

T R A N S C R I P T

LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into the Supply of Homes in Regional Victoria

Colac – Monday 24 February 2025

MEMBERS

Juliana Addison – Chair

Martin Cameron – Deputy Chair

Jordan Crugnale

Daniela De Martino

Wayne Farnham

Martha Haylett

David Hodgett

WITNESS

Shane Vicary, Chief Executive Officer, Associated Kiln Driers.

The CHAIR: Welcome back to the public hearing. I will just run through some important formalities before we begin.

All evidence today will be recorded by Hansard and is protected by parliamentary privilege. This means you can speak freely without fear of legal action in relation to the evidence you give. However, it is important to remember that parliamentary privilege does not apply to comments made outside the hearing, even if you are restating what you said during the hearing.

You will receive a draft transcript of your evidence in the next week or so for you to check and approve. Corrected transcripts are published on the committee's website and may be quoted in our final report.

Thank you so much for making the time to meet with the committee today and to be here in Colac. My name is Juliana Addison, and I am the Member for Wendouree, so I represent Central Ballarat.

Martin CAMERON: Martin Cameron. I am the Member for Morwell, down in the Latrobe Valley in Gippsland.

Daniela DE MARTINO: I am Daniela De Martino. I am the Member for Monbulk, which covers the Dandenong Ranges.

Wayne FARNHAM: Wayne Farnham, Member for Narracan, West Gippsland area – Warragul, Drouin and around those areas of UG.

Shane VICARY: The business that AKD represents –

The CHAIR: Can I just get you to introduce yourself and then make any opening remarks.

Shane VICARY: I am Shane Vicary. I am the CEO of AKD Softwoods. I have got a small presentation here that I think might just help rather than me just making statements. What I would say that our business pretty much covers – we have direct operations or our customers have operations in all of your electorates, so it is very pertinent. Thank you for giving me the opportunity today.

Visual presentation.

Shane VICARY: We were established in 1955. We are a private company. We were originally a hardwood processing business that converted from hardwood to softwood in the 1960s. We are a 100 per cent plantation-based business. We are an intergenerational business. Some of the original shareholders started in the industry in the 1870s and 1880s. If you think about it, sawmilling is in our DNA, producing timber. Many, many houses in Victoria and Australia have been built with our timber. We converted to softwood in 64. We are a private company. We have four shareholders, four family groups, and they have been involved in the business since 1955.

As a company we have taken a long-term view. It is an easy thing to say, but what does it actually mean? For me it means that with the things that we do, we think about the impact that we have on the land, we think about the impact we have on the communities, and we are not just driven purely around EBITDA. The best example I can give you is that we are still buying land and planting seedlings and do not expect a result for 30 years. There is no greater influence than that. The pretty picture on the left, the little triangles, obviously that is our brand, and those are all our locations. As you can see, whilst we are a Victorian-based organisation, we are actually represented across the whole country.

A bit of ego: we are Australasia's largest sawmilling company. We have got five operating sawmills, and we have got one parked up; you drove past it on the way here today. That sawmill is mothballed because of insufficient demand. We also have posts and poles for viticulture and horticulture and so forth, and then we also export woodchips out of Geelong. We have approximately 1100 employees across all of our sites, so our annual sawlog throughput is about 2 million cube. We have about 1 million cubic metres of timber sales. As a

sawmiller, that means a lot; probably for the public it does not mean as much. Just to put it into context, 2 million cubic metres of log in is about 200 to 220 trucks and trailers of logs coming into our sites every day. We have about 100 trucks and trailers of timber going out every day. It is a significant operation across the eastern seaboard, and we are almost a significant logistics businesses as much as we are a sawmilling company. We represent about 20 per cent of the market, so 20 per cent of the houses that get built in Australia are built with a AKD timber. Therefore we are Australia's largest producer of structural timber. When I think about structural timber, that is the product that gets used in the construction of houses.

We are vertically integrated, so what that means is that we actually have plantations as well. We are a sawmilling company that owns plantations, and that is based on the principle of – our first plantation was established in 1972, and we expanded into New South Wales in 2021. What that pretty much means is that we have been growing trees for a long, long time – over 50 years – so we have got a bit of experience in that. We use carbon credits to enable us to expand the plantation estates. The recent law changes around ACCUs have been good and positive to see plantation expansion. We spent about \$200 million in capital expansion between 2021 and 2023. I throw that on the table just so that it is pretty clear that as a business we have got a long-term view and we reinvest. About \$130 million of it was spent on sawmills and about \$70 million was spent on plantation expansion.

The sawmill that you are going to go and visit tomorrow is a fairly modern sawmill. It was started in 1955. It is kind of like grandad's shovel; we replaced the blade, then we replaced the handle, then we replaced the blade, then we replaced the handle. A mill like that, to build brand new today, would be about \$350 million to \$450 million. It sits on about 60 acres, and it processes about 10 logs a minute. When you see it, it has got the technology that is being deployed at the large-scale sawmills in Australia. The technology that is deployed is modern.

I will go to the next slide. These are our really simple strategic priorities as a business: developing people; securing the resource – you need log supply to run a sawmill; stable demand – that is quite relevant to today; sustainable growth, so the things that we do are all based around ensuring this, as reputational legacy is important to us; and then business excellence. Sawmilling in Australia operates to world-class standards. I am quite happy to admit, as a Kiwi, that what we do here in Aussie is pretty good.

Go to the next slide. This is our volume of timber sales. In 2021 we were selling about 1 million cubic metres of timber. We are actually down to about 850,000 cube. What you can see from that is that we are running at about 85 per cent capacity.

You can go to the next slide. One of the things, when we talk about housing and talk about what has occurred in the last wee while, has been the timber shortage that people kind of cracked onto or grabbed onto during the boom. That red line there shows basically house commencements. We went from effectively 25,000 to 30,000 house commencements in Australia on a quarterly basis. We build basically 100,000 houses a year and have done for nearly 50 years – 40-plus years – and we tried to wedge in over twice that volume in a very, very short amount of time. We did not have a timber shortage issue; we had an out-of-control demand issue. My kids will call it FOMO; fear of missing out was the biggest issue that we had.

This graph shows a market in action. This is the volume of timber that gets imported from Europe. When the domestic supply cannot keep up, the supply keeps coming. So when that boom hit we had additional fibre that came from Europe. It came at a price because it was marginal volume – no different to any other kind of commodity-based business.

This is our outlook for the next 10 years. This is obviously how we drive how we think about things. We think that if 2024 has been the dip – this is BIS Oxford information – we are going for a slow climb back.

Go to the next slide, please. I am sort of saying the same thing here, but this is my observation of what our biggest issue is around building houses in Australia at the moment – time. People will talk about it being a lack of productivity. It is not my science, but that graph on the right is the one to look at. As the volume of houses under construction goes up, the time it takes to build a house goes up. It is a bit hard to see, but we have gone from an average for nearly eight years there of six and a half to seven months to build a house to now well over 10 months. That graph – and others have used it – is more like 13 months, 14 months, 15 months. The time it takes to build a house has exponentially increased.

What do we need? I sort of think about this recognition of the problem. We have got a cost-of-living crisis and we have got a housing crisis, and it is affordability. I also reflect on my own situation. I bought my first home for \$98,000 in 1999, and my son is now at the same age, pretty much, as I was when I bought that house, and his entry, whether it be here in Colac of \$500,000 or \$600,000 or – I hate to think what it is in Melbourne, Ballarat and so forth. It is a national crisis, so it requires a bipartisan approach. It is too important to be political.

Australia has this amazing thing that I absolutely love, which is positive population growth. We are growing at about 1.7 per cent and have done for 50 years, but at the moment that means 400,000 to 500,000 people – that is a lot of people to house when you think about needing 2.1 people per dwelling. Dwelling construction in Australia is an economic driver. One in eight is directly engaged, one in four indirectly, so it is quite an amazing statistic. But houses cost too much to build. We have got a massive opportunity here in the regions because we have significant advantages. We have got a lot of land, and we do not need anywhere near the amount of infrastructure. Typically the thing that is quite curious about Victoria in particular is the amount of economic activity that actually still occurs in the regions.

I think about this from a CEO's perspective. With lots of complex problems, just pick one or three that have a genuine impact.

Go to the next slide. My old mate here: 'Sometimes the questions are complicated, but the answers are really simple.' I think at times we overcomplicate wicked problems, and this is a wicked problem.

Genuine policy reform: houses cost too much to build. There are statistics out there that say that building a house in Australia is 40 per cent taxes and regulation costs. If you talk to any builder or building company, the frustration I hear from our network, if you like, our customers, is just the complexity of dealing with all the regulations, all the taxation. It has eroded confidence with developers and eroded confidence with mums and dads and so forth.

There is definitely a tradesperson skills shortage. The best analogy I can give you is: why be a chippie when you can go to the Melbourne construction sites and earn three times what you would earn as a chippie? All of a sudden for those individuals it is very limited in the way that they develop their skills. Quite literally we see electricians and plumbers and builders in their 20s going to the city and making two to three times what they currently make.

What do I think about Australia? There are three layers of government, and the planning and consents process has just got harder and harder. The National Construction Code keeps on building in more and more overlays, which just keep on increasing the costs. The biggest thing that you talk to tradespersons about is the desire to get out, because it is so much harder to get to a place of knowing how to build a house and all the different requirements.

I put here 'Boom and bust – artificial stimulus creates problems'. I think the easiest thing I could have done here, wearing my CEO hat, is say, 'Hey, do some grants, some stamp duty releases; let's get some activity happening.' But it creates artificial market dynamics that are not sustainable, and then they create other aberrant problems – i.e., inflation. So I think that enabling a stable market that creates confidence is the most important thing that we all collectively have a responsibility to do.

It is about real action: making housing the policy. It has to be the priority. The second one – and again I do not have to make decisions about how to do this: make land cheaper and available. I just feel like we have almost commercialised it too much. There are too many land banks held by others. We see block sizes reducing in size, and it is almost like extortion. It feels to me like we get land release based on people wanting to – and I think you have created mechanisms around land tax to try and make that, I do not know; what is the word?

A member: Disincentive.

Shane VICARY: Disincentivise that, but I think it is actually impacting the wrong people. I think I am advocating almost for a reform in the sense that government actually has to intervene: take land; buy land and make it just available. If you make large-scale areas of land available, then you will stimulate housing.

Tradespeople/skills – I am not talking about my business. We do not have an HR people issue anywhere in the country, but I look at the building industry and there are plenty of disincentives to be a tradesperson. I think

enabling and creating demand for that is, in some ways, the level of construction in Melbourne on the infrastructure projects that has almost taken away the tradie that would otherwise be building houses in Australia.

Remove taxes, reduce regulations, build confidence – now, I am not Elon Musk, so please do not take this the wrong way. I have been here for 15 years in Australia. I love living here. I am a dual citizen; I am really proud to consider myself a dual citizen. But bureaucracy has got harder and harder and harder in the last 15 years. Running a business is more and more difficult, not less.

Then the last one is – I am sitting in COPACC and I am little bit sensitive to this – planning capacity. Just take away the council's ability to say no. I think risk management is a modern frame. All councils think about risk management. The government thinks about risk management. Boards, CEOs – it is drummed into us. Sometimes it is an excuse and a reason to say no, because no is safe – yes is difficult; no is safe. I think that there is a lack of infrastructure with councils around planning and building consents. I am sure there will be lots of people talking to you about their one-off examples, of the difficult planning consultant or whatever. I think that in some ways we have seen a move away from having a lot of that infrastructure inside councils to a place where we see councils almost relying on consultants as distinct from actually having that genuine capacity. In my industry I have got to prime the pump with foresters and sawmillers and saw doctors and fitters and electricians and invest long term. We have over 90 active apprentices in our business. We do a graduate program, so we take on five to six graduates every year, whether we are in the economic position to do so, because we are always thinking about where we need to be in 20 years time. I feel like this is something that is kind of broken in our state and in our country around planning and in our councils. That is my opening address. Thank you.

The CHAIR: Shane, thank you so much. You are a very dynamic leader. I can see it straightaway in terms of you calling it as it is and having a really good oversight. Also thank you so much for being so generous to allow us to come and visit tomorrow. I am really, really looking forward to it. Marty, do you want to kick things off?

Martin CAMERON: Yes. Thank you, Shane. It is great when people come in to talk about their business but come in with solutions also for us to have a look at. Shane, I am, as I said, in the Latrobe Valley, so we have been heavily impacted through there and in through East Gippsland with the shutting of coupes and the timber industry. How did that affect your industry when all that took place? I know you have got your own private coupes and that. Are you a bit more insulated from the stuff that went on down there?

Shane VICARY: That is all native, and we do not have anything to do with native. We are 100 per cent plantation based. Without talking about something that I do not truly understand, I think there are two issues that threaten our business. The first one is that I am really worried about bushfire protection and the fact that on those total fire ban days I am in the unfortunate position of asking men and women to go and fight fires and jump on bulldozers and drive bulldozers through bush at 10 kilometres an hour in extreme conditions. I worry about Gippsland and where that infrastructure is going to be and who is going to do that as those contractors disappear. So bushfire and its impact on plantations and our environment over there – that is the first one.

The second one is Opal, or Australian Paper. I think the viability of a pulp mill operating at 7000 cube log – it is when, not if. That kind of worries me, because we have a sawmill over there. For sawmilling, we cut up a log and 50 per cent of it comes out as timber, 30 per cent of it comes out as chip and 20 per cent comes out as sawdust and bark. We use 20 per cent to fire our boilers. We sell the chip – 30 per cent – and we produce timber. That 30 per cent of chips needs to have a home. If you think about a sawmilling business that is taking in 200 truck and trailers of logs a day, that means that as a business we are pretty much sending out about 50 to 60 truck and trailers of chip a day, so having markets for chip is crucial, or critical, for a sustainable industry. At the moment, for Colac we export our chip to China and Japan. I worry about the sustainability of that. I really worry about if Opal disappears, and HVP should be really worried about how you have a sustainable industry and plantations over there.

Martin CAMERON: Thank you. You have answered my second, third and fourth questions. I will pass you over.

The CHAIR: Amazing. Daniela.

Daniela DE MARTINO: I might pass to Wayne, if that is okay, because I want to come to something. Thank you.

The CHAIR: Yes. Wayne.

Wayne FARNHAM: Hello, mate. How are you?

Shane VICARY: Good.

Wayne FARNHAM: Shane, around construction of houses – and I was a builder up until about two years ago, so unfortunately most of your product ended up in my hands as splinters at some point – we have been building the same way now for over a hundred years. We have been doing brick veneers, trusses et cetera. In your opinion what can we do to make the process cheaper? Because it is becoming unaffordable for the normal person. As you rightly point out, for your young fella trying to get into a house on land now it is probably 600, 700 grand, not much different from Warragul or Drouin as far as that cost goes. How do you think as an industry we can do it cheaper, we can do it better? Do we lean into technology? What are your thoughts on that?

Shane VICARY: I think actually building has become that much more difficult from managing all the subtrades. I think you have seen there is more of a construction philosophy around residential construction than the old-school carpenter being onsite and managing everything. A lot of the time that gets taken at the moment is all the sequencing of all the various contractors. If I think about some of the houses that my wife and I had, they were 90 square metres, 110 square metres. Most people expect to live in 200, 210, so there is a bit of an expectation about what a house looks like. That is a burden that we have to live with, if that is our expectation.

Construction methodology has become more and more prefab. You drove past one of the largest frame and truss manufacturing factories in, if not the world, the Southern Hemisphere at Corio on the highway, Timbertruss. It is a really sophisticated operation. I think that there is a drive towards maybe more factory activity – prefab, premodular. I think there are some real dangers in that because it does not actually work if you have an expectation of living in a 200-square metre home and you want all the attributes of it. I think if you go down this path of just pure modulisation and you think that that is going to be the solution, we are just going to end up with suburbs full of the equivalent of dongas. I think there is another word for that, and I think it is called slums. I would be strongly advocating away from that.

Timber is a modern engineering material. It absorbs carbon, it is very user-friendly and malleable and it is positive for the environment. It is sophisticated in its nature in the sense that it has got elastic properties and it has a memory, so it is able to respond to challenges such as movement. A lot of other building materials do not: steel, aluminium, brick; they are brittle. If there is any movement, then that house does not respond to the challenges that timber does.

If I come back to your question, I think the cost of building homes in Australia is too expensive for two reasons: land is too expensive, and regulation and taxes – and the third one being expectation of what your first home should look like.

Daniela DE MARTINO: I am going to jump in, if that is all right.

Wayne FARNHAM: Yes, you go.

Daniela DE MARTINO: Do you want to follow up?

Wayne FARNHAM: I have got a hundred questions, so you go.

Daniela DE MARTINO: Thank you, Wayne. Looking at the import and export and going back to 2021, when the market skewed and imports came in because all of a sudden the demand went through the roof and out of kilter, obviously we saw imported products flooding in. How do they compare, would you say, on quality and price compared to Australian-sourced timber?

Shane VICARY: It is the marginal supply. Imported timber has been in Australia for 20-plus years, and it fills a bit of a supply gap. Traditionally it is cheaper than timber in Australia, domestically produced. The reason behind that is called marginal economics. Basically, the large-scale sawmills over the other side of the

world are sending us their last 5 or 10 per cent of their fibre. That timber does not actually fully contribute to fixed costs. It is being sold here at a price which enables the economics of that sawmill to run at a higher volume, so it is able to be more competitive on price.

When the market went ballistic in 2021, the imported timber went above domestic-produced prices. The issue with the domestic-produced price is it is a lot more stable than imports. That is what upset a lot of people, because all of a sudden they were paying a lot, lot more for imported timber. But that was just because there was an artificial boom. FOMO – everybody was trying to get in for the grants, and then we had this huge swag of houses that had frames and roofs on them and were going nowhere. I do not know if that answers your question.

From a quality point of view – look, different species have different attributes that give them different strengths, and that actually happens up and down the country. Wood that we grow in South Australia is completely different to Colac Otway and completely different to Ballarat and different to New South Wales and Gippsland. So you adapt your milling techniques, and it comes back to the grades that you can produce.

Daniela DE MARTINO: That is quite interesting, actually, about the local environment affecting the timber. But it makes total sense. Just a follow-up, if that is all right: do you know the key countries that most of the imported timber was coming from?

Shane VICARY: Today, back then or overall?

Daniela DE MARTINO: Back then – and today.

Shane VICARY: Northern Europe is a heavy supplier to here, so Scandinavia – typically Sweden; then your Baltic states, so Estonia, Latvia; Czechoslovakia; and then down into Germany and Austria. They seem to be the locations that supply here. There is –

The CHAIR: And is that sustainable timber or old-growth, or is it a mix?

Shane VICARY: It is just different. I do not have the qualifications to answer that question.

Daniela DE MARTINO: Thank you for that. I have many to come, so you jump in.

The CHAIR: I am just wondering statewide – and you talked about a lot of the things that the Victorian government could do in terms of skills, cheaper land and removing taxes: what could the Victorian government do to ensure that the Victorian construction sector has access to sufficient locally grown and manufactured timber construction products?

Shane VICARY: It takes 30 years to grow a tree from planting it to being in a place where you can mill it – 26 to 32; it is a little bit dependent on the location you grow it. We do need more plantations, and our state is dominated by one log supplier, primarily, so most of our logs are going to that sawmill. We have about 40 per cent that come from Victoria, and the rest of the logs that come into that sawmill come from South Australia, 300 kilometres away. South Australia has a lot more log supply because of decisions made by various governments generations ago.

The one comment that I would make to you is: stable demand. I spend all my time trying to manage the ups and the downs, and it is volatile. As a business we made really good profits in 2021–22, and we are basically bumping along at the bottom and have done so for the last couple of years, not making any money. So it is really hard to invest in. There is a degree of it being a commodity business, but what is happening at the moment is that you see logs getting exported because forest growers still need to cut the trees and still need to keep the contractors engaged. That is all fibre that could otherwise be used in housing construction. So if you had a more stable demand profile, less boom and bust, that would be powerful.

The CHAIR: Marty.

Martin CAMERON: You were talking before about how with your business you look 15, 20 years into the future. What do you see? Where are you going to be at in 20 years time for your business? Is our appetite for timber still going to be there? Hopefully you say yes – or are you going to be looking at diversifying and doing other stuff?

Shane VICARY: I think globally there is insufficient timber to meet all the housing demands across the globe, and so, if you like, we are long of the view that having a supply of logs and producing timber is a good thing to be in, given where the long-term projections are globally, not just for this country or the state. I think if I come back to my statements about, you know, timber being carbon-positive, most carbon products need to get manufactured. Ours gets produced and is positive for the environment, and it supports regional activities – i.e., we employ around about 1100 employees across the country in regional locations. And as a building product, it still is superior to just about every other product in terms of use and flexibility of use. So I am a bucket half full rather than a bucket half empty, yes.

The CHAIR: Daniela.

Daniela DE MARTINO: Just jumping in quickly, because I know Wayne has probably got some more questions, am I right?

Wayne FARNHAM: Yes, all good.

Daniela DE MARTINO: You were saying you are operating at 85 per cent capacity at the moment. That is across all your operations on the east coast?

Shane VICARY: On average, yes.

Daniela DE MARTINO: So what does it look like in Victoria, in terms of your capacity and supply and demand here for the Victorian market? Can you disaggregate it? Sorry if I have put you on the spot.

Shane VICARY: No. We are probably worse affected here in Victoria at the moment, but that is just because of different log contracts, different mills, different locations.

Daniela DE MARTINO: Right. It is a bit complex.

Shane VICARY: Yes. We are probably running at about 75 per cent capacity here in Colac, which is not ideal. Yes.

Daniela DE MARTINO: Okay.

Shane VICARY: But it is not a Victorian demand issue. We have sawmills in New South Wales, and we are bringing timbers from those sawmills into Victoria at the moment.

Daniela DE MARTINO: So how is Victoria's demand comparing to New South Wales and Queensland?

Shane VICARY: Queensland is the most robust. South Australia, WA and Queensland are more robust. New South Wales is really difficult, and Victoria is softer than normal.

Daniela DE MARTINO: Thank you.

Shane VICARY: The observation I would make is that when I moved here I thought I lived in a country. I now understand I live in a federation and the states are really unique. Each state has different dynamics even from doing business. Victoria is very much based around relationships. In New South Wales it is more about price. You see more volatility in New South Wales than you do, say, in Queensland. Queensland is a lot more like Victoria, a lot more relationship-driven.

Daniela DE MARTINO: Interesting.

The CHAIR: Wayne.

Wayne FARNHAM: Thanks, Chair. You touched earlier on Melbourne's Big Build and the effect it is having on regional Victoria, especially apprentices completing apprenticeships. I think we have got 50 per cent at the moment completing an apprenticeship. Just expand on that. How do you reckon it has affected this area down here – the Big Build and trades and everything else?

Shane VICARY: I can only go on the rumours or the stories, if you like. I think I said before that my kids are 25 and 24, so I know lots of kids in that age range from playing sport or going to high school with my kids.

I was in the gym about 12 months ago talking to a young fella that used to be a builder here. He was about 24 at the time, and he was choosing to be a concreter in Melbourne because he could earn in excess of \$120 an hour, as compared to a chippie rate at \$40. I sort of thought that \$40 is not bad for a chippie, but it cannot compete when he is able to get all those other sorts of rates. That is one example. He is about 5 foot 9 and about 75 kilograms dripping wet, so I am not sure how he can be a concreter, but nonetheless he is. Another example I have got for you is: my daughter was at La Trobe University, and people were taking years off to go and turn signs. One of them was her flatmate. That is not an anecdote – that is the word I was thinking of; it is real. They are real cases. So yes, I think it has actually dragged away a lot of people. If you talk to any of the builders, I mean, they are spending more and more time grabbing kids out of high school because there has been that pull to the city.

The CHAIR: Thanks, Wayne. During this inquiry we are going to be talking to different people about the supply and form of housing, including 3D printing for housing. Obviously that is an emerging technology. Do you think that is going to put pressure on the timber industry, timber frames and trusses, or do you feel that your offering will continue to innovate to make sure you are competitive?

Shane VICARY: I mean, I think there are always going to be disruptors, and industries just have to sort of adapt to that. I think there is going to be a multitude of different products coming through that we will have to change for. It is no different to the sawmill that you will see tomorrow. We used to be heavily based around people making all the decisions on the line, whereas what you will see tomorrow is that AI drives parts of the mill. There is almost no person in the mill making a decision as to log or timber; everything is automated. So I think you will see productivity changes shift fast to keep up with disruption.

The CHAIR: So in terms of the different plants that you showed us on your screen, what would be your most modern plant? You talked about the costs.

Shane VICARY: Colac here would be our perhaps most sophisticated sawmill overall. Some of the technologies you will see there tomorrow are world-class.

The CHAIR: Just one follow-up question: earlier you talked about how from our beautiful Federation we have a lot to thank our founding fathers for, or not, but when timber products are coming into Victoria, what is that doing on the side of cost? What are we paying as Victorians to have interstate timber brought in as opposed to –

Shane VICARY: It is a really interesting question, and my directors ask me this question all the time as to why we have timber moving around the country. I think one of them refers to it as ‘timber tourism’. The freight cost is actually reasonably incidental relative to the cost of production and getting the right piece of timber to the right market from the right mill, from the right log. Are there degrees of inefficiency in having timber move around? Yes, but then it is usually compensating for other inefficiencies.

The CHAIR: Marty.

Martin CAMERON: Jumping on when you are moving timber around the country, are your trucks set up? We have got a guy down in the Latrobe Valley that has actually set his trucks up now; he can take logs across or bring logs in and then take a different manufacturing, whatever –

Shane VICARY: Yes, Daryl Hutton from ANC.

Martin CAMERON: on the on the back of his trucks. That is where he is in. So are you in a similar situation or not as yet?

Shane VICARY: No. We do not run all of our own trucks; we are probably only doing about 10 to 15. We are a bit unique in that we own trucks but we are only doing probably 10 to 15 per cent of our own transport. We provide it as a value-add that we can provide superior service, so it is a competitive advantage – same-day, next-day delivery for valued customers. But typically, if you think about, say, Colac, it is a really short run, so Colac to Melbourne, and so the cost of going to another location to find something to bring back to a small centre – typically the advantages are not there. You are better off just to run back fast or contract, and it becomes their job to figure out another activity for that truck.

Martin CAMERON: Thank you.

The CHAIR: We have 3 minutes to go. What would we really like to ask?

Wayne FARNHAM: Why do you have to make timber that gives you splinters? Can't you make a splinter

Shane VICARY: Clearly you are buying our competitors' product. Ours are splinter-free, mate, trust me.

Wayne FARNHAM: My old man was my boss, so we would probably go for the cheaper stuff. Thanks for coming in. It has been interesting. I am looking forward to the site visit tomorrow.

Shane VICARY: Hopefully you enjoy it.

Wayne FARNHAM: It will be good to come out there and have a look around.

The CHAIR: Daniela, anything further?

Daniela DE MARTINO: It was just about innovation, but you have already touched on, really, to see what it looks like? What is the role AI can play to drill in scientifically into the make-up of each piece of timber, and is it better suited to different environments?

Shane VICARY: We are very driven around product use. In a modern sawmill – if I go back, say, 15 years ago when I first came over here, out of a workforce of 250 we had, say, two tertiary-qualified people. The people that are coming in our business now – mechatronics, electronics, chemical engineers, mechanical engineers, PhDs, masters, structural engineers and civil engineers as we think about how the construction methodologies will change and how our products need to be suited to that. But our focus is around adapting a raw material for use in the future and influencing building standards as distinct from thinking about innovation around building construction activity. So we more respond to market dynamic than lead, if that makes sense.

Daniela DE MARTINO: Thank you. That is great. Thank you very much.

The CHAIR: Excellent. Shane, thank you so much. I have learned so much, as my piece of paper shows us. And thank you for really looking big and then also coming in really small to give us some really strong insights. You will be around tomorrow?

Shane VICARY: Yes. I will not be able to do the tour, but I will welcome you there.

The CHAIR: Terrific. Well, thanks so much for being here, and we look forward to seeing you tomorrow. At this stage we will just take a pause till our next witness.

Witness withdrew.