

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Inquiry into VicForests operations

Melbourne — 17 July 2017

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Ms Amelia Young, Campaign Manager Victoria, the Wilderness Society.

The CHAIR — Ms Young, thank you for joining us this afternoon. 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, those comments may not be protected by this privilege. I would ask you to begin your remarks with perhaps a 5 or 10-minute presentation, and then after that we will go to questions from members of the committee.

Ms YOUNG — My name is Amelia Young. I am the Victorian campaigns manager with the Wilderness Society, which is a nature conservation organisation. We are a national organisation, and I represent the Victorian branch here in Melbourne. We have a campaign centre in King Street in West Melbourne. Our organisation has a very longstanding interest in native forests here in Victoria, including in VicForests logging operations, which is the topic of this inquiry. I would like to thank the committee for the opportunity to come today and share our perspectives and viewpoints on VicForests logging operations.

To start with, VicForests' stated purpose is to operate a responsible business that generates the best community value from the commercial management of Victoria's state forests. In this context and the context of this inquiry, it is our view that there are some key questions as to whether VicForests is in fact managing Victoria's publicly owned native forest asset for the best economic return and for the public good. Some of these questions might include: does VicForests native forest logging enhance recreational opportunities; does logging create new jobs, particularly in regional areas of Victoria; which other separate businesses or sectors does VicForests logging operations in fact support; and does logging impinge on the success of other non-logging-related economic and social enterprises, again particularly in regional Victoria? How does logging affect the ability of other non-wood markets to engage with the forest estate and, importantly, have and do wood supply contracts deliver value for money?

Looking to the Victorian native forest wood and pulp industry itself, which of course VicForests operations service, to attain a viable wood and fibre industry in this state the trajectory of that industry must change. It is the Wilderness Society's view, which is borne out not only by the scientific evidence but also the decade upon decade of inquiry — this is but one of more than 70 inquiries that have been held nationally into this industry since World War II — the current approach is causing ecosystem collapse and exhaustion of the sawlogs supply at the expense of jobs, both inside the industry itself and in other sectors. So it is important in the context of this inquiry to recognise that VicForests operations themselves both encourage and are encouraged by an industry that is dependent on special treatment, and this is an industry which has enjoyed special treatment for decades either through government handouts or subsidised wood supply or exclusive legal arrangements. It is also shielded from real-world economics.

So the Wilderness Society would like to suggest to the committee that while inquiring into VicForests operations it is 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 of course play a role in the questions raised by the terms of reference for this inquiry: 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 also drivers and inputs for VicForests wood models.

While the Wilderness Society has some things to say about log grading, wood modelling and overcutting and VicForests' approach to disputes complaints or investigations, I would like to just say a few words about economic and environmental losses and the benefits forgone under the current utilisation standards and also the opportunities to deliver improved economic, social and environmental outcomes from the Victorian forest estate. Specifically in relation to point 1b of the terms of reference for this inquiry, which is 'economic and environmental loss that is attributable to poor compliance', I submit that there is a range of forecast losses in the form of wildlife extinctions, missed opportunities and benefits forgone, which manifest as economic losses today and into the future as a direct result of VicForests logging operations. Logging in the habitat of rare, threatened and protected species occurs on a far too regular basis, which raises serious questions about regulation of VicForests and about the effective enforcement of existing forest management codes, prescriptions and regulations.

We are also very concerned that VicForests does not appear to be adequately conducting species surveys prior to logging, as is required by law. This environmental loss is evidenced by the ongoing addition of Victorian native plants and animals to the state and federal threatened species lists. This is directly attributable to poor

compliance, because if VicForests complied with prescriptions, as is required by the law, the forest habitat of these species would be less impacted by logging and the species themselves would therefore be less likely to be on extinction trajectories.

The other environmental loss of course relates to the forest itself, and there are numerous instances of breaches of logging in rainforest areas, including regional, state and national sites of rainforest significance, which are also deeply troubling. But I would like to leave the environmental loss to one side for a moment, which might be surprising to some members of the committee, seeing as I am speaking on behalf of the Wilderness Society, and in fact focus on the economic loss, because the ecosystem accounts for the Central Highlands region show that there are significant economic benefits being forgone so long as logging continues in these forests.

Moving on to talking about delivering improved economic, social and environmental outcomes in relation to point 1c of the terms of reference for this inquiry, which asks what are ‘the alternatives to the current utilisation standards that could deliver improved economic, social and environmental outcomes’, the Wilderness Society’s view is that there are a range of competing interests and other markets that can and do derive and provide mutual benefit in the utilisation of the forest estate that is currently subjected to VicForests logging operations. It is a fact that under VicForests’ current management concentrated benefits are awarded to a few to the great disbenefit of a large number of people, including regional communities in Victoria.

If we have a look at the state of the industry, the BIS Shrapnel 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. This is indicated by the decline in the production of sawlogs from Victorian native forests of 54 per cent between 2000 and 2014. Consumption is also down 50 per cent. Production of native forest hardwood sawlog now exceeds demand. It is hardly a wonder, because in 1997 the average house used 7 cubic metres of hardwood per dwelling, and today it is down to 1 cubic meter per dwelling. That is a decline of 87 per cent in just 20 years. This is occurring because native forest sawn timber — this hardwood — is being replaced by technically superior products, especially from softwood plantations, and the softwood sector has become a competitor. It has grown in its production, and its market demand has remained largely stable as well.

Taking into account that this industry decline is very clear and the trends and forecasts also show a continued decline, on this basis alternatives to VicForests’ current utilisation standards in Victoria’s state forests that can deliver improved economic, social and environmental outcomes are very compelling. It is our view that the forest estate currently subject to VicForests logging operations should instead be managed for other values, which would enhance recreation, derive and manifest economic, environmental and social benefit from environmental and ecosystem services, notably in the other significant industries of tourism, agriculture, water and the fledgling and looming carbon market.

If I could briefly just highlight some of what the ecosystem accounts for the Central Highlands are showing, you will see that the forest would generate more income for the state of Victoria if left unlogged. Using the UN’s system of environmental-economic accounting, which is known as SEEA, the industry value added for the additional new economic activity per hectare for each of the four main industries currently using land in the Central Highlands region is as follows: native forest logging, the industry value added per hectare is \$29; tourism adds \$353; water adds \$2023; and agriculture, \$2667. Notably, water, tourism and agriculture are all complementary industries — this is the mutual benefit that I was referring to earlier — while logging is actually mutually exclusive.

The accounts also show that in 2013–14 the industry value add for that year in total is very stark. It shows the disbenefit of logging compared to the benefit of the other industries. The industry value add for logging in that year was \$9 million; tourism, \$260 million; water, \$233 million; and agriculture, \$257 million. Clearly these other industries are of large benefit; logging is of comparatively small economic benefit. Again, the first three are complementary, while the latter — logging — is exclusive of other benefits and in fact corrodes, degrades and diminishes these other environmental, economic and social benefits that underpin the wellbeing of the Victorian community.

In conclusion, I would like to reflect on some of the historical commentary that has been made in relation to the native forest logging industry here in Victoria because, as I outlined in my introduction, this is instructive for considering VicForests logging operations given they provide a service to this industry. The native forest logging industry has an unfortunate, more than century-long 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. That inquiry is one of many, and in fact preceded the 70 that I mentioned have happened since World War II, into this industry. In 1895 that inquiry said that the reasons for this backwardness were political and centre on the disregard of the general public wellbeing where this clashes with the monetary profits of individuals and classes who can exert a direct parliamentary influence.

In 1978, almost a century later, a letter to the *Age* was titled ‘Why haven’t sawmills planted their own forests?’. This is 40 years ago, and 40 years later this was indeed one key question that the 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 and before then as well, but also in terms of how to best avoid this question remaining unanswered now and into the future. The author of that letter in 1978 observed:

Industry has no intention of changing their management practices to conform with the changing values of our society.

And the author 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.

That was 40 years ago, and I submit to the committee that little has changed.

These forests are an extremely valuable public asset, as the accounts show. For too long the heavily subsidised native forest logging sector has had a stranglehold on this asset to the detriment of other markets. It is time to transition from an old economy to a new economy for the greatest economic, social and environmental benefit and to deliver meaningful outcomes for regional Victorians. Thank you.

The CHAIR — Thank you very much indeed, Ms Young. Before throwing the committee open to questions — and I am sure you will correct me if I am wrong; I have no doubt about that — is it fair to say that the Wilderness Society’s position is that forests should remain wilderness and there should be no logging in forests?

Ms YOUNG — No. The Wilderness Society is very interested in protecting nature for the wellbeing of the planet but also of people and communities. Of recent years — in fact before we entered into negotiations in the Victorian Forest Industry Taskforce — we switched our long-held position of no native forest logging. It is no longer in fact our policy. We would like to develop and support the development of a strong and viable Victorian wood and fibre product sector, which may involve some native forest logging. Of course we believe Forest Stewardship Council accreditation plays an important role in attaining a viable native forest logging sector here in Victoria.

As for people, in fact the great forest national park proposal is all about connecting people to place. This is a landscape that has been so heavily logged and degraded that we actually need people in the landscape caring for it and managing it. Indeed some research we commissioned earlier this year shows that the great forest national park is in fact very, very jobs rich because the landscape requires much ongoing management. This is true for East Gippsland as well. People need to stay in this landscape to manage it.

The CHAIR — What is the Wilderness Society’s attitude to the state government’s proposed purchase of the Heyfield mill?

Ms YOUNG — We have long said that this is an industry that is overdue for reform. Change is very hard. It is challenging for the industry, and it is also very challenging for the workers and their families and these regional communities. We support the state government making decisive actions and taking strong steps towards reforming that industry, completing the transition out of native forests and into plantations and delivering complementary conservation outcomes which are sorely needed to prevent the collapse of the mountain ash ecosystem, to reverse the extinction trajectory of many threatened species but also importantly to deliver for the wellbeing of the Victorian community, and to make sure that we do not have an industry that is still an intense drain on the public purse and instead these forests are being used to maximise economic returns to the state of Victoria.

The CHAIR — Given that the problems with Heyfield are caused almost entirely by a lack of supply, how do you propose that the government will make it work, as it were, without reversing that lack of supply?

Ms YOUNG — I believe Heyfield's problems are not caused by a lack of supply; they are caused by a lack of planning. The industry has known for many decades that this resource was not going to continue into the future. This is a finite resource. It is impossible to continue to log at very high volumes forever. This is why we have seen an industry logging on ever-faster rotations, speeding up conversion of the public forest estate into a tree crop essentially. But they cannot grow the trees fast enough. While the issue is currently crystallising as a lack of supply, that is a very narrow focus and it is a snapshot of what has been a decades-long problem that we have seen coming for many years, and parts of the industry have as well. The problem is they have not advocated for the change — the establishment of sawlog plantations — in time to avoid the current situation they are facing.

The CHAIR — So are you happy if the government is putting taxpayers money into a sawmill?

Ms YOUNG — Not necessarily. We believe that this is an industry that has been overly and very heavily subsidised for far too long, but there is not a lot of information on the public record about the Heyfield sawmill purchase, so I am not in a position to provide an answer to your question.

Mr GEPP — Thank you very much, Ms Young, for your presentation. Can you give some advice to the committee about any interstate or international examples where there is perhaps some biodiversity protection, tourism activity and where increased alternative uses for forest and timber harvesting are available and operating together?

Ms YOUNG — I think the New Zealand example is very, very instructive. More than 20 years ago the New Zealand government took the decision to end native forest logging in that country. Since then we have seen the plantation industry expand substantially, and it is in a very healthy situation now. We have also seen tourism as a complementary industry also expand heavily. It is a very, very popular global destination. Indeed in developing the great forest national park and the East Gippsland reserve proposals we have looked to New Zealand for some examples and also evidence to show the better economic returns but also the better social wellbeing that comes from managing the estate differently.

Closer to home I think the situation of the township of Warrnambool is also interesting. Many, many years ago when whaling was ended in Warrnambool there were lots of doomsday claims about that being it for the town. Clearly that is not the case. Also in western Victoria the Otways is a very good example of what happens when forest management changes. We now have down there one of the most internationally popular mountain bike riding tracks. People come from all over the world to ride their bikes through these forests. Of course if they have been clear-fell logged and burnt, people do not come to visit the forests. They come to visit intact magnificent forests.

I think you had a question about transition in there as well. In the Otways example there was an industry transition of around eight years. That is something that could be looked at, but I think that it is important to note that for the Central Highlands in particular this is an ecosystem that is internationally listed as critically endangered. It is already in a state of collapse, and there are real questions around whether it is viable to continue to log those forests at all — whether it is for commodity woodchips and paper pulp or whether it is for sawn timber. On current logging rates the projections show that, if the logging continues, the sawlog resource will be entirely exhausted in around 10 to 12 years. So there are a range of important environmental, economic and social factors to consider in transitioning the industry.

Another international example might be the Great Bear Rainforest in North America where stakeholders there, including traditional owners, did manage to reach agreement about durable long-term management of that forest estate that does involve some ongoing native forest — or primary forest, as they call it over there — logging. But again I would note that we have a unique situation where we have animals headed for extinction and ecosystems in collapse.

Mr GEPP — You touched earlier on regulation. You mentioned regulation. What we see around the place are a wide range of regulatory models that we see for different industries in Australia. Some of them are very tightly controlled; some of them are a little bit looser and self-regulated. What would the Wilderness Society see as some of the features of an approach of a regulatory model for the operations of VicForests?

Ms YOUNG — I think the Victorian public needs to have confidence that our native forests are managed not only responsibly but also competently. What we have seen, and indeed perhaps one of the motivations for

this inquiry, is that there are longstanding questions about not only whether the forests are being well managed, including for the production of woodchips and sawn timber, but whether they are being well managed elsewhere. These questions often arise from a lack of enforcement and a lack of compliance with the existing laws and regulations such as we have.

One way to improve the system would be to make sure the existing laws and regulations are actually being enforced. There is a critical need for increased independent and strengthened independent oversight of VicForests. At the moment the department is the logging regulator, and that is clearly failing as well, so the EPA might be some sort of suitable regulator. Otherwise it could be that we need to establish another body that has oversight of native forest logging, should it continue.

Mr GEPP — Do you have any suggestions other than the EPA?

Ms YOUNG — I think that the regional forest agreements are an interesting opportunity for having a look at future institutional and other arrangements around native forest logging, and the role of the federal government in native forest logging continues to be a point of contention given of course that native forest logging is exempted from national environmental laws. This is one aspect of the special treatment that this industry has experienced and enjoyed now for decades. Despite that special treatment, it is still in a very challenging and crisis situation.

Mr GEPP — In the development of the great forest national park proposal, which was presented in 2015, what resources did the Wilderness Society call upon to balance the environmental outcomes with the economic outcomes and social wellbeing in that report?

Ms YOUNG — In developing the reserve proposal there was a years-long process where we worked very closely not only with academics but also with local conservation groups and experts in the field, including field naturalist clubs, to develop the reserve proposal, which is based on what the science is showing this landscape needs to recover. It is what nature needs to make sure species do not go extinct. We also spent a lot of time talking with local residents about their favourite bits of bush and how they might like to engage with that landscape, and I make this point because whilst it is called the great forest national park it is in fact a multi-tenure proposal so that we have the highest level of protection where there are the most important environmental assets. And we have other tenures, and this is to your point, Chair, about people and the landscape. We have a range of other tenures so that other people can continue to access and enjoy this forest landscape.

When we wanted to have a look at what the economic benefits of the great forest national park proposal would be we actually commissioned the Nous Group to do a piece of analysis, and we asked some very particular questions around what the economic benefit is of simply declaring a great forest national park. What is the economic benefit of declaring the park and making a small investment in some pieces of infrastructure? What is the economic benefit of doing that and inviting private enterprise to play a role as well? And importantly, of course, what are the jobs that would be created under each of those scenarios? I asked for a very conservative and robust estimate because I am not interested in figures that are fattened out by multipliers; I am interested in firm data about what are the full-time permanent, sustainable jobs that will be derived from switching the way we are managing this forest estate. The results bore out that creating the great forest national park will create more than 760 new full-time, sustainable jobs, attract an additional 400 000 visitors to the region annually and return more than \$71 million to the Victorian economy every year as well.

Mr BOURMAN — My apologies for being a bit late there, Amelia, so I missed the first part. You gave me some figures earlier about the return per hectare — \$29 for logging, \$353 for tourism and so on. First of all, how were they determined?

Ms YOUNG — Those figures are from the ecosystem accounts that were developed by a team at the Australian National University. The system of environmental-economic accounting, SEEA, is an integrated accounting structure that covers component accounts — so, for example, land, water, carbon and biodiversity — as well as the accounts for ecosystem extent and the condition and services of those ecosystems. It complements the more traditional system of national accounts, or the SNA, which is commonly known as the aggregate gross domestic product, or GDP.

This accounting system is used internationally already by Costa Rica, the Netherlands, Vietnam, the UK and a host of other countries. It was an approach developed by the UN which has also been adopted by the World Bank, and it has been recommended for use by the Australian government but also is currently used by a variety of agencies, including the ABS and the government of Victoria. Parks Victoria used it when they were valuing the parks estate here as well.

That methodology was applied by a group at the ANU, and they asked a series of questions to arrive at the figures that I shared earlier. They are actually in the process of updating those accounts at the moment, and they are going to factor in the value and benefit of the plantation estate and compare that to the other four main industries in the Central Highlands region. I believe that is forthcoming fairly soon.

Mr BOURMAN — I will take that on face value. You have said that it takes into account extent, because one of the things I am thinking of through my head is how much land is used for logging and how much land is used for tourism. I am trying to think of how to put it. These things could be taken in any way you want. I am making up figures here, but if there were 10 hectares of tourism and then there were 500 000 hectares of logging, logging would have obviously a greater aggregate value. So is there any way you can give me some comfort that it is not kind of like — what is that saying? — lies, damned lies and statistics.

Ms YOUNG — The area of land use by hectare in the study for agriculture was 96 000 hectares. The area of land use for native forest logging was 324 000 hectares, so that is the area of native forest timber production. For water supply it was the area of water catchments — so, 115 000 hectares — and for tourism it was 737 000 hectares, the total area of the study region.

Mr BOURMAN — The logging area specifically, because that is what this is really all about, is 327 000, I think. Is that what is available to be logged or what is being logged?

Ms YOUNG — That is what is available to be logged. It is the area of land use in that year. So this is from 2013–14.

Mr BOURMAN — Okay. But they are all, I am assuming in that context, in that year — for water, for tourism — —

Ms YOUNG — Correct, yes.

Mr BOURMAN — Alrighty. Thank you for that. Getting onto the proposal, there was a report done by one of the councils out of the outer east, I think, from memory. I cannot remember which one, but they did an investigation into the benefits of the great forest national park. I am going to paraphrase here, and it is not for every bit, but the way I read it is that the figures that are given are figures that are given. They are not actually quantifiable in the number of tourists, in the number of jobs — things like that. It is an estimate at best.

Ms YOUNG — In their study or — —

Mr BOURMAN — In the study commissioned by the council. I cannot remember which one it was. It was done by someone like PricewaterhouseCoopers, but it was not PricewaterhouseCoopers. It was one of those sorts of organisations.

Ms YOUNG — I am not sure I am familiar with the study you are talking about, so I am not sure I can answer the question.

Mr BOURMAN — All right, then. Perhaps I will just be a bit more direct. With all the amount of jobs and income, how was that arrived at? What basis? Was it previous — like the Otways, for instance, or overseas? How did we get at the figures we are being presented with?

Ms YOUNG — In the Nous report, so the research that we commissioned earlier this year? So how did we arrive at 760 new full-time jobs and the returns to the economy?

Mr BOURMAN — Yes.

Ms YOUNG — It was some work that the Nous Group did, where they did look at the proximity of existing national parks to Melbourne, because of course the great forest national park is very, very close to Melbourne.

They had a look at rates of visitation both before and after national parks were declared. They also took into account not only the Otways but the Grampians and river red gum as well. They did have a bit of a look internationally as well. But I can give you a link to the full report and perhaps provide you some more information. If I could take that question on notice, I am happy to provide that detail. I just do not have the full report to hand, but I would be very happy to answer that question in detail if I could take that question on notice.

Mr BOURMAN — Yes, that is fine by me. Also the copy of the report, I do not know if it has been submitted to the committee — but the question and the report?

Ms YOUNG — Sure. Yes, very happy to provide that, Jeff.

Mr BOURMAN — You said something about the forestry industry being subsidised. That is the first I personally have heard of it. Do you know to what extent and sort of how?

Ms YOUNG — There are a range of different subsidies this industry has enjoyed over decades now. There are legislative subsidies in the form of the regional forest agreements, which I mentioned earlier, which exempt native forest logging from national environmental law. So unlike other extractive industries, like mining, which has to comply with national environmental law, native forest logging does not have to. The other legislative subsidies might be in the form of what is known as the wood pulp agreement, so the legislated wood supply agreement for Australian Paper in Maryvale, which guarantees supply of pulp logs from Victoria's native forests for a very long period out until 2030 at a fixed price.

There are also financial subsidies. Some examples really were very interesting around the 2009 Black Saturday bushfires when VicForests was granted, I think, around \$24 million for a salvage logging operation, which of course was not only very environmentally damaging but was an enormous amount of money to have them operating in the landscape.

There are roading subsidies. VicRoads and local government constantly have to maintain the network of roads that are used by the log trucks that drive around all over this state as they move wood around. I am not sure if you know, but to manufacture wood pallets out of mountain ash forest, it is logged in the Central Highlands, driven to Swifts Creek and then driven to Dandenong to be turned into a pallet. So there is an enormous amount of wear and tear on the roads which is subsidised by VicRoads and other local government agencies.

Mr BOURMAN — Technically they would be subsidised by their rego, I would expect. Trucks pay a large rego compared to a car for that very reason. They do a lot more of damage.

Ms YOUNG — Yes. There is a program; the acronym is TIRES. You will have to forgive me; I cannot remember what it stands for now.

Mr BOURMAN — With an I or a Y?

Ms YOUNG — With an I. I would be happy to provide more information about that on notice as well.

Mr BOURMAN — Yes, please. I am behind the curve here a little bit, with getting in a bit late. You also mentioned projections that saw logging will expire, for want of a better term, in about five to 10 years. Did I pick that up correctly?

Ms YOUNG — At current rates of logging in the Central Highlands, in the montane ash forest estate, this sawlog resource will be exhausted in around 10 years.

Mr BOURMAN — That is based on the area available to log now?

Ms YOUNG — It is based on what is left in the system, yes — in the area available to log.

Mr BOURMAN — Is that taking into account special protection zones?

Ms YOUNG — No. That is an informal reserve, and those special protection zones are set aside in an effort to try and protect some environmental values in those areas. There are a whole heap of questions about the viability of this industry and the extent to which it may or may not have social licence, and this goes to the heart of my submission that VicForests' current utilisation of the landscape is not in the best interests of most

Victorians and does not directly contribute to the wellbeing of all Victorians. I think that opening up areas that were set aside to be protected because they have important environmental values raises serious ethical questions about the industry as well.

Mr BOURMAN — Okay. Leaving that aside, though, one of the, I guess, current themes is the number of special protection zones — enough to keep the industry viable. Originally when it was first set up my understanding was it was meant to be capped at 200. Now, I do not know how that cap of 200 was arrived at. I am assuming someone thought that was enough to make the Leadbeater's possum colony sustainable. The last I heard we are at 617. Is there any way that these two can coexist without just continually going? There has to be a certain amount of timber to make it viable, not just whatever is left if that makes sense. We can have a couple of small sawmills dotted around the place. Is there a middle ground? Is it possible?

Ms YOUNG — Special protection zones are set aside for a range of environmental values, not just the possum of course. As a result of the 200-metre buffers that you mentioned that have been implemented to try and assist the recovery of the Leadbeater's possum, only 1.2 per cent of the total area of ash forest that is allocated to VicForests has been set aside in a buffer zone. So this notion that opening up special protection zones or buffers that have been put in place to try and prevent the extinction of the state's animal emblem will save the industry is frankly preposterous. It is such a small amount of area.

Mr BOURMAN — What about the other 98.8 per cent? Why aren't they logging that if it is such a small amount? I would have thought that could make such a tiny little impact, that they would be able to go out and do what they do.

Ms YOUNG — They have. It has been so heavily over-logged and badly managed, and that combined with the impacts of bushfire have meant that the industry finds itself in the situation it is in today. These forests are not magic puddings. They cannot continue to provide wood, particularly when they are not being cared for effectively. The cold hard fact is the wood has run out. The writing has been on the wall for decades. The time for action was decades ago. The 2009 bushfires came and went. At that point VicForests advised all of their customers that they expected a decline in the availability of mountain ash resource. Their stated intent for doing that was to give the industry some notice that it would need to adjust.

Mr BOURMAN — Okay. Because my next question was: given we are at a bit of a watershed moment now with the industry and the environmental concerns, is there a way of transitioning to plantation? This is asking you to venture an opinion more than anything. Rather than trying to shut it down hard now in the form of a great forest national park, is it worth a legislated time line to get the industry on a plantation basis? Because obviously plantations take time to grow before they are in a position to be viable. The past is the past, and I cannot disagree with anything you have said because I do not know. I just take it on face value. They may have missed that boat, but I guess what I am saying is: do we shut down the whole thing now, or do we have a way of moving forward so that, probably within the time we are all gone, we have effectively a great forest national park and a whole lot of timber plantations and they are all living happily ever after?

Ms YOUNG — A few things there. It is a really good question, and thanks for asking it. I think what we need to seriously grapple with and what governments today and in the near future need to do is work out how to get the maximum value out of a very small and diminishing wood resource. It is really important that, if there is going to be native forest logging here in Victoria, that industry has social licence and is an industry that all Victorians can be proud of, and that there are not these persistent and ongoing questions about the environmental impacts of the industry. Two key components of that will be properly protecting the most important parts of the forest estate by creating the great forest national park and other reserves, but also FSC — the Forest Stewardship Council — has a real role to play there as well.

It is important that we do something about the lack of value-adding that has been going on for decades. With more than 91 per cent of the wood that is pulled out of the Central Highlands being pulped for paper products, we need to put an end to commodity logging. One of the reasons the saw and timber sector is in crisis is because the pulp sector has taken the cream of the crop — the best wood — for far too long. Doing something about the lack of value-adding will be really important for making the most efficient use of the resource, and the industry has talked about value-adding for decades.

We heard it in the task force as well, but there has got to be more than just talk. If you have described this as a watershed moment — it is a snapshot, it is another moment in time in the sorry saga of the native forest logging

industry — now is the time to make that real and do something about properly value-adding what is a very precious wood resource. It is not only precious because of the range of benefits it provides but precious also because it is actually an endangered timber. It is like mahogany, teak or ebony, and we are still pulping it for paper.

Governments also need to properly invest in the plantation resource, and the amount that was provided in the recent state budget is obviously welcome, but as you have pointed out, Jeff, trees take time to grow, and the industry is in the unfortunate situation now of having logged out the native forest resource and finding itself short on resource, but proper investment in plantation establishment will be critical for creating a viable and vibrant Victorian wood products industry if that is something that we genuinely want to pursue.

So we need a new era of government investment and government focus on the industry for saw and timber supplies. There is no doubt about that, and importantly a transition to plantation resources needs to be rapid. Where it is not there, it is not there. It is too late, and it could be that it is too late for some parts of this industry. It needs to be rapid for environmental reasons, and it also needs to be rapid for resource security reasons. With 10 years worth of sawlog left, with the next bushfire probably just around the corner, with decades of over-logging making this forest more fire prone, this question of how we get the maximum value out of a small and diminishing resource will also need to turn on transitioning the industry into plantations — and soon.

Mr BOURMAN — I will wrap it up there because we are a bit short on time.

Ms DUNN — Thank you, Amelia, for your presentation today. I want to turn firstly to supply arrangements and particularly in relation to the Heyfield sawmill — ASH — and I am just wondering if you can recollect or confirm if at any time as part of Forest Industry Taskforce conversations whether ASH were in fact guaranteed a supply of timber to their mill as part of those deliberations?

Ms YOUNG — No, they were not. There was certainly discussion in the task force dialogue about the Heyfield sawmill in particular, because there was very little discussion about the range of other sawmills that are dependent on the ash resource or the other sawmills in East Gippsland as well. VicForests did present to the task force a couple of times, and in one of their presentations, while they did give an indication of the availability of ash supply on a hectare basis, it is not my recollection that they ever gave any kind of indication of supply in terms of volume from the ash forests moving forward, either at a general level for the whole of industry or at a specific level for the Heyfield sawmill.

Ms DUNN — There are a number of mills that operate in Victoria. Heyfield of course is a large one. Australian Paper of course is another large employer, but were those other smaller mills ever discussed at the task force? I guess what I am trying to get a handle on is how were their interests represented there, just knowing the make-up of the Forest Industry Taskforce?

Ms YOUNG — While the Heyfield sawmill general manager was formally part of the task force, and the CFO of Australian Paper was also directly part of the task force, the rest of the industry were represented by two other industry delegates — somebody for Harvest and Haul and somebody from VAFI. It was very difficult to have conversations about those business interests either at a general level or at a specific mill level as well. I think it is also fair to say that as an interested and major stakeholder in this debate the CFMEU had a particular interest in discussing particular mills — notably Australian Paper, as you mentioned — and perhaps not discussing other mills which may not have a high union membership.

Ms DUNN — Look, it is an unusual space for a Greens MP to be in to be advocating for smaller mills, considering our views in relation to native forests, but we have seen a progression of small mills close and their wood allocation be reallocated over to larger mills. Was there any discussion along those lines at the Forest Industry Taskforce as a way to keep supply up at larger mills, but the consequence of that seeing those smaller mills close?

Ms YOUNG — In some senses it is rather ironic because the closure of other mills was suggested to be evidence of the industry contracting and therefore perhaps becoming more sustainable when in fact we do know that a number of sawmill closures directly resulted in the expansion of the Heyfield sawmill. It is only after the Hermal Group purchased the Heyfield sawmill that it went to a double shift. Previously it had a single shift. It is also when they reached the maximum annual supply of more than 100 000 cubic metres annually, which made it the largest hardwood sawmill in not only Australia but also the southern hemisphere. They were able to grow

to that size because they did benefit from the closure of or being able to buy the wood licences from other smaller sawmills, but that was not discussed in those terms in the task force.

Ms DUNN — Fair enough. I am just trying to get a sense of your understanding looking at future timber supplies just in terms of risks and quite specifically risks around future forest fires. Regarding the interplay between that, you have said there is only 10 years of supply left. I assume that is on the basis that there are not any more fires; I might be wrong — if you can let me know.

Ms YOUNG — It is on the basis that there are not fires in that time. The committee is probably aware that the 2009 bushfires burnt more than 72 000 hectares of the mountain ash forest estate, which obviously had enormous environmental and social consequences, but it had enormous economic or resource consequences for the industry as well. Part of what we are experiencing now is a failure of the industry to adjust to that changing reality. Again, this is not something that is an isolated incident. Industry's failure to adjust to changing realities has been a hallmark and a theme of this industry over many decades, if not centuries, as I indicated in my presentation earlier.

When it comes to wood modelling, which I think was perhaps part of your question, we know that logging causes bushfire, particularly in the montane ash forests of the Central Highlands. Continuing to log these forests makes them more fire prone because they are younger and drier, and it makes the fires more frequent and more severe or more intense. Every day that we are logging these forests we are actually not taking seriously the risk of bushfire not only to the natural environment but also to the people and the communities who live in these areas. We are not taking seriously the fact that these forests provide all of Melbourne's drinking water. Of course burning them has an impact on water quality and water quantity.

The task force did receive some advice that logging on an 80-year rotation means that a forest is 40 per cent more likely to burn. VicForests is currently logging on an 80-year rotation or shorter. So not only do we have clear-fell logging operations in these forests, but the rotations are also making them more fire prone and more flammable.

Ms DUNN — I assume that the task force would have heard or been provided with a briefing around timber modelling and what that looks like in order to talk about the things that formed your terms of reference. Did the data or the briefing that was provided cover the issue of risk of fire as part of that information?

Ms YOUNG — There were certainly questions asked of VicForests about how they manage for fire risk, and the response has been as they have provided in other forums as well, so I feel I can share this information, and that is that they do not manage fire risk as an input into their model. They manage after the fact by saying they will taper their volumes down. I note that the current contract that is offered to Heyfield does not have a tapering down in volumes, and neither does the contract that apparently has been signed with Auswest either. It might appear that in fact VicForests is not managing for fire risk at all, despite the clear evidence that this is a very fire-prone landscape.

Ms DUNN — And even more so because it is being logged.

Ms YOUNG — Yes.

Ms DUNN — The only other thing I wanted you to clarify for the committee is the relationship around sawlog and pulp log, because the reality is that for pulp log to exist it has to be driven by sawlogging. You cannot just log for pulpwood, because it is supposed to be a waste product. So the whole rationale, I think, of the industry — and correct me if I am wrong — is that you need to log for sawlog in order to create a waste product which is then used by Australian Paper as waste. This means there is an intrinsic relationship between keeping sawlogging going, regardless of whether it is an industry in decline or not because you need to generate the waste for Australian Paper. Is that a correct read of how that plays out?

Ms YOUNG — Yes, that is how I would see it. I think if you were truly logging for sawlogs, you would not be clear-fell logging. Clear-fell logging is a very destructive method that maximises the amount of forest biomass that can be pulled out of the forest estate. Notably, around 30 per cent is left in the coupe and then burnt afterwards as well, so it is seriously questionable as to the extent to which the pulpwood is actually the waste, as you were describing. In fact we know that another reason that Heyfield and other sawmills may be experiencing some challenges around supply is that not only have whole logs been exported to China in shipping

containers — this is sawlog-grade wood coming out of these forests — we also know that Australian Paper has received sawlogs over time as well. So the relationship is as you describe and very, very problematic because the sawn timber sector is in decline and yet is still being used to prop up an industry that is really just all about maximising pulling pulp out of the forest — to the detriment of the sawn timber industry itself.

Ms DUNN — My last question is: are you aware of any compensation payments that are made to industry at all from government?

Ms YOUNG — Compensation payments to industry from government? During the task force process the group decided that we would like some information provided about the legislative arrangements that govern logging in the state of Victoria, and in the course of the secretariat providing that information on our request there was some information about compensation being provided to the industry, particularly to Australian Paper. The committee may or may not be aware that the terms of the legislated pulp agreement have that there is a concession zone from which the state is obliged to supply Australian Paper with pulpwood.

In 2009 the forest in this concession zone was burnt very, very heavily. There is a so-called penalty for not delivering wood to Australian Paper from inside the concession zone. VicForests' response after the fires was to increase logging in the green, unburnt forests that were not burnt in that inferno, and because those forests were to a large extent outside the concession zone as defined by the wood pulp agreement, the advice we received led me to understand that the government is in fact paying Australian Paper compensation for delivering wood from outside the concession zone and that in fact this has been happening for quite some time.

Ms DUNN — Did you have any indication as to what value that might be — that compensation?

Ms YOUNG — The indication that was given to us in the task force is that it is in the order of \$1 million annually.

Ms DUNN — And persists to this day?

Ms YOUNG — Correct.

Mr O'SULLIVAN — Thanks, Ms Young, for coming in and presenting to us today. I just want to take up a couple of points that you mentioned, because they just do not quite sit right with me.

Ms YOUNG — Sure.

Mr O'SULLIVAN — To quote your words, 'The best wood for too long has been used as pulp for paper'. Are you telling the committee that when the timber harvester is going and they find high-quality wood that could be used for high-value furniture, instead of using it for high-value products, where they get a much higher price, they use it for a much lower priced product such as pulp?

Ms YOUNG — That is a consequence of what I was saying. My comment was made in regards to the landscape as a whole, not necessarily particularly at a coupe level. It was not about log grading practices, which I think might be what you are getting at —

Mr O'SULLIVAN — Yes.

Ms YOUNG — but more in the context of the vast bulk of the wood that is pulled out of the forest that is pulped for paper — 91 per cent. The consequence of that is that we have huge amounts of area being converted to plantation, and we are not managing the forests for sawlogs. We are actually managing it for pulp logs.

Mr O'SULLIVAN — So the high-quality timber is actually being used for high-quality products?

Ms YOUNG — Not always, no. As I mentioned before, there are whole logs being exported to China. We also know from a number of different sources that Australian Paper has received on numerous occasions sawlog-grade wood.

Mr O'SULLIVAN — It is illogical to me to have a product that may be worth a high value and selling it for a low value for another purpose.

Ms YOUNG — Yes, I would agree.

Mr O'SULLIVAN — Can you provide some evidence as to that actually happening —

Ms YOUNG — Yes.

Mr O'SULLIVAN — because I find that hard to believe.

Ms YOUNG — Sure.

Mr O'SULLIVAN — Thank you. Another thing you mentioned earlier is that environmental laws around logging are not being enforced. Can you elaborate on that a bit more and explain if there are laws in relation to logging and some of that activity that are not being enforced? There are a couple of different problems in that: it is either a bad law to start with or there is no enforcement of it. Or is it a case where you believe that there is a law being broken but other people believe that there is not a law being broken?

Ms YOUNG — It is certainly not the latter, because 99 per cent of the reports which clearly document breaches of the logging prescriptions or different elements of the code of forest practice that have been developed by citizen science over the last two years have been verified by the department. So it is not just the case that it is something that I think or other conservationists think. In fact most of those reports have not only been verified but have actually resulted in VicForests having to adjust their operations in particular areas because in fact they were logging in breach of the prescriptions or the code or regulations or the laws.

The other part of your question was around — the first bit that you asked; can you just ask me the first bit again?

Mr O'SULLIVAN — Just to go back to that, in your statement earlier you said that environmental laws were not being enforced, but now you just said that that could be regulation or codes and maybe laws.

Ms YOUNG — So 'environmental laws' is a term that is used to refer to prescriptions for threatened species, logging prescriptions for certain plant communities like rainforest or old growth and also the prescriptions and the code and the regulations. So it is a catch-all phrase, which are all required to be enforced by law.

Mr O'SULLIVAN — It is slightly misleading and overstating the extent of it then. That is the way I would read that.

Ms YOUNG — VicForests are required by law to apply the precautionary principle, and they are also required by law to conduct, for example, pre-logging surveys. Those things are not happening.

Mr O'SULLIVAN — But the government or the department, which is the government, you are saying is not enforcing the law. Surely you are not going to suggest that the government is looking the other way and allowing these practices to continue if it is against the law?

Ms YOUNG — Well, I would suggest that that has been happening for a number of years, yes, and it is only because of the persistence of citizen scientists, who spend a lot of time documenting what is happening in these forests, that the breaches are brought to the attention of the regulator — and yes, it would be very embarrassing if they did not step up and enforce the laws, such as they are.

Mr O'SULLIVAN — But are you saying that the government is wilfully allowing the law to be broken and they are a part of the problem in terms of overlooking it and allowing it to happen?

Ms YOUNG — I am not saying they are wilfully allowing the law to be broken; I am saying that what is happening in practice when VicForests has logging operations out in the field is that laws are not being adhered to and from time to time the tendency has been that the regulator has not stepped in. But because of the efforts of citizen scientists in particular we are finding that these laws in fact are not being adhered to and that in most cases enforcement is now increasing. But the government should not be relying on citizen scientists to enforce the laws that govern logging in public forests in Victoria.

Mr O'SULLIVAN — I just want to pick up on one of your earlier statements in relation to a drain on the public purse. We heard the deputy secretary of the Department of Treasury and Finance say that VicForests actually returns money to the government in terms of dividend. I think it was after-tax profit of about

\$5.7 million in the last financial year. I understand that VicForests has always provided a dividend back to government. So are you saying that the deputy secretary of the Department of Treasury and Finance is wrong?

Ms YOUNG — I was not here to hear the deputy secretary of Treasury and Finance, so I am not in a position — —

Mr O'SULLIVAN — I am telling you what the deputy secretary said: an after-tax profit of \$5.7 million.

Ms YOUNG — This year, yes, but year on year since its inception in 2004 VicForests have not delivered a return to the public purse and have not paid Victorians a dividend for logging native forests on our behalf.

Mr O'SULLIVAN — But that, as I understand it, is only when the government has not called on a dividend to be paid.

Ms YOUNG — That is not as I understand it.

Mr O'SULLIVAN — But a dividend has been available each year, as I understand it. Because in terms of dividends that are paid to government, dividends are not automatically paid. It is only when the government calls on those dividends to be paid by those agencies that the dividend is then paid.

Ms YOUNG — VicForests has not paid a dividend to the people of Victoria for logging our forests so the public is not gaining — —

Mr O'SULLIVAN — The deputy secretary just said they did. Are you saying the deputy secretary is wrong?

Ms YOUNG — I would not dispute the fact that VicForests paid a dividend the last financial year. I agree with that; I have seen VicForests' annual report. Previously they have not paid a dividend.

Mr O'SULLIVAN — Thank you. Now my next thing I just want to go into is in relation to jobs. You were talking about the great forest national park creating 760 — —

I am sorry, do you find something amusing?

Ms YOUNG — I am listening to your next question.

Mr O'SULLIVAN — Okay, thank you. The great forest national park — you said 760 new jobs?

Ms YOUNG — Yes, that is correct.

Mr O'SULLIVAN — The VicForests scenario or the presentation that they gave to this same committee highlighted that the Central Highlands industry generates an annual revenue of \$570 million and 2100 direct jobs, so that is actually more jobs than what would be created under a scenario of a great forest national park. In terms of your earlier statements you were saying how ecotourism and so forth would generate more jobs than what the current industry does, but that goes against the information that was provided to us by VicForests.

Ms YOUNG — I do not think that I said that the great forest national park would create more jobs than the industry currently has in it. I simply stated that the great forest national park will create 760 new full-time sustainable jobs. I did not make comment about jobs in the native forest logging industry. VicForests themselves in their application for FSC showed that there are 485 direct jobs in native forest logging right across to eastern Victoria. The figure that you just mentioned would include the jobs in secondary processing at places like Maryvale, the Australian paper facility.

Mr O'SULLIVAN — Yes, and I guess the industry across the whole of the state generates about 21 000 jobs, so it is fairly significant in terms of the jobs that are provided and for those families who are directly involved and who rely on those jobs to generate the money to run the family. So I guess from a job perspective the timber industry is a fairly important one to Victoria. Would you agree with that statement?

Ms YOUNG — The 21 000 figure includes jobs in the plantation industry, which have been growing year on year, whereas jobs in the native forest logging sector have been declining year on year. One of the reasons the jobs in the plantation sector are so much higher is per hundred hectares plantations employ 1.5 workers,

whereas native forests employ 0.5 of a worker per hundred hectares. So there are some substantial differences here, and to conflate the jobs in the plantation sector with the native forest logging sector does not properly show the extent to which there are workers and families currently being kept in the native forest logging industry, which has not got a long-term sustainable future and needs to substantially change. This moment in time and the challenge confronting Heyfield sawmill in particular but also the rest of the industry should be sufficient to use the opportunity to not continue to mislead these workers and families and to shift them into sustainable employment. Keeping them hitched to a fire-prone landscape, where the sawlogs are going to run out in 10 years if you keep going at current rates, is really irresponsible and not in the best interests of the wellbeing of those workers, families and communities.

Mr O'SULLIVAN — I do not disagree that there needs to be some modernisation within the timber industry, and that will happen over time, but when you have got 21 000 jobs, 21 000 families on the line, it is not something you can do overnight and probably not as quickly as you would like it to occur. Thank you, Chair, I have no further clear questions.

Ms DUNN — It is mostly plantation.

Ms YOUNG — I do not think there are 21 000 jobs on the line.

Mr LEANE — Thank you for assisting our inquiry. VicForests and, I suppose, the government as well have been under a fair amount of criticism and also media attention around not releasing a greater volume of forestry timber in recent months. What do you think the consequences would have been if VicForests and the government had conceded to that pressure?

Ms YOUNG — First of all you cannot release a volume of timber if it is not there. The revised volumes reflect the fact that the resource has been heavily over-logged and impacted by bushfire. I think releasing more volume — which in fact VicForests has chosen to do, so previously Heyfield was offered 80 000 cubic metres in the first year of a three-year contract followed by 60 000 and 60 000; that is now 80 000, 80 000, 80 000 — will have a consequence not only for the environmental values of this forest estate but also for the rest of the industry. Smaller sawmills are likely to suffer because Heyfield is being provided volume that is being brought forward, and VicForests have advised that one way they are going to try and meet that contract that has been offered to Heyfield is to bring volumes forward from future years.

I also note that in VicForests' most recent resource outlook in fact the forward estimates for the smaller sawmills are not shown in that resource outlook, which really begs the question: is VicForests offering more wood than is available in the system? And also: what is going to happen to those other smaller sawmills as well?

Mr LEANE — I think you have covered most of the things that I was going to ask. You did outline that the \$112 million commitment to softwood plantations is a step forward in the right direction as far as you are concerned. I was interested in a statistic that you did bring up in your submission that 20 years ago 7 cubic metres of timber would be used in building a house and now it is only 1. Where does that statistic come from?

Ms YOUNG — From a BIS Shrapnel report. BIS Shrapnel is a global company that forecasts trends for a range of different sectors and is a specialist in the forestry sector worldwide.

Mr LEANE — One thing in your submission that actually does concern me, I have got to say, a little bit personally as well is that there was a statement that you read out from 1895. I was not around then, and I was not around for the 70 reviews. I feel like I have been, but I was not. The statement talks about — and I am paraphrasing — people with money bringing about political influence. I find that a little bit offensive. Is that what you are trying to say — that this industry only exists because politicians are prepared to be compromised?

Ms YOUNG — I think that it is a statement of its time. It has very interesting phrasing and wording in it. I used it because I wanted to try and illustrate that this is not a new issue; this has been around for a very long time. Also this industry has had special treatment in the form of the subsidies. I would suggest it has had the ear of politicians right across the political spectrum in order to continue to have favour and the special treatment that it has experienced and enjoyed, and yet it still finds itself in a very challenging situation today.

Mr LEANE — Just one last question in line with the conversation Mr Gepp had with you about the great forest national park and the economic and social impact work that you would have done. Powelltown has a population of only 200 people, but still there are 200 people. Powelltown, as far as the work that you have done, falls inside that catchment, so they would be living in the middle of a national park if that was the case. What is your view of what the discussion has been around the people who live in Powelltown?

Ms YOUNG — It could be that they would be in the middle of a national park or it could be that they would be surrounded by forest that actually has a different tenure and is not a national park. I mentioned previously that it is a multi-tenure park proposal, and one of the reasons for that is that we recognise there are probably people who live in Powelltown, for example, who ride their horses or walk their dogs or experience the bush, and it is really important that local communities are able still to access their forests in the way they want to and to be able to continue that connection to landscape.

Mr LEANE — Thanks for that.

The CHAIR — Are there any further questions? Ms Young, thank you very much indeed for coming in this afternoon.

Ms YOUNG — Thank you, Chair.

The CHAIR — You will receive a transcript of this session at some stage in the not too distant future. If you could just proofread that and check it for any mistakes, not that there will be of course, that would be a marvellous thing. We thank you so much for coming in today.

Witness withdrew.