



**Victorian Association of Forest Industries  
Supplementary Submission to The Houses of Representatives Select  
Committee on the Recent Australian Bushfires**

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"It has been many years since an extreme bush fire has occurred in Victoria on any scale and based on history Victoria is overdue for such a blow up situation. ....

The exit of both industry and forest harvest management personnel has left a funding and management void that has not been filled. Coming summers will lead to a loss of old growth forest and probably the loss of life and property unless the Government moves to ensure adequate resources are provided."

Graeme Gooding VAFI Executive Director presentation August 2002

The Victorian Forest Industry is vitally concerned with the management of the State's forest, and more particularly of fire.

Our principal resource is the 560,000 m<sup>3</sup> of hardwood sawlogs sourced from native forest and bought from the Government.

Given that there are virtually no sawlog plantations in Victoria developing or planned, the management or otherwise of the multi-use forest and its neighbouring Parks is vital to the future of the industry.

The Victorian forest Industry represents an industry that directly contributes \$1.8 billion to Victoria's economy, and underpins a broader industry of timber merchants, builders and furniture manufactures employing and estimated 250,000 and contributing over \$2.5 billion to the State' economy.

As an industry that depends on the management of the forest we are concerned that it is not being properly defined and resourced.

We perceive the extent of the bushfires in January as empirical evidence of this.

Further we believe that the gradual withdrawal of the industry from the forest is exacerbating the problem, as commercial funding, infrastructure, on-tap resources and training capabilities are lost. The matters are dealt with at length in VAFI's initial submission.

This supplementary paper deals in more detail with the specific impacts on the industry flowing from the fire and provides a specific example of industry withdrawal from the forest since the fires and its implications for fighting fires in future, unless alternative funding is provided.

**Direct impact.**

There was an immediate and significant reduction in supply of timber to mills as harvesting crews were diverted to the fire fighting effort. This resulted in mill stocks being greatly depleted, from which they have yet to recover, and which has caused some loss of business.

AHS Pty Ltd Orbost. Over a six week period had all of its 21 harvesting contractors on fire fighting at some stage. In some instances there was no harvesting occurring at all, because all crews were at the fire.

Hallmark Oaks Mill, a mixed species mill, at Cann River, was forced to close for a week at the height of what would normally be its busy season, because it did not have the logs to process.

Brodribb Mill, near Orbost, normally receives between 4,000m<sup>3</sup> and 5,000m<sup>3</sup> a month during the harvesting season. It received no logs for six weeks during the fire, severely depleting its stocks.

The State's largest processor, NSTI at Heyfield, stocks were 20% below their normal level by the end of May (the normal end of its harvesting season). They were at 41,000m<sup>3</sup>,

All three mills are currently able to continue because the season has continued to remain dry, extending the harvesting season. Although Hallmark Oaks had already decided to exit its Waygara operation (west of Orbost) under the State Government's voluntary licence reduction program, it would not have been able to keep it operating in any case, because of the chronic shortage of logs due to the cessation of harvesting. The net result is an industry that is struggling through and has very little margin or flexibility. A major fire in East Gippsland next summer would be catastrophic for the industry and the communities, which depend on them.

**Salvage ramifications**

The need to quickly salvage the timber has made an already complex situation more difficult. Ash killed by fire, must be harvested before it deteriorates, usually 12 to 18 months after the fire.

Industry and State Government were already grappling with a 30% reduction in the size of the industry following from a review of the sustainable yield, which saw it drop to 560,000m<sup>3</sup> per year.

This reduction was not uniform across the State, with Forest Management Areas like Gippsland and East Gippsland experiencing around a 50% reduction, while Tambo, experienced none, and North East about 15%. (The fires were predominately in Tambo and North East.)

While a voluntary industry exit program, attracted more mills than expected, the exits were lumpy, in regard to species and grade, requiring a complex, re-gigging of allocations. A large number of harvesting contractors have exited the industry, and are not available for salvage operations.

Additionally pricing and allocation processes have yet to be finalised. Some licensees have one year of their licence left, others four or more. The balancing of competing demands has been made considerably more difficult by the need to run a large-scale salvage operation of predominantly one species in areas remote from processing centres.

There is an urgent need to resolve the competing interest among mills, harvesting regimes, royalty charges and contractor rates, so that industry can gear up for next season. New equipment will be needed.

The salvage operation potentially could be between 450,000 m<sup>3</sup> and 1 million m<sup>3</sup> of D+ sawlogs ie equivalent to around 1 to 2 years of Statewide supply. Capacity to harvest and process the wood will be an issue as the wood is remote from most processing centres, adequate roads are not in place in some areas and there are major capacity issues associated with a short term increase in harvesting.

Depending on the scale of the salvage, in terms of ex-mill products, the salvageable wood has a value of \$160 million to \$400 million. The flow-on effect in economic activity will be at least 3 times this amount ie \$500 to \$1,200 million. For example, in furniture, the value of sawn wood increases by a factor of ten when converted to furniture.

### **Need for quick resolution**

In March 2003, VAFI estimated that there were potentially 300 operational days in which the 450,000 m<sup>3</sup> of sawlog (and associated pulpwood) could be harvested before it deteriorated beyond use, with over \$500,000 in ex-mill product value lost every day salvage is not undertaken.

While some salvage has occurred to supply licences with existing rights to the ash, the salvage has been limited.

Due to the lack of rain, limited salvage has been continuing over winter. Harvesting would normally scale up from September onwards. There are now closer to 200 operational days left – that's between \$750,000 and \$1.5 in lost ex-mill product value for each salvage day lost.

By Christmas 2003 any of the appearance grade logs that are dead and exposed to weather will likely become unusable for appearance grade and will need to be downgraded to structural grade. By the end of the 2003/04 season all fire killed sawlogs may be unusable\*. However, logs kept under water spray can be stored for several years. (\*May be some on-going salvage of trees that are severely damaged but not yet dead)

This has placed enormous pressure on mills to accept salvage timber, in place of their normal licence commitments. While substitution at mills already processing Ash mills is less of an issue, it is problematic for mixed species mills. Under current arrangements they would have to charge their costumers \$100 more a cubic metre to recover the increased cost they would incur. (Ash costs about \$25 m<sup>3</sup> more than mixed species, and with a 30% recovering expected from salvage logs, this equates to \$100 m<sup>3</sup> increased cost to the mills) According to company principals this is beyond what their market is willing to pay, and beyond what the companies can carry.

There is currently a lack of harvesters. DSE estimated recently that at current harvesting rates would capture 170,000m<sup>3</sup> of salvage, but could leave another 800,000 in the ground.

### **Long-term impact on sustainable yield**

The most recent figures from DSE suggest the annual sustainable Ash yield for Tambo, and North East could drop by over 30,000m<sup>3</sup>. These figures are still under review. This could result in the shedding of well over 100 direct jobs, with high value adding mills hit the hardest given Alpine Ash is the prime sawlog for appearance grade products.

Further, the reduction in sustainable yield, has limited the development options for the industry's major Ash Processors. One example is JL Gould Sawmill at Alexandra which has invested in the order of \$20 million over the last 10 years. Much of that investment was predicated on a build and grow strategy that is now severely limited, as the resource and the number of players reduce.

### **Impact on fire management subsequent to fire.**

As indicated in the initial submission, the timber industry makes a major contribution to emergency response through the provision of roads, equipment on tap and training opportunities. The industry provided in the order of 80 bulldozers to the fire fighting effort.

As mentioned early in this paper, 21 crews were provided out of East Gippsland. They provided in the order of 30 bulldozers, plus a number of excavators.

The current average value of that equipment is about \$150,000 per unit with a replacement cost of about \$400,000 per unit.

Since the fire, 11 of these crews have left the industry because of the industry downsizing. They took with them approximately \$1.6 million of equipment and considerable experience. It would cost the Government over \$4.4 million to replace that equipment, and additional funds to train and retain the operators.

This obviously is not going to happen. Equipment and personnel will need to be sourced from elsewhere, resulting in delays and an even more cautious approach to fire fighting given the absence of local knowledge.

As we can see, the timber industry is particularly susceptible to large bushfires. In the past, such as the 1939 fires, when vast tracks of Central highlands were burnt, it could, following the salvage operation, transfer to other regions, most notably East Gippsland. Given that 18% of the forest is technically available for timber harvesting due to the expansion of parks and conservation reserves, the options for transferring operations has disappeared.

Further the downsizing of the industry and its gradual withdrawal from the forest has so far meant, less roads, less trained personnel, and less equipment for ongoing fire management and emergency response. For example the 31% reduction will reduce the roading funding collected from industry from \$13 million to \$9 million. In the NE over the last decade forestry personnel has dropped from 150 to 40. The more recent cut-backs in forestry staff are yet to flow through. There is little evidence that these resources have been or will be replaced. In fact we have seen fuel reduction activity drop to 1/3<sup>rd</sup> of the level it was 20 years ago.

VAFI believes community attitude to forest management must change, that forest managers must be properly resourced, and that industry's contribution to that should be recognised and embraced.