Department of Sustainability and Environment

East Gippsland Forest Industry Project (EGFIP)

Progress Report

Series No 2

23rd May 2006

EGFIP commenced on the 1st of March 2006. The terms of reference were:

1. Consult with appropriate stakeholders to determine how industry will address old growth issues and work towards internationally recognised certification of forestry activities on public land.
2. To participate in the verification of timber resource availability in the region.
3. To develop options for the future of the timber industry in East Gippsland for consideration by the Government no later than 1 September 2006.

Stakeholder engagement

a) Industry

We have met with the key industry stakeholders (CFMEU Forest & Furnishing Products Division, VAFI and VFHCC) and they have signed off on a combined position. In broad terms their position involves:

- They will consider any options that reduces reliance on old growth forest provided that it is viable, safe and the overall outcome involves delivery of at least the equivalent of 143,000 m3/yr of D+ nett sawlogs (which is the sustainable yield from the East Gippsland Forest Management Area (FMA) determined through the OFOF/Expert Data Reference process) along with the associated residual wood. They are prepared to take a flexible view of what is equivalent. Given past unexpected reductions, they prefer options that will deliver growth.
- Various potential elements that might deliver equivalent gains for industry to make up for reduced sawlog supplies from old growth forests have been identified, but as yet DSE are not in a position to quantify these elements. These elements include gains that would not be possible under "business as usual". These could include:
    - More thinning and timber stand improvement works in regrowth (above what is already allowed)[1]
    - Releasing areas that are currently unavailable (eg Special Protection and Management Zones) as an exchange for old growth under the already established guidelines for reviewing zones.
- All industry stakeholders are firm that the gains need to be validated as viable, safe, agreed and secured prior to implementation of any other parts of this proposal, particularly related to old growth forest. It is a major concern to the stakeholders that resource figures that underpin these elements may not be able to be fully validated until 2007 at the earliest.
- The Union supports the above proposal "subject to being convinced that the State Government will abide by an agreement that can be reached". The Union states that their scepticism on this matter is based on many years of broken agreements by past Governments

[1] Industry argues that mature and old growth forest supplies are critical to sustain a viable industry until regrowth from harvesting in the 1960's, 70's and particularly the larger areas from the 1980's onwards comes on stream. When the latter comes on stream (1980's regrowth) sustainable yield is expected to be well over 200,000 m3/yr of D+. Thus any action that can produce sawlogs from regrowth in a shorter time will mean less mature forest is required – or growth in supply can be achieved. Indications are that rotations may be able to be reduced significantly.

b) Environmental NGOs positions

While not specifically part of our brief, we believed it was important to identify and quantify the options preferred by ENGOs so that the impacts of these options can be accurately assessed and areas of difference or agreement can be identified. To that end we have consulted with representatives of various groups including The Wilderness Society, Australian Conservation Foundation, Environment East Gippsland Inc, WWF and the Rainforest Network amongst others.

TWS and ACF indicated that they would be releasing a position in the near future, which they would make available for our assessment. While there are some similar themes between their proposals and those of industry stakeholders, the bottom line level of sawlog supply will be considerably different.

c) Other groups

Other stakeholder groups, mainly regionally based, have expressed interest in EGFIP including local government, Timber Communities Australia, indigenous groups, CFA, VFF, Furniture Industry and other groups. Some preliminary discussions have been held and further work will be undertaken.

Certification

Some preliminary discussions have been held.

Issues related to EGFIP's capacity to determine the viability of the above elements of the stakeholder's positions:

- DSE's emerging estimates of 'business as usual' indicate yields are below the OFOF/ESR figure of 143,000 nett D+ per year (approx 170,000 m3 gross equivalent). These are yet to be validated through EGFIP and as yet they are not able to fully take into consideration thinning and other silvicultural impacts on growth due to insufficient data.

- The full set of information required to accurately assess the options is either unlikely to be available by 1st September 2006 – the due date of our report or is well behind the anticipated schedule. The considerations are complex and the accuracy of data is varied. Accordingly, our advice will be constrained by that issue. Two of the main issues are the amount of old growth sourced supply and the impact of silvicultural actions. The more accurate assessment of the proportion of the yields dependant on old growth is almost completed, but this timing has been continually slipping due to resourcing.[2] Until this information is available it is difficult to gauge the scope to address old growth forest issues.

- EGFIP has undertaken some analysis of the current factors necessary to encourage investment and restructuring within the East Gippsland industry. Provision of a suitable business environment that encourages investment will be an important element – particularly in the industry option.

- The resource analysis by DSE is proceeding slower than anticipated. However EGFIP has started to assess the assumptions used by DSE to determine the benchmark 'business as usual' yield. EGFIP will engage industry stakeholders on the merchantability/practical assumptions when the information is available in a suitable format.

Socio-economic impacts

We have consultants looking at the impact on the social fabric and economy of the area (schools , infrastructure, fire fighting capacity, indigenous jobs, critical mass of DSE/VF etc) as well as some commentary on alternative employment (eg tourism). This advice would include a sensitivity analysis of the final range of options we produce towards the end of our project.

To speed up the process and get the necessary information within the time frame of our contract, we have a second consultant looking into potential effects of appropriate forest management to improve forest growth and sawlog production in the regrowth silvertop ash/stringybark forests of East Gippsland.

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[2] The old data suggested that around 40% of the sustainable yield in EG FMA would be lost if all remaining available old growth forest was protected by prescription. The impact would be higher if protected by reserves as old growth forest is dispersed within other non-old growth forest areas. (Note: TWS have indicated they believe protection by prescription is inadequate.)

There are a number of options that EGFIP will seek to quantify using the best available data at the time:

- Industry proposal, which will likely contain a number of combinations, which will include growth above current levels. This will include analysis of the impact of additional protection of old growth forest at various levels.
- Business as usual
- Reductions in supply, including proposals by TWS and others.

External advice on the socio-economic impacts of these options will be sought (as noted above), hopefully drawing on the earlier work commissioned by the Government[3]. This will drill more deeply into the impacts on the social fabric of the region, particularly the areas east of Lakes Entrance. The East Gippsland Shire have been most helpful and will be assisting in assessing the data and implications of various options.

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[3] Study for the Private Forestry Council – The Timber Industry in East Gippsland – a socio-economic assessment