



Annual Report

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Victorian Association of Forest Industries.
ABN 99 752 910 589
320 Russell Street Melbourne,
Victoria 3000.
Telephone 03 9665 9222
Facsimile 03 9665 9233
info@vafi.org.au
www.vafi.org.au



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Business mission

> The Victorian Association of Forest Industries is the peak industry body for businesses involved in sourcing and processing timber resources from Victorian forests and plantations.

> We provide collective and authoritative representation of members' interests to governments, our communities and markets.

> Our services support the business operations of our members, associates and affiliates. We advise and assist with resource and operational issues, occupational health and safety, industrial relations, government and community relations.

Vision

The Victorian Association of Forest Industries is committed to placing Victoria's Forest Industries in a strong leadership position in chosen Australian and global markets.

Our goals are to:

> Ensure our industry is widely accepted and actively supported by the Victorian and wider community

> Enhance the value of Victoria's forest products by positioning sustainably managed native hardwood timbers as complementary resources to other timbers and substitute products

> Lead the way as an authoritative champion for our industry

> Continually improve our association to ensure its future financial viability and value to our members, clients and the community.

Principles

Underpinning our business mission and vision are these fundamental principals:

> Multi-use native forests provide considerable benefits for society and the environment and must be nurtured and expanded

> The use of naturally grown timber products is good for the health of the environment

> Sustainable production of native timbers is vital to the long-term viability of the industry

> Our members produce a product of commercial, social and environmental worth.

An Ideal Industry President's Report

If the Victorian Government sat down to define the ideal industry to attract to this State, it would probably want to target industries that satisfy the following criteria:

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- > **Strong local and international demand for the industry's products.**
- > **A globally competitive cost structure.**
- > **Offering a potentially attractive return on investment.**
- > **Makes efficient use of the State's resources.**
- > **Uses leading-edge technology.**
- > **Generates strong and growing export income.**
- > **Provides value-adding opportunities.**
- > **Feeds a range of products into downstream processing.**
- > **Enjoys strong and improving productivity.**
- > **Creates substantial job opportunities, particularly in regional and rural areas.**
- > **Is environmentally responsible.**

Victoria's timber industry meets all these criteria. Yet the industry has been under siege for the past 18 months.

During that period, the Victorian Government has slashed native forest harvesting by over 31%, announced a phase out of logging in the Otways against scientific advice and without consultation, and reduced logging in the Wombat Forest by 79% as a prelude to possibly closing that forest as well.

For the industry, the current crisis is pressing and obvious. Put simply I do not have a business beyond 2007 unless the Government recognises the worth of current licences and moves to resolve future allocation processes. That resolution to date has been slow in materialising. The current situation removes any possibility of investment in processing or resource development.

The State Government needs to decide without further delay whether it really wants a native forest industry.

If the answer is yes, as we are told, the industry is eager to sit down with the Government and its advisers and develop a plan for sustaining, developing and expanding the industry over the next 20 years and beyond.

An important priority in sustaining the industry is for the Government to address the resource situation.

The industry cannot plan, invest and operate unless it can confidently expect a continuing supply of quality sawlogs. Nor does this situation encourage investment in sawlog plantations. Under the Regional Forest Agreements, State Governments were expected to pass complementary legislation providing resource guarantees. The NSW and Tasmanian Governments have already done this. Victoria hasn't.

There also needs to be legislation passed in Victoria dealing with logging protests. This legislation is necessary to protect the rights

both of logging contractors and the protesters. At the moment, management of this issue is piecemeal, expensive and ineffective.

Taking a longer term view of resource supply, the Government and the industry need to combine in undertaking much more work on the possibilities for developing native forest plantations. Victoria takes two-thirds of its timber output from plantations, but the types of timber being grown on plantations are either softwood or fast-growing, short-rotation hardwood destined for pulp and paper. In the foreseeable future, it will not be possible to substitute sawlog plantation harvesting for native forest harvesting because of the different species and their very different characteristics.

The economic benefits that Victoria derives from its native forest industry shouldn't be underestimated.

The industry provides direct employment for over 3,000 people and a further 6,000 jobs in supplier and customer industries. The bulk of this employment is in regional and rural areas. The industry's contribution to the Victorian economy is worth about \$1.86 billion a year.

The biggest problems the industry faces at present are the twin evils of political opportunism and public misinformation. We look to State Government for a rational and constructive approach to policy formulation. Many of those people participating in protests against timber harvesting are well intentioned, but the views and information they circulate are often demonstrably inaccurate. Sadly, cynical activists pushing political agendas have influenced many of them.

To combat this climate of misinformation, the timber industry urgently needs to step up its efforts in influencing public and political opinion by communicating correct information. This communication program needs to be sustained over many years.

To this end, it is important that the various groups involved in the timber industry work together so that both Government and the public see a broadly based and united industry. Both the Victorian Association of Forest Industries and the Timber Promotion Council – which the timber industry funds – have called for greater unity within the industry. This is an important priority.

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Greg McCormack, President

Pricing & Allocation Urgent Executive Director's Report

The native hardwood forest industry has had a torrid year.

Apart from the slow restructuring of the industry, over 31% cut in sustainable yield and the decision to end forest harvesting in the Otway Forest, we have had the largest bushfire for 60 years which has caused a major disruption to harvesting operations in peak season and now could result in a further reduction in supply.

VAFI fought for and achieved funding for a Voluntary Licence Reduction Program, that broadly attracted enough industry exits, and had the potential to strengthen the position of those that remained in the industry. Considerable work needs to be undertaken by the industry and Government to ensure that process is completed successfully.

The VLRP process has happened perhaps more quickly than any of us anticipated, but it has been complicated and impeded by a lack of flexibility to deal with situations that fell outside the guidelines.

Now that industry reductions have occurred, VAFI is engaged in talking with the Government to resolve the pricing and allocation issues, so those remaining in the industry can move forward. We continue to work towards a more secure approach to resource availability.

The coming year, like the last, is crucial to the longer-term future of the industry in Victoria.

Victoria now urgently needs to introduce a new timber pricing and licensing system, particularly since the two-year short-term licences have less than one year left to run.

Ideally, the system would include commitments to:

- > Specified volume, grade and species
- > A defined area from which the timber will be economically supplied (this could be the current Forest Management Areas)
- > Commitment to a supply period to encourage the industry to invest in processing facilities and market development
- > Legislation that provides resource security to minimise sovereign risk and create a climate of business confidence

The issue of yield reductions has been further complicated by the bushfires last summer. The Government had targeted harvesting reductions of 255,000 m³ a year. By the end of April, reductions from business exits had totalled 278,000 m³ a year although those exits were unevenly distributed. As a result, volume reductions in some areas – most notably Central Gippsland – have not been sufficient to enable the Government to meet its sustainable yield targets. Harvesting surpluses are likely to occur in adjoining regions, but the bushfires have had an impact on outcomes. For example, in the North East and Tambo there were more exits than anticipated but both areas were affected by bushfires that will reduce their capacity to supply into other regions.

The Alpine bushfires destroyed a great deal of resource intended to supply mills with sawlogs. Supplies of timber from areas such as the North East now depend on salvage logging.

Every hectare of destroyed forest must be harvested before the timber deteriorates and becomes useless. Given it was in the recently reduced sustainable yield, further losses will again decrease the yield figures. The salvage task is daunting. It will be an 18-month exercise to harvest over 10,000 hectares of Alpine Ash. While this represents \$2 billion of economic activity, the State currently lacks the capacity to achieve it. Unless the capacity problem can be addressed, Victoria could recover a small proportion of bushfire-affected timber leaving most in the bush as waste.

The salvage issue has been complicated by industry's milling capacity to process salvage product. Mills that work in mixed species, for example, cannot abandon this business to

concentrate on Ash. In addition, the State Government must set prices for salvage product that will offer mills an attractive return and that will enable the State to derive full economic benefit from the timber harvested.

A second problem affecting salvage operations is a shortage of contractors with the necessary machinery suitable for salvage.

VAFI believes that providing the right mix of timbers to mills, as per their licences, and offering the additional salvage materials on tender, may solve both problems. Security of arrangements will enable processes to attract short term intensive harvesting operations required to capture the resource, before much of it is wasted.

The State Government's decision to cut native hardwood logging across the board by 31% needs to be seen in context.

According to the latest Federal Government's National Forest Inventory and State Government's timber resource study figures, Victoria has 6.6 million hectares of public forests of which 4.2 million is in conservation reserves. While it was understood after the Regional Forest Agreements were finalised that 1.2 million would be available and suitable for harvesting, the latest figures indicate that it is just 676,000 ha or 10% using current practices and species.

Further given the superficial popularity of the Otways decision in many quarters, it is difficult to see any major expansion in forestry harvesting in the near future, unless community perceptions are turned around. The major gains must come in hardwood

plantation development, which for investors currently presents a very different prospect from short-term blue gum plantations.

VAFI continues to be a strong advocate for more research into the possibilities for native hardwood plantations. But they are not without their problems and detractors.

The bulk of plantation hardwood is Blue Gum and is being grown for pulp. Although this species is quick growing, it has so far not proved a suitable source of sawlogs.

As well, there are still problems associated with drying plantation timbers. The Bureau of Rural Sciences, predicts in its '2001 Plantations of Australia - Wood Availability', sawlog production from hardwood plantation in Victoria could climb from the current level of 59,000m³ to 80,000m³ by 2020, if a major plantation program was initiated immediately. Even with such a program, it would take another 20 years to approach the current hardwood yield of 500,000m³ plus sustainably harvested from native forest. Given the ever-growing demand for timber, even this level would not supplant the need to harvest natural forest. It also ignores the projected large increases in sustainable forest volumes from the improved regrowth delivered by modern harvesting practices.

VAFI will continue to work with the Government to place the timber industry on a secure footing to enable long-term planning and capital investment.

Graeme Gooding, Executive Director

Industry & Community Issues

Economic contribution

VAFI POSITION: > Victoria's timber industry is an important component in the State and National economies. It generates export income and creates employment opportunities, mostly in regional and rural areas.

> The industry needs a stable policy environment and a guaranteed supply of resource to stimulate investment in the industry, to encourage adoption of leading-edge technologies and to foster value-added downstream processing.

The timber industry and the downstream use of timber represent an important component of the national economy. Production of wood and wood products accounts for about 2.3% of Australia's gross domestic product.

The timber industry and its customer businesses play an important role in the Victorian economy. The native forest industry has an annual turnover of about \$540 million. Taking account of the flow-on impact in other parts of the State's economy, the native forest industry's total economic contribution is running at about \$1.86 billion a year. The industry also underpins the home building and furniture industries that employ an estimated 250,000 people and contribute \$15 billion a year to Victoria's economy.

The Victorian industry employs more than 3,000 people directly. Taking account of associated industries, total employment in timber-related fields is about 10,000.

There are good growth opportunities in the flooring and furniture markets for Victorian hardwoods. Over the past 15 years, there has been a marked shift to production of appearance grade products. These products currently represent only 19% of the volume of sawn timber production but account for 36% of the value. This share of value was

expected to rise to 50% by 2005, but this may be delayed if investments in the industry continue to stall pending Government decisions on matters such as pricing and allocation.

Australia imports about twice as much in value of these products as it exports. As a result, Australia runs a balance of trade deficit in wood and wood products totalling more than \$2 billion a year.

Pulp and paper products are the chief source of imports, running at about \$2.8 billion a year. Production of pulp and paper products therefore represents a significant economic opportunity for Australia.

The national economy would benefit greatly if we were able to expand our production of pulp and paper products to replace most or all of the \$2.8 billion in annual imports and go further to create a sizeable export industry.

Sustainable Forestry in Water Catchments

VAFI POSITION: > Scientific studies have demonstrated that timber harvesting and water collection within State Forest are not mutually exclusive; carefully managed timber harvesting does not affect the quality and quantity of water collected in the catchments.

> Victoria's current system for regulating timber harvesting in water catchments is world's best practice, works well and should not be overturned or eroded in the name of political opportunism.

Most of Melbourne's water is collected in purpose-built closed catchment areas. The remaining 40% comes from the Thomson River and Yarra Tributaries catchments that have traditionally been managed as multiple use forest areas. These accommodate timber harvesting, water collection and tourism. Logging is governed by the Code of Forest Practices for Timber Production which prescribes that coupes to be logged must be dispersed both geographically throughout the catchment and by time of harvesting. This ensures the quality and quantity of water collected in the catchment areas continue at the highest possible level. The Environment Protection Authority monitors compliance with the Code.

Timber harvesting in water catchments is very closely managed and is conducted using the highest standards of sustainable forestry.

Victoria's catchments contain some of Australia's finest and most sought-after timber. An example is Alpine Ash which to date has proved unsuitable for growing in plantations. Harvesting in catchments provides a direct economic gain to the Victorian economy of about \$60 million a year. Retail value of the paper and timber products produced is over \$117 million a year.

The Co-operative Research Centre for Catchment Hydrology at Monash University concluded that if less than 20% of the vegetation cover in a catchment area is harvested, there will be no discernible impact on water yield.

Only about 0.2% of a catchment area is logged each year and each area is reharvested on average only every 80 years.

This means the maximum amount of the catchment affected by logging is 16% - well below the level of 20% at which Monash University estimates there is negligible impact on water volume collected.

The timber industry plays an important role in effective forest management in the catchments through its sustainable timber harvesting operations. It helps maintain the health of the catchments and its provision of roads, clearings and facilities is an important factor in enabling authorities to prevent and control bushfires.

In comparison to the negligible impact of harvesting, the recent 1.1 million hectare fires in the North East of Victoria will have a huge impact on water supplies both in terms of water quality and quantity.

Clearfell Harvesting

- VAFI POSITION:**
- > The best silviculture methods must be used to ensure forests are regenerated properly and to provide future generations with the same or improved quality and quantity of the resource that we enjoy.
 - > Good scientifically-based forest harvesting and regeneration techniques should not be sacrificed for the sake of appearance.

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Clearfelling is not the same as land clearing.

It involves the removal of most trees on a harvesting site, except for designated 'habitat' and seed trees and other areas excluded by the Code of Forest Practices. After harvesting, an area is burnt then re-seeded. Australian Eucalypts such as Ash regenerate best after fire. The fire kills undergrowth and harmful bacteria in the soil and removes forest floor litter. This process provides ample sunlight for seed regrowth and removes competing growth so the seeds are not destroyed on the forest floor.

Clearfell harvesting is the preferred technique for logging in Ash forests. More than 60% of Victoria's Ash forests are excluded from harvesting – the rest are harvested on an average 80-year cycle.

Ash is very sensitive to fire. About one-third of the Ash in the Thomson River catchment is regrowth since the 1939 bushfires. Fire is also a very important source of regeneration of Ash forests. Seed from trees killed in bushfires germinates and quickly establishes new growth.

It has been suggested that selective harvesting of Ash forests would be preferable to clearfell. But under selective harvesting it is more difficult to achieve consistent regeneration. In addition, selective harvesting greatly increases the risks of death and injury to workers as trees felled fall against other trees, creating danger from falling branches. The Code excludes harvesting from steep slopes, along streams, in rainforest areas and in important habitats. After an area has been harvested, it is burnt and reseeded with the native species.

Clearfell harvesting is carefully controlled under Victoria's Code of Forest Practices which confines harvesting to coupe areas of 10-40 hectares.

The immediate effects of clearfell look devastating, as does the aftermath of a bushfire. But it is consistent with best practice in silviculture to ensure the most effective method of Ash forest regeneration. This will ensure future generations benefit from robust stands of quality Ash timber.

Methods closer to selective harvesting are being trialled and might prove acceptable in some forest types.

However selective harvesting practices were abandoned many decades ago because they tended to 'cherry pick' the best trees and leave the rest – leading to a gradual deterioration of the forest.

It is ironic that the anti-timber lobby prefers selective harvesting to clearfelling and opposes waste timber being used for woodchips. It is clear that selective harvesting practices in the past in parts of East Gippsland and the Otways have been principally responsible for degrading the quality of the regrowth and the subsequent high levels of timber that was being left over from harvesting because it is unsuitable for sawlog. However, this left-over wood fibre is very suitable for paper production.

Woodchips for paper production

- VAFI POSITION:**
- > Using low-grade timber to produce valuable products like paper and reconstituted wood products is environmentally sound, socially worthwhile and provides significant economic benefits.
 - > Victoria should encourage more value-added downstream processing of these low-grade timbers.
 - > Producing paper from sustainable native forest and plantation harvesting operations is globally the best outcome.

Woodchip production is a direct result of integrated timber harvesting operations and the need to ensure our forests are not 'cherry picked' by taking the best and leaving the rest.

Whether it is purpose grown sawlog plantations or natural forest, all properly managed silvicultural systems will generate a substantial proportion of logs, in most cases the majority, that are below sawlog grade. Paper manufacture provides an important market for residual wood that would otherwise be wasted. In Victoria, the State Government benefits materially from this through higher royalties. It is popularly believed that woodchips are a low-value export. This is incorrect. The price Australia receives for its woodchip exports is materially higher than the price it fetches for coal and iron ore.

Even so, the Victorian economy could gain significantly from increased value-added downstream processing of residual timber and woodchips into pulp and a range of paper products. This is unlikely to happen until the resource supply issue is resolved.

Woodchips come from both native forests and plantations; they are generated from offcuts in sawmills and from the residues of trees harvested for sawlogs, in thinning operations and those unsuitable for use as sawlogs. Woodchips are used in the production of paper, chipboard, hardboard and fibreboard. Chips made from different tree species are used either alone or in combination to provide a range of end

products with different characteristics. For example, the pulp from eucalypt chips is most suitable for fine writing and printing papers that need to be smooth, opaque and can hold ink on the surface. Pulp from pine is best used for newsprint, cardboard and tissues.

Most woodchips come from native eucalypt forests. About 20% are processed in Australia and the balance are exported for pulp and paper manufacture in Asia. Most of the chips made from pine plantations are processed in Australia to make pulp, paper and a variety of reconstituted wood products. Woodchips are Australia's largest forest product export earner. Woodchip exports generate \$744 million a year in export earnings, which is more than 40% of Australia's total forest product exports.

Department of Sustainability and Environment figures indicate the volume of residual timber from harvesting and the area harvested have declined in recent years, but the amount exported as chips has increased. This indicates improved utilisation and a reduction in the amount of residual logs that are wasted.

Victoria has large areas of short-rotation eucalypts that were planted specifically for woodchip production. These plantations will mature over the next decade and will provide a significant percentage of total woodchip production. They will make a significant contribution to meeting the growing world demand for paper pulp.

Old Growth Forest

- VAFI POSITION:**
- > Given that 80% of Victoria’s old growth forest is in conservation reserves, the greatest threat to retaining its environmental value is uncontrolled fire – not timber harvesting.
 - > Old growth forest not in permanent conservation reserves and destroyed by fire should be salvaged and regrowth returned to multi-use forest.

Old growth is forest that is ecologically mature and that has been subjected to little or no disturbance. Old growth forests can vary considerably in character and quality. The principal ecological value is in the high biodiversity, due to the build up of species because of the lack of disturbance, and the presence of ample nesting places in the older trees and logs.

A popular misconception is that old growth forest can never be replaced and is disappearing. However forests are dynamic. If Victoria manages its mature age forest now in conservation reserves, the amount of old growth could increase substantially over the next 100 years.

The greatest risk to Victoria’s old growth forests is from bushfires.

In fact, before the recent fires, Victoria had an estimated 770,000 hectares of old growth forest. Maturing forest was expected to add another 600,000 hectares over the next 100 years. The extent of fire damage to old growth and mature age forest in conservation reserves is unknown, but given that over one million hectares were burnt, the potential for expansion of old growth has been greatly impeded.

VAFI was sounding a warning of the likely impact of major fires back in August 2002:

“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 reduction of the forest industry’s presence will exacerbate fire risk. The reduction of timber harvesting across the State by an average of 31% will greatly deplete Victoria’s capacity to fight bushfires.

Agreements signed by State and Federal Governments that allow swaps between SPZ and multi-use forest as values change.

In the North East of Victoria, the number of people working in Forests and Parks has declined over the last decade from 150 to 40 people and their capacity to stop the fires reflects that reduction.

The further cutbacks mean that the number of experienced bush workers available for fire fighting duties and the amount of capital equipment that can be used in fire fighting will be quickly reduced.

The opportunity may also exist to return to multi-use forest areas that were old growth in Special Protection Zones, but were destroyed by fire. The use of Special Protection Zones recognise that forests are dynamic and changing. SPZs are temporary conservation areas set aside to protect specific and often localised forest values, only as long as those values exist. Given old growth forest, badly burnt by fire no longer posses the environmental values of old growth forest, the trees should be salvaged and resulting regrowth should be returned to the multi-use forest.

This is in line with the Regional Forest

Developing Timber Resources

- VAFI POSITION:**
- > Victoria must develop both native forest and plantation resources to accommodate the State's need for a full range of timbers. This will optimise resource utilisation and deliver maximum economic benefits.
 - > Forest harvesting cannot be replaced with native plantation because there are virtually no additional hardwood sawlog plantations in Victoria that can be made available for the medium term, and considerable research and development is needed on processing plantation hardwoods.
 - > The best way to stimulate this investment in plantation developments is to ensure Victoria has a robust, attractive timber industry in the medium term underpinned by a secure available resource. Without an industry capable of buying and processing plantation sourced native timbers, sawlog plantations will not attract investors.

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A key objective of the Regional Forest Agreements was to identify and protect all environmental, social and economic values of forests and to foster an innovative, internationally competitive wood and wood products industry by providing greater certainty of access to resource.

While the environmental and social values have been protected, the economic values have been undermined by a serious miscalculation of the resource available for harvesting. As a result, ongoing investment in the timber industry has stalled.

Victoria has 6.6 million hectares of public native forest of which 64% is in formal conservation reserves. About 17% of this public forest is available for timber harvesting but only about 10% is suitable with current harvesting constraints.

Virtually all hardwood sawlogs come from native forest. Worldwide the proportion is 97%. While substantial areas of Blue Gum (hardwood) plantations exist, these have been established for short rotation (10 to 15 year) woodchip production under Managed Investment Schemes. These were attractive to investors because of taxation treatment by

the ATO. They have a prospectus and a product ruling by the ATO. This ATO ruling applies as long as they operate in accordance with the prospectus.

Unless appropriate decisions are made at the time of plantation establishment (species/provenances selection) and within the early years (pruning/thinning) it is unlikely that the plantation can be readily 'grown on' for sawlogs, even if investors could be convinced of the merits of such a change.

The State derives its supply of sawlogs from native hardwood forests on public land. The industry has little opportunity to make up recent reductions in the supply of sawlogs by boosting its off take from plantations because hardwoods grown on plantations tend to be different species from those available in native hardwood forests.

In the long term, hardwood plantations could produce useful volumes of quality sawlogs but present indications are that it will be many decades before plantations will account for a significant proportion of Victoria's total sawlog production.

In addition, to date plantation-grown hardwoods are delivering poor recovery rates and are proving difficult to process. It is harder to produce high-quality sawn timber from plantations because of different growth characteristics. In contrast, woodchips produced from hardwood plantations fetch a price premium compared to woodchips from native forest timbers because of a higher pulp yield.

From an investment perspective, there is a trade-off between the two: input costs in plantations are much higher than for native forests but the lead-time to harvest is much shorter.

Growing hardwood timber in plantations is still in its infancy and a great deal of research is needed into processing Australian hardwood timbers for sawlogs. The industry needs to be encouraged to invest in this research and development.

There is a role for both intensively managed plantations and extensively managed native forests.

The Victorian Government has indicated it will co-operate with the private sector to encourage establishment of hardwood sawlog plantations. In keeping with this policy, the Government has provided funding for the West Victoria Private Forestry Project, a 500 hectare hardwood sawlog plantation. While this is encouraging, supply of substantial quantities of quality sawlogs from plantations is still some decades away.

There are many environmental issues now being raised about plantations, which are undermining investment. In NSW, some plantations have been placed in conservation reserves and there is pressure from some lobbyists to do the same in the South Gippsland plantations because they are seen as high quality habitat. Conversely, others have concerns about the monoculture nature of plantation and argue they should be a mix

of species. This mixed species approach is likely to increase calls for the plantation to be placed in conservation reserves, further undermining potential investor confidence. And while there is pressure from the environment lobby to replace native forest harvesting with plantations on the grounds that a cessation of harvesting could increase water yield, there is a counter concern from the same lobby that major plantation development would use more water than open farmland and detrimentally affect already stressed water systems.

Handled properly plantations can provide positive environmental outcomes such as addressing greenhouse and salinity issues.

Victorians should not simply opt to push Like any major land use, plantation development must be carefully managed to deliver an integrated social, environmental and economic benefit.

resolution of these issues on to others by sourcing their timber from overseas, particularly when local demand for timber and paper products is so high.

Victoria is well placed to resolve the issues and realise the benefits given its extensive forestry knowledge.

Forest Protection & Management

- VAFI POSITION:**
- > Forest management must be scientifically based, properly planned and appropriately resourced.
 - > Sustainable timber harvesting plays a pivotal role in integrating and delivering the community's desired ecological, economic and social outcomes.
 - > Victoria's forests are among the most protected in the world, however adoption of the Australian Forestry Standard will increase local and global acceptance of that fact.

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Stripped of all the emotive language and allegations, timber harvesting involves strategically planned, temporary disturbance of relatively small areas or coupes. These coupes are rapidly recolonised from surrounding areas of forest once harvesting and regeneration have been completed.

Timber in Victoria is harvested in a patchwork because of the need to conserve forest of different ages. The timber harvesting makes a small footprint and the regeneration process contributes to controlled management of forest disturbance. This has a positive influence on our forests.

Victoria's forests are among the most protected in the world. About 64% of the State's public forests are in conservation reserves. This compares very favourably with many countries regarded as among the leaders in Forest Management, such as Sweden, Finland and the UK, and the average figure globally of about 10%.

There are strict controls over the management and use of Victoria's remaining forest.

This management applies at several levels:

> Forest Management Plans specify which areas of forest are to be protected for flora and fauna, which ones are to be used for water production and which areas will be available for timber harvesting.

> Wood Utilisation Plans specify the location, timing and amount of timber harvesting for each forest management area and lay out a program of road construction and improvement operations over a 3-5 year period. WUP's are effectively a three-year rolling plan prepared by Forestry Victoria. They also specify the type and quality of wood to be produced over the three-year period. They must comply with Forest Management Plans.

> Forest Coup Plans clearly identify specific areas of forest to be harvested and those that must be protected. As an example, to protect water quality and provide fauna habitat, a buffer zone of at least 20 metres wide on either side of a stream cannot be harvested nor have trees felled into it. Following harvesting, forests must be successfully regenerated.

The native forest industry provides infrastructure and funding, both of which are vital elements in management of Victoria's forests. For example, the industry contributes \$13 million a year to the State Government to build and maintain access roads through the forests. These roads are a key element in fire emergency response and provide access for tourism and other purposes.

The State Government generates total revenue of more than \$66 million a year out of timber harvesting. This represents an 8% return on the Government's expenditure.

Sustainable forest management is attracting increased attention internationally. This is driven by buyers of timber products seeking assurances about the origin of the wood they are ordering.

There is growing international acceptance that native forests can be managed for sustainable timber production.

To accommodate this trend, forest certification schemes have been developed globally to identify wood products sourced from sustainably managed forests.

The Australian Forestry Standard was released last year. Its adoption will give Australia the opportunity to demonstrate the sustainability of its forest management practices and to win access to markets that require certification.

VAFI urges the Victorian Government to implement the Australian Forestry Standard as a matter of urgency.

Biodiversity - National Parks

VAFI POSITION:

- > Forests are dynamic. To protect and enhance all forest values, greater flexibility is required between conservation reserves and multi-use forest than is currently achieved by the strict delineation that currently exists.
- > The placement of forests in National Parks does not of itself increase the level of protection for those values being protected.
- > Removing timber harvesting from native forest does not resolve the environmental issues with timber production. It simply moves the issues elsewhere, and removes a source of funding for forest management.
- > Good conservation and use of natural resources requires considered integration - not a balancing act. Timber harvesting is not a threat to biodiversity.
- > New parks should not be declared until the values they contain are identified and management plans to protect those values are developed and costed.

The dynamic nature of forests was recognised during the drafting of the Regional Forest Agreements. It set the very high benchmark for conservation reserves, with the Comprehensive, Adequate and Representative reserve system that sought to ensure all species, and habitats, that needed to be protected from disturbance were placed in conservation areas.

However the RFA process also embraced the dynamic nature of forests, through the creation of Special Protection Zones and Special Management Zones outside the national and state park system. These were established to protect special values and had restrictions placed on their use. Timber harvesting is not permitted in SPZs, and strictly limited in SMZs. The RFA agreements envisaged that forest would be transferred between multi-use State Forest and protection zones, as habitats changed or new and better areas were found in multi-use forest. To date, the traffic has been all one way, with more and more areas being moved into conservation reserves with little or nothing returned.

Yet timber harvesting of itself has not been found to be the major threat to biodiversity it is often portrayed.

In 1991 the Ecologically Sustainable Development Working Group on Forest Use found that

“there have been no known extinctions of Australian native flora and fauna species as a result of timber harvesting operations over a period of more than a 100 years”.

This is more true today than it was then, given the significant ongoing reduction in forest harvesting.

The “Australian Terrestrial Biodiversity Assessment 2002”, published by the Federal Government’s National Land and Water Resources Audit, also suggests that Victoria’s forests are far from in crisis.

The report examines the status of terrestrial biodiversity (plants, mammals, threatened ecosystems and species) across the landscape. It looks at opportunities for conserving biodiversity via the consolidation of protected areas, by managing the threatened ecosystems and by integrated natural resource management. The report recognises that management across all lands is essential to fully conserve biodiversity and to protect ecosystem function.

The key threatening processes identified were:

- Vegetation clearing in eastern Australia;
- Overgrazing, exotic weeds, feral animals and changed fire regimes;
- Fragmentation of remnants, increased salinity and firewood collection in the highly modified regions of southern and eastern Australia.

The bulk of Victoria’s timber comes from the area east of the Hume Highway. This area, as well as the Otway Forest, coincided with the lowest priority areas for consolidating the protected area system. That is, there is no critical need for more parks and reserves.

The report found that there were certainly opportunities for the recovery of threatened species and ecosystems. The areas east of the Hume Highway are classified as requiring significant effort with respect to resources and capacity.

Almost the total area of Victoria – agricultural land, Parks, State Forests and urban areas – has an identified capacity to integrate conservation into resource management. This means that every land use can do things better to improve conservation.

The critical point is timber production areas and the parks and reserves systems face the same challenges. Ultimately, putting an area in Parks doesn’t conserve biodiversity since some form of active management is still required. What it does do is remove a source of income for resourcing that management.

Otways National Park

VAFI was naturally very disappointed with the State Government’s decision to end timber harvesting in the Otways Forest, because it ends the production of an environmentally worthwhile product in strong demand, for a questionable environmental outcome.

The extensive bushfires of 2003 indicate that placing areas in parks does not of themselves protect them. It also highlighted the need to resource ongoing fire management disturbance and emergency response. The State Government’s auditors report released this year indicated that these areas are under resourced.

Recognising the decision was popular, although predicated on a false premise of transition to plantation; industry is seeking to work through the issue with Government. It is also participating in the review of the proposal by the Victorian Environment Assessment Council, in an endeavour to have any final park proposal properly resourced. Unless this is the case, it will pose a threat to the values within the park and the surrounding activities, including tourism.

Fire Management

- VAFI POSITION:**
- > The native forest industry plays an important role in fire prevention and control through road construction and maintenance and by providing equipment and experienced personnel.
 - > The Victorian Government's decision to downsize the industry has seriously diminished the State's fire-fighting capability.

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The fires earlier this year that burnt approximately 1.1 million hectares of forests in the Bogong region of North East Victoria had a major impact on the timber industry, the communities they support and the environment. Timber supplies were seriously disrupted, valuable resource lost and others put at risk, current sustainable yield levels are threatened, and environmental values have been undermined.

The prolonged drought and fuel with dangerously low moisture content were contributing factors. However, VAFI believes that the State could have been better prepared to handle the situation.

VAFI contends that Victoria's capacity to fight the fires of 2003 was hampered by unnecessarily high fuel loads, lack of access roads and a reduced availability of personnel with fire-fighting experience.

Future conflagrations could be even worse unless fuel reduction/ecological burning is increased, more access roads are constructed and maintained and people skilled in both bushcraft and fire-fighting experience are on hand to cope with emergency situations.

The downsizing of the timber industry in the forest has been a significant contributing factor in reducing the State's fire-fighting capacity. In the North East over the last decade forestry personnel has dropped from 150 to 40. Any further reduction will compound these problems.

Ensuring the ongoing presence of the timber industry in State forest, and preferably an expansion of that presence, is a legitimate and cost-effective means of significantly supplementing vital forest management and emergency fire-fighting resources.

Failure to do this will inflict further damage on the environmental, social and economic value of our forests.

VAFI is also concerned about the fire risk with National Parks, because of the lack of access tracks, experienced personnel and fuel reduction burning. This places commercial forestry activities in neighbouring forest at risk and threatens the very values for which the Parks were created. It also leads to a self-defeating and destructive cycle of placing more forest in designated parks.

Disturbance and fire management plans for existing parks should be developed, costed and properly resourced. The same disciplines should be applied to any proposed new parks.

Timber Promotion Council

- VAFI POSITION:**
- > Industry activity should be consolidated as much as possible to ensure it is efficiently utilised to achieve the objectives of the industry.
 - > The Timber Promotion Council was established by legislation to serve the marketing needs of the Victorian hardwood Industry. As such, its principal focus must be industry needs.

VAFI and the TPC have reassessed their activities to work more closely together. This process was necessary given the substantial cut back in the industry and the finite resources it has available. Both organisations must dedicate their activities to securing the long-term development of the industry.

This has brought TPC squarely into the forest resource debate. As a consequence, TPC's major program, the 'ecoSelect/wood lives on' program, seeks to add value to timber products by overcoming the community disconnect between timber products and forest harvesting.

Most people simply don't understand that the timber and paper products they want come from forests or that Victoria's forest practices are among the best in the world. The TPC program bridges this gap in an evocative way.

Although only running for a short time, the wood lives on program already seems to be having a positive impact in creating greater understanding and support for local timber. Interest has been very strong with timber users, furniture manufacturers, retailers and timber merchants.

Other Australian States have also expressed considerable interest in adopting the program. The centrepiece of the TPC program, the ecoSelect brand, does not purport to be a certification system; just a clear sign that the timber came from sustainably managed forests. It will be further strengthened when Victoria and other States implement the Australian Forestry Standard certification.

VAFI is supporting the program, both directly with resources and indirectly through parallel programs. We will continue to explore with TPC ways of merging our resources and activities to deliver positive outcomes for the industry.

Product Quality Certification

Training for development

- VAFI POSITION:**
- > Product certification provides customers with a high level of assurance that the product consistently meets recognised standards of quality and integrity.
 - > Certification company ATIC must be independent, pursue development opportunities and be commercially viable.

- VAFI POSITION:**
- > Improving employee competencies, safety and recognition are fundamental to the development of the industry.

Australian Timber Industry Certification is a proprietary limited company owned by VAFI and NSW Forest Products Association. Other timber industry groups are welcome to become owners of ATIC as their individual members join the scheme.

This developmental work, as well as the operation and management of existing programs, depends on the contracted services provided by Q.A. Pty. Ltd. The success of these arrangements, which have existed since 1997, has resulted in a new agreement to authorise Q.A. to investigate and establish other developmental projects under the ATIC banner. These revised contract arrangements have also improved control over the company's administration costs. In some situations this has enabled reductions in licensee fees, without adversely affecting services.

ATIC's purpose is to develop and manage independent third-party quality programs to certify the compliance of Australian timber products to recognised standards.

VAFI Executive Director, Graeme Gooding, is a Director of ATIC on behalf of VAFI, while VAFI Director Operations, Nick Murray, manages the company's affairs on behalf of the Directors and oversees the work of ATIC's contractors.

The ATIC "quality certified hardwood" program has licensees in NSW, Victoria and Tasmania. ATIC also carries out surveillance audits on the grading and static testing activities of SUPA 17 licensees.

ATIC has developed a new certification program for Australian Cypress timber on behalf of the (NSW) Cypress Industry Strategic Plan. Ten Cypress mills have applied to join the program and qualification audits will start early in 2003/04.

During 2002/03, ATIC took on a series of contracts with the Department of Environment and Heritage, to design and develop a certification program for the commercial firewood industry. This continuing work reflects the policy of the ATIC board to diversify the activities of the company and to strengthen its fee-for-service income base.

Timber Training Centre

The Timber Training Centre supplies quality vocational education and training to the timber industry in Victoria.

Through 2002 – 2003, the Training Centre delivered a range of competency based training utilising the Forest and Forest Products Industry Training Package.

Course participants have provided positive feedback, particularly in regard to its application in the workplace.

The competency based system means that Statements of Attainment can now be issued for skills and knowledge learnt on the job without the need for a formal training process.

Course participants are now tending to opt for a complete qualification at Certificate II, III or IV level, rather than simply completing appropriate modules in specific skills areas (eg grading). This means that trainees emerge from the centre with more rounded skills and general processing knowledge than in the past.

The Timber Training Centre has developed the ability to deliver training in finger jointing, glue-lamination, Leadership and Frontline Management modules, accredited Health and Safety courses for OHS representatives, forklift training and upgraded wood machining to better match industry needs.

The company is now eligible to deliver traineeships to new employees at Certificate II, III and IV level, with government incentives available to employers who take up this option.

Occupational Health & Safety

Many companies have upgraded the OH&S awareness of all staff by having them trained on site to identify and report hazards in the workplace. The course has led to increased OH&S awareness through the industry. Participants are able to recommend suitable control measures at the same time as reporting hazards.

The Training Centre will host a series of short workshops, in the second half of 2003, focussing on individual OH&S requirements such as Lock out procedures and Manual handling.

Industrial Climate Mirrors Uncertainty

- VAFI POSITION:**
- > The timber industry must provide a safe workplace, quality training and advancement opportunities and secure long-term employment.
 - > The ability to increase rewards for harvesters, haulage contractors and processor employees is undermined by the uncertainty in the industry.
 - > Local negotiations based on common interests provide the best outcomes.

CFMEU Campaign - Capitalises on Vulnerability

The Victorian native hardwood timber industry continues to be characterised by uncertainty pending completion of the implementation of the State Government's policy for industry restructuring announced in early 2002. As a result, it is not surprising that in an industry under considerable stress, politically and operationally, it should also experience industrial unrest.

This uncertainty has been exacerbated by a concerted industrial campaign by the Construction, Forestry, Mining, Energy Union that has sought to exploit the vulnerability of the industry arising from the policy and structural changes being imposed upon the industry. The CFMEU has repeatedly claimed that it has a sympathetic ear in the State Labor Government and has sought to use this to leverage Licensee compliance with the Union's industrial objectives.

The CFMEU has also sought, through its informal affiliate organisation, the Victorian Forest Harvesting and Cartage Council (VFHCC), the organisation co-located with the CFMEU that represents some of the harvest and haulage contractors, to broaden its representative base and exert influence on industry employers, Government and the community.

This was clearly evident with the "truck blockade" in March 2003 and in a range of forums such as the Industry Consultative Forum, the WorkCover Industry Stakeholder

Forum, the Tree Felling Safety Group, and the negotiations relating to the restructuring of haulage arrangements in the Central FMA where in each instance the CFMEU and VFHCC have invariably run a collective agenda.

Buchan Sawmill Closes Under the Weight of CFMEU Demands

A further example of the uncompromising and intimidatory actions of the CFMEU is evident in the demise of a long standing VAFI member, Buchan Valley Sawmilling Company P/L as a result of a deliberate and concerted industrial action undertaken in support of the Union's campaign for a model Enterprise Bargaining Agreement.

The Union's actions have, as demonstrated at Buchan Valley Sawmill, the potential to destroy some businesses and significantly damage the viability of the industry and consequently employment opportunities, investment, domestic and export market development, and economic growth in rural and regional Victoria.

There are a number of areas where VAFI and the CFMEU share common goals and interests and have worked in concert. There are also areas where in representing the interests of their respective members they are ideologically, commercially and in some instances politically opposed. Over the last 12 months the Industrial Relations arena has clearly been one such area.

The extent and significance of these areas of contention, together with the prevailing circumstances of individual members of both VAFI and the CFMEU from time to time substantially influence the extent to which VAFI and the CFMEU are able to work constructively together at any time.

With respect to industrial relations matters the extent of collective and cooperative effort between VAFI and the CFMEU has waned considerably principally as a consequence of the CFMEU seeking to achieve significant industrial reform through exploiting the existence of a State Labor Government and during the period of fundamental structural change imposed on the industry through the State Government policy.

It would appear that the Union strategy was pursued on the basis that the Union perceived its influence on Government to be greater than VAFI's or that of individual VAFI members.

Objectives pursued by the CFMEU have principally included:

- > Pattern Bargaining Agreement (otherwise promoted as a "Model Sector Agreement");
- > Licensees to concede rights under licence to manage Harvesting and Haulage arrangements;
- > Licensees to prop up diminishing Union membership and voluntary union subscriptions (through various mechanisms).

VAFI members' response to CFMEU Agenda

Pattern Bargaining Agreement

The proposal was not supported for the following reasons:

- > The proposal represented a form of pattern bargaining which is prohibited under the Workplace Relations Act;
- > There were a number of elements to the proposal (eg: Bargaining Agents Fees, termination of employment, income protection, trust fund for accrued entitlements) which in the form proposed are either prohibited and / or untenable;
- > Licensees value the flexibilities afforded by either the Timber and Allied Industries Award (1999) or through Enterprise Bargaining Agreements at the site or enterprise level. This flexibility is necessary for enterprises to meet their commercial objectives while providing meaningful outcomes for employees;
- > An agreement which was binding on VAFI members but not binding on non-members would add further pressures on licensees to exit membership of the Association;
- > The benefits of individual enterprise agreements outweighed the costs associated with their development.

Licensees to concede rights under licence to manage Harvesting and Haulage:

- > Concept of mill door sales or a substantial departure from current syndicated arrangements had the potential to significantly add to the landed cost of wood at mill gate;
- > Experience in New South Wales indicates it has built in inefficiencies into the process, increasing costs, interrupting wood flows, while reducing the payments and health and safety conditions for haulage contractors.

Licensees to prop up diminishing Union membership and voluntary Union subscriptions:

- > The CFMEU proposal for bargaining agents' fees is unlawful;
- > Employees are achieving as good or better outcomes through enterprise based negotiations than through belonging to the CFMEU;
- > Declining union membership is a product of how employees view its relevance to them.

Model EBA Campaign

The CFMEU (Forestry Division) is engaged in a State-wide campaign for a "Model Sector Agreement" ie; Pattern Bargaining Agreement. It has served Notices of Initiation of Bargaining Period on approximately 25 Licensees together with proposed Model Sector Agreement.

The CFMEU has threatened Licensees through various forums including print and electronic media that there will be a campaign to achieve better terms and conditions for employees. Union has sought to intimidate Government and industry through "stunts" including:

- > Blockading State Parliament for three weeks with log trucks, portraying Licensees in the media as exploitative, environmentally irresponsible, voracious etc;
- > Threatening the Grand Prix with a truck blockade.

Industry employers do not support the CFMEU proposal because:

- > They oppose the principle of pattern bargaining because it is inconsistent with development of enterprise flexibility;
- > The wage demands are excessive – 18% (on current over award payments) over 3 years;
- > The demand for income protection insurance of approx 2% of payroll;
- > The excessive (five-fold) increase in redundancy provisions – a lift in the cap from the Award entitlement of 8 weeks to proposed cap of 52 weeks

- > The unacceptable inflexibility re employment of casuals, and;
- > The unacceptable consultative prescriptions.

Licensees support the principle of enterprise based bargaining with a significant number having current EBA's. However the Union targeted a number of "vulnerable" sites to progress pattern EBA.

Right of Entry

Following rejection by Licensees of proposed pattern Agreement, the CFMEU pursued a campaign to pressure and intimidate licensees including serving 15 Licensees with Notice seeking Right of Entry to inspect suspected breaches of the Act and Award.

Licensees have in general denied Right of Entry and access to records on the grounds that the CFMEU did not provide any detail of the nature of the suspected breaches. VAFI, on behalf of Licensee members, lodged Notice of Alleged Industrial Dispute with the Australian Industrial Relations Commission in attempt to obtain direction that CFMEU was in breach of the Act; specifically that "the Union had failed to provide details of alleged breaches s.285B(3) – ie; the exercise was a "fishing expedition", also designed to disrupt and harass employers.

The AIRC indicated on 28/4/03 that it supported the VAFI argument that the Union is required to provide details of nature of the suspected breach. The AIRC directed VAFI to develop protocol for Right of Entry / Inspection of Records and to attempt to seek agreement with the Union.

VAFI developed draft protocol, which the CFMEU rejected. One condition of VAFI acceptance of the protocol is that the CFMEU withdraw writs issued against six Licensees alleging breaches of the Act, Federal Court writs have been served on 6 Licensees arising from denial of Right of Entry (Directions Hearing held 9 May).

VAFI has strongly supported individual enterprises targeted by the CFMEU through:

- > the retention of legal advice for collective and site specific Union action;
- > provision of advocacy services in the AIRC;
- > VAFI office personnel assisting enterprises with strategic responses to Union action.

A Mediation Conference held in June failed to resolve these matters and they now appear headed to finality through the Federal Court. The matters are being vigorously contested by VAFI on behalf of the members involved. Counsel has been retained by VAFI's Solicitors to provide advice in respect of the future progression of this matter. At the time of writing these issues were still before the AIRC and the Federal Court.

Legislation

Federal Reform Agenda

Politics continued to drive industrial relations legislative activity across Australia over the past year. While the Federal Government attempted to press on with its IR reform Agenda recently elected State Labor Governments moved in contrary directions.

Despite winning a third election late in 2001 the path has not been smoothed for the Howard Government industrial relations reform agenda.

A substantial success was however the passage late last year of Registration and Accountability of Organisations Act. The obligations of Registered Organisations now reflect more closely standards and procedures required of corporations under the Corporations Act.

The Government was also successful in introducing legislation to prohibit compulsory bargaining fees in Federal Enterprise Agreements. The Act was introduced to resolve uncertainty regarding the lawfulness of bargaining fee clauses in federal Enterprise Agreements.

Other major aspects of the Government's legislative program remain unresolved. These include Improved Remedies for Unprotected

Industrial Action Bill and Exemption for Small Business from Unfair Dismissal

State - Uniform System Act

The Victorian State Government have capitalised on its Upper House majority and have introduced The Federal Awards (Uniform System) Act 2003. Its purpose is to ensure Victoria's lower paid workers not currently covered by a Federal award are given the same minimum conditions as Federal Award employees.

In the event the Commonwealth does not accept the purpose of the Act and introduce complementary legislation the Victorian Government will empower the Victorian Civil and Administration Tribunal (VCAT) to make orders applying federal awards as Common Rules in Victoria.

This will effectively give back employment conditions that were removed from non-Federal Award employees when the Victorian State Industrial Relations system was abolished in 1993.

Major Tribunal Decisions

Both the AIRC and Federal Court issued major decisions dealing with Redundancy and Transmission of Business issues. Each of these has potential significant implications for VAFI members as a consequence of continuing Industry restructuring.

At the time of writing these decisions remain unresolved as a consequence of being appealed or leave being sought to appeal to the High Court. Once resolved further information will be forwarded to members.

Wage Movements

As with previous years the Timber and Allied Industries Award 1999 was one of several Awards used as the vehicle for the ACTU claim. The decision in May, which awarded a \$17 increase, was similar in style to recent Annual Wage Cases whereby a Safety Net Adjustment has been awarded. The decision in respect of timing and absorption continues to place the emphasis on wage increases through Enterprise Bargaining.

Redundancy /Protection of Employee Entitlements/Job Security

Apart from the push for a 'Model EBA' improved redundancy standards and protection of employee entitlements have been, and will remain the most contentious IR issues. Job security issues encompassing improved redundancy conditions and protection of employee entitlements are at the forefront of a concerted ACTU led campaign.

At the Federal Award level the ACTU is currently pressing a renewed test case seeking to increase severance payments and other associated conditions. A decision is expected to be handed down later this year.

The CFMEU has established a trust fund, Secure Employee Entitlements Pty Ltd because it believes it will better protect employee entitlements. The CFMEU is starting a campaign to pressure employers to contribute to the fund. This issue is likely to evolve further in the year ahead as the union seeks to generate employer support for such a fund.

The Australian Industry Group and other employer organisations have been particularly vigorous in opposing this type of fund in other industry sectors because of the significant financial and industrial implications associated with such funds.

Award matters Mixed Functions Clause

On 21 March 2003, the Timber and Allied Industries Award 1999 was varied by the Australian Industrial Relations Commission in respect of Clause 27.16 – Mixed Functions.

The variation to the Award by the decision corrects an alleged drafting error which occurred when the Timber Industry Award 1990 was simplified and which was allegedly perpetuated in both the Forest and Building Products, Manufacturing and Merchandising (General) Award 1996 and the Timber and Allied Industries Award 1999.

A number of Award parties opposed the variation sought, primarily on the basis that there was insufficient evidence that a drafting error had occurred.

Notwithstanding this, the AIRC found that a comparison of the two provisions indicated that employees eligible for Mixed Functions would have been disadvantaged by the current clause and approved the variation sought.

The effect of this is that all time worked at a higher function is to be paid at the higher rate and if more than 2 hours a day is worked the higher rate is to be paid for the whole day.

The new provisions became operative from the first full pay period to commence on or after 4 March 2003.

Industrial Relations Objectives - the way forward

VAFI's objective has been, and remains to work co-operatively and in tandem with the CFMEU to the mutual benefit of our members. That objective has been strained over the past 12 months.

VAFI will require a satisfactory level of support from the CFMEU in respect of the following issues if there is to be a cooperative working relationship.

- > Withdrawal of all current Federal Court actions by CFMEU
- > Adoption of an acceptable protocol pertaining to Right of Entry & inspection of records
- > Commitment to segregation of Industrial Relations issues from OHS issues and cessation from use of OHS Act and issues as a mechanism for pursuit of industrial agendas
- > That any "model" EBA clauses and /or agreement will only serve as a "model" and cannot be binding on VAFI members that elect, through the enterprise bargaining process, not to adopt them.
- > That any "model" EBA clauses and /or agreement have no effect on any existing EBA for the duration of the EBA
- > Recognition of existing over award payments in seeking to establish industry wide wages benchmarks
- > Acceptance of licence tenure with resource security legislation
- > An acceptable Pricing and Allocation arrangement
- > New forest entity with structure, membership and scope consistent with VAFI member needs
- > Retention of rights under licence to manage/arrange harvesting and haulage
- > Effective utilisation of member levy contributions through TPC for Public Awareness and related activities.

Successful resolution of matters outlined above will provide a basis for a more productive and mutually beneficial industrial environment.

Management Committee

President	Greg McCormack
Vice Presidents	David Goding James Neville Smith John Swan Diane Tregoning Peter Ward

Executive Committee

DIVISION	EXECUTIVE REPRESENTATIVE	DEPUTY REPRESENTATIVE
Healesville:	G Demby	R Reid
East Gippsland:	A Richards	J Swan, A Light
Red Gum:	P Madden	
Pulp and Paper:	H Crane	
Central Gippsland:	P Ward	J Micah
North Eastern:	B Addinsall	
Heyfield:	K Last	
Ballarat:	G Proctor	J Dwyer B Frith I Crick
Logging:	A Richards	
Health, Safety & Insurance:	R Humphreys	K Stoll
Public Relations /Conservation:	G McCormack	
Marketing:	D Goding	

Staff

Executive Director	Graeme Gooding
Director Operations	Nick Murray
Director Public Affairs	Pat Wilson
Finance Manager	Anna Black
Executive Secretary	Deb McShane
Auditors	CW Stirling Chartered Accountants Level 5, 499 St Kilda Road Melbourne Vic 3000
Bankers	ANZ Banking Group 280 Lygon Street Carlton Vic 3053

Financial Summary (Issued separately to VAFI members)

Only 10% of Victoria's public forests is currently suitable and available for timber production.

Technically, 17% is actually available, but is not fully utilised because of practical harvesting constraints.

	HECTARES	% OF PUBLIC FOREST
AREA OF VICTORIA	22,700,000	
AREA OF FOREST IN VICTORIA	7,935,000	
PRIVATE FOREST	1,298,000	
PUBLIC FOREST	6,637,000	100%
Other crown land (restricted use – no harvesting)	331,850	5%
Conservation Reserves	4,276,844	64%
Multiple-use Forests	2,085,156	31%
– Environmentally available for harvesting	1,118,000	17%
– Suitable & available for harvest	676,159	10%

*Sources:
National Forest Inventory 2003
(Department of Agriculture,
Fisheries & Forestry Australia);
Estimates of Sawlog Resources
2002
(Department of Natural
Resources & Environment).