

PARLIAMENTARY INQUIRY INTO VICFORESTS OPERATIONS

VICFORESTS RESPONSES TO QUESTIONS ON NOTICE

- 1. How many logging coupes have been surveyed by VicForests in the last 18 months and resulted in positive sightings of Leadbeater's possums?**

Since the start of 2016 VicForests has undertaken pre-harvest surveys on a total of 71 coupes, of these 37 coupes had new colonies detected within them, with a total of 52 new colonies detected.

- 2. Which coupes are going to be logged within the next six months and in which month will logging commence in each of those coupes?**

The schedule (attachment to be provided separately) provides details of the coupes planned for harvest in the next 6 months. Please note that the schedule is subject to change due to various factors, and the timing of commencement cannot be defined accurately by month, therefore commencement is listed as the season in which harvesting is planned to commence.

- 3. Can you consider the placement of coupe plans on the website?**

VicForests will consider this.

AUSTRALIAN PAPER

- 4. Is that price cap for Australian Paper still in place?**

There is no price cap related to VicForests arrangements with Australian Paper.

- 5. Did the price cap for Australian Paper come into place due to a disputed charge between VicForests and Australian paper at the time, and it goes back to 2012-13?**

No

QUESTIONS ON NOTICE FROM MS DUNN

- 1. In VicForests' 2016-17 Resource Outlook, released on 12 July 2017, there are two charts on page 5 that shows the forecast supply against contracted supply. This chart differs from charts shown to the Forest Industry Taskforce which had licence extension supply assumptions included, such that out-year contractual supply was higher.**

The licence extensions included on the charts presented to the Taskforce are non-binding extension provisions within current contracts. This was explained when the Taskforce was briefed.

- 2. Why has that been removed from the Resource Outlook?**

The extensions were removed from the public charts because it was considered that they could be misinterpreted when it is not accompanied with a verbal briefing as they were when presented to the Taskforce.

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- 3. Does VicForests now expect that there will not be licence extensions for smaller mills such as the McNulty's Mill and Fenning Mill?**

The volume and manner of selling future supply is still being considered by VicForests. This may or may not include use of extension provisions.

- 4. The resource outlook presentation dated February 2017, indicates Vicforests need strategies to mitigate risk of undersupply to Australian Paper and Dormit including thinning, slivertop ash, wattle. Does this indicate you've reached the bottom of the barrel in terms of native forest availability?**

This indicates that the supply commitments align with the current Resource Outlook. Because VicForests supplies a range of products from its operations this comment acknowledges the challenge of ensuring that production matches supply. It also notes potential mitigating actions if this is not the case.

AUSWEST CONTRACT

- 5. Does the renewed Auswest contract take into account the impact on supply to smaller mills?**

Yes

- 6. If supply can't be met in the longer term under an increasing supply contract with Auswest, where will you source the logs from?**

The overall supply from East Gippsland has reduced. However, should supply from this area not meet contracts, it would be met by areas further west.

- 7. Why does the Auswest contract increase every 2 years when more species are being listed as threatened and the likelihood of fires more probable?**

The Auswest agreement has two steps in supply level to align with investment milestones which increase mill capacity and efficiency.

WOOD MODELLING

- 8. Are threatened species requirements an input into VicForests wood modelling? If yes, what data do you use to identify those requirements?**

Yes. VicForests models the exclusions created to support endangered species. This is achieved through a range of measures including forest management zoning, modelled Code of Forest Practice exclusion mapping and VicForests' reserve and exclusion.

- 9. Can you advise what the optimum ratio of pulplog to sawlog is in a forest, is it more likely to be 3:1 or 2:1 ratio?**

It is commercially beneficial where there is greater quantity of valuable sawlogs when compared to lower value pulp. Therefore the "optimum" ratio would be 0:1.

However, native forests are very variable so therefore a mix of pulp log to sawlogs ratios are to be expected. The resource model and operational schedules balance the areas harvested between location and stand qualities to achieve production volumes across all grades.

10. How accurate has the Victorian wood modelling system proved in the past?

It is unclear what 'accurate' means in this context. The system currently used by VicForests was implemented in 2011 and is not that previously used by DSE. There is a process of continuous improvement and considerable care is taken to monitor and correct for any biases in the underlying data and mathematical models.

11. How long has it been since a full review and full field verification of VicForests model?

VicForests wood supply modelling system was reviewed by VEAC in April 2017.

12. How does VicForests model for threatened species habitat at each of the stand, catchment and regional scales?

VicForests does not directly model threatened species habitat (DELWP oversees this). However VicForests does take into account known geographic exclusions and prescriptive exclusions required for habitat protection and make forecasts about future impacts.

13. In order to maintain and enhance biodiversity values, what contingency does VicForests currently have in wood models and do you plan to increase or reduce this contingency, or the projected supply? If so, how?

VicForests' models have been developed to reflect the current protection measures taken by VicForests. If additional measures are introduced the model would be amended to reflect these changes.

Any reduction in available timber as a result of the changes would need to be addressed through future sales processes.

14. What spatial datasets and equations do VicForests use to derive their wood models?

The VicForests' wood supply model is built upon very large datasets describing forest composition and structure, topography and forest growth and yield. Complex mathematical equations derived from growth data collected over the last 80 years are combined with biogeoclimatic variables to predict the future state of the forest and model long-term sustainability. These data are combined in VicForests' strategic wood supply to model and evaluate supply scenarios under different constraints and conditions.

15. How does VicForests account for varying degrees of regeneration success or failure in models, including over the long-term?

The strategic wood supply model operates over a 100 year planning horizon and only considers those areas of forest that are productive. Areas harvested in the model are regenerated in the following five-year period. Permanently failed areas ultimately become unproductive and do not form part of the productive estate.

16. How does sawlog return from logged or thinned forests compare to the sawlog return from the first cut, and is this data available?

Work conducted by DSE on growth rates of 1950s regrowth forests compared to 1939 regrowth found little difference in the growth rates of the two age classes. It is anticipated that relative to age the sawlog return from harvesting regrowth is similar to that of natural regrowth.

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17. How are the effects of climate change being considered in VicForests' wood model, including increasing temperatures, decreasing rainfall, and the increasing frequency and severity of bushfire?

A range of climatic variables are incorporated in the mathematical equations used to predict the growth of the forest and future forest condition. Fire and fire severity are captured as part of the annual model update process. Future fires are not considered in the model but managed externally through contract provisions and structures.

18. What do VicForests' current measurements on regeneration say?

It is not clear as to what specifically this question is asking. It would assist if it were reviewed so that we are able to respond.

19. What do VicForests' current measurements on yield projections say?

It is not clear as to what specifically this question is asking. It would assist if it were reviewed so that we are able to respond.

ANNUAL REPORTING

20. In the twelve years of financial reporting of Vicforests can you advise how many years a dividend has been paid and what the value of that dividend was?

VicForests has paid a dividend to the Treasurer on six occasions totalling \$8,292,000.

Year	Amount
• 2005	\$687,000
• 2006	\$3,024,000
• 2007	\$2,064,000
• 2014	\$250,000
• 2015	\$765,000
• 2016	\$ 1,502,000

21. Why do VicForests no longer report the area of forest logged in your Annual Reports (last reported in 2008)?

VicForests has reported area harvested in our annual Sustainability Report since this time.

HEYFIELD MILL

22. Have VicForests been involved in the negotiations of the purchase of the Heyfield Sawmill (ASH)?

No

23. Can you advise if the offer of 80,000 cubic metres for three years still stands with for the new owner of the Heyfield Mill? If not what volume of timber is on offer over what time frame and can you please advise year by year?

The current offer remains 80,000 m³ for three years.

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LEADBEATER'S POSSUM

- 24. The Leadbeater's Possum Action Statement says from July 2014 'undertake retention harvesting in at least 50% of the area of ash harvested within the Leadbeater's Possum range', why doesn't the timber release plan reflect this level of retention harvesting as most coupes are listed as clearfell?**

The capacity to undertake retention harvesting is impacted by a range of factors, many of which are not determined until the final coupe plan is produced prior to harvest. Where retention harvesting cannot be used the coupe is generally harvested under a clear fall harvesting system. Therefore the TRP reflects the most intensive system that may be used.

- 25. VicForests has reported a volume reduction of 10,000 cubic metres per annum as a result of the LPAG recommendations, what is this based on and does it include forest that cannot be logged?**

VicForests' Resource Outlook reports reductions of:

- 10,000m³ due to fragmentation of the resource caused by the high density of LBP colonies and buffers. This is based on analyses of planned coupes and the adjacent topography, including roads, slopes and streams. It only includes areas otherwise available to harvest.
- 7000m³ due to the direct impacts of LBP colonies and buffers to November 2015
- 18,000m³ new colonies and fragmentation expected to 2022/23
- 16,000m³ due to lack of access to otherwise harvestable forest due to new colony buffers
- 9000m³ due to changed harvesting practices arising from LBP Advisory Group recommendations.

MOUNTAIN ASH ECOSYSTEM

- 26. Are you confident the reduction in Ash volumes is sufficient to prevent the collapse of the Mountain Ash ecosystem?**

Yes

BUSHFIRE

- 27. Post the Black Saturday bushfires did you consider a Force Majeur, if not why not?**

Yes where possible.

HAULAGE

- 28. Are you aware of allegations made by members of the Forest Industry Taskforce about midnight wood runs to Dormit so the mill could gain higher quality wood?**

No. As discussed at length during VicForests' first appearance at the inquiry, VicForests acknowledges that from time to time there are claims of low level mis-grading of sawlogs. These are addressed at an operational level when they occur. However, we are not aware of (or believe that there exists) systemic mis-grading of sawlogs delivered to low grade customers.

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In regards to the inference that hauling timber very late at night or early in the morning indicates inappropriate behaviour I note that to manage fatigue management and a range of other access limitations it is not unusual for timber to be hauled late at night or very early in the morning.

In relation to the Dormit mill it opens its gates for unloading at 1.00 am and trucks often time the hauling of timber from coupes to arrive close to this time. This also enables them to miss the morning traffic.

GRANTS, INCOME

29. How much has VicForests received in bushfire recovery grants, grants and government loans, by amount and year?

Grants

Program	Total Grant Received	Comment
Bushfire Recovery		30/06/2007 - \$ 868,193
- December 2006	\$ 6,548,578	30/06/2008 - \$ 5,680,385
Bushfire Recovery	\$ 18,049,655	30/06/2009 - \$ 1,304,836
- February 2009		30/06/2010 - \$ 10,860,211
		30/06/2011 - \$ 5,884,618
Community Forestry Grant	\$ 3,390,000	
Total	\$ 27,988,243	

Government Loans

VicForests borrows from the Treasury Corporation of Victoria (TCV) on normal commercial terms. Repayment of borrowings is as per the terms of the loan agreement with the TCV.