

MEDIA RELEASE

For immediate release

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Online Timber Auction Nets a Win for Victoria

VicForests says that its second online auction has delivered an outstanding result for Victoria.

Director Sales, Mr Matt Crapp commented that the auction marks a significant point on the path to a sustainable and secure long term industry driven around adding value to timber harvested from Victoria's state Forests, securing regional jobs and providing a good return to the Victorian economy.

A number of timber processors throughout regional Victoria participated in the auction, which offered more than 700,000 cubic metres of timber for sale. Timber won at auction includes timber lots for supply until 2015.

"VicForests has delivered significantly on implementing Government policy and more specifically, on the requirements of the 2002 *Our Forests Our Future* policy paper, which aimed to introduce transparent, market-based arrangements for the sale of Victoria's valuable native forest timber," Mr Crapp said.

"New supply contracts with more than 20 existing Victorian sawmillers have been offered and many of these are small family-owned businesses.

"The auction also exposed the available timber resource to market forces which saw an average price increase of 50%, with optimum prices being offered for highly prized mountain ash lots.

"The Victorian native timber processing industry responded to this challenge with high participation in the first two online auctions.

"VicForests conducted customer training for the first auction and additional training for the second auction. Customers then participated in the more complex auction environment, which enabled bidders to combine lots to bid at auction.

"Both large and small business were the winners, across a whole range of uses, from major industrial to niche furniture making," he said.

The development of the auction system included extensive consultation with the native timber processing industry. The system is the first of its kind to be used in Australia for this purpose and was developed for VicForests by Victorian company BOMweb.

A key feature of the auction system was the inclusion of mill door or harvested and delivered prices in the displayed timber lots. Dynamic, real time data available to bidders during the auction was matched to their delivery address.

VicForests is undertaking a detailed analysis of the auction, including consultation with industry. The information and feedback will provide for continuous improvement in the use of technology in doing business with its customers.

VicForests will also continue to offer smaller, sealed bid auctions for specialty timbers throughout the year.

Phase-in arrangements will transition industry from licence arrangements to competitive contracts, which means that unsuccessful bidders will not notice any reduction in their current wood supply until 2010. Those mills that were unsuccessful in the first two auctions may purchase timber on the secondary market or at future auctions. Some mills also purchase timber from plantations and source timber from interstate sellers.

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