



**The Wilderness Society**  
**Submission to Victorian Parliamentary Inquiry into**  
**VicForests Operations**  
**July 2017**

**Introduction**

VicForests' stated purpose is to operate a responsible business that generates the best community value from commercial management of Victoria's state forests. In the context of this Parliamentary Inquiry into VicForests Operations, there are some key questions as to whether VicForests are in fact managing Victoria's public owned forest asset for the best economic return, and for the public good.

These questions include:

- Does VicForests' native forest logging enhance recreational opportunities?
- Does logging create new jobs, particularly in regional areas?
- Which other, separate, businesses or sectors does VicForests' logging operations support?
- Does logging impinge on the success of other—non-logging related—economic and social enterprises?
- How does logging affect the ability of other—non-wood—markets to engage with the forest estate?
- Have—and do—wood supply contracts deliver value for money?

Looking to the Victorian native forest wood and pulp industry itself, which VicForests' operations service, to attain a viable wood and fibre industry in this state, its trajectory must change, as the current approach is causing ecosystem collapse and exhaustion of the sawlog supply, at the expense of jobs (both inside the industry and in other sectors).

VicForests' operations both encourage and are encouraged by an industry dependent on special treatment – either through government handouts, subsidised wood supply or exclusive legal arrangements – and shielded from real world economics.

While inquiring into VicForests' operations, it's therefore important also to inquire into the reality that the industry's failure to change and innovate their use of feedstock has driven the collapse of the forests, the decline of native wildlife and a shortage of wood, all of which play a role in:

- compliance or not with utilisation standards,
  - environmental and economic losses,
  - opportunities to change these losses into benefits—for forests and for the Victorian community, and
  - drivers and inputs for wood models,
- as per the Terms of Reference for this Inquiry.

### **Log grading**

In relation to point a. of the Terms of Reference for this Inquiry, which is:

- a. compliance with VicForests utilisation standards, with specific reference to log grading procedures, sawlog preparation and coupe utilisation standards,*

The Wilderness Society expresses concerns about log grading procedures from the point of view that higher-grade sawlogs are known to be exported as whole logs to China, and also to be provided to Australian Paper at Maryvale to pulp for paper and cardboard products, as recounted by industry players on numerous occasions.

### **Economic and environmental loss, and benefits foregone**

Specifically, in relation to point b. of the Terms of Reference for this Inquiry, which is:

- b. economic and environmental loss that is attributable to poor compliance,*

The Wilderness Society submits that there is a range of forecast losses (in the form of wildlife extinctions), missed opportunities, and benefits foregone, which manifest as economic losses today and into the future, as a result of VicForests' logging operations.

Logging in the habitat of rare, threatened and protected species occurs on a far too regular basis,<sup>1</sup> raising serious questions about the regulation of VicForests and about the effective enforcement of existing forest management codes, prescriptions and regulations.

The Wilderness Society is very concerned that VicForests does not appear to be adequately conducting species surveys prior to logging, as is required by law.

This environmental loss—also evidenced by the ongoing addition of Victorian native plants and animals to the state and Federal threatened species lists—is attributable to poor compliance, as if VicForests complied with certain prescriptions, as required by law, the forest habitat of these species would be less impacted by logging, and the species themselves less likely to be on extinction trajectories.

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<sup>1</sup> For insight into the regularity of non-compliance affecting threatened, native plants and animals see reports—

**Change over time in the numbers of species in the Central Highlands listed under the Environmental Protection and Biodiversity Conservation Act 1999 (Cth) (ALA 2015)**

	<b>Regionally Extinct</b>	<b>Critically Endangered</b>	<b>Endangered</b>	<b>Vulnerable</b>	<b>Total</b>
<b>2000</b>	2	0	12	14	28
<b>2005</b>	2	1	13	15	31
<b>2010</b>	2	1	13	18	34
<b>2015</b>	2	5	14	17	38
<b>Net Change</b>	0	5	2	3	10

[Source Data: EPBC Act list of Threatened Fauna (2016), EPBC list of Threatened Flora (2016), and ALA 2015]<sup>2</sup>

Ongoing logging in and around rainforest, including Regional, State and National Sites of Rainforest Significance, is also deeply troubling.

As for economic loss, the ecosystem accounts for the Central Highlands region show that there is significant economic benefit being foregone so long as logging continues in these forests. This is explored further under another point of the Terms of Reference.

**Delivering improved economic, social and environmental outcomes**

In relation to point c. of the Terms of Reference for this Inquiry, which is:

- c. alternatives to the current utilisation standards that could deliver improved economic, social and environmental outcomes,*

there are a range of competing interests and other markets that can and do derive and provide mutual benefit in utilisation of the forest estate that is currently subjected to VicForests’ logging operations. Under VicForests’ current management concentrated benefits are awarded to a few to the great dis-benefit of a large number of people.

BisShrapnel reports clearly show that the native sawn timber sector is in decline and has been since the early 2000s, with production exceeding both demand and supply capacity, as indicated by:

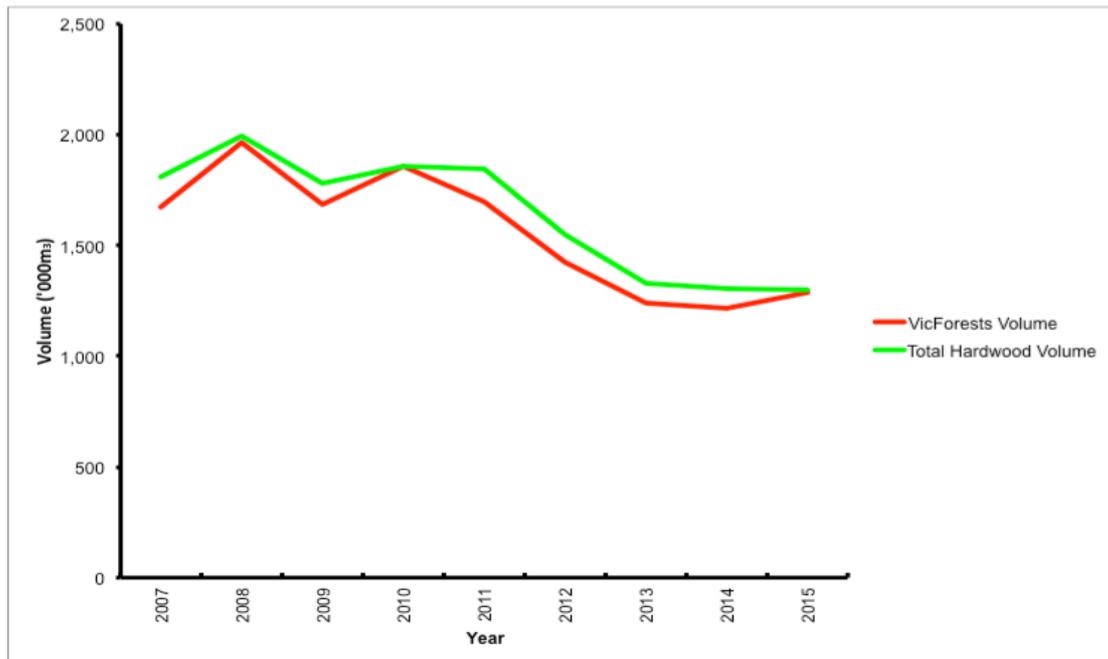
- Decline in production of sawlogs from Victorian native forests of 54%, down from 497,000 cubic metres in 2000 to 229,000 cubic metres in 2014;
- A reduction in consumption of native hardwood sawlogs of 52%, down from 423,000 cubic metres in 2000 to 205,000 cubic metres in 2014;
- Production of native hardwood sawlogs exceeds domestic demand;
- In 1997 the average house used 7 cubic metres of hardwood per dwelling; today it is down to 1 cubic metre – that’s a decline of 87% in 20 years;
- Hardwood is being replaced by technically superior products, especially from softwood plantations;

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<sup>2</sup> Table sourced from *Experimental Ecosystem Accounts for the Central Highlands of Victoria Summary document for discussion*, Heather Keith, Michael Vardon, John Stein, Janet Stein and David Lindenmayer Version 1.0 16 June 2016, p.16, [https://fennerschool-associated.anu.edu.au/documents/CLE/VCH\\_Accounts\\_Summary\\_FINAL\\_for\\_pdf\\_distribution.pdf](https://fennerschool-associated.anu.edu.au/documents/CLE/VCH_Accounts_Summary_FINAL_for_pdf_distribution.pdf)

- The soft wood sector has become a competitor and has either grown in its production and market demand or remained largely stable.<sup>3</sup>

Since 2008, total log production from Victorian state forests has declined from 1.97 million cubic metres, to 1.2 million cubic metres in 2013.



Declining total hardwood log and VicForests hardwood log production from native forests. Red graph shows volume of hardwood logs from VicForests, the green graph shows total volume from Victorian native forests. Additional volumes were mostly sourced from western Victoria and other land tenure not part of VicForests' allocation. Graph developed by Dr. Chris Taylor, using data derived from BIS Shrapnel (2015).<sup>4</sup>

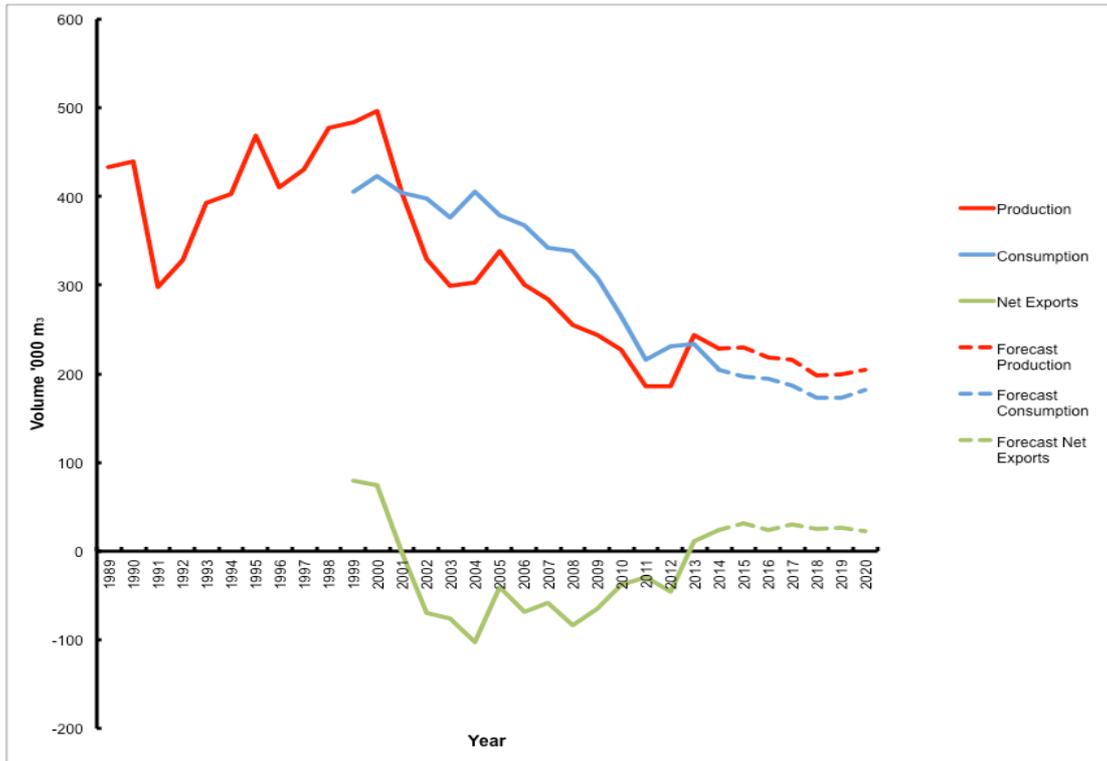
Overall, the native hardwood sawn timber market in Victoria has undergone a major decline over the past 20 years. This can be observed in successive BIS Shrapnel Reports into the Australian Sawn Timber Markets. At its peak in the survey period, production of hardwood sawlogs in Victoria was at 497,000 cubic metres in 2000. However, it has declined by 52% by 2014 to 229,000 cubic metres.

<sup>3</sup> From BIS Shrapnel (2015), Sawn Timber in Australia 2015-2029, BIS Shrapnel Pty Ltd.

BIS Shrapnel (2006), Sawn Timber in Australia 2006-2020, BIS Shrapnel Pty Ltd.

BIS Shrapnel Forestry Group (2000), Sawn Timber in Australia 2000-2015, BIS Shrapnel Pty Ltd. and *Concerns Over Government Assistance for the Heyfield Sawmill*, Dr. Chris Taylor, March 2017.

<sup>4</sup> *Concerns Over Government Assistance for the Heyfield Sawmill*, Dr. Chris Taylor, March 2017, p.12.



Production and consumption of native hardwood sawn timber in Victoria. Graph developed by Dr. Chris Taylor, using data derived from BIS Shrapnel (2015).<sup>5</sup>

On this basis of industry decline, alternative to VicForests' current utilisation standards that can deliver improved economic, social and environmental outcomes are most compelling.

The Wilderness Society submits that the forest estate currently subject to VicForests' logging operations should be managed for other values, which would enhance recreation, derive manifest economic, environmental and social benefit from environmental and ecosystem services, notably in the other industries of tourism, agriculture, water and the looming carbon market.

Ecosystem accounts for the Central Highlands show that forests would generate more income for the state of Victoria if left unlogged.

<sup>5</sup> *Concerns Over Government Assistance for the Heyfield Sawmill*, Dr. Chris Taylor, March 2017, p.19.

Using the UN System of Environment and Economic Accounting (SEEA),<sup>6</sup> the industry value added, or the additional new economic activity, per hectare for each of the four main industries using land in the Central Highlands region, is as follows:

Logging	\$29
Tourism	\$353
Water	\$2,023
Agriculture	\$2,667

Notably, water, tourism and agriculture are complementary, while logging is mutually exclusive.

In 2013-14, the industry value add for that year was:

Logging	\$9million
Tourism	\$260million
Water	\$233million
Agriculture	\$257million

The industry value add for tourism, water and agriculture, are of large benefit, while logging is of comparatively small benefit. Again, the first three are complementary, the latter, logging, is exclusive of these other benefits and in fact corrodes, degrades and diminishes these other environmental, economic and social benefits.

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<sup>6</sup> The System of Environmental-Economic Accounting (SEEA) is an integrated accounting structure covering component accounts (for example, land, water, carbon and biodiversity), as well as accounts for ecosystem extent, condition and services, and complements the more traditional System of National Accounts (SNA), which is commonly known as the aggregate Gross Domestic Product (GDP). This SEEA accounts process is used by Costa Rica, the Netherlands, Vietnam, the UK and elsewhere. The UN developed the approach, which has also been adopted by the World Bank. The SEEA has been recommended for use by the Australian Government, and is used by a variety of agencies including the Australian Bureau of Statistics and the Government of Victoria.

These results, in summary tabular form, are as follows:

**Economic information for industries within the Central Highlands in 2013-14 Industries**

	<b>Agriculture</b>	<b>Native Forestry</b>	<b>Water supply</b>	<b>Tourism</b>
<b>Area of land use (ha)</b>	96,041a	324,380b	115,149c	737,072d
<b>Sale of products (\$m)</b>	474	49	911	485
<b>Industry valued added (\$m)</b>	257	9	233	260
<b>Ecosystem service (\$m)</b>	121	15	101	42
<b>Sale of products (\$ ha-1)</b>	4918	151	7911	659
<b>Industry value added (\$ ha-1)</b>	2667	29	2023	353
<b>Ecosystem services (\$ ha-1)</b>	1255	46	877	57

a area of agricultural land use

b area of native forest timber production

c area of water catchments

d total area of study region

[Source: *Experimental Ecosystem Accounts for the Central Highlands of Victoria Summary document for discussion*<sup>7</sup>]

Updates to these accounts are forthcoming, and are expanded to include assessment of the plantation estate.

### *Carbon*

In addition, if one wanted to value and account for carbon, the potential income from carbon sequestration is an additional advantage and an alternative to the current utilisation of these forests. At a carbon price of \$12.25 per ton (which was the average price paid in the second round of the ERF in 2015), the carbon sequestration value of these forests would be \$20million.

By comparison, with only 4% of the initial carbon stock of a forest being converted to sawn timber products with a lifetime of 30-90 years,<sup>8</sup> the clear carbon value advantage is in unlogged forests, not in wood products.

<sup>7</sup> *Experimental Ecosystem Accounts for the Central Highlands of Victoria Summary document for discussion*, Heather Keith, Michael Vardon, John Stein, Janet Stein and David Lindenmayer Version 1.0 16 June 2016, p.9, [https://fennerschool-associated.anu.edu.au/documents/CLE/VCH\\_Accounts\\_Summary\\_FINAL\\_for\\_pdf\\_distribution.pdf](https://fennerschool-associated.anu.edu.au/documents/CLE/VCH_Accounts_Summary_FINAL_for_pdf_distribution.pdf)

<sup>8</sup> See <http://onlinelibrary.wiley.com/doi/10.1890/ES14-00051.1/abstract>

### *Long-term water security*

Metropolitan Melbourne, regional communities, and farmers and irrigators along the Goulburn and Murray-Darling river systems—are significantly disadvantaged by native forest logging.

It has long been known that forests provide clean and abundant water – if they are not logged: by 1890, two of Melbourne’s water catchments had been secured, and protected from logging.

Yet today, logging is permitted in domestic and rural water catchments, resulting in a loss of one thousand litres of water per second.

Logging has been clearly shown to reduce water yield from forested areas by up to 50%, 30 years after logging and is projected to take 150 years to return to pre-logged levels. This water loss results because mature forests use very little water, allowing large amounts of water to flow into streams and catchments, while a new growing forest after logging uses large amounts of water, leaving little left over to flow into streams and water supplies.

### *Visitation*

There are more than 50million visits to Victoria’s national, state and metropolitan parks every year. When visiting Victoria’s parks, tourists spend \$1.4billion annually.<sup>9</sup>

Research by the Nous Group shows that protecting forests in the Central Highlands region would create at least 760 new, full-time sustainable jobs, attract an additional 400,000 visitors to the region annually, and return an additional \$71million to the Victorian economy every year.<sup>10</sup>

Even without private investment, simply declaring the national park, improving park infrastructure and visitor management, and establishing the Healesville-to-Eildon hiking trail could generate 520 jobs, attract an extra 242,000 visitors a year and add \$48 million annually to the economy in 10 years’ time and growing.

Increased visitation by domestic and international tourists and investment by governments would drive opportunities in ecotourism, hospitality and accommodation, and forest and park management. Additional spending by visitors would go to local goods and service providers in towns around and on the way to the new park.

Just an hour’s drive from Melbourne, the Great Forest National Park could grow to rival Sydney’s world-famous tourist drawcard, the Blue Mountains National Park. The results of this analysis are conservative as it did not take into account the proposed park’s close proximity to Melbourne.

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<sup>9</sup> *Valuing Victoria’s Parks*, Parks Victoria, 2015.

<sup>10</sup> *Great Forest National Park: economic contribution of park establishment, park management, and visitor expenditure*, The Nous Group, 2017, available at [https://www.wilderness.org.au/sites/default/files/VIC/gfnp\\_economic\\_contribution\\_of\\_park\\_establishment\\_park\\_management\\_and\\_visitor\\_expenditure\\_report\\_03-02-2017.pdf](https://www.wilderness.org.au/sites/default/files/VIC/gfnp_economic_contribution_of_park_establishment_park_management_and_visitor_expenditure_report_03-02-2017.pdf)

Projects	Establishment cost estimates	Added annual economic benefit	Added jobs	Added annual visitors
Establish national park, boundaries and management board, and conservation management	\$8.1 million	\$7.5 million	80 new jobs	24,000 extra
Improved facilities and visitor management, establish Healesville-to-Eildon hiking trail	\$17.9 million	\$31.1 million	440 new jobs	218,000 extra
Tree-top walk, zip-line and eco-lodge	\$19.2 million	\$22.5 million	240 new jobs	137,000 extra
<b>TOTAL</b>	<b>\$45.2 million</b>	<b>\$71.1 million</b>	<b>760 new jobs</b>	<b>379,000 extra</b>

The report estimates that a tree-top walk and zip-line would attract an additional 132,000 people to the Great Forest National Park even though the Otway Fly zip-line in the Otway Ranges attracted about 220,000 visitors in its first year of operation.

The analysis takes into account people may visit the park anyway even if they take in such attractions. It does not include local visitors' spending and importantly does not take into account the proposed park's close proximity to Melbourne.

#### *Fire*

Because logging causes bushfire,<sup>11</sup> alternatives to current utilisation standards will deliver improved economic, social and environmental outcomes as removing clearfell logging from the landscape will reduce the intensity, frequency, and severity of bushfires. Managing—or not—for fire risk is discussed in relation to the next point of the Terms of Reference.

#### **Overcutting**

In relation to point d. of the Terms of Reference for this Inquiry, which is:

- d. VicForests modelling scenarios around past, present and future supply levels of commercial timber:*

forests are not magic puddings. They cannot supply something that does not exist.

Today, the age of more than 98% of Montane Ash forest in the Central Highlands is less than 73 years old, due to tree mortality, logging, and salvage logging after bushfires in 1939, 1983, 2004, 2006 and 2009.

Yet fire risk is not taken into account in the wood modelling scenarios for future supply levels of commercial timber. Instead, VicForests apparently applies a tapering down in wood

<sup>11</sup> See <https://theconversation.com/victorias-logged-landscapes-are-at-increased-risk-of-bushfire-30611> for detail about how clearfell logging increases the frequency and severity of fire in mountain ash forests.

supply contracts. In a forest managed to an 80 year rotation, the likelihood of fire is 40%.<sup>12</sup> To not factor this substantial risk in the wood model is seriously questionable.

VicForests' recently-released Resource Outlook signals a strong risk of overlogging, as the forward estimates for wood supply contracts from the Ash forest estate do not appear in it. Licence extensions for a number of smaller sawmills appeared in earlier versions of the Resource Outlook, yet do not appear on the public record. Is there more licence allocation that there is wood in the forest?

### **Stakeholders**

In relation to point e. of the Terms of Reference for this Inquiry, which is:

*e. VicForests business practices with specific reference to its approach to customers and any disputes, complaints or investigations,*

The Wilderness Society expresses concern as to the ongoing state of affairs with regards to consultation and relations with local residents. Carting at all hours, irresponsible driving, and destruction of visual amenity have been two areas of substantial concern that remain contentious and unresolved. Post-logging burns, and a failure to notify residents about these, have resulted in substantial distress, particularly in bushfire affected communities.

### **Conclusion**

Victoria is the most cleared state in Australia, with only 8% of old-growth vegetation left due to hundreds of years of landclearing and logging. In the Central Highlands, the figure of old-growth remaining since European settlement drops to a sobering 1% in the Montane Ash forests.

There is a clear and pressing need to protect and restore Victoria's remaining native forests; to prevent extinction and ecosystem collapse, to mitigate climate change, to secure clean air and water, to allow industries - other than those exploiting native forests by logging - to benefit from our forests, and to establish a Victorian wood and fibre products industry of which all Australians can be supportive.

The native forest logging industry has an unfortunate, century-plus, reputation for having its hand in the pockets of taxpayers. In 1895, an Inquiry found forest management in Victoria was in "an extraordinary state of backwardness". It said: "reasons for this [backwardness] were political and centre in the disregard of the general public weal where this clashes with the monetary profits of individuals and classes who can exert a direct Parliamentary influence."

In 1978, a letter to *The Age*, was titled "Why haven't sawmills planted their own forests?"

Forty years later, this was, indeed, one key question the Andrews' Government Victorian Forest Industry Taskforce grappled with, both in terms of the extent to which this question has remained live and unanswered over the last four decades, but also in terms of how to

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<sup>12</sup> See <http://www.publish.csiro.au/wf/wf14128>

best avoid this question remaining unanswered now and in future.

The author of the letter observed “industry has no intention of changing their management practices to conform with the changing values of our society”, and concluded: “The people of Victoria have a right to expect that remnants of the magnificent hardwood forests and bushland which clothed their state will be preserved.”

These forests are an extremely valuable public asset. For too long, the heavily-subsidised native forest logging industry has had a strangle-hold on this asset, to the detriment of other markets.

It’s time to transition from this old economy to a new economy, for the greatest economic, social and environmental benefit and well-being, and to deliver meaningful outcomes for regional Victorians beyond a short-term, two to three year horizon.

### **About The Wilderness Society**

The Wilderness Society is Australia’s largest member-based not-for-profit, non-governmental nature conservation organisation. Our vision is to transform Australia into a society that protects, respects and connects with the natural world that sustains us.

With campaign centres in each state, the Wilderness Society (Victoria) is focused on delivering on our organisation’s long-running campaign to protect eastern Victoria’s forests.

We work with regional and community environment groups, scientists, industry and governments to protect forests, improve forest management on public land, to reform and restructure the Victorian wood products industry so that it is one all Victorians can support and be proud of. In doing so we seek to establish and maintain dialogue with Traditional Owners in respect of these outcomes.

For more information: [www.wilderness.org.au](http://www.wilderness.org.au)

For queries relating to this submission, please contact: Amelia Young, Victorian Campaigns Manager, The Wilderness Society, [REDACTED]