TIMBER TOWNS VICTORIA

A Local Government Association

26 February 2010

Submission to Review of Regional Forests Agreements

"Victoria's State forests are valuable assets. Most have been put aside as parks and reserves, or as protected areas. A small portion, some 700 000 hectares, is available for commercial logging. The Department of Sustainability and Environment is responsible for ensuring that commercial logging operations are managed on a sustainable basis.

Sawmill workers and harvest and haulage firms, both owners and their employees, are likely to be hit hardest. These employment impacts could have broader economic and social consequences for the regional communities in which forest industry workers live.

The responsible government departments have assisted employees displaced from sawmilling businesses and the harvest and haulage firms to adjust to the new logging levels.

<u>However, there is still considerable uncertainty for those who own and run harvest and haulage firms in the forest industry</u>. The department has a responsibility to alleviate the existing uncertainty and any hardship it could cause, as a matter of priority."

V I C T O R I A Auditor General Victoria Report to Parliament "Managing logging in State forests" J.W. CAMERON Auditor-General October 2003

The main objectives set in for the Victorian RFAs established between 1997 and 2000 were:

- To identify a Comprehensive, Adequate and representative Reserve system and to provide for the conservation of those areas
- To provide for the ecologically sustainable management and use of forests in each RFA
- To provide for the long-term stability of forests and forest industries

Timber Towns submits that while there has been progress toward the first two objectives, <u>the third objective, by any measure, has not been met</u>.

The obligations that relate to this objective are detailed in the DSE Draft Report on Progress (1). In Section 5.11: Industry Development, the clear obligations to facilitate industry development and to recognise the significant contribution of the forest-based industries in five RFA's are discussed on Pages 44-46, and reaffirmed: *"The Parties reaffirm their acknowledgement of the significant of forest-based industries on the RFA regions to both regional and State economies, and that these industries are an essential component of many communities in the RFA regions."*

This submission includes:

- a summary of the key points as an Executive Summary
- draws conclusions and makes recommendations
- elaborates on some key questions relating to the performance against the RFA objectives set

Executive Summary - KEY POINTS:

1. Rural and regional communities in Victoria have been significantly and adversely impacted by changes since the commencement of the RFA's. The RFA agreements process was supposed to provide up to 20 years of certainty in terms of economic and social development especially in small towns where the industry was present and prevalent. The impact on towns where the industry was dominant, such as Orbost, is stark.
2. The available resource from public native forests for timber processing from the RFA's in Victoria has been impacted significantly.
3. Reports from the state government's Auditor General confirm that one decision: the Our Forests Our Future decision in 2002/3 alone had a significant impact on employment in the sector, well beyond financial support offered for the industry impact by the industry restructure support programs.
4. Overall timber industry economic output from the sector has remained static over the decade.
5. The level of log output and associated processing from public land native forest has declined steeply, while that from private plantations, mainly softwood, has risen at twice that rate.
6. Plantation growing and processing is more concentrated than native forest logging and processing, and in few, if any, cases small towns and regional centres have both: Beaufort, and Benalla are examples

Conclusions

1. The RFA and other ongoing government processes have contributed to the loss of jobs in small towns and the departure packages and replacement economic stimuli have not led to an overall Triple Bottom Line benefit for those small towns
2. Expansion of plantations, blue gum establishment and softwood processing has led to new jobs, but often in regional centres or locations distant from the small towns most impacted, Orbost and Swifts Creek, and Bairnsdale compared to the Latrobe Valley
3. The agriculture and total economies in regional Victoria have also been buffeted by climate and other economic change forces.

Recommendations

1. That both federal and state government's develop new initiatives that support ongoing economic activity in small towns impacted by the lack of commitment to objective 3.

2. That the state government act quickly to implement those actions in the recent TIS that support economic and social objectives and thereby strengthen commitments made in the RFAs.

Yours sincerely

Cr Malcolm Hole: President Timber Towns Victoria

Timber Towns Victoria addresses these questions in the submission:

1. **What has changed socially and economically since the advent of the RFA's in the regions covered?**

   There have been significant changes in regional economies and small towns where the timber industry was established at the start of the RFA's. This has seen major social and economic adjustment and restructuring. The impacts can be examined in terms of the overall social and economic activity and in terms of direct impacts on the industry.

   - ***Regional societies and economies: Green Triangle example***

     The 'Socio –economic impacts of land use change in the Green Triangle and Central Victoria Project' (11) analysed change in the following land uses: beef cattle grazing, blue gum plantations, broadacre cropping, dairy farming, rural residential development, sheep grazing and viticulture.

     Land uses changed considerably in the study region over 1991-2006,

     - Sheep and lamb numbers fell 29% from 17.5 million to 12.4 million
     - Dairy cow numbers grew 44% from 293,000 to 416,000
     - Beef cattle numbers grew 47% from 1.0 to 1.5 million
     - The area of cereal and oilseed crops grew 103% from 281,000ha to 571,000ha
     - The area of Blue Gum plantations grew from 670ha to 149,000ha
     - The area used for grape growing grew from 3,300ha to 11,700ha

     What socio-eco changes accompany land use change?

     Increased efficiency of production in the cropping and dairy industries have been associated with decreases in the number of people employed per hectare, the same trend occurred to a lesser extent in sheep and beef grazing.

     Expansion of viticulture is associated with increasing rural population and employment, while expansion of dairy farming has contributed to maintaining rural population and employment levels.

     Areas experiencing decline in sheep grazing typically experience decline in rural population, higher than average ageing of the rural population, and lower than average household income.

     Expansion of the Blue Gum plantations has led to a small net loss of population living on rural properties, but this has been too small to be observable at the local government area scale. It has however, led to substantial turnover in the people living on rural properties, with farming residents shifting away and new residents – often lifestyle farmers – shifting onto properties.

The impacts of expansion of rural residential properties, or ‘lifestyle farmers’ vary, In some cases it has led to an increase in the total number of people living in rural areas, increased population turnover, and growth in the average household income. However, it depends on whether the new residents are permanent or ‘weekenders’ and on other factors. *Source: Cr Karen Stephens Glenelg Shire*

The Towong Shire in the North East provides another perspective where fewer land use change forces are at play, and overall the level of land use change has been lower.

- A decline in grazing incomes and output contributing to a decline in rural population, higher than average ageing of the rural population, and lower than average household income.
- The impact of lifestyle landowner purchases as graziers sell up and retire

Source: Charles Sturt University Report No 38 Social dimensions of plantation expansion in north east Victoria October 2007 (10)

In summary, small towns where there are less alternate opportunities, or an over reliance on one agricultural sector, tend to show ongoing, maybe irreversible decline. This is supported by the work of Neil Barr. (12). Barr’s work also discusses the numerous attempts by governments to develop policies that support the retention of farmers on the land, and the success or lack thereof, generally because of the overriding impacts of market forces of agriculture as an export industry.

- ***Specifically for the timber industry***

  - *The area available for harvest, and the volume available for harvest from public native forest (PNF):*

    The East Gippsland Forest Management Area (EGFMA) harvest fell from 230,000m3 D+ sawlogs in 1999 to 113,000 in 2006 (Gary Squires, Jan 2010)

  - *The price of sawlogs from public native forests and the sales and delivery methods: advent of Vic Forests.*

    Logs are now delivered to mill door, so price paid includes stumpage (royalty) as well as harvest and haulage costs.

  - *The expansion of private plantation log supply to more than compensate for the loss of PNF supplies.*

    Statewide hardwood sawlog supplies have declined from above 900,000M3 at the start of the RFA’s operations to around 500,000M3 today. The number of sawmills has fallen from around 100 spread across small towns in regional Victoria to less than 40 today, and the industry has rationalised to just a few integrated players. (Source TIS Page 5). The supply of softwood sawlogs has risen to 4.5M M3.

  - *The planning schemes and the application of planning rules by local government.*

    The state planning scheme has been under review in 2009, and there are many changes mooted, the general direction has been for more statewide uniformity in application of the scheme by the Minister for Planning.

- *The loss of jobs in the industry*

  In particularly loss of local employment from contracting and processing hardwood logs due to Our Forests Our Future decisions, declaration of more National Parks in East Gippsland, the Otways, the Wombat and Cobboboonnee Forests, and major Alpine and Central Highlands fires in 2003, 2006, 2009.

- *Ongoing resource changes:*

  The proposed change in the TIS 2009, from volume supply to area supply from Public Native Forest will extend the changes in forest supply management and access.

STORIES OF CHANGE FROM EAST GIPPSLAND AND THE NORTH EAST

Decline of Orbost

Orbost, a town in East Gippsland where the timber industry was dominant, has fallen from a population of 3000 in 1986, to around 2000 today. The timber industry was by far the biggest employer in 1986, with 23 sawmills employing 400 people directly plus 135 contractors: 75 fallers and dozer operators and 60 truck drivers. There would have been an additional 50 people working for the government forestry agencies. All told: 585 or 20% of the town population.

Today, the difference is stark: 7 sawmills employing 100, plus the Vic Forests workforce of 108, a total of 208 or just over 10% of the town population.

In those 23 years there has been a huge level of change in forest area and volume accessible, and those changes have been relentless and driven by state policy and debates around access to public native forests. A large proportion of the high quality timber stands in the upper reaches of the Snowy river catchment have been reserved from logging and/or declared National Park.

Changes at Benalla and Beaufort

In Benalla
Over the same timeframe, there has been major changes to public native resource access in the North East and River Red Gum FMA's. Ryan and McNulty has been logging and sawmilling at Benalla for 60 years. In 1998, the company had allocations totalling 14,000m3 from local mixed species forests east of Benalla, River Red Gum forests on the Barmah and alpine ash forests. They employed 23 people. Today the state supply comes from VicForests as contracts totalling 11,000M3 of ash and, together with licences from NSW, the company saws 22,000m3 and employs 30 people. This company has now been impacted by the recent decisions to declare most of the river red gum forests as National Park, licenced allocation from 2000m3 of highly valuable red gum to zero.

The plantations in the region have supplied local pine processor Monsbent (D and R Henderson) continually over that same period, and the company has been able to invest and expand production and employment.

In Beaufort

The community at Beaufort has seen the decline in hardwood sawmilling and their skilled bush workforce from 3 sawmills employing around 23 people to 1 sawmill and five people. In recent times, the town has been able to secure a timber framing business based on softwood resource that employs around 25 people. The loss of skilled bush operators is a concern, due to the large public native forest area around Mt Cole north of the town. (Cr Robert Vance, pers comm)

2. **What is the change in available resources from public and private land since the advent of the RFA's?**

   Public Native Forests: Hardwood Sawlogs declined from 1.1million M3 in 1986 to an estimated 500,000M3 in 2007.

   Private Plantations: Softwood logs from 3million M3 in 2001 to an estimated 4-4.5million M3 by 2007 (URS report to DPI July 2009).

   (At least half of that resource would be sawlog) The current softwood sawlog supply from just over 200,000 hectares of plantations on private land is about 4 to 4.5 times the hardwood sawlog supply from around 700,000 hectares of public native forest that can be managed for timber production.

3. **What state and federal policies have changed, are changing that have impacted or will impact of the RFA regions that the review should take into account?**

   A. *The available resource from public native forests for timber processing from the RFA's in Victoria has been impacted significantly by:*

      I. the changes in government policy over the term reducing the sustainable yields in the two Gippsland RFA's and the Central RFA in Our Forests Our Future decisions, and the West RFA by the creation of the Otway National Park and the Cobboboonnee National Park (2008), and more recently by a further reduction in available areas in East Gippsland, with the classification of a further 25,000? Hectares from state forest to National Park.

      II. The major Alpine fires in 2003 and 2006 and the February 2009 fires have further reduced the sustainable yield potential from the Gippsland, East Gippsland and North East RFA's, underlining the impacts of a changing climate on the natural resource base.

   B. *The 2003 and 2004 reports from the state government's Auditor General have confirmed that the OFOF decision alone had a significant impact on employment in the sector, beyond the support offered for the industry impact by the various restructure and departure/relocation programs.*

      The impact of the Our Forests Our Future decision reduced harvesting and processing employment across the state.

      "Forest Works (then known as FAFPESC) provided assistance to more than 800 workers and contractors between 2002 and 2008. These workers were forced out of the industry via government buying back log licences from sawmills and providing compensation to the sawmill owners in order to reduce yields that I understood were once agreed under the RFA process.

      The government funded an extensive workers assistance package that Forest Works administered over a number of years. Forest Works assisted most of the workers into alternative employment via training, qualifications and pathways." (Michael Hartman CEO Forests Works pers comm.)

      In The Auditor Generals 2004 report there is a reference to THE four PILLARS OF OUR FORESTS, OUR FUTURE (OFOF) : *The environmental pillar, the governance pillar, the economic pillar, and the social pillar* (Reference 2.)

      I. Under the economic pillar, OFOF concentrates on a series of industry development initiatives, including establishing VicForests to separate the commercial and regulatory functions of forest management, design and implementation of a new pricing and allocation system, encouraging private sector investment in plantations and Farm Forestry (an issue revisited in the TIS), restructuring the harvest and haulage sectors.

II. Under the social pillar, OFOF focuses on: providing immediate financial and training assistance to displaced worker and contractors, supporting the social cohesion of rural and regional communities.

DSE accepted the AG recommendation that the implementation of the OFOF (within the ongoing RFA) should be monitored using the four pillars: "The report is a useful contribution to the development of a measuring and reporting framework to support the implementation of the Government's sustainable forest management policy. The Sustainable Forests (Timber) Act 2004 foreshadowed the development of a Sustainability Charter and Principles. The development of indicators, standards and data collection and reporting processes to support transparent reporting of performance against this Charter and Principles is underway.

The Minister for Environment has committed to consulting with the community and stakeholders during this process. With regard to the specific recommendations made in the report, Recommendations 1 and 2 suggest that this Department develop a set of performance measures to report to the community the progress of implementation of Our Forests Our Future and that we involve other agencies that have a part in the implementation of Our Forests Our Future in the development of these measures. In principle these recommendations are supported. However many of the initiatives contained in the Our Forests Our Future policy were very specific and time limited and designed to deal with the immediate adjustment to the new timber resource levels. In particular the buyback of licensed timber volumes is complete and the worker and contractor assistance programs are in their final stages." DSE Secretary "Measuring the success of the Our Forests, Our Future policy": Auditor General's report to Parliament October 2004,

C. Conversely, recent federal review of the environmental impacts of the RFA process, Hawke report December 2009, concluded that the community concerns about impacts were centred around "significantly community concern that the environmental outcomes from RFA's were not being delivered". The review noted that only Tasmania has met the review timetable set, whilst Victoria as with the other states had not, until now, produced reviews to demonstrate or measure performance.

D. Data sources (TIS 2009) suggest that economic output from the sector has remained static over the RFA periods. What has changed is the level of log output and associated processing from public land native forest has declined steeply, while that from private plantations, mainly softwood at this stage, has increased to more than match the decline

E. And, this RFA review, given there is no Red Gum RFA, does not take into account the government decision to declare a large River Red Gum National Park in June 2009.

4. In relation to milestones and obligations, what are the errors and omissions in the Draft report on progress prepared and tabled by DSE?

The review of obligations with respect to **Private Land 5.7** Page 29, reports on the Forest Practitioners Accreditation Scheme that was initiated to assist local councils with code compliance, but the review does not add that the scheme was only funded as a pilot, and no longer has financial support from the state government. The government is now offering to assist councils, through the Timber Industry Strategy , to secure training in this arena.

5. What are the positive developments in relation to the RFA regions? (as an example, the state government's recent TIS decision to move to 20 year supply contracts auctioned by VicForests)

The TIS decision to move to implement 20 year supply contract and 40 year Working Forest Plans (TIS Actions 1.5 and 1.3) should result in more certainty for the industry. On the other hand, the ongoing pressure to reserve more land as National Parks could prevail.

ATTACHMENTS and References:

References:

1. A Draft Report on Progress with Implementation of the Victorian Regional Forest Agreements (RFAs) DSE 2009

2. V I C T O R I A Auditor General Victoria Report to Parliament "Managing logging in State forests" J.W. CAMERON *Auditor-General* October 2003

3. V I C T O R I A Auditor General Victoria Report to Parliament "Measuring the success of the Our Forests, Our Future policy" J.W. CAMERON *Auditor-General* October 2004

4. 2009 Victoria's Timber Industry Strategy (December 2009)

5. Victoria Timber Industry Strategy 9.Government Statement August 1986

6. "Victoria's Sustainable Advantage: recommendations for a new Timber Industry Strategy", Report to the Minster for Agriculture from the Sustainable Timber Industry Council (July 2007)

7. URS report "Analysis of the Victorian forestry and forest products industry" (June 2007).

8. J Cameron Report to VCEC Inquiry 2005

9. Report of the Independent Review of the Environment Protection and Biodiversity Conservation Act 1999, Chapter 10 Regional Forest Agreements, Allan Hawke, October 2009

10. Charles Sturt University Report No 38: Social dimensions of plantation expansion in north east Victoria October 2007

11. The 'Socio –economic impacts of land use change in the Green Triangle and Central Victoria Project' The whole report can be found at www.landusechange.net.au. See also The Green Triangle Regional Plantation site www.gtplantations.org provides extensive information on Employment, Wood Flows, Social & Economics, Environment, Resources & Infrastructure

12. The House on the Hill - The Transformation of Australia's Farming Communities Neil Barr (2009)

Attachments: Provided as separate files

1. **Executive Summary URS report "Analysis of the Victorian forestry and forest products industry" (June 2007). With Permission from Department of Primary Industries**

2. **Report on changes to East Gippsland Forest Management Area volumes and employment 1970 – present: Gary Squires Jan 2010.**