

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Inquiry into VicForests operations

Melbourne — 30 May 2017

Members

Mr Bernie Finn — Chair

Mr Khalil Eideh — Deputy Chair

Mr Jeff Bourman

Mr Nazih Elasmr

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

Mr Luke O'Sullivan

Participating members

Mr Greg Barber

Ms Samantha Dunn

Mr Cesar Melhem

Mr Gordon Rich-Phillips

Witness

Mr Chris McEvoy, Owner and Managing Director, Radial Timber Australia.

The CHAIR — Welcome to the public hearing of the economy and infrastructure committee. All evidence taken at this hearing is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you go outside and repeat the same things, these comments may not be protected by this privilege.

I would ask you to begin by stating your name and suburb or town and the company that you represent and then speak for 5 to 10 minutes just to start us off. We will move to questions after that.

Mr McEVOY — My name is Chris McEvoy. I am the managing director of a company called Radial Timber Australia, which is based in Yarram in South Gippsland. Basically I am here to probably give a different perspective to what you will hear from most other people today and most other people in the timber industry. I do not come from a traditional sawmillers background. I basically was a wood scientist at CSIRO and spun off into a private company 30 years ago. I have always been involved with timber. I actually became managing director of Radial Timber Australia over 10 years ago, and basically we have quite a small, boutique sawmill which has developed Australian-patented technology and IP. We actually are the only commercial sawmill radially sawing timber in the world. It is fairly unique to not only Australia but to Victoria, and Gippsland in particular. I was going to give a slideshow which just gives you a basic introduction to Radial Timber, but I will go on because it is not quite ready.

Basically we have always been a niche player in the timber industry, and I believe in the past we were before our time. As log sizes and resources have reduced and the demand for appearance-grade timber has increased, our sales growth has significantly increased also over the last three years and has been quite dramatic. Three years ago we approached VicForests about getting a long-term, 10-year, species-specific licence that would increase our annual intake from a very small 4000 cubes a year to 12 000 cubes a year in durable Victorian hardwood. This is what they call class 2 or better species, which means it can be used for external applications. VicForests worked hard to get this licence finalised, and we got it signed off by Treasury just before the last election. That gave us the confidence to invest in our future. We have only just opened a brand-new greenfields mill last month, and we have already doubled our production and increased direct employment by 30 per cent. Sales are going from strength to strength, and so far VicForests has delivered on all their promises.

I do not have much in-depth knowledge or experience of how our native forests are being managed by VicForests, and I know that is one of the main terms of reference for today's inquiry. I do know that fires, sustainable yields and environmental concerns have had a big impact on the coupes that are available for harvesting. What I really want to start off with in this inquiry today is to stress that it is important that we do not throw the baby out with the bathwater. The timber industry needs to think long term. We need to be thinking in decades, not years. Quite often governments and even VicForests think in years, and trees and good timber take a long time to grow so you really have to have long-term planning.

I also think that the timber industry needs to be innovative and look at changing markets, and they need to have this long-term thinking if the timber industry is going to survive. One of my biggest concerns personally is that if we lose the industry, we will never get it back, and that really would be a shame because timber is really — everyone keeps saying it — the building material of the 21st century. It is organic, it is sustainable, it is basically fashionable. It is in really high demand, and Australia — and Victoria in particular — could be a leader in that field. We could be exporting durable timbers for appearance grade around the world, yet here we are just trying to survive with what we were doing in the past.

What I honestly feel is that we need a transition phase. Everyone keeps saying it is black or white. They keep saying that plantations cannot replace a native forest, but no-one gives it a chance. I feel that there is every chance that plantations can replace a lot of native forest harvesting, but no-one has set down a medium to long-term plan to allow that to happen. They are all saying we have got to stop native forests or basically plantations will never replace what we need.

We have planted 1500 hectares of durable Victorian hardwoods, the oldest being 15 years, and there is still probably another 10 to 15 years before we harvest any. Fifteen hundred hectares is nothing for what we require. If we are really going to reduce the pressure on native forests, to me that is the answer. Long-term planning, innovation and starting planting trees now — and the right species that are managed silviculturally right as well. These are really important things that I feel have to happen.

I know that there are real concerns with the Victorian timber industry, with VicForests, and one of the terms of references is: where has the timber gone? I think that what is happening also is that things are changing. A hundred years ago the whole timber industry was just OB hardwood. We used to cut up green timber and put it into frames and into housing. Then the big thing was to value add, so everyone put in kilns and put in moulders and value added, but value adding was a one-trick wonder. It was either F17 and 27 structural or flooring. It was just two products.

The building industry has gone on from that now. Now we have got engineered beams which replace structural timber and you have got engineered floors which replace solid flooring as well to a certain extent. Solid flooring has got lots and lots of competitors. What we need to do as a timber industry is, like I said before, innovate and move with the times. The one thing that no-one can replace, even from overseas, is durable Australian hardwood because it actually lasts a long time, it can be used externally and basically where it comes from is South-East Asia's rainforests, which are getting more and more protected, so there is no ready supply.

So instead of competing with products, with a marketplace that is changing, and trying to compete with flooring and competing with structural timber, let us really aim for where Australian hardwoods are good — in the areas where you can touch, feel, smell and see the timber. There are other alternative products for internal walls that can be used and internal roof space that can be used. I really think with some long-term vision and working with VicForests — because there still needs to be that transition, as I said — that plantations are the way of the future, but we are nowhere near there yet. We have got a long, long way to go.

So basically, just to tell you a little bit about Radial Timber, I was going to show you some structural pictures. We are high-end architecture, so what we are doing is shiplap decking, screen boards — all the things that modern housing loves. Basically we as a radial sawing company completely put the plan up for cutting up timber. Most sawmills get a log and cut it up into a square cant; we get a log and cut it up like a cake or a pizza, so we are cutting it into wedges and then we cut those wedges into boards.

What that gives us is four things. It gives us a much higher yield. We get more timber from fewer trees. It is ideally suited to plantation timber because plantation timber — and around the world they have struggled with it — has got high-growth stresses, which means as soon as you put a saw in it it wants to bow and twist and spring. Spring is the biggest problem, so you do not get a straight bit of timber. What we do is we work with the natural growth stresses in a log, which actually wants to dry and crack radially, so it naturally cracks into wedges. It relieves all those growth stresses into the wedges, and then we cut those wedges into boards. We get a higher recovery and a much more stable product — ideally suited to plantation timber. Basically we are putting this timber, like I said, into many, many buildings mainly in Victoria, but there is no reason why it cannot be Australia or overseas as well.

I honestly believe the industry needs to work together, but it needs to also, as I keep getting back to, think in decades, not years, and it also needs to be innovative. A lot of sawmills have got ageing technology and they have got ageing equipment that was fine for old-growth forest and big logs, but as regrowth timber gets smaller and as plantations have got a different set of problems, that is where the industry needs to innovate and look at alternatives — not just us, not just radial soaring. There are a number of alternatives and alternative products, and that is where I think the industry needs to go.

The CHAIR — Thank you very much indeed, Mr McEvoy, for those words. I have certainly learnt a fair bit in the last 5 or 10 minutes for sure. Just one question from me, or perhaps a two-part question: is the timber industry at the moment seriously under threat, and if so, where is that threat coming from?

Mr McEVOY — There is no doubt the timber industry is under threat. Like I said, when I first got involved 10 or 12 years ago, there must have been 40 sawmills in Victoria. Now there are five or six. You can count on one hand how many there is. It is under threat, and it is under threat, as I said, for various reasons — but it is not demand. That is the sad thing. Demand has probably never been stronger for good-quality timber, and just when the demand is strong, there is getting less and less supply. There have been significant fires, there have been environmental concerns and exclusion zones around coops and the sustainable yield has reduced and reduced and reduced every single year, but no-one has come up with an alternative. That is the thing.

What a lot of people do not realise is — I am not sure of people's background here — there are 2000 hectares of Australian hardwood plantations. Everyone says we have got lots of plantations, but it is grown for wood fibre. It is grown for pulp. It is not silviculturally managed, so it is not pruned and thinned. It is full of knots. As soon

as you try to put it into a house, the knots would fall out and the building would leak, so it is no good for that purpose. It is good for fibre, but besides our 1500 hectares, which is paltry, there is not one other company or government or anyone that has put any other plantations — high-value plantations — in Victoria for sawlog production, which is pitiful. That is really why I see that it is always going to be a reduced sustainable yield for native forests. It is going to happen because over the years we have not been looking long term, and we have not been planning. If we had started this 50 years ago, we would have a fantastic industry at the moment, but it has not happened. So what I keep stressing is you have got to start somewhere, so that is what has really got to happen. I noticed that in the last budget the Victorian government was looking at getting involved in plantations. That is the first step, but it does have to happen.

The CHAIR — I know I said I had one question, but I am a politician so I am allowed to do that. The demand that you speak of: how is that going to be met if the industry closes?

Mr McEVOY — Well, the only way it can be met is imported timber.

The CHAIR — That would have an impact on the cost of housing?

Mr McEVOY — It would have an impact on the cost of housing, and it is something that really I would hate to see. I am not asking the government to do everything; I think private industry can do a hell of a lot as well, and we encourage everyone to get involved and start now. It is a generational thing. It will be for the kids, but if they start now, at least it will happen. So it will have an effect, as you said, on housing. Obviously it has a huge effect on jobs and the economy in country Victoria. Especially in Gippsland it is having a massive effect.

I am not kidding myself; we are really small. We are not going to be able to employ the number of employees lost at Heyfield or Morwell or anywhere else, but if there were a number of smart new businesses cropping up in the timber industry, it could go a long way. They can evolve. Like I said, we are flat out just keeping up with Melbourne, much less the rest of Australia and overseas exports. We could never export; we would not have enough resource. There is no reason why you could not.

Mr BOURMAN — Thanks for your presentation, Chris. You said you were a wood scientist. What does that mean? I do not think there is a degree in wood. What exactly — —

Mr McEVOY — I was actually in building research and then forestry research, and I have got a microbiology degree, but I was in wood decay, so basically studying the decay and fungi effect on timber.

Mr BOURMAN — So you would have a fair idea about how ecosystems work. Would you have any sort of comments on the grading system that VicForests uses at the moment in the utilisation? You were talking about using radial cuts as opposed to box cutting; I cannot remember the words you said.

Mr McEVOY — Yes.

Mr BOURMAN — That is also subject to a grading system. Does that have an effect on your business as well?

Mr McEVOY — Like I said, we have got a species-specific licence, which means there are certain species that are class 2 or better. It is a durability class, so it means that because it is not used inside — it is used outside — it has to have a certain durability. But we take all classes from B, C, down to D, and we actually can get a return from those. Generally beggars cannot be choosers. We are actually getting all the class 2 resources available in Victoria, and that is how little there is. It is 12 000 cubes. It is not very much. So that is where I keep saying that if the right trees are planted in the right locations with long-term planning, there is a massive industry. I keep saying to people that they are never going to discover a durable forest that has been unknown anywhere in the world. Everyone around the world is planting commodity products for wood fibre, but not many are doing the high-value timber side of things. That is where we should be.

Mr BOURMAN — With the plantation you are putting in — and bear in mind I am a politician, not a wood scientist or anything else — my understanding of using ash, as an example, is that they tend to grow very well on hills and in gullies and things like that. Would the plantation need to more or less replicate that sort of terrain? It would it be harder to plant; it would be harder to get right. How would you see the industry going forward, should it decide to go with plantations, making sure it actually gets a product that is worth having?

Mr McEVOY — We have got a plantation company, and we do a fair bit of our own R&D. The species we deal with is not ash. Ash is a little bit different because it also evolves. I am sure you are aware that it has to be sort of clear-felled, and then you get your young growth in a natural forest coming up. I do not think that actually there has been anyone successfully growing ash in a plantation sense. We are growing what generally falls under VicForests mixed species — things like stringybark, spotted gum, silvertop and also southern mahogany — so they are different. With the selection of the three Indigenous trees that grow in Gippsland, some grow in sandy soil, some grow in more clay soils, some like shelter and some like exposure — so you actually set up your site to do with where the species will grow best.

Mr BOURMAN — How long do you think it is going to be before your plantations actually give you a usable yield?

Mr McEVOY — It is a very good point. Like I said, our oldest ones are 15 years. We did not just start yesterday; we started this 15 years ago, and we will probably harvest our first log in 10 years time. So 25 to 35 years is what you need.

Mr BOURMAN — The Chair can shut me down when I have been talking too long, but do you think you will get enough of a yield out of that plantation? I know you are a small business, but do you think you will get enough of a yield, particularly given the fact that you will go through and have to replant to keep the business viable?

Mr McEVOY — Definitely. While our oldest plantations are 15 years, we have been doing it progressively. Our youngest are one year old. So we have got one to 15-year-olds. We are basically looking at continuous, ongoing sustainability with the plantation. At 25 years some will be harvested and then replanted, so in actual fact we want to also get involved in a bioenergy plant for our waste. We want to be a closed loop, and that is important.

One thing I should have said before is: why we have actually been able to be innovative is because unlike just a sawmiller, we are also involved in plantation, we are involved in sawmilling and we are involved in the wholesale and retail selling of our products as well. We are dealing with architects, we are dealing with engineers, we are dealing with home owners. So we see the market trends probably before most others sawmillers do, and it is changing. The building industry is changing all the time, and because trees take a long time, you have to make sure that you have got the right species and the right product to actually sell at the other end.

Mr BOURMAN — One last thing, which I am glad I wrote down, but I have got to remember where I wrote it: you said something about the industry needing to innovate. Can you expand on that?

Mr McEVOY — I think with innovation, radial sawing is one form of innovation, but there is a range. As I said before, it is not just value adding through doing flooring or doing an air-dried product and then machining it. Marketing and innovation comes from moulding innovation. We work with a number of architects, and I find they are the best innovators, because they are always asking us, ‘Can you do this?’, ‘Can you do that?’, and we are developing different products all the time by actually seeing what is required at the coalface. If something is fashionable for an architect here, it is going to be fashionable overseas as well. That is where I think you have got to look at market forces, look at market demands and what the trends are and what is on trend, and that is changing all the time.

The sawmills that are left, a lot of them, believe it or not, have still got breaking-down saws that were around at the turn of the last century. As I said, they were big bandsaws that were built in 1890 or the early 1900s, and they used to get in those days one-log loads — massive sawlogs out of our Victorian forests. That is a thing of the past. Most of the logs that come through now are regrowth and quite small, and they have issues with recovery. That is another thing that sawmills struggle with. They struggle with old technology and a reducing log size, so they are getting less and less from it, but they are still having to generally pay more for it. The thing is to look at what you can do with that resource to produce a better product and more of that better product. There is a lot of new machinery about — there is a hell of a lot — but it costs a lot of money, and who is going to invest when you do not know whether you are going to have security of resource?

Mr BOURMAN — Correct. I might have some more later, but I had better let other people get a word in.

Mr LEANE — Thanks for your evidence. I will just recap on some of the evidence. The 12 000 cubes a year that you get from VicForests, is that enough to make Radial Timber Australia commercially viable at the moment?

Mr McEVOY — That is correct, yes. We would love to get more.

Mr LEANE — You would love to get more? So the radial sawing, is that technology that just your company uses?

Mr McEVOY — That is correct, yes.

Mr LEANE — Is it widely available, or is it — —

Mr McEVOY — It is IP — it is patented technology — but it is available. There are licences available, yes.

Mr LEANE — Something I wanted to touch on from your evidence is that your submission said that hardwood should mainly be used in locations where it is visible rather than not visible, as in behind a plaster wall.

Mr McEVOY — Exactly, yes.

Mr LEANE — Something like that. In the housing industry — and I understand because I am a sparky, so I have been around housing for a while — there have been alternatives to framing, as in hardwood. Are you finding that that industry is going more towards the alternatives?

Mr McEVOY — Definitely. Most frames are pine, for a start. There are very few hardwood frames that would ever be put up, and the biggest change is probably in roofing. If you went back 10 or 15 years ago nearly all roofing would have been solid structural timber. Now it is all engineered beams. That is what I was saying before. If you had invested in old technology and said, ‘We’re going to set up a sawmill and just produce solid structural timber’, you would be struggling to survive. You have to actually see the trends and the change, and the one thing you cannot replicate is timber, as I said, that you can touch, feel and smell. They do plastic wood and composite products, but they are not the same. We are finding more and more people will pay for good, durable, solid timber.

One of the trends I should have mentioned is children’s playgrounds — a perfect example. Children’s playgrounds were all plastic and steel, and then they went to treated pine. Now they are pulling out playgrounds left, right and centre. All the playground architects — there are a number of recognised ones in Victoria — are all going for natural, durable timber: big logs, stepping stones and bridges made out of spotted gum, ironbark, stringybark and so on. That is because it is organic — it is not chemically treated and it is safe. It is just the way the world is going, and that is the trend that has happened in just the last 10 years, so we should really be trying to capitalise on that trend.

Mr LEANE — Those species you just mentioned then — do not ask me to repeat them — are they species that can be grown on plantations?

Mr McEVOY — Correct, yes.

Mr LEANE — And that is your evidence around — that there should be more emphasis and maybe government funding towards — —

Mr McEVOY — The correct species — species for which there is no real competition and that have got a high-end value and demand not just in Victoria or Australia but the world.

Mr LEANE — I have just one last question. Forest stewardship certification — you would understand what that is more than I do. Can you enlighten the committee more on what that is and how you see that? Would that open up market opportunities for your company and others if that was the case with VicForests and Victoria being certified?

Mr McEVOY — Yes, definitely. There would not be a day that goes by when we do not get asked by an architect for certified timber. When I say certified, I mean FSC certified. There are a few different certification

schemes. We get asked that all the time, and with our own plantations we do plan on doing that when we get closer to harvesting time. I know that all of the young architects coming through and basically anyone in the building game is really keen on doing the right thing and making sure they know the chain of custody and the source of their timber. It is not just hearsay; it is just very difficult to provide, especially if they want durable hardwood, because there is not much available. Well, there is none actually.

Mr LEANE — And that is why it is difficult to supply?

Mr McEVOY — That is right.

Mr LEANE — Okay. Thank you.

Ms DUNN — Thank you, Mr McEvoy, for your presentation. I wanted to talk first about your radial milling technique, which does sound incredibly innovative, particularly in the sense that you get higher yields from those logs. I am just wondering if you have any views in relation to why other mills have not looked at that technology for milling for themselves, because it seems to certainly be an economic advantage to do so?

Mr McEVOY — It is a very good point. I get asked that quite often. As I said before, I honestly believe that we are before our time. When you have got a reliable resource — and they are quite large logs — and it comes on time, all the time, and you get your volumes through, what you want, there is no reason to look elsewhere. And you have already invested — you have got your equipment there, so you do not have to spend any more on equipment and the market is there. As the market has changed, I think what has happened is that instead of businesses and sawmillers looking to innovate, because there is a cloud sitting over the future resource, they have just shut up shop, which is a shame, instead of taking it on board to say, ‘Right, we have to change with the market and with the resource; now is the time to do that’. I feel that that is where we have all been let down, and people have more or less just taken their bat and gone home, which is a bit of a shame.

Radial sawing is not going to revolutionise the world. It is not going to take over the world, but it is an example in sawmilling where you can look at what the market wants. To be perfectly honest I think more than radial sawing, what I would say — even though it is my company — is I think it is the resource, this plantation resource of high-value timber. I think that if nothing else, that is what I would like to get across to the committee — that that is what is essential. It is going to take time, and it is not going to happen in three years time, but if everyone could take that home and start planning for that, it is going to be invaluable for the timber industry and for future generations as well.

Ms DUNN — I noticed that in your evidence you talked about regrowth getting smaller. I just want to explore that a little more. Is that in your view because the rotation lengths of logging in our forests — that gap — are actually getting smaller and the trees essentially cannot grow quickly enough to meet those larger log sizes?

Mr McEVOY — I am not so close to VicForests’ operations and their planning and so on, like I said earlier, but I think it really is the fact that there have been a number of fires. They talk about the 1939 regrowth; they always talk about the 1939 regrowth — the big bushfires in 1939, you know, Black Friday. Basically, especially through the ash and even to the mixed species, it wiped it out, so that regrowth coming through is literally 56-year-old native forest, whereas before that there were not any huge major fires and there were probably 200-year-old trees and 100-year-old trees. Most of the regrowth is of a smaller size.

Ms DUNN — I also wanted to explore I guess the issue of consumption and demand, and you rightly pointed out that the market is very keen on softwoods and engineered wood products as well. It is my understanding of consumption, I guess, and production of hardwood in Victoria that production is currently exceeding consumption and in fact Victoria is a net exporter of hardwood products. Is that your understanding?

Mr McEVOY — We would love to export if we had the volume. I know we do not.

Ms DUNN — And I do not mean necessarily overseas; I mean just possibly even interstate.

Mr McEVOY — I know the existing sawmills definitely do. ASH in particular sends a lot interstate. They are the biggest supplier of blond-coloured hardwoods in Australia, so they are sending a lot all over Australia for a number of different uses, but even some of their traditional uses are changing. I think that is something that, as I said, as the market changes, is important. I am sort of a little bit familiar with some of the things they

are doing; they are looking at different technologies and so on, especially in their dry plant. I think the one thing that is holding all the industry back is basically the lack of confidence. If you are going to spend \$5 million or \$10 million or \$50 million, are you ever going to get a return on it?

Ms DUNN — Yes. You want to know where your resource is coming from. That is fair enough. The other thing I just wanted to clarify is in terms of your mill at the moment do you only receive wood from VicForests, or are you getting some plantation? I just was not quite sure.

Mr McEVOY — We do get it mainly — I would have to say probably 90 per cent — from VicForests, and maybe 10 per cent from private contractors or private plantations. We even routinely put out advertisements saying if anyone has got any high-value classed or better hardwoods, we will pay top prices for them, but it is just not there. There might be a few trees on someone's block, but there is no-one with anything substantial.

Ms DUNN — Yes. It is not commercial in that sense, the volumes. So in terms of the volume per annum your mill would process, what would that equate to in cubic metres?

Mr McEVOY — Generally we operate higher than a standard sawmill. Most traditional sawmills would get about a 30 to 35 per cent recovery; we are operating at around 50 per cent.

Mr O'SULLIVAN — Thank you, Mr McEvoy, for your presentation and information today. Just a couple of questions from me. In terms of the timber that you got from VicForests, you said you got that signed off before the last election, at the end of 2014, and it was 12 cubic metres. How much do you actually — —

Mr McEVOY — Twelve thousand.

Mr O'SULLIVAN — Twelve thousand, okay. How many cubic metres did you actually apply for?

Mr McEVOY — Twelve thousand.

Mr O'SULLIVAN — Was there any push back or were there any difficulties in terms of getting that signed off at the time?

Mr McEVOY — Not really. Believe it or not, it was actually that close-out date. The close-out time before the election was actually that night, so it really went down to the line. We made it by about 4 hours, I think. That was Treasury actually approving it, because it is one thing obviously for VicForests to agree with a long-term contract — it was 10 years — but Treasury underwrote it; it literally got the signature on it 4 hours before.

Mr O'SULLIVAN — How many years does that go for?

Mr McEVOY — Ten years.

Mr O'SULLIVAN — Locked in for 10 years.

Mr McEVOY — So basically, as I was saying before, we needed the transition. In 10 years we will be able to harvest our first logs and then continue on. That 1500 hectares we have got, that will last us 50 years plus without planting another tree, so it is a whole generational industry that we have been able to create. If we had built the mill and had had no resource for 10 years, we would have lost all our employees. We would have lost our market drive and everything.

Mr O'SULLIVAN — If you had to go through that process now, do you think you could get the 12 000 cubic metres? If you were going through that negotiation now with VicForests, would you get the 12 000?

Mr McEVOY — Possibly. It is there. The interesting thing, and I probably did not explain it, is that before mixed-species we were the ones that put to them, 'Why not value-add your species mix more?'. Before mixed-species was mixed-species, they never separated silvertop ash or stringybark or southern mahogany; it just all went in one general pool. The proposal we put to them was, 'If you separate it, we will pay you more for it' — so more in royalties back to VicForests and obviously the government, which made a lot of sense. We knew that if we got just what we wanted instead of getting something we cannot sell, like messmate or ash — that is not the market we are in — we could actually do more with it and get higher margins. So it was a

win-win situation. That 12 000 cubes is there. I think it is probably a bit more than that that is out there. They were confident. It is a lot easier to commit to 12 000 than 150 000. I think that is where we were probably lucky. In lots of negotiations there are winners and losers, and I do not want to feel smug about it, but I think because we are small enough they felt confident enough that they could do it and succeed.

Mr BOURMAN — While I have a wood scientist handy, what makes old growth old growth as opposed to 1939 regrowth? They are all native forests regardless, I guess, but is a 70-year-old tree old growth? How long is a bit of string?

Mr McEVOY — It is a very good point. It is a very grey area, but generally anything that went through a major fire — I think 1939 seems to be the cut-off point for regrowth. Anything earlier than 1939, they do not generally say, ‘Oh, the 1924 fire’. I do not know whether there were fires in 1924. They talk about 1939 regrowth. They were the first major fires that went through and wiped out a lot of forest in Victoria. Generally with old growth my definition would be 100-plus years — you know, stuff that has been there. The Aborigines have been burning forests for years, so they have all been through fires at different times.

Mr BOURMAN — Natural causes too, I guess — lightning strikes and so on.

Mr McEVOY — The other thing is that mixed-species does behave differently to ash — you know, ash dies; mixed-species survives. So you can actually get mixed-species forests that basically get gum veins and character due to the fires that went through. They will spring back as well.

Mr O’SULLIVAN — In terms of the timber you get from VicForests, how important is that to your business, and could your business survive without being able to get that timber resource?

Mr McEVOY — No.

Mr O’SULLIVAN — So what would happen to your business if there was no timber coming from VicForests?

Mr McEVOY — That is a very good point. I could not survive because like I said we would get maybe 1000, probably 500 cubes from private contractors, and that would be it. The only thing we could possibly do is look for private land where we could get a harvesting licence, which is quite difficult through councils to be able to get, and have a forestry plan and so on, but it would not be the species we want, so we would have to completely change our business model, and then we would be competing with other commodity products, which is not what we want to do. To be perfectly honest, if we did not have that 10 years, I do not think we would survive. I would probably take my money off Treasury and run.

Mr O’SULLIVAN — In terms of the timber you get from VicForests, if that was to not be available to you and that had to come from plantation instead, how many hectares of plantation would be required to actually — —

Mr McEVOY — That is a very good point. It is not very much actually. The surprising thing is 12 000 cubic metres is like hundreds of truckloads. It sounds like a fair bit, but in actual trees it is only about 100 to 200 hectares per year, so it is not very much. Like I said, 1500 hectares is about a 30-year supply without putting another tree back in the ground. So once you have got 1500 from a mill our size, it can be sustainable. The oldest ones you can harvest and then you can plant, and by the time you get to the end of them, those should be big enough to harvest again.

Ms DUNN — I just wanted to pick up on something you said then in relation to Mr O’Sullivan’s question around whether you could continue, and you said you would take the money from Treasury and run. What does that mean?

Mr McEVOY — It is a good point. It was never really explained to me, but this is the way it was explained to me. It was not in writing or anything else but — —

The CHAIR — She asks because we want to know if we can take the money and run.

Mr McEVOY — I was always under the opinion that VicForests told me that they could sign the contract, but if VicForests was not around anymore because it had been dissolved or whatever reason, that basically

Treasury would underwrite it. So it would guarantee that any loss of business or anything else because of the investment within or because we could not operate anymore and VicForests is not there anymore, that Treasury would have to cover it. But it is a very good point.

Ms DUNN — But it is not a contracted arrangement. It is a conversation?

Mr McEVOY — I have not actually seen a bit of paper or anything, so I do not know. Now that you raise that, I was just always told that that is what happened, and that is what they got Treasury to sign off on it. But maybe you guys would understand more about how that works. I do not know.

Ms DUNN — Maybe we are thinking of a question for someone else now.

The CHAIR — Perhaps you just found another department to call in too.

Mr LEANE — But the bottom line is that you have got a 10-year contract.

Ms DUNN — Yes, that is exactly right.

Mr McEVOY — Yes.

The CHAIR — Mr McEvoy, thank you very much for your evidence today. It has been very, very helpful indeed. You will receive a copy of the transcript in the next little while. If you could just check that for any errors — not that there will be any — but if you could just check that for proofreading, that would be a marvellous thing. I thank you very much for your assistance today.

Witness withdrew.