SUBMISSION

Inquiry into VicRoads' Management of Country Roads
by the
Parliament of Victoria Parliamentary Law Reform, Road and Community Safety Committee

January 2018
About the Victorian forest, fibre and wood products industry

The forest, fibre and wood products industry is a vital industry for Victoria and a key contributor to the state’s economy. The industry is a major driver of economic activity and jobs in Victoria, generating $7 billion in sales and service income annually. Much of the income generated by the industry remains in local communities, particularly so in rural and regional Victoria.

Throughout the state, the industry directly employs approximately 20,000 people. Around 90% of these directly employed workers are in primary and secondary processing roles; essentially timber manufacturing applications, such as appearance product manufacturers, furniture manufacturers, and timber fabricators.

Indirectly, the industry also supports a further 40,000 to 50,000 jobs through flow on economic activity. This includes value-adding roles, such as the nearly 10,000 people who work making timber furniture, cabinetry and in joinery manufacturing.

For Victoria’s industry to best position itself to meet future market demand, both nationally and internationally, there is an immediate and ongoing need for clear and consistent policy settings, at the local, state and national levels. Forest, fibre and wood products are long-term business sectors and need the security of a long-term vision to be strong, viable and sustainable. Security and certainty of resource supply is paramount for a successful industry in the short, medium and long-term.

About VAFI

VAFI is the peak representative body for the Victorian forest, fibre and wood products industry. VAFI represents the entire life-cycle of forestry and wood products, including forest owners and growers, harvest and haul businesses, wood and paper processors, manufacturers and associated businesses across both the native forest and plantations sectors. We support and encourage best practice in industry and forest management.

The long-term vision for the forest, fibre and wood products industry in Victoria is that of growth, stability and sustainability. The forest, fibre and wood products industry is a 21st century employer and wealth generator. It is a sunrise, not a sunset industry. What the industry needs from all levels of government – national, state and local - is clarity and consistency in policy positions and decisions that support local jobs, manufacturing, product innovation, market access, and the long-term future of the forest, fibre and wood products industry.

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2. Schirmer, J (2010) *Socio-economic characteristics of Victoria’s forestry industries*
Introduction

VAFI appreciates the opportunity to submit evidence to the Parliamentary inquiry into VicRoads’ management of country roads. The forest, fibre and wood products industry relies primarily on road infrastructure across the entire supply chain to transport harvested timber and products from primary processors and secondary processors to end-users. In this submission, we address the Terms of Reference for the Inquiry by outlining the key issues for industry around the use and maintenance of country roads. These are:

- Inadequate funding for maintenance and upgrading projects;
- The poor condition of many regional roads;
- The lack of formal industry consultation for setting strategic priorities; and
- The need for an integrated approach linking remote regional roads to processing and export hubs.

I. The effectiveness of VicRoads in managing country roads;

The forest, fibre and wood products industry is widely dispersed across the state and makes extensive use of Victorian road infrastructure. Efficient access to the wood-production forests is critical to ensure that harvested timber is transported to primary processing mills, ports and commercial partners as efficiently as possible. A significant proportion of the cost of finished wood products is incurred through the haulage of unprocessed logs from the forest. Therefore, adequate road infrastructure can reduce transport costs; directly improving the domestic and international competitiveness of Victorian forest industries, supporting job security and attracting new investment in the sector.

Haulage is spread across local, state and federal jurisdictions with timber and wood products moving from local roads onto state arterials and federal highways for processing and further value-adding. The road infrastructure required for the efficient operation of the forest industries is not necessarily more extensive than that required by other primary production sectors, but it involves the use of roads in more remote areas and often in more difficult terrain.

The poor quality of many major arterial roads in regional Victoria creates a significant barrier to efficient transport of harvested timber from forests and plantations to processors, and to moving processed wood products. Much of the network infrastructure is ageing and built to a lower standard than that required by modern-day truck fleets. The issue of ageing infrastructure is particularly significant for bridges built and maintained by local governments, which cannot support the weight of modern trucks. This has been addressed at the state level through the Country Roads and Bridges Program but remains a significant issue and should be a consideration in state-wide strategic planning.

Overall, the widespread occurrence of inadequate roads in the regional network impedes the all-weather, all-hours transport of logs and often creates inefficiencies in management and sub-optimal usage of truck types. Upgrading regional roads across the network would allow a greater
use of longer trucks, which would assist in increasing safety and efficiency by reducing the overall number of vehicles on the road and the number of truck movements.

The established and growing plantations in the Green Triangle region, on the Victorian and South Australian border, and the state forest operations in East Gippsland are key areas where the industry is facing infrastructure constraints. These constraints, if not addressed, will detract from the realisation of the full range of benefits the industry can provide.

Poorly maintained roads represent a safety risk to log truck drivers and other road users. Strategic and long-term planning of freight infrastructure and efficient access from resource to market provides clear benefits to the whole community, including safety for all other users (e.g. school buses, tourists), regional job security, and improved access for other primary industries including local farmers.

2. The existing funding model and its lack of effectiveness for country Victoria

Maintenance of roads used for timber haulage is a significant concern for the forest, fibre and wood products industry, and costs threaten to undermine future production. VAFI believes that the management of roads at both the local and state level should be integrated to ensure the gap between the ‘farm gate’ (or forest) and the state arterial network runs smoothly.

By integrating the local and state arterial network into one system, run by the State Government, VAFI believes the model for road maintenance and upgrades will significantly improve output that is needed by industry.

We are well aware that many local councils do not have the capacity to maintain and upgrade their local road networks. This has significant impacts on the forest, fibre and wood products industry, and inhibits timber and products from getting safely and efficiently onto the state arterial network.

In recent years, VicForests has allocated approximately $6.5 million annually in roading expenses. These expenditures included fees for road access and direct expenditure on road maintenance. Further expenses are met by timber plantation companies, who also contribute to the upkeep of a number of roads in their operational areas of operations. Some VAFI members have also reported spending considerable funds on maintaining shire roads because of the lack of budget available to local governments. For example, HVP Plantations, the largest manager of softwood plantations in Victoria, has budgeted $11.6 million for road maintenance and equipment in 2017-18.

Strategic planning of freight infrastructure and efficient access to resource plays an integral role in maintaining a safe road network for all users and ensures the ongoing competitiveness of the forest and wood products industry. Considerable work has been undertaken over the last 10-15 years to identify and prioritise the road infrastructure needs of Victoria’s timber industry.

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Industry-led strategic planning has been undertaken through the Timber Industry Road Evaluation Studies (TIRES) —managed by Timber Towns Victoria with contributions from industry and state and local governments. The 2011 TIRES report identified 330 local roads across Victoria listed for upgrade across Victoria. The study identified cost-effective local road management strategies and investment opportunities to support the efficient operation and development of a competitive timber industry. In 2011, the total cost of implementation was estimated at $96.7 million over the period 2011-2015. An updated report published in 2016 places the current figure for 2016-2020 at $70 million.

Despite this clear signal from industry, implementation of road upgrades has been sporadic and there is still a substantial shortfall in funding; by 2014 only $4.5 million in state funding had gone to roads frequently used by the forest and wood products industry.

The adequate provision of funding and committed support from governments at all levels is critical to ensuring timber manufacturing businesses are able to access the resources required for their ongoing opportunities, and the significant economic and employment growth potential of the forest and wood products industry is realised.

VAFI recommends that a sufficient funding allocation for upgrades to roads frequently used by the forest, fibre and wood products industry should be administered through co-investments with state and local governments through a competitive program designed to support those investments with the greatest potential for economic returns and wider community benefits.

3. The lack of consultation with regional communities and their subsequent lack of input into prioritising which roads are in dire need of repair

Regionally, VAFI members have reported good working relationships with VicRoads on operational matters. However, these productive local relationships are often not supported at the state-wide level and are undercut by the lack of funding available for routine maintenance and upgrade projects (see above).

There is currently no formal process for the forest, fibre and wood products industry to communicate road needs and future strategic priorities, though VAFI does have a good working relationship with VicRoads staff. From a local road perspective, the TIRES process identified all local government roads that actively service the industry and are of strategic importance to the industry. The study used a ranking methodology, complemented by in-depth industry consultation through a series of regional forums, to create ordered list of priority roads.

This provides a decision-making tool for funding bodies to make strategic investments in regional infrastructure projects, providing the best value for money for the timber industry, and also the safety of local residents, farmers, tourists and school buses amongst many other road users.

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6 Australian Forests and Timber News, May 2014 p6
For state-based roads, VAFI recommends that in the short-term a system such as the TIRES be used as a basis for project planning. In the long-term it would be appropriate for VicRoads to engage with a series of regional industry forums to assess industry priorities at a regional and state level. VAFI is happy to assist in facilitating such forums and liaising with industry.

As priorities for regional projects are identified, the funding model should be structured to ensure that any contributions from industry are not paid to a consolidated state-wide funding pool. Funding contributions should be retained within their region of contribution for use on specified priority projects.

4. The option of dismantling VicRoads and creating a specific Country Roads organisation and separate Metropolitan Roads body

As detailed above, the forest, fibre and wood products industry operates across a range of road types. VAFI therefore supports an administrative approach that integrates the management of the regional road network. VAFI believes that the key issues for adequately maintaining and upgrading ‘forestry’ roads are improvements to the funding model and industry consultation for strategic decision making.

VAFI recommends, therefore, that any detailed proposals for future management, either by VicRoads or a new Country Roads Authority should include the following essential elements:

- Sufficient funding allocation for maintaining and upgrading regional roads funding model that allows road infrastructure to compete with wider infrastructure considerations;
- Effective integration of local and state roads to promote cost-effective transport between remote areas, processing hubs and export destinations, such as ports;
- A strategic planning model that for identifying funding allocation to priority road projects that reflects industry needs. The model should include:
  - Formal consultation with regional industry forums;
  - Quantitative analysis of road use and conditions (such as that used by the TIRES studies).