



Sustainability Report 2008



## Chief Executive Officer's Report

VicForests is committed to pursuing the highest standards of forest management practices through the continued development of its Sustainable Forest Management System. This commitment is one of the key factors underpinning our future commercial success.

VicForests' Sustainable Forest Management System has been certified to the Australian Forestry Standard (AS4708) since February 2007 and has successfully been reviewed three times since the original audit. This certification provides international recognition of the sustainability of our commercial harvesting activities and, indeed, of the Victorian Government's commitment to, and successful delivery of, sustainable forest management of the public forest estate.

Over the next 12 months, VicForests will also actively pursue certification to the Forest Stewardship Council (FSC) scheme because we believe that having both forms of certification offers significant value to our organisation and to the operations of our customers. We are

committed to sustainable forest management and believe that certification to the two internationally accepted schemes is the best demonstration of that. VicForests has made an overt commitment to the FSC principles through our Sustainable Forest Management Policy which has already resulted in significant performance improvements in our forest management.

This report presents an overview of our excellent progress towards improving sustainable forest management of Victoria's valuable public native forests. It also reflects the significant efforts of staff and contractors.

**David Pollard**

A handwritten signature in black ink, appearing to read 'David Pollard', written over a horizontal line.

Chief Executive Officer

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# About Victoria

Victoria is Australia's smallest mainland State. The population however is relatively large in Australian terms with over five million people living in an area of 228,000 km<sup>2</sup>.

Victoria contains wonderful landscapes from alpine to semi-arid environments, coastal areas to temperate rainforests and rolling grasslands. It also has one of the most diverse and representative reserve networks in the world, comprising over four million hectares of wilderness, State and regional parks and reserve areas.

The Department of Sustainability and Environment (DSE) manages Victoria's 3.4 million hectares of State forest for a variety of uses. These uses include

the conservation of flora and fauna, the protection of water catchments and water supply, the provision of timber through sustainable harvesting, visual landscapes, archaeological and historic values and recreational and educational opportunities.

In order to protect these values, DSE has developed a Sustainability Charter which sets objectives, consistent with the National Principles of Ecologically Sustainable Development, for both the sustainability of forests and the timber harvesting industry. The Charter sets the direction for sustainable forest management in Victoria and commits both DSE and VicForests to support its objectives.

# Overview of VicForests

VicForests was established as an outcome of the Victorian Government's "Our Forests Our Future" policy. The organisation is responsible for the sustainable harvest and commercial sale of Victoria's valued native timber from State forest. Other key functions include the regeneration of harvested coupes, the undertaking of roadworks and the management of an open and competitive sales system for State forest timber resources. Within strictly monitored sustainable limits, VicForests' role is to secure the greatest community value for all Victorians. VicForests commenced operations on 1 August 2004 as a State owned business established under the State Owned Enterprises Act 1992.

The organisation harvests and regenerates about 0.25% of the State forest in eastern Victoria each year, an area considered by DSE to be sustainable. This sustainable level of harvest has been determined following detailed assessment of natural and cultural values in State forest, including all high conservation areas.

VicForests was set up to develop an open and competitive sales system for publicly-owned timber and to ensure that the Victorian community secures the greatest possible return for the valued hardwood timbers entrusted to it. This system replaced the traditional system of licences.

To this end, VicForests:

- Prepares five year Timber Release Plans to manage the sustainable harvest and supply of timber that is available to the State's timber industry under the Government's 15-year allocation orders
- Maintains a Sustainable Forest Management System which meets the criteria of the Australian Forestry Standard and promotes the application and review of the highest standards for forest management practices through a process of continuous improvement
- Manages the Mill Door Sales delivery of timber to its customers with the aim of providing an improved marketplace for timber sales, efficient harvest and haul arrangements and improved forest value recovery
- Manages competitive tenders for harvest and haul to ensure that ongoing commercial arrangements for contracting services are conducted in a fair and transparent manner
- Developed an open and competitive sales system for those timber resources.



**our vision** To be a leader in a sustainable Victorian timber industry.

**our purpose** To build a responsible business that generates the best community value from the commercial management of Victoria's State forests.

**our values**

- Accountable** – VicForests is accountable to the Victorian Government. Its actions and those of its employees must be consistent with relevant Government policy and priorities.
- Committed** – VicForests is committed to the fulfilment of its purpose and the achievement of its vision for the Victorian timber industry.
- Safe** – VicForests and its staff will manage safe workplaces for all staff and contractors, and are committed to continuous improvement in safety systems and outcomes, in accordance with its Occupational Health and Safety Policy.
- Customer focussed** – VicForests will be responsive to its customers' requirements and seek customer satisfaction, in accordance with its commercial nature.
- Ethical** – VicForests will operate in an ethical and environmentally responsible manner in all its undertakings to ensure the integrity and sustainability of the native forest timber industry in Victoria.
- Innovative** – VicForests seeks to be innovative and adaptable in its organisational, business and forestry management operations.
- Open** – VicForests will manage the commercial harvesting and sale of timber in a framework of openness and transparency.
- Professional** – VicForests and its staff will operate in a professional manner in all undertakings to ensure the best possible outcomes for the organisation, its customers, the Victorian timber industry and its stakeholders.
- Sustainable** – VicForests will pursue the highest standards for forest management practices through the continued development of its Sustainable Forest Management System and by ensuring its triple bottom line performance against the requirements of Victoria's Sustainability Charter for State forests.

# Sustainable Forest Management System

## Sustainable Forest Management Policy




VicForests' Sustainable Forest Management Policy covers all forestry operations undertaken by, or on behalf of, the organisation. It promotes the adoption of the highest standards for forest management practices through a process of continuous improvement. This policy is made publicly available on VicForests' website.

Under this policy, VicForests will:

- Maintain a Sustainable Forest Management System that complies with the requirements of the AFS
- Maintain a long-term commitment to comply with Forest Stewardship Council (FSC) principles and criteria
- Comply with all relevant Commonwealth and State environmental and forest management legislation, policies and initiatives
- Operate in accordance with the Sustainability Charter for Victoria's State forests
- Develop appropriate objectives and targets to direct and track the progress of operating in a sustainable manner
- Encourage innovation, creativity, sharing of knowledge and new ideas for continued improvement of its environmental performance and operational efficiency
- Undertake its activities in a socially responsible manner that respects the diverse social and cultural values of stakeholders, neighbours and staff
- Work closely with its employees, contractors, customers and other stakeholders to develop and implement agreed sustainable forest management initiatives
- Assist DSE with its forest fire suppression role
- Provide education and training to staff and contractors to assist in the continuous improvement of its forest operations
- Regularly monitor, audit, review and report on its forest management performance
- Actively engage with stakeholders and neighbours considering their views in forest management activities
- Provide sufficient resources to implement this policy effectively.













## Performance Against 2007/08 Objectives and Targets

|   |   |
|---|---|
|  | <b>Target Achieved</b> – Target substantially met                             |
|  | <b>In Progress</b> – Target has not yet been achieved, progress has been made |
|  | <b>Not Achieved</b> – Target was not achieved                                 |

| 2007/08 Target   |   | 2007/08 Progress   |
|--|---|--|
| Achieve at least 2% improvement in compliance for soil health during coupe monitoring in 2007/08   |    | Soil health indicator scores went from 97% in 2006/07 to 96% in 2007/08  |
| Undertake a literature review to determine the appropriate indicators of soil health for VicForests' operations including snig tracks and landings |   | Completed  |
| Develop a retained tree monitoring program to commence 1 July 2008   |  | VicForests' Forest Scientist has developed the methodology for this monitoring program. Data will start to be collected in late 2008 |
| Develop a root-regenerating species monitoring program to commence 1 July 2008   |  | Still being developed by VicForests' staff   |
| 100% of logging history coupes marked and harvested within 50m of approved TRP boundary  |  | Difficult to measure exact percentage compliance until TRP reconciliation conducted later in year – unlikely to achieve 100%         |
| Develop a new process and procedure to assess and monitor log grading  |  | Still being developed by VicForests' staff   |
| 90% of VicForests' staff in the role of 'Forester – Harvesting' to be accredited log graders   |  | At the end of 2007/08, 85% of staff were accredited log graders. New starters are scheduled for training and accreditation           |
| Achieve at least a 2% improvement in compliance for clearing debris around habitat trees during coupe monitoring in 2007/08                        |  | Compliance was measured at 95% in 2006/07 and 96% for 2007/08  |
| Achieve at least a 2% improvement in compliance for fire protection during coupe monitoring in 2007/08   |  | Compliance was measured at 96% in 2006/07 and 98% for 2007/08  |
| Prepare community events register to reduce the impact of burning operations on local communities  |  | Still being developed by VicForests' staff   |
| Assist in the development of smoke modelling analysis conducted by DSE for application to VicForests' operations                                   |  | Still being developed by VicForests' staff   |

# Sustainable Forest Management System

| 2007/08 Target   |   | 2007/08 Progress  |
|--|---|---|
| Develop dust management guidelines to reduce the impact of dust from VicForests' activities  |    | Still being developed by VicForests' staff  |
| Develop noise management guidelines to reduce the impact of noise from VicForests' activities  |    | Still being developed by VicForests' staff  |
| Develop a visual planning process to identify high visual impact coupes  |    | VicForests' staff prepared a report into the visual planning tools that are available for use. They determined that a new process was not required  |
| Comprehensively define and communicate roles and responsibilities for the new VicForests' structure, to improve accountability of staff  |   | All staff in new positions have job descriptions with accountabilities that have been signed off by the employee  |
| Conduct forest certification awareness sessions for all staff which will cover all relevant issues raised in the: <ul style="list-style-type: none"> <li>• June 2007 certification audit (SAI Global)</li> <li>• 2007 internal audits requiring ongoing communication</li> </ul> |  | Certification awareness sessions were conducted regularly throughout the year   |
| Develop a style guide to ensure internal communications are consistent   |  | Still being developed by VicForests' staff  |
| Develop an extension package tailored to each region for generic VicForests' awareness and communication. This encompasses information packs and community engagement  |  | Still being developed by VicForests' staff  |
| Evaluate training and competency tools/ standards in other forestry companies, seeking improvements to the VicForests' system  |  | Still being conducted by VicForests' staff  |
| Link the induction and staff performance evaluation process to required capabilities (for each role), to improve integration of the capability system with regional activity   |  | Developed training which links capabilities, learning and development plans with performance management. 25% of staff have attended this training. The other sessions are scheduled for November 2008 |
| Develop a process/procedure to determine when system documents require review  |  | The process which has been developed is effective and functional within VicForests' Sustainable Forest Management System  |

## Auditing VicForests' Sustainable Forest Management System

Five separate audits of VicForests' operational performance were conducted during the year, four by external experts. They included an internal VicForests audit, two forest certification audits by external providers, a DSE audit, and an Environment Protection Agency (EPA) audit.

| Audit Description   | Score / Result                | Areas for Improvement  | Areas of Excellence  |
|---|-------------------------------|--|--|
| DSE Audit Report – VicForests Compliance with Conditions of the Allocation Order and Approved Timber Release Plan 2007/08 | No score                      | <ul style="list-style-type: none"> <li>Traffic management</li> <li>Bark management</li> <li>Landing rehabilitation</li> <li>Identification and field marking of exclusion areas</li> <li>Cross drain construction</li> </ul> | <ul style="list-style-type: none"> <li>Soil erosion hazard tests</li> <li>VicForests' processes and procedures in place</li> </ul>   |
| EPA Forest Audit – Environmental Audit: Timber Production on Public Land 2007   | 94%                           | <ul style="list-style-type: none"> <li>Rainforest documentation</li> </ul>   | <ul style="list-style-type: none"> <li>Protection of wildlife habitat trees</li> <li>Construction of roads</li> <li>Protection of reserved areas</li> </ul>  |
| Australian Forestry Standard (AFS) Certification Surveillance Audit No. 2   | Continuation of certification | <ul style="list-style-type: none"> <li>Identifying legal and other requirements</li> <li>Records management</li> <li>File structure consistency</li> <li>Knowledge of system requirements</li> </ul>                         | <ul style="list-style-type: none"> <li>Considerable work on the management system and good progress in various areas</li> <li>Awareness has improved as a result of training undertaken</li> <li>Strong commitment from staff</li> </ul> |
| Soil Association Woodmark Forest Stewardship Council (FSC) Gap Audit  | No score                      | <ul style="list-style-type: none"> <li>Long-term monitoring</li> <li>Indigenous engagement</li> <li>Identification of conservation zones</li> <li>Chemical use procedures</li> </ul>   | As this was a gap audit, VicForests' performance against criteria was not scored. Areas of excellence cannot be determined until the pre-assessment is conducted   |
| VicForests' internal audits of the Sustainable Forest Management System   | No score                      | <ul style="list-style-type: none"> <li>Record keeping</li> <li>Availability of training information</li> <li>Staff awareness of the system components</li> <li>Duplications in the system requirements</li> </ul>            | <ul style="list-style-type: none"> <li>Comprehensive coupe plan documentation</li> <li>Stakeholder engagement</li> <li>Coupe monitoring</li> <li>Cording and matting</li> </ul>  |

# Sustainable Forest Management System

## Audit Summaries

### *DSE Audit – VicForests’ Compliance with Conditions of the Allocation Order and Approved Timber Release Plan 2007/08*

**When:** December – January 2008

**Where:** Tambo, North East and Central Gippsland Forest Management Areas (FMA)

**Auditor:** DSE staff

To enable DSE to meet its statutory obligations under the Sustainable Forests (Timber) Act 2004, a pilot audit of VicForests’ activities was undertaken during 2007/08. The objective of the audit was to assess VicForests’ compliance with the conditions of the Allocation Order (AO) and Timber Release Plans (TRP). The audit focused on salvage harvesting activities conducted after the Great Divide fires in 2006/07.

The objectives of the audit were to determine whether:

- VicForests has processes in place to comply with the AO conditions and approved TRP
- VicForests is following these processes to comply with the AO conditions and approved TRP
- VicForests’ processes, when followed, effectively comply with the AO conditions and approved TRP.

The audit was conducted by DSE staff and concluded that VicForests has processes in place to address all requirements of the AO and TRP, with only some minor improvements required. The audit made 11 recommendations for improvements in processes for both DSE and VicForests.

### *EPA Forest Audit – Environmental Audit: Timber Production on Public Land 2007*

**When:** May – July 2007

**Where:** Central, LaTrobe, Cann River and Snowy operations areas

**Auditor:** URS

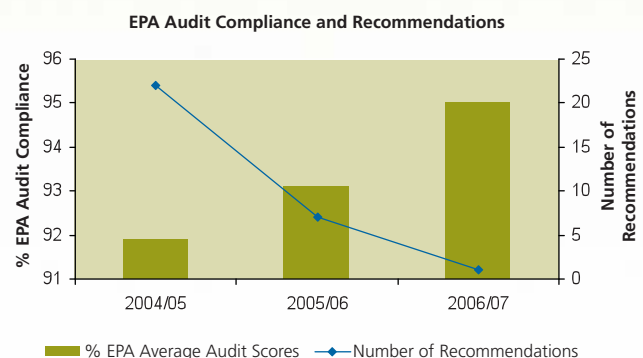
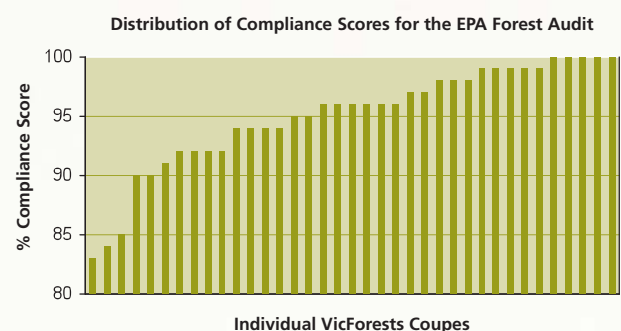
The primary objective of the EPA forest audit was to assess compliance with the Code of Forest Practices for Timber Production, Revision No.2, 1996 (the Code). Additional components of the audit

included an assessment of regeneration processes and of harvesting compliance against area limits established by DSE in State forest catchments that supply water to Melbourne.

This audit is the fifth Code audit using this format (the third since VicForests was established in August 2004) and assessed operations on 43 coupes harvested during the 2006/07 financial year. These coupes included 29 completed coupes, of which three were roadlines and 12 active, as well as two domestic firewood coupes. Six were managed by DSE and 37 were managed by VicForests. Coupes were audited across six selected Forest Management Areas (FMAs) and Operational Areas (OAs) with the field work completed between May and July 2007.

The completed coupes audited within each FMA/OA were selected with a view to the potential risk to the environment, with slope, soil erosion hazard, silvicultural system and special land protection requirements also considered. Active coupes were selected in discussion with field staff taking into account factors such as stage of harvesting, whether the harvest area was representative of the coupe and the potential disruption to contractors.

### VicForests’ 2006/07 Coupe Scores





### AFS Certification Surveillance Audit No. 2

**When:** March 2008

**Where:** Melbourne, Cann River, Orbost and Bairnsdale

**Auditor:** SAI Global

The second surveillance audit of VicForests' Sustainable Forest Management System to the AFS standard focussed on:

- Changes to the business
- Legal register
- Aspects and impacts register
- Corrective Action Incident Reporting (CAIR) system
- Coupe finalisation
- Defined forest area
- Internal audit program
- Indigenous engagement
- Seed management
- The generation of records
- Staff understanding of the system instructions and forms.

VicForests' AFS auditor found positive progress in the Sustainable Forest Management System. Staff awareness of system requirements improved as a result of training and, while the restructure has resulted in some loss of experienced staff, there remained strong commitment by VicForests. Several areas of concern were raised, particularly in the areas of identifying legal and other requirements at the local level, and ensuring compliance, records management, file structure consistency and knowledge of system requirements. However, the auditor found sufficient progress to recommend that certification continue.

The audit resulted in 48 'Areas of Concern' that were addressed by staff prior to the third AFS audit in August 2008.

### FSC Gap Audit

**When:** December 2007

**Where:** Melbourne, Bairnsdale, Orbost and Toolangi

**Auditor:** Soil Association Woodmark

During 2007, VicForests undertook a formal gap analysis of its Sustainable Forest Management System to one of the two interim FSC standards available for Australian forest managers. The purpose of the gap analysis was to determine whether or not VicForests was eligible for certification, and whether its system was of sufficient standard to be certified.

This audit resulted in 20 minor non-compliances being identified which VicForests addressed during 2008 in preparation for the pre-assessment audit later in the year.

### VicForests' Internal Audits of the Sustainable Forest Management System

**When:** February – August 2007

**Where:** Every office

**Auditor:** VicForests

Sustainable Forest Management System internal audits were conducted during 2007 to check compliance with VicForests' Standard Operating Procedures (SOPs), regulatory requirements and the Australian Forestry Standard. They were also intended to identify areas for continuous improvement.

This audit program enabled VicForests to address the following questions:

- Does VicForests have an appropriate forest supervision system that meets prescribed business and certification requirements?
- Is that system being used by all VicForests' staff?

# Sustainable Forest Management System

- Has the use of this system led to effective forest management outcomes?
- Where is the system not effective?

Overall, the internal audit program for 2007 was effective in highlighting specific issues in each of VicForests' offices. There were 94 individual non-compliance issues identified and each was converted into Corrective Action Incident Reports or CAIRs. The program uncovered a number of themes that VicForests needed to address, in particular, the record keeping and availability of training information and staff awareness of the Sustainable Forest Management System and its required implementation. The program also highlighted shortcomings and duplications in the system itself, achieved through detailed discussion with staff during the audit.

## EPA Forest Audit Program Under Review

An annual environmental audit of forestry activities has occurred since 2002 and in that time there have been many changes to timber harvesting management arrangements in Victoria, for example, the creation of VicForests, the new Code of Practice for Timber Production, the introduction of Mill Door Sales and the implementation of VicForests' Sustainable Forest Management System. In light of these changes, the EPA carried out a review of the Audit Program in 2007/08. The key objective of the review was to provide options to the Minister for Environment, Water and Climate Change for the continued delivery of the independent environmental audit after 2007 with consideration of:

- Original intent of the program
- Victorian environmental audit system and the independence of the audit program
- The new Code of Practice for Timber Production 2007
- Change in the legal and institutional arrangements around management of forestry operations on public land including the establishment of VicForests
- The role of DSE as the land manager and regulator, and the interplay between its regulatory role and any auditing undertaken as

part of new environmental management systems and certification in these organisations

- Comments and needs of stakeholders, agencies and the community
- Communication of the audit program to stakeholders
- Implementation of the future program (workable and within current resources).

## Handback of Regenerated Coupes

In September 2007 VicForests completed the first handback of regenerated coupes to DSE since it was established in 2004. Eighteen months have been allowed for eucalypt seedlings to establish before surveys were undertaken to ascertain whether the coupes have been regenerated to the standards set out in DSE's Native Forest Silviculture Guideline (NFSG) No.10.

Under the Coupe Finalisation Procedures, DSE selects a percentage of coupes as the audit sample and undertakes a desktop and field audit on each selected coupe. DSE then compares their results with VicForests' data in relation to the minimum standards and resumes management responsibility for coupes that meet the required standards.

A total of 184 coupes were submitted by VicForests for finalisation in 2007. DSE audited a total of 33 coupes – 18% of the coupes submitted.

Of the coupes audited 19 (10.3%) did not meet the standard required. The reasons are as follows:

- Nine coupes had not followed the correct process as outlined in the guidelines
- Six coupes had been surveyed prior to the minimum time required after sowing as per the Native Forest Silviculture Guidelines
- Three coupes did not have the correct supporting documentation
- One coupe did not meet the seedling stocking requirements.

These coupes will be resubmitted to DSE in October 2008, and VicForests will ensure that the correct process is adhered to in measuring regeneration performance.

## Environmental, Financial and Social Risks to VicForests' Business

VicForests maintains an 'Aspects and Impacts Register' for identifying and ranking environmental and social risks. The Register is available to all staff to record the aspects of VicForests' activities that cause negative environmental, social or economic impacts. Controls are also described and assessed for their adequacy. Inherent risks that are considered significant to VicForests' business must be monitored, internally audited and given priority for training and development.

Below are the top risks listed in the register during 2007/08:

| Impact Category              | Aspect and Impact   |
|------------------------------|---|
| Environmental                | Incorrect provenance or species sown leading to a change in species composition or genetic diversity on a coupe   |
|                              | Soil compaction by machinery resulting in reduced soil health and site capacity   |
|                              | Escape burn leading to significant forest values being burnt  |
|                              | Lack of seed viability testing resulting in reduced stocking  |
|                              | Seed resource under-utilised and seed collection targets not met  |
|                              | Drought resulting in large scale failure of regeneration  |
|                              | Failure to identify rainforest in the field resulting in potential damage to rainforest   |
| Financial                    | Transport of pest plant material or contaminated soil leading to the introduction of pest species or disease  |
|                              | Poor planning or supervision of thinning operations leading to an over or understocked coupe  |
|                              | Poor planning or supervision of thinning operations leading to future growing stock being damaged   |
|                              | Logs graded incorrectly creating potential loss of revenue  |
|                              | Large number of carry-over or failed regeneration burns resulting in areas left unproductive for excessive periods  |
|                              | Reduced sow rates not followed when aerial sowing coupes resulting in a lost opportunity for seed saving  |
| Social, Reputation and Image | Incorrect stand identification on Allocation Order resulting in a reduced opportunity to maximise sales and returns   |
|                              | Smoke from regeneration burn resulting in reduced air quality and amenity loss  |
|                              | Harvesting breach of boundaries into reserve forest or National Park leading to negative publicity and potential loss of significant values                           |
|                              | Inadequate timber resource on Timber Release Plan to meet customer requirements leading to a negative impact on the timber industry (loss of jobs, mill closures etc) |
|                              | Creation of dust by trucks leading to neighbouring properties being covered in dust   |

# Sustainable Forest Management System

## Monitoring VicForests' Impact on Environmental and Social Values

### VicForests' Long-term Monitoring of the Environmental, Economic, Regulatory and Social Impacts of Forest Harvesting

Under VicForests' Sustainable Forest Management Policy, the business is committed to monitor, audit, review and report on its forest management performance regularly. Activities and outcomes to ensure that forest management performance requirements are met and that deficiencies are corrected to support continuous improvement must be evaluated. A rigorous approach is required that allows on time remedial actions to be applied when requirements are not met.

In 2007/08, VicForests developed a monitoring strategy which allocated priorities to different long-term monitoring projects including:

- Changes in species composition

- Stocking survey success
- Pest and disease introduction
- Stem damage from thinning
- Impact on rainforest buffers from nearby timber harvesting
- Retained trees in the landscape
- Root regenerating species
- Landing compaction
- Customer and stakeholder satisfaction
- VicForests' staff satisfaction

Data is now being collected and results will be published on VicForests' website: [www.vicforests.com.au](http://www.vicforests.com.au).

### Coupe Monitoring Records

During a forest harvesting operation, the monitoring of environmental compliance, operational performance and safe working systems is conducted using a coupe monitoring record. This must be completed by VicForests' staff at least once per month for every active coupe and entered into the organisation's electronic Coupe Information System. The information can be analysed to determine where areas of non-compliance and areas of excellence are occurring.

| Compliance Questions – Lowest Scores in 2007/08   | % Compliance |
|---|--------------|
| Fuel and oil stores are properly banded and machinery only serviced over drip trays of appropriate size                               | 88%          |
| All checked logs are correctly measured for length (rounded down to the nearest 10cm) and diameter (rounded down to the nearest 1cm)  | 91%          |
| Issues identified in previous monitoring records have been addressed  | 93%          |
| Not more than 15% of the retained trees, which contain or are likely to contain merchantable timber, have been damaged                | 95%          |
| No trees have been felled into excluded areas (ie. stream buffer, rainforest, Special Protection Zone, etc)                           | 95%          |
| A first aid officer is present in this workplace  | 95%          |
| Required fire fighting equipment is available at the coupe (only applicable between 1 November-30 April)                              | 95%          |
| All topsoil is removed from conventional landings and maintained in a stockpile, clear of logging debris and undisturbed by machinery | 95%          |



| Compliance Questions – Highest Scores in 2007/08  | % Compliance |
|---|--------------|
| Any material removed from the site has not been placed where there is a risk of it entering a stream or wetland   | 99% – 100%   |
| Cross drains are >0.3m in height on a slope less than ten degrees and >0.5m in height on a slope greater than ten degrees   | 99% – 100%   |
| Culverts are located at a depth of at least the diameter of the drainage pipe, below the surface of the road  | 99% – 100%   |
| Drainage from a landing is discharged into undisturbed or uncompacted soil, at least 20m in width, before it flows into any stream, wetland or onto any drainage line               | 99% – 100%   |
| Extraction tracks are not constructed across streams or drainage lines except at locations specified in the Forest Coupe Plan. Stream crossings are physically marked on the ground | 99% – 100%   |
| For conventional extraction tracks, cross drains slow and direct the flow of any water onto vegetation or uncompacted soil  | 99% – 100%   |
| Fuel, oil stores and sites for servicing machinery are located outside excluded areas and more than 40m from any stream, wetland or drainage line                                   | 99% – 100%   |
| Lavatories are located more than 100m from streams and wetlands   | 99% – 100%   |
| Machinery has been washed down, if directed by the Forest Officer, to prevent the spread of disease   | 99% – 100%   |
| Suitable sediment control devices are in place where flow path will potentially reach waterways   | 99% – 100%   |
| Table drains are supported by rock, or otherwise stabilised, when constructed in soil with a high or very high erosion hazard   | 99% – 100%   |
| The coupe is clear of hung up or scarfed trees  | 99% – 100%   |
| The landings/loading bays are located safely  | 99% – 100%   |
| Trucks have not been assisted on any permanent road   | 99% – 100%   |

# Other Activities – A Year In Review



## Environmental

### Carbon in Wood

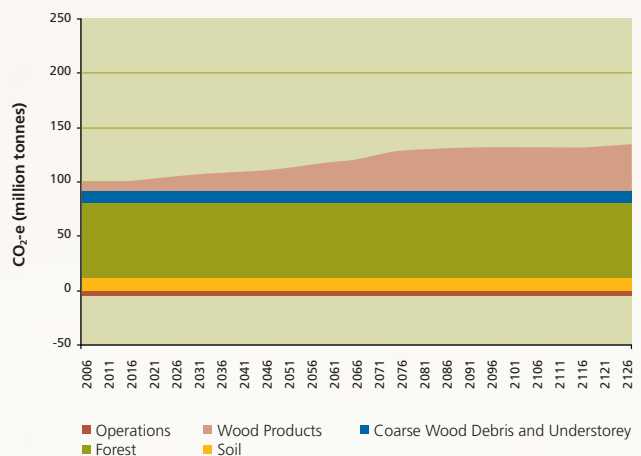
#### Carbon Positive

VicForests needs to understand its emissions from harvesting and regeneration operations. In order to assess this properly, in 2008 VicForests engaged MBaC consulting to develop a model that would demonstrate the total greenhouse gas emissions from harvesting and regeneration operations. The intention of the model was to determine what carbon ends up in short-term and long-term storage.

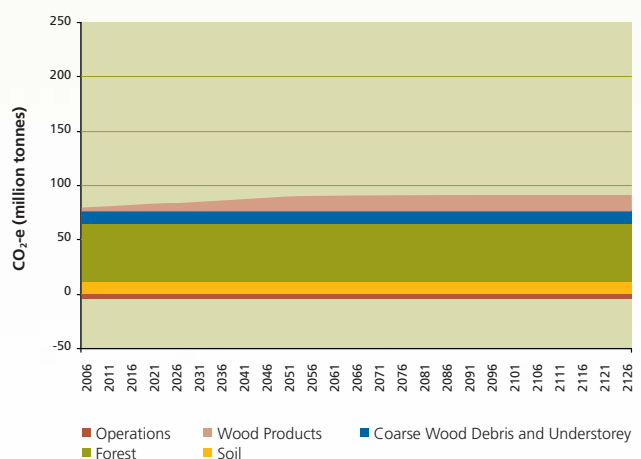
Preliminary analysis suggests that VicForests sequesters more CO<sub>2</sub> than it emits - that is, the carbon stored in our growing forests and in sawn timber is greater than the CO<sub>2</sub> emitted by harvesting and regeneration operations. We still emit large amounts of CO<sub>2</sub>, predominantly from our regeneration burning operations. Each stand's sequestration and emission is based on its age, fire history, the amount of sawlog and pulpwood harvested and the residues left behind. VicForests needs to improve our assessment of post-harvest residues and the loss of soil carbon associated with our burning operations. On this basis, the results are still interim but this work can be built upon to understand further our greenhouse gas emissions and carbon sequestration.

These graphs show the carbon emitted from forest operations (the red line below zero) and the carbon stored in the soil (orange), the forest (green and blue) and in harvested forest products (brown).

Estimated Carbon Balance Over Time – Victorian Mixed Forests



Estimated Carbon Balance Over Time – Victorian Ash Forests



## Biodiversity

### *Resolving Habitat Protection Measures*

VicForests continues to play its part in the protection of biodiversity in eastern Victoria's State forests.

During 2007/08 VicForests and DSE agreed on habitat protection measures for a number of key threatened species – measures that have been unresolved for many years.

**Baw Baw Frog** – this endangered frog lives on the plateau and surrounding slopes of Mt Baw Baw in eastern Victoria. The population on the plateau has suffered a dramatic decline in recent years, increasing the need for protection of the species across its entire range. DSE and VicForests have agreed that about 5,500ha of the south face of Mt Baw Baw will be formally protected from timber harvesting.

**Leadbeater's Possum** – this small, endangered marsupial is restricted to montane forests across the Central Highlands of Victoria – forests that contain Victoria's most valuable native forest timber. To provide long-term protection for the possum, DSE and VicForests have agreed to replace the current system of retained Leadbeater's Possum habitat outlined in the Central Highlands Forest Management Plan with a 30,250ha permanent reserve system, comprising existing parks and State forest Special Protection Zone. This permanent reserve system contains the possum's most important habitat.

**Long-footed Potoroo** – this medium-sized rat kangaroo is also endangered and is found in small populations in East Gippsland and in the north east of Victoria, where it lives in a range of damp to wet habitats. Agreed protection for this species will include protection of all 'core' habitat and the creation of 'Special Management Zones' where the species is recorded outside its protected 'core' habitat. The protected areas comprise existing and proposed parks and Special Protection Zones in State forests.

### *Rainforest*

DSE and VicForests will jointly fund a three year research program to determine whether current buffers will sufficiently protect rainforest

stands against physical damage and changes to microclimate. Existing protection measures will be reviewed when the results of this research become available in 2011.

### *Monitoring Retained Trees*

VicForests retains trees on timber-harvesting coupes to increase structural diversity at the coupe level and to provide future nesting habitat for arboreal species. During 2007/08, VicForests commenced a program to monitor the survival rate of these trees. The aim of this monitoring program is to determine the cause of damage or death to retained trees in timber harvesting coupes. The monitoring will determine if retained trees fall, die or lose vigour, and whether their survival rates are higher when retained as individuals or when grouped together in clumps. Currently, VicForests uses both methods of tree retention. This commitment to long-term monitoring will assist forest managers to understand how best to retain trees in areas harvested for timber.



Credit: Fredy Meray / ANTPHOTO.COM

# Other Activities – A Year In Review

## Environmental continued

### Soil and Water

#### Water Catchments

Water, or the lack of it, continues to be an issue faced by Victorians every day. Melbourne has approximately 157,000ha of land used as water catchments. Closed catchments, such as the Upper Yarra and O'Shaughnessy, make up approximately half of this area. However, the increasing water demand necessitated joint agreements in the 1960s to use areas of State forest for water production. There are 18,000ha of State forest currently available for timber production within the 80,000ha of the Thompson, Tarago, Bunyip and Yarra tributaries that are used to supplement Melbourne's water supply. VicForests harvest approximately 200ha per year from these areas.

As part of the Victorian Government's White Paper "Securing our Water Future Together" otherwise known as "Our Water Our Future", the Government will (under Action 2.21 of the White Paper):

- Undertake hydrological studies on the impact of logging on water yield of catchments in State forests supplying water to Melbourne
- Develop options aimed at improving the water yield, including potential changes to management practices and phasing out logging in these areas
- Assess the feasibility of establishing plantations outside State forests to offset any reductions in timber availability
- Investigate the economic, social and environmental benefits and costs of these options.

This project is overseen by a Steering Committee made up of DSE, Melbourne Water, Department of Primary Industry (DPI) and the Department of Treasury and Finance. This group is advised on technical matters by a Technical Working Group with members from DSE, Melbourne Water, DPI, and VicForests. Through the Technical Working Group, VicForests has provided potentially feasible options, including thinning, to increase water yield along with a more intensive harvesting option of thinning at an average age of 27, 45 and clearfell

harvest at age 65. These options are currently being reviewed by the Steering Committee.

It is sometimes claimed in the media that forest harvesting is reducing the amount of water that is available to people living in Melbourne. This is because a young growing forest uses more water than a mature forest. However, when the young forests are thinned (instead of clearfelled), this form of timber harvesting can add millions of litres of water to the catchments each year. Unlike Victoria, Western Australia has recognised the benefits of thinning as a strategic water management tool and has initiated a trial of thinning stands in their water catchments. This decision is backed by research demonstrating significant increases in expected water yield. This shows that timber production and water priorities can work together.

### Forest Health and Vitality

#### Regeneration

As part of our commitment to sustainable forest management, VicForests regenerates all harvested forests. All regeneration is undertaken without the use of pesticides or herbicides, with very small quantities of fertiliser and seed coating being the only chemicals used during the process.

Fertilisers are applied to conventional VicForests' landings to reduce seedling mortality in areas where there has been significant soil disturbance. The amount of DAP fertiliser used by VicForests in 2007/08 was 1680kg\*. The fertiliser needs to be applied at the time of sowing as the main reason for application is seedling survival, not growth, and the nutrient is required immediately at germination.

Eucalypt seed is normally coated for use in ground-based sowing operations within one to four weeks prior to the commencement of the operations. The coating used in 2007/08 included kaolin (30g), methyl cellulose (500g), egg white powder (1000g) and glycerine (1.5 litres)\*. The coating process creates small pellets by bulking raw seed particles (viable seeds plus staff) with kaolin powder using a prepared egg-white based adhesive. This increases each particle size to enable more effective delivery and assessment of seed distribution during hand sowing.

\* As recorded on VicForests' Chemical Usage Register



Above. Photo taken during an aerial flowering survey. Messmate flowering is evident in this photo.

## Maintaining Productive Capacity

### *Strategic Seed Crop Assessment Completed in 2007*

During 2007, VicForests' staff completed the largest strategic eucalypt seed crop assessment ever undertaken in Australia. This project was necessary to ensure sufficient seed was available for areas predicted to have difficulty in regenerating naturally due to insufficient seed crops following the Great Alpine Fire. VicForests' staff distributed specific recommendations for sow rates based on coupe, district and age class.

### *Strategic Thinning Project Conducted by VicForests*

The 2003 and 2006/07 wildfires have resulted in a decrease in the area of State forest available for harvesting and in the proportion of available mature forest compared with regrowth forest across eastern Victoria. As a result, the long-term supply of sawlogs is predicted to decrease by about 2%. This represents a major reduction in log supply to the Victorian native forest timber industry.

Thinning of regrowth stands is one management tool VicForests can use to maintain or increase the level of sawlog supply to mitigate the impact of any reduction in supply.

Thinning is a technique used extensively to improve the growth rate or health of a forest stand by selectively removing a proportion of stems, so that the remaining trees can grow more efficiently. Thinning is also completed to make the stand

more profitable at final harvest and can be used to manipulate stand structure to increase ecosystem diversity, increase water yields and to reduce fuel loads. Commercial thinning is widely practised in native forests around the world.

In 2006/07 VicForests thinned about 1,100ha which generated about 175,000 tonnes of pulpwood, residual logs and a small volume of sawlogs. These sales generated over \$1.5 million of income for VicForests and supported about 50 direct jobs in harvesting and haulage. The pulpwood and residual logs produced from thinning operations also form a major part of the supply to VicForests' customers, including Australian Paper, Midway and South Eastern Fibre Exports.

During 2007/08 VicForests has continued work on an internal strategy to increase the level of thinning conducted in eastern Victorian State forests. The strategy describes historic and current thinning operations, the issues associated with thinning, measures to mitigate negative impacts of thinning and identifies the areas potentially suitable for future thinning.

The implementation of this strategy is dependent on approval by DSE, and VicForests will be working closely with the Department in 2008 to maintain the productive capacity of State forest through thinning and other forest management practices.



# Other Activities – A Year In Review



## Social

### Future Harvesting Levels

#### *Joint Sustainable Harvest Levels (JoSHL) Statement*

VicForests has been working with DSE since November 2007 to develop a Joint Sustainable Harvest Levels (JoSHL) statement to provide confidence about future resource availability following the 2006/07 Great Divide fires. The work proceeded from an analysis of the methodology for calculating sustainable harvest levels which was undertaken by Pojry Consulting, at VicForests' instigation. This analysis indicated that many of the traditional constraints applied to the calculation of future timber availability could be adjusted or removed in light of contemporary science and the evolving market and the realities of the economic geography of the industry.

The work has been completed and reviewed by the Government's Expert Independent Advisory Panel on forestry issues. The panel has strongly endorsed the outcome, namely that up to 500,000m<sup>3</sup> per annum of D+ sawlog can be sustainably harvested from the State forest resource in eastern Victoria for the next 15 years without compromising long-term sustainability. An important caveat on the statement is that from now on up to 20% of this volume will

need to be sourced from forests which have been considered traditionally less merchantable or more difficult to access.

The outcomes of the JoSHL project have been communicated with the Victorian native forest timber industry, which is now in a position to participate in future auctions with confidence about the future availability of timber resources from the State forest estate.

### Working Together with Stakeholders

#### *Forest and Wood Products Australia Supported by VicForests*

Forestry organisations across Australia have been working on the establishment of a new forest and wood research and marketing company. Forest and Wood Products Australia (FWPA) has replaced the Forest and Wood Products Research and Development Corporation, which previously focused only on research and development functions.

VicForests has confirmed its support for the new entity and agreed to pay levies of around \$90,000 per annum to support it. FWPA will play an essential role in promoting the timber industry during a crucial time of stagnating housing starts across Australia. The Australian Government will continue to provide dollar-for-dollar matching of levies paid

by the industry for Research and Development activities. VicForests is represented in the FWPA industry market development committees by Matthew Crapp.

### *The Timber Salvage Program*

The 2006/07 Great Alpine fires burnt significant areas of forest that are important for timber production. The regions most significantly affected were Ovens and Matlock in the north-east and Swifts Creek, Dargo and Heyfield in Gippsland. Of immediate concern were the areas of high-value alpine and mountain ash, which were due for harvest over the coming decades.

The impacts of the 2006/07 bushfires in Victoria were recognised by the Victorian Government in the 2007 report by the Ministerial Taskforce on Bushfire Recovery. The report highlighted the importance of rebuilding communities post fire, and mitigating the long-term impacts on the timber industry, by maximising timber salvage operations within State forests. It also recognised that VicForests operates on a commercial remit and the nature of this salvage program was likely to yield poor commercial returns. As such, the Taskforce provided a grant for two years to assist in the salvage effort.

VicForests responded quickly to the disaster in January 2007 and commenced harvesting in approved areas as soon as harvesting crews were released from fire fighting operations. Work also began on quantifying the total impact, prioritising areas for harvest, upgrading roads and developing the necessary tactical and operations plans for approval. It was apparent at the outset of the salvage program that road infrastructure would be a major limiting factor to the level of fire salvage.

DSE and VicForests also work collaboratively to understand the regeneration requirements for burnt areas, including those areas that would be harvested. By February 2007, a large contracting force was harvesting in all the major fire salvage areas, when another disaster affected the Gippsland region. The flash flooding events in February and March of 2007 cut off access for key fire salvage areas including the primary haulage route for the Heyfield area, where the highest level of salvage harvesting was occurring. Despite cooperation from roading authorities, this was

the first of a series of infrastructure issues that significantly affected VicForests' ability to maximise fire salvage operations.

It became evident early in the program that drying degrade in salvage logs was occurring at much greater rates than for previous fire events. It is likely the level of drought that trees under stress were experiencing prior to the fires resulted in unprecedented rates of drying. The level of drying has been of concern for timber processors and VicForests has developed a research proposal with CSIRO Forest Biosciences to understand better how drying degrade occurs and how salvage can be managed in the future.

Working within constraints and challenges, VicForests and the timber industry have maximised the level of timber salvage. Logs produced from these salvage operations continue to be processed by regionally based timber processing businesses throughout Gippsland, outer Melbourne and the North East regions. The majority of these sawlogs have been supplied to important processing facilities such as ITC Ltd in Heyfield and Alexandra, and McCormick Demby Timber in Morwell. Logs that have not made sawlog grade have been delivered to facilities such as Australian Paper's pulp and paper operations at Maryvale and Dormit's pallet production plant in Dandenong and Swifts Creek.

Maximising the harvest of fire killed stands of timber has reduced the impact of the fire on the long-term sustainable yield of timber from State forest and the associated impact on Victoria's important regionally based timber industry. Work will continue over the coming years to ensure that areas harvested are satisfactorily regenerated for future generations. Both parties agreed that initiatives such as this are the best way to ensure both supplier and customer harmoniously navigate the inevitable changes in the industries.

### *Harvest and Haul Tender*

VicForests engages around 180 external forest contractors to undertake harvesting, haulage, roading and silvicultural services. During 2007/08, a competitive tender was conducted for harvest and haulage services in fire affected forests to produce around 50,000 tonnes per annum. However, the major task of VicForests' Forest Contracting team

# Other Activities – A Year In Review

## Social continued

during 2007/08 was preparation for the tender of the majority of VicForests' harvest and haulage outsourced work – around 1.8 million m<sup>3</sup> per annum. This involved extensive consultation with: individual contractors; the Construction, Forestry, Mining, Energy Union; the Victorian Forest Harvest and Cartage Council and Timber Communities Australia. The tender closed on 13 June 2008 and contracts commenced in October 2008.

### VicForests' Symposium 2007

Based on the success of VicForests' inaugural Symposium held in 2006, another innovative and insightful program was held in October 2007. The Symposium provided a forum for forestry professionals, key decision-makers, policy-makers from forestry and other related industries; those who are aligned with or are affected by commercial forestry activity; key personnel from environmental, urban planning, educational, scientific research and government sectors and consultants and financiers who play a part or have a professional interest in native and plantation forestry. The theme was globalisation and free trade, from a commercial forestry and forest industry perspective.

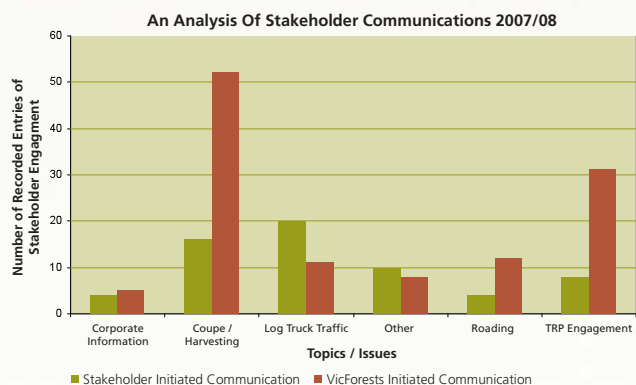


### Toolangi Forest Discovery Centre

The Toolangi Forest Discovery Centre is located approximately 80km north east of Melbourne within the Toolangi State Forest. It offers a range of educational programs for a variety of groups, with a focus on students of all ages, teachers and other special interest groups. The programs explore forest management issues faced in Victoria, including current timber harvesting practises. VicForests' staff regularly contribute to these programs, ensuring participants leave having experienced the forest environment first hand, while learning the importance of continued sustainable forest management.

### VicForests' Communications Register

In order to capture stakeholder views and concerns effectively, VicForests has developed an internal web-based Communications Register to log stakeholder communications and develop and implement actions. The Communications Register is a critical element of VicForests' Sustainable Forest Management System. During 2007/08, 181 entries were recorded by staff and categorised as corporate information, coupe/harvesting issues, log truck traffic, roading, TRP engagement or other.



### Complaints

Twenty-one complaints from stakeholders were recorded in the Communications Register in 2007/08. The predominant issue was the cartage of logs by trucks from forest to mill. The issues raised included: poor driving by truck drivers (eg speeding), offensive language used on UHF radios, breaches of Code of Conduct for drivers, dangerous driving conditions for truck drivers (eg poor roads), inappropriate cartage route, dust and noisy air brakes.

### *Increased Cartage through Buckland Valley due to Salvage Operations*

When VicForests' staff from the Oven's office decided to increase cartage through the Buckland Valley, concern from local residents was expected. Staff managed the risk of complaints by door knocking and engaging the local community prior to cartage commencing. A field day with residents was organised with concerns being listened to and control measures jointly decided upon. Some of these measures included speed restrictions and set days without cartage.



### *Protecting Cultural and Indigenous Values*

#### *Aboriginal Engagement and Site Identification Training Program*

During 2008, key VicForests' staff were trained in Aboriginal engagement and site identification. The program concentrates on aspects of the Aboriginal Heritage Act 2006 relevant to VicForests including strategies that will help develop and maintain relationships with local communities and the effect operational activities could have on sites of cultural, spiritual and special value.

At the conclusion of the program, each participant had knowledge and understanding of:

- The Aboriginal Heritage Act 2006

- Correct methods of contacting local communities and appropriate forms of engagement and support
- The importance of our forest to Aboriginal history and culture
- VicForests' instructions and procedures, and legislation that protects Aboriginal cultural heritage
- Aboriginal traditional movements and practices within the forest
- Potential location and identification of Aboriginal relics.

#### *First Registered Aboriginal Party (RAP) in VicForests' Estate*

The Aboriginal Heritage Act 2006 has provided for the formal recognition of Aboriginal groups through the creation of Registered Aboriginal Parties (RAPs). VicForests recognises the successful registration of the Gunaikurnai Land and Waters Aboriginal Corporation as a RAP which occurred on 23 May 2008.

VicForests is committed to respecting, understanding and accepting our responsibilities to promote and protect Aboriginal culture, heritage, sacred and significant sites.

In June 2008, VicForests contacted the Gunaikurnai Land and Waters Aboriginal Corporation providing the names of VicForests' contacts, information on VicForests' business and its existing written procedures for managing forest operations for the protection of indigenous values.



*Above. Area of registration of the Gunaikurnai Land and Waters Aboriginal Corporation*

# Other Activities – A Year In Review

## Social continued

### Delivering Socio Economic Benefits to the Community

#### Sponsorships

VicForests continues to build and develop its strategic program for corporate social responsibility by sponsoring community programs and initiatives each year.

Programs sponsored during 2007/08:

| Sponsorship  |  |
|--|--|
| Helimed – funds donated to assist the medical emergency organisation                               |  |
| Victorian Axeman's Association – supply of logs for woodchop events throughout the State           |  |
| Design Institute of Australia (Victorian Commercial Interior Practice Group)                       |  |
| Signature of M – Melbourne Art competition   |  |
| Orbost Net Set Go!   |  |
| Alexandra Ute Truck and Rod Show – sponsorship of the wood chopping events                         |  |
| Supply of logs for Royal Melbourne, Adelaide and Regional Agricultural Shows' wood chopping events |  |
| Orbost Snowy Rovers Football Club  |  |
| TimberDESIGN – Australasian architectural magazine   |  |

#### VicForests' Employees and Contractors

| Direct Employment   |           |
|---|-----------|
| Number of Full Time Equivalent (FTE) employees of VicForests (end of June 2008) | 143       |
| Number of directly employed contractors and their staff                         | 500 – 600 |

### Training and Development of VicForests' Staff

To continue to build a sustainable and strong foundation for VicForests, there is an ongoing focus and commitment to provide learning and development opportunities for employees.

VicForests' Training Working Group identified the training priorities for VicForests' staff for 2007/08. Several training programs were rolled out over the course of the year including:

- Trainer and assessor training
- Using a chainsaw safely
- 4WD and defensive driving
- Performance management and setting SMART goals
- Indigenous engagement
- ArcGIS and GPS skills
- Our Future Leadership Program at Melbourne Business School
- First Aid – Levels 1 and 2
- Occupational health and safety representative training
- Safety awareness program, accident investigation training, red card training
- Careers development and support program
- HR new managers sessions, interviewing and feedback training
- Teamwork workshops.

VicForests has also supported its staff in participating in the following training courses and forums:

- Gippsland Women's Local Government Association – Women Can Do Leadership Forum
- Effective Leadership
- 2008 Wood Science Conference
- Harvesting and Operations Planning Workshops – Tasmania
- Committee for Economic Development of Australia (CEDA) Seminars
- Value Chain Optimisation Conference.

In 2008/09 VicForests will be rolling out 'Online Learning' which will give employees access to a library of over 400 professional and personal development courses.



### Careers Information Day

During May, Andrew Stanton and Ella Ross from the East Gippsland Region participated in a careers information day held at Nagle College, Bairnsdale. Teaming up with the VicForests' display were Timber Communities Australia and Gippsland Private Forestry Inc. The intention of the day was to showcase the East Gippsland region for a career path in forestry and highlight the strengths and benefits of this career.

### East Gippsland Field Days

In April, VicForests participated in the East Gippsland Field Days. All questions from the public were answered.

### Occupational Health and Safety

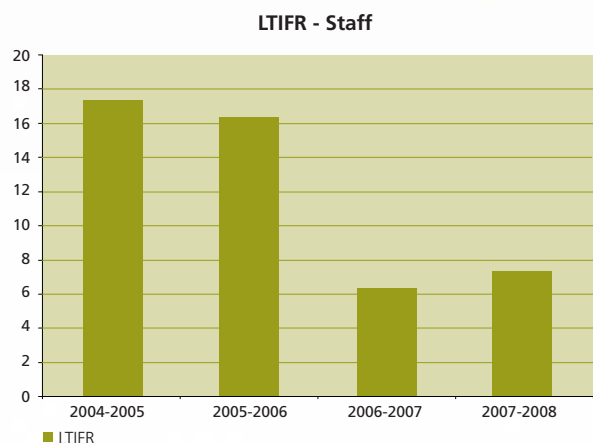
VicForests is committed to providing a safe and healthy working environment for its employees, contractors and other visitors who may enter its work areas. This commitment is critical to our mission to build a responsible business that generates the best community value from harvesting Victoria's State forests.

A key challenge of the year was to consolidate the Occupational Health and Safety (OH&S) management systems into VicForests' normal business practices while undertaking a major business model restructure. The program for 2007/08 also focused on gaps identified in the previous management system audit. Following an audit in March 2008, and the annual management review, a program

for 2008/09 has been formulated to continue improvements in the OH&S management system.

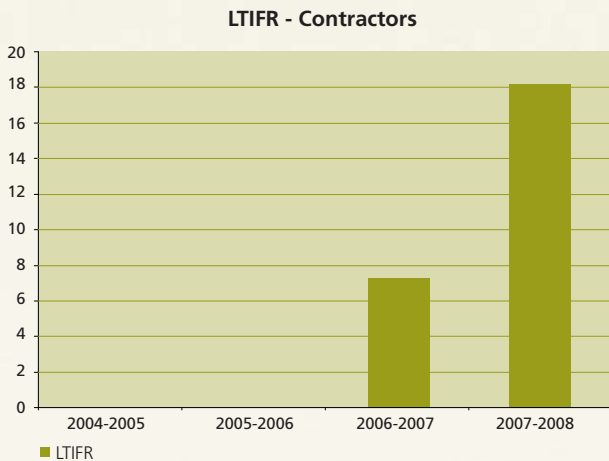
A key aspect of the 2007/08 program was to focus on incident reporting and investigation examining both staff and contractor incidents. Overall, the number of incidents involving staff declined, with three resulting in lost time. The number of incidents reported by contractors increased from 27 in 2006/07 to 72 this year. It is unclear whether this was a result of the increased focus on incident reporting from the previous year, which was the first year that VicForests managed the harvest and haulage contractor workforce. It is tragic that one of these incidents was a fatality associated with a log truck accident.

In the period under review the Lost Time Injury Frequency Rate (LTIFR) for VicForests' staff was 6.9 against a target of six. This compares favourably with other forestry organisations in Australia which averaged about 14 in 2006/07.



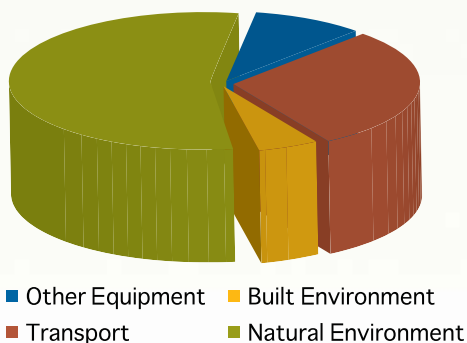
# Other Activities – A Year In Review

## Social continued



The LTIFR for harvest and haulage contractors was 18.0. Again, it is not yet clear whether this is due to a real increase in incidents or an improvement in incident reporting. What is clear is that truck related incidents made a significant contribution to this figure. VicForests has undertaken an analysis of these incidents and consulted with other forestry and haulage organisations in both Victoria and other States. Truck accidents are a concern across this sector. VicForests intends to implement a truck safety program in 2008/09 focusing on training and accreditation, experience, driver behaviour and truck and trailer design.

### The Agency and Nature of Incidents and Injuries



The majority of incidents involving VicForests' staff have occurred in the natural environment, being the forest areas in which field staff work. Common injuries that have occurred are sprains and strains resulting from slips and trips. VicForests will work with staff to identify ways of reducing the occurrence of incidents in the forest environment.

The other main activity causing incidents is driving. While driving only caused one minor injury (the other incidents reported as near misses) it does identify an area of focus for the OH&S program in 2008/09.

### Audit and Review

For the second year, VicForests has undertaken a comprehensive review of its OH&S management system and employed an external auditor to assess the system against the Australian Standard (AS/NZS 4801:2001). In addition to issues identified above, these processes have also shown that VicForests should focus on aspects of its plant and equipment and staff health and wellbeing.

The business model restructure has created new staff reporting relationships along with a need for the consolidation of a significant number of staff into fewer offices. VicForests has undertaken a complete review of its consultation process following this restructure and sought staff input into the development of a new OH&S consultation structure. This will be implemented in 2008/09 with the creation of new designated work groups and the election of health and safety representatives to these groups.





## Economic

### Financial Performance

#### *VicForests' Business Reorganisation*

Since commencing operations in August 2004, VicForests has made a number of significant changes to the way it does business (for example, Mill Door Sales, online auctions and forest management certification). As we are committed to building a business that generates the best community value from harvesting Victoria's State forests, the organisation undertook a Business Model Review in 2006/07. This review highlighted opportunities in the current staff structure and recommended changes particularly in the medium-term planning and customer service areas. Implementation of these changes commenced 1 January 2008 with work functions now matched to the creation of value. Some of the benefits include:

- A reduction in duplication and unnecessary work
- Better planning and operational outcomes
- Improved focus on business and market development
- Alignment of office locations with medium-term harvesting activity.

#### *VicForests' Expenditure*

VicForests achieved a net profit after tax for 2007/08 of \$538,000. In order of magnitude, the top five areas of expenditure were haulage, harvesting, employees, roading and silviculture.

### Auctions

Three online auctions were conducted in 2007/08 for sawlog, pulplog and firewood. 1.3 million m<sup>3</sup> of logs were sold through these auctions providing sustainable log supply over the next three years to VicForests' customers.

The auction results were a good outcome for regional communities, and the timber processing and harvesting and haulage sectors, providing additional sustainable log supply. The wide distribution of successful bidders and the high auction prices demonstrate the suitability of the auction sales method as a vehicle for sale and allocation of the Victorian timber resource.

During 2008, VicForests' staff prepared for the fourth auction which was originally scheduled for December 2007 and deferred until July 2008. The auction event, titled OLA6-2008, comprised 50 timber lots, with an auction quantity of approximately 1.1 million m<sup>3</sup> of high quality ash and mixed species sawlog for supply during the period 1 July 2010 to 30 June 2017. The catalogue had an

# Other Activities – A Year In Review

## Economic continued

indicative reserve value of \$98 million and potential market value of \$120 million.

During 2007/08, VicForests' Price Allocation Model (PAM) was reviewed by Uniquist (commercial arm of University of Queensland), and led by Flavio Menezes who is a recognised international expert in economics and auction theory. The review found that VicForests' auctions achieve allocative efficiency and promote sustainable competition, industry participation and good revenue outcomes.

Key findings of the review:

- Evidence that the PAM produces superior outcomes to the system of administered allocation and pricing
- Prices are higher in open auctions
- Auctions and supporting systems and procedures are successful in attracting bidders and facilitating competition
- Auctions are transparent
- Collusion does not appear to be an issue
- The current auction design is successful with some potential minor refinements.

## *Dormit's Future Secure*

Dormit was the successful bidder for the substantial quantity of E-grade put to auction. Australia's largest manufacturer of pallets was the successful bidder in the first of three VicForests' auctions. The \$19 million contract awarded to Dormit will support the company's highly successful sawmilling operations at Dandenong and Swifts Creek, which directly employ more than 80 staff. Dormit submitted a highly competitive bid for the whole of the timber lot available.

## Paper Australia

During May, VicForests commenced delivery of timber under Paper Australia's new Timber Sales Agreement. This forms the first tranche of pullogs to be supplied by VicForests to support the expansion of paper making at Maryvale. Next financial year an additional supply of at least 80,000m<sup>3</sup> of pullog will be delivered to the Maryvale site. This will redirect log supply from export woodchip markets to domestic processing by Paper Australia, increasing the domestic employment generated through this sale.



## Feedback Opportunity

This is VicForests' second Sustainability Report. In order to assist VicForests in improving the quality of its reports, please take the opportunity to complete the following questionnaire and submit to VicForests.

1. What additional information would you like to see included in this report next year?

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2. Do you have a clear understanding of VicForests' approach to sustainable forest management?

Yes  No

3. Overall, how do you rate the content of the report?

Poor  Satisfactory  Good  Excellent

4. Overall, how do you rate the presentation of the report?

Poor  Satisfactory  Good  Excellent

5. Are you?

VicForests' employee  Customer  Supplier  Other

If other, please specify,

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6. Do you have any other comments about this report?

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Please forward to:

Strategy Team  
VicForests  
GPO Box 191  
Melbourne, VIC 3001  
Australia

## More Information

VicForests has developed a series of fact sheets to explain forestry's role in climate change, and the protection of flora, fauna and environmental values.

These fact sheets can be found on VicForests' website: [www.vicforests.com.au](http://www.vicforests.com.au)



## Acronyms

|       |  |       |                                  |
|-------|--|-------|----------------------------------|
| AFS   | Australian Forestry Standard                                 | JoSHL | Joint Sustainable Harvest Levels |
| AO    | Allocation Order   | LTIFR | Lost Time Injury Frequency Rate  |
| CAIR  | Corrective Action Incident Report                            | MAT   | Mature Aged Forest               |
| CSIRO | Commonwealth Scientific and Industrial Research Organisation | MDS   | Mill Door Sales                  |
| DPI   | Department of Primary Industries                             | OA    | Operational Areas                |
| DSE   | Department of Sustainability and Environment                 | OH&S  | Occupational Health & Safety     |
| EPA   | Environment Protection Authority                             | PAM   | Price Allocation Model           |
| FMA   | Forest Management Area                                       | RAP   | Registered Aboriginal Party      |
| FSC   | Forest Stewardship Council                                   | SEFE  | South East Fibre Export          |
| FTE   | Full Time Equivalent   | SOP   | Standard Operating Procedures    |
| FWPA  | Forest and Wood Products Australia                           | TRP   | Timber Release Plan              |

Authorised and published by VicForests  
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Also published on [www.vicforests.com.au](http://www.vicforests.com.au)

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Designed by  
Think Productions



Printed by  
Fineline Printing  
130 Browns Road,  
Noble Park North, 3174



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AFS/01-21-06



PEFC/21-23-06