initiatives in worker health and safety, business efficiency and sustainability through a new traffic management system across both of their sites.

**Special Recognition Award D**
(sponsored by Australian Paper)
In 2014, VAFI recognised the Country Fire Authority for their outstanding, ongoing efforts in bushfire management through prevention, preparation, response and recovery which supports the forest industry across Victoria. In particular, for the CFA’s ability to work with the forestry industry to develop active and adaptive fire and forest management across all land tenures, to help mitigate the risk of future wildfires.

**Lifetime Achievement Award**
The VAFI Lifetime Achievement Award is one of the most significant awards VAFI presents each year, as it recognises an individual’s consistent and long-term achievements in serving the Victorian forest and wood products industry in excess of 20 years. The winner for 2014 was Garry Squires.

Garry has devoted his career to serving the industry and bettering the local communities around him. A former senior bureaucrat in the former Department of Sustainability and Environment, Garry served as the Regional Manager for Gippsland from 1996 to 2001. Garry spent some years running a logging syndicate, and in 2007 set up GRS Consultancy, a forest industry consultancy, specialising in OH&S, business planning, tenders and research projects.

Garry is passionate about using native forest residues from local East Gippsland sawmills to generate power for local communities such as Orbost. He has worked extensively with, and alongside, VAFI and its members to further the industry, particularly in East Gippsland.
Acknowledgements

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Ostberg Bench. Source: Australian Furniture Association
Endnotes

1 Victoria State of the Forests Report 2013 p.92
2 J. Schirmer, M. Mylek & J. Morison, Socio-Economic characteristics of Victoria’s forestry industries, 2009-2012 (Schirmer 2013) p.3
4 Sales and Service income in forest product industries — total wood products and paper + paper products, from ABARES via email 2/9/2014 to be included in updated AFWPS statistics release November 2014.
5 AFWPS statistics via email 8/9/2015
7 Improvements in DEPI’s VFMP, use of technology such as GIS and remapping which refined the scale ratio have led to different area calculations – see generally, Victoria SFR 2013 p. 53
8 VicForests Area Statement 2014
9 Victoria SFR 2013 p.226
10 VicForests Sustainability Report 2014 p.10
11 VicForests Area Statement 2013
12 VicForests Area Statement 2014
14 Ibid
15 Australian forest and wood products statistics: September and December quarters 2014 summary statistics -
17 Australian Forestry Standard Limited Annual Review of Activities 2012-13, p.6 & 7
18 Revised – FSC Australia Annual Report 2014
19 Victoria SFR 2013 p. 193
20 ForestWorks ISIC Environment Skills Scan 2014 p.6
22 VicForests Area Statement 2014
24 VicForests Area Statement 2014
25 VicForests Ecologically Sustainable Forest Management Plan
27 Victoria SFR 2013 p.26
29 AFWPS Statistics
30 AFWPS Statistics
31 FIAC Strategic Directions Issues Paper
35 ForestWorks Skills Scan 2015
38 Country Fire Authority Annual Report 2013-14
39 VicForests Sustainability Report 2013-14
41 Ibid
42 LBPAG Technical Report 2014
45 http://www.montrealprocess.org/
48 http://www.pelt.org/
51 Victorian Timber Industry Fact Sheet – produced for the Leadbeater’s Possum Advisory Group, 2013 p.5
52 Australian Forestry Standard Limited Annual Review 2013-14