



STATEMENT OF CORPORATE INTENT
2011-12 to 2013-14





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Overview

VicForests was established on 28 October 2003, by Order in Council under the *State Owned Enterprises Act 2004*, to undertake the management and sale of timber resources in Victorian State forests on a commercial basis.

The period that followed has coincided with one of Victoria's most active decades of wildfires. The three large fires of 2003, 2006–07 and 2009 have had both immediate and longer-term impacts on the industry. Financial volatility from the global financial crisis and recent increases in the Australian dollar against the US dollar have worsened the competitive position of Victorian-produced products relative to imported substitutes. Coupled with this, there has been a resurgence of activity from activists opposed to native forest harvesting, with a particular focus on market campaigns encouraging the boycotting of Victorian native forest produce by the corporate and retail sectors.

However, it has not been all bad news for the industry. Victoria continues to benefit from the country's fastest growing house market, albeit with a cautious outlook, with work starting on nearly 60,000 new dwellings in 2010. By comparison, the second fastest state was NSW, where only 33,000 dwellings were commenced. There has also been an increased acknowledgement of the important role locally produced wood products and wood-derived energy can play in a future low carbon economy. The industry also continues to

provide a significant stimulus to regional economies. A recent study commissioned by the Department of Primary Industry (by J. Schirmer & C. Dunn, 2010) estimates that 25,449 people were employed in the state's forestry sector.

Significant industry reform has been achieved through the formation of VicForests. Specific initiatives include the clear separation of forest policy, regulatory and commercial functions of government; greater efficiency and accountability in forest operations; enhanced competition and competitive neutrality; market-based pricing and improved industry transparency.

The native forest industry in Victoria will continue to rationalise and evolve, in line with global market forces and the changing domestic environment within which it operates. Reforms led by VicForests in pursuit of its remit have placed the industry in a strong position to respond to and influence this dynamic environment.

Purpose

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

Role

To undertake the management, sale and regeneration of timber resources from areas of Victorian State forests set aside for wood production.

Values

Professional

We operate in an ethical, efficient and accountable manner.

Sustainable

We respect and care for our environment and the communities in which we operate.

Safe

We aim for zero harm in all that we do.

Customer Focused

We are responsible in our commercial dealings.

Core business

VicForests represents the commercial function in State forest management, and is responsible for the sale, harvest and regeneration of native forests in Victoria.

VicForests acquires timber resources from the state through an Allocation Order and Timber Release Plans which are instruments under the *Sustainable Forests (Timber) Act 2004*. Since 2010, in addition to determining the timber volumes available for sale from within the allocated area, VicForests has the responsibility for determining the long-term harvest levels which are communicated through resource outlook briefings.

VicForests conducts the majority of its sales via an open and transparent auction system, under mill door sales arrangements, whereby VicForests has the responsibility for the harvest and delivery of log products to the customer's site. VicForests engages

contractors to undertake harvesting and haulage activities, while VicForests' staff are responsible for operational planning, scheduling and monitoring of contractor output and site rehabilitation.

Throughout these activities, VicForests' uses the Department of Sustainability and Environment's (DSE) forest road network, operating on a 'user pays' toll basis for primary routes, and pays 100 per cent of the maintenance costs for all other forest roads while in use by industry.

VicForests is also responsible for the regeneration of all harvested coupes prior to the transfer of management responsibility back to DSE. Forest regeneration is achieved by creating suitable conditions for growth by either burning or surface raking; then, seed is either distributed from a helicopter or regeneration is achieved by seeds falling from retained and neighbouring trees.

All of VicForests' activities are undertaken in compliance with its Sustainable Forest Management System (SFMS), independently certified to the Australian Forestry Standard (AFS-AS4708) since February 2007.

Policy direction

VicForests is regulated under the *Sustainable Forests (Timber) Act 2004* and the *State Owned Enterprises Act 1992*. Changes were made to the VicForests Order in Council in 2010. The Minister for Agriculture and Food Security was specified as VicForests' relevant minister and

VicForests is now required to undertake its commercial activities in a manner that will maximise long-term economic returns to Victoria.

The Victorian Government recently reaffirmed through its policy statements the importance of the native forest industry to the state's economic and social vitality.

The government stated it will:

- guarantee long-term access to current supplies of native timber
- renew Regional Forest Agreements every five years to provide 20-year resource security
- place VicForests under the sole direction of the Minister for Agriculture
- restructure the Board of VicForests to include industry stakeholders
- review harvesting rotations for faster growing native species, such as Mountain Ash

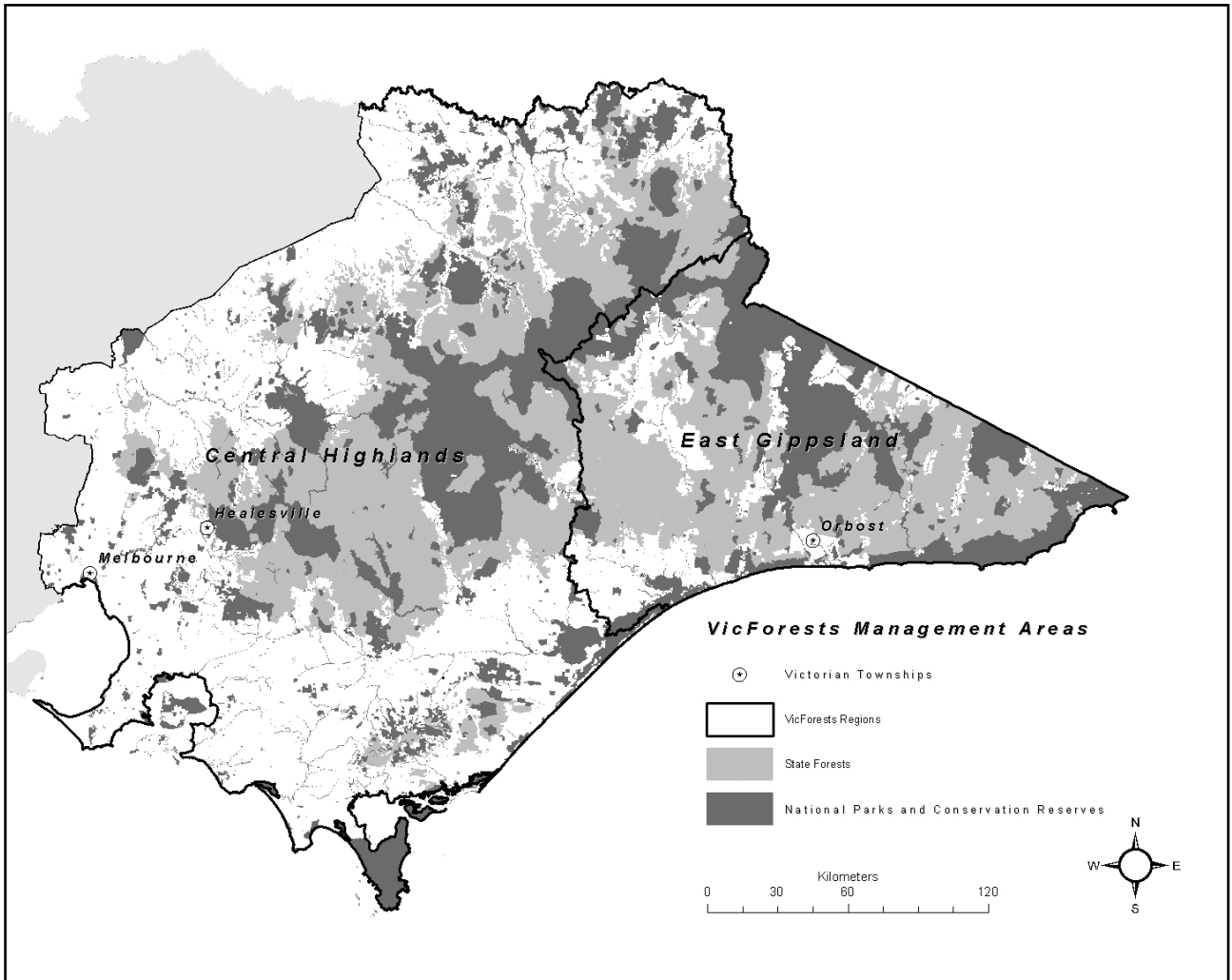
- ensure the Department of Primary Industries (DPI) is responsible for managing areas of public forest set aside for wood production
- support the ecological thinning of native forests to ensure their future
- ensure world standard forestry management practices are adopted throughout the industry
- provide strong support for the industry innovation and forestry education centres.

VicForests' strategies over the next three years will focus on:

- resource security
- social licence/policy response/ stakeholder management
- professional contractor workforce
- viable customers in growth markets
- internal process improvement and assurance.



Figure 1: VicForests' operating areas



Operating environment

Resource decline is limiting industry growth

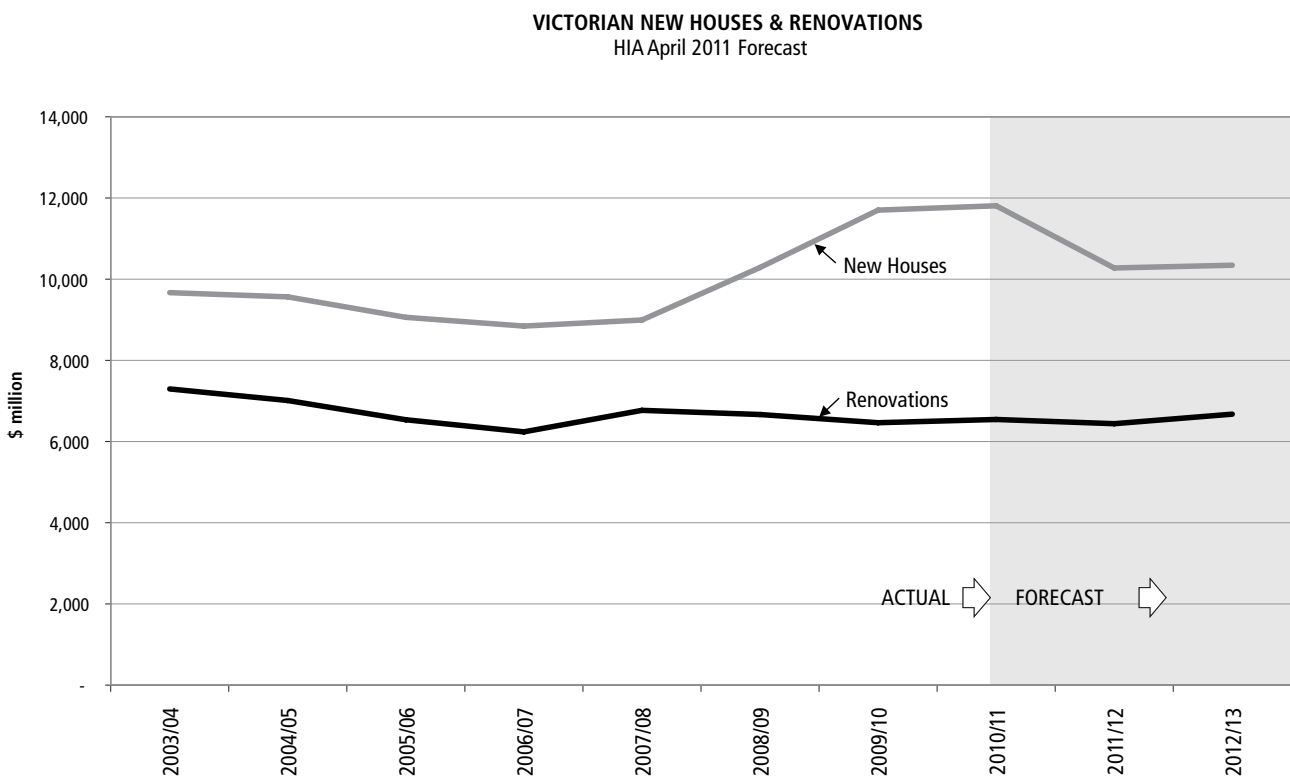
Since 2004, Victoria's production of native sawn timber has declined in line with reduced sawlog availability and increases in formal and informal reserved area. Scarcity and uncertainty of resource is limiting both value-adding and waste recovery investment.

Some mills have made capital investments to maintain cost competitiveness. However, there have not been any significant investments by sawmills to increase the production of solid appearance-grade products. This is the result of a number of factors, including a preference by some mills to focus on production of the benchmark structural hardwood grade F17, limitations in the quality of the available resource and clarity regarding resource security.

Domestic demand is flat

The majority of hardwood sawn timber produced from Victorian sawmills is sold into the domestic housing market. The market outlook from the Housing Institute of Australia (see Graph 1) shows a return to a longer term average. There was sharp growth in new starts in 2009–10, which is forecast to revert to 2008 levels from 2011–12 onwards. Renovations remain relatively stable.

Graph 1: HIA Economics' forecast for Victorian housing market



Margins on pulpwood are decreasing

Woodchips, pulp and paper are global commodities, and cost competitiveness represents a major challenge to Australian mills. Producers generally operate on tight margins relative to other wood product markets, and the success of Australia's pulp and paper manufacturing industry hinges on its ability to remain competitive in a mature global market.

A slow recovery from the global financial crisis, combined with natural disasters in Japan, have introduced considerable volatility in demand for Australia's exported short fibre pulp. Prices peaked in June 2010, however over the last six months Asian markets have fallen, almost as quickly as they rose. New competition from bio-energy projects in Europe and the USA are thought to be contributing to the counter trend in those markets.

Over the next 10 years, the rapid expansion of pulp production capacity in China is likely to create increasing demand for hardwood pulpwood imports. However, China has shown that it has a preference for lower cost sources of wood fibre and it will continue to source a great deal of its fibre from recovered paper and low cost pulpwood suppliers such as Vietnam and Indonesia. There may be opportunities for an increase in Australian woodchip exports to China, but prices will need to be competitive with those of lower cost suppliers.

Taiwan is also an important secondary market for lower quality pulpwood produced from Victorian native forests, but prices have been under pressure recently due to lower demand and the high Australian dollar.

Australian dollar exchange rates

While forecasts in the key Victorian housing starts and renovations markets are forecast to remain stable and woodchip and pulp prices are volatile but trending flat, the strong Australian dollar disadvantages locally produced products. Market share for domestic sellers is expected to decrease solely due to the relative strength of the Australian dollar.

Potential additional biomass sales

A variety of pulpwood and sawmill log grades are both produced from the same tree during harvesting operations. Maintaining high utilisation of the harvest distributes fixed costs across a larger base, reduces regeneration costs and demonstrates an efficient use of valuable resources. The majority of higher pulp-quality wood generated from current operations is contractually committed. Further utilisation may be possible should markets develop for log species and qualities that do not currently meet pulp standards, for example a local bio-energy market.

Global demand for bio-resources to produce bio-energy and other bio-products has been increasing steadily. This is being driven by energy security policies as well as the need to achieve a reduction in fossil fuel pollution. The lack of adequate supply of bio-resources in regions that have longer-standing pollution reduction targets is translating to increased prices for lower quality wood material. Similar impacts may be seen in the Australian market, depending on the impact of the federal government's 1 July 2012 commencement of a price on carbon.

Federal government pricing carbon

The federal government has released details of a proposed carbon pricing mechanism. Policy outlined in the Australian Clean Energy Legislation Package will commence on 1 July 2012, provided that the proposed Carbon Pricing Mechanism Bill is passed by the parliament.

While only approximately 500 entities will be directly liable to pay the carbon price, a number of these, particularly electricity suppliers, will be able to pass the price increase directly on to their customers. These increases will impact the operating costs of VicForests, its customers and contractors.

The Renewable Energy Target Regulations have been targeted for amendment to exclude biomass from native forest as an eligible renewable energy source. This includes products, by-products and waste associated with or produced from clearing or harvesting native forests. The amendment will reduce the cost competitiveness of residues generated by both

VicForests and its customers in supplying renewable electricity, but it will not have a competitive impact on the generation of renewable heat or liquid fuels from wood residues from local forests.

Community stakeholders and resurgence of activism

Anti-forestry activists have renewed their focus, this time targeting the corporate and retail sectors that supply finished products derived from native forest timber. Specifically, Australian Paper's Reflex paper has been the subject of a sustained campaign led by The Wilderness Society.

Higher profile campaigns are augmented by local activists who are well networked and who are supported by larger national and multi-national environmental non-governmental organisations.

As many of these groups operate under a mandate to stop all native forest logging, reaching a point of compromise or agreement seems unlikely at this point. VicForests adopts a broad strategy of attempting to engage with these groups and being active in the debate.

Internal factors impacting performance

VicForests delivered an updated Resource Outlook to the timber industry in February 2011. This outlook provided the most up-to-date predictions regarding medium- to long-term timber resource availability from State forest in eastern Victoria.

The 2011 Resource Outlook improved on previous predictions through the incorporation of the effects of the 2009 fires and improved modelling of operational constraints. It also confirmed an ongoing reduction in timber resource availability, which has characterised new estimates over the past 10 years (as shown in Table 1). This has been caused by a variety of factors, including landscape fires, increased reservation of production forestry areas and improved modelling processes.

Table 1: Forecasts of long-term sawlog availability

Outlook	Available D+ Sawlog
2003 Our Forests Our Future	570,000 m ³
2008 Joint Sustainable Harvest Level Statement	497,000 m ³
2011 VicForests' Resource Outlook	405,000 m ³



Sustainability Charter

Background

In 2006 the Minister for the Environment and the Minister for Agriculture launched the Sustainability Charter for Victoria's State forests. The Charter is a requirement of Section 11 of the *Sustainable Forests (Timber) Act 2004*. In addition, VicForests is specifically required by Section 12 of the Act to respond to the objectives of the Sustainability Charter by developing initiatives and targets in support of those objectives.

VicForests has two primary mechanisms for addressing this requirement. The first is VicForests' Sustainable Forest Management System (SFMS), which has been developed and certified to the Australian Forestry Standard. The second is VicForests' Corporate and Business Plans, which are developed annually and which outline initiatives and strategies for the organisation.

Sustainable Forest Management System

VicForests' Sustainable Forest Management System (SFMS) is designed around the requirements of the Montreal Process Criteria and Indicators, which also forms the basis of the Sustainability Charter. As part of the continuous improvement program incorporated into the SFMS, VicForests establishes objectives and targets for its activities and operations. These

objectives and targets form one component of the initiatives and targets that are required to address the Sustainability Charter.

VicForests reports annually on performance against these objectives and targets in its Sustainability Report. The current objectives and targets for VicForests' SFMS are included in the Appendix to this Statement of Corporate Intent.

Corporate Plan

VicForests' Corporate Plan is prepared annually and outlines strategies and initiatives for the next three years. Performance against these strategies and initiatives are reported each year in VicForests' Annual Report. The strategies and initiatives for the 2011–12 to 2013–14 financial years are also described below.



Strategic directions

Overview

The following five strategies and related initiatives have been informed by internal and external analysis, including the VicForests 2010 Review (conducted by URS), and presented on the basis of the Corporate Risk Framework. The strategies and initiatives also incorporate the outcome of a workshop conducted with the VicForests Board during the strategy development process.

Strategy 1: Resource security

A major risk to VicForests and Victoria's hardwood timber industry is the lack of resource security and certainty around future resource availability.

Until recently, long-term timber availability modelling was conducted by DSE. Responsibility for the ongoing measurement and forecasting of the commercial forest areas was transferred to VicForests in 2010, as outlined in Victoria's 2009 Timber Industry Strategy. Despite bringing this capability in-house, current estimates are based on DSE's Statewide Timber Resource Inventory (SFRI) and DSE's mapping of areas available and suitable for timber production while alternative strategies are being developed.

Resource forecasts also continue to be amended to take account of significant resource changes, such as the 2009 fires that burnt significant areas of the

high-quality ash resource in the Central Highlands, and the 2009 declaration of additional nature conservation reserves and extensions to existing national parks in East Gippsland. These impacts will have a significant effect on the quality and quantity of available timber into the future across the organisation.

In response, VicForests has commenced a process to improve wood supply forecasts, focusing particularly on refining estimates over the next 20 years within the context of longer-term sustainable harvest constraints. Additional surveying has also been required to ensure operations adhere to all relevant legislation. While not a strategic initiative in its own right, these forecasting activities will have additional costs, and their implications for resource availability are under specific management attention.

Goals

Support the government's commitment to guarantee long-term supply of native timber by:

- informing the *Sustainable Forest (Timber) Act 2004* review to simplify and increase efficiency, while continuing to focus on the long-term strategic objectives of the native forest industry
- providing greater certainty of supply through the development of a VicForests Forest Management Plan
- improving estimation and communication of yield forecasts.

Initiatives

- 1.1: Input into the *Sustainable Forest (Timber) Act 2004* revision and related legislation or procedural reviews.
- 1.2: Develop a VicForests' Forest Management Plan
- 1.3: Forest Resource Information Strategy
- 1.4: Spatially delineate the working forest areas into management coupes
- 1.5: Review harvesting rotations for faster growing forest
- 1.6: Quantifying organisational impact of pre-harvest and landscape threatened fauna assessment

Strategy 2: Social licence/sovereign/stakeholders

VicForests' ability to operate and its access to a skilled workforce can be limited by the erosion of public support for the industry. VicForests must continue to focus on building effective stakeholder networks and coalitions to address key industry issues in a coordinated manner. This strategy will require specific attention be given to the stakeholder engagement requirements of VicForests' forest certification. Effective stakeholder engagement is a key factor in ensuring the success of all VicForests' strategic initiatives.

Goals

Enhance the community's understanding of the benefits of Victoria's native forests by:

- clarifying land management roles and responsibilities across government and their interaction with VicForests
- communicating the benefits of sustainable native forest management and locally manufactured wood products to key stakeholders and the Victorian public.

Initiatives

- 2.1: Best practice sustainability reporting
- 2.2: Refine and implement stakeholder engagement plans specific to associated communities, interest groups and the public sector
- 2.3: Implement long-term relationship initiatives with traditional owners
- 2.4: Review strategic position on FSC certification

Strategy 3: Professional contract workforce

VicForests recognises the integral role forest contractors play in delivering the commercial, social and environmental benefits of the industry. Improving the methods by which VicForests engages and supports the capacity of these businesses represents an opportunity to reduce costs in the supply chain and to mitigate a number of key corporate risks.

Goals

Establish parameters for VicForests' contractor engagement and management by:

- reviewing the net benefit of current sales and delivery methods relative to alternative models
- confirming the tender process as the primary service acquisition method
- implementing processes that benefit contractors who provide their own third-party quality assurance systems (currently conducted by VicForests)
- implementing a zero harm occupational health and safety culture.

Initiatives

- 3.1: Review of mill door sales
- 3.2: Incremental improvement of the harvest and haul tender process
- 3.3: Increase contractor self-management and third-party auditing of business and safety systems

Strategy 4: Viable customers in stable or growth markets

The native forest industry has become increasingly marginalised due to an ongoing reduction in the area available for multiple use forest management. A declining resource base amplifies the need for the industry to exploit higher value uses from traditionally lower value products. This will require applying new approaches to processing and finding new markets.

Goals

Aid the development of superior product and businesses in Victoria's native forestry sector by:

- offering a portion of sales with increased tenure (20 years)
- developing new timber-related markets
- conducting ecological thinning in pre-commercial and sub-commercial areas of native forests.

Initiatives

- 4.1: Implement recommendations of government's price allocation model review
- 4.2: Implement recommendations of Australian Paper working group
- 4.3: Establish long-term sales processes
- 4.4: Field trial of combined commercial and ecological thinning objectives

Strategy 5: Internal process improvement and assurance

In response to increasing pressures on its operating environment, VicForests recently restructured its business operations to provide greater focus on supply chain planning and management, combined with greater workforce flexibility regarding the location of operations within the forest estate. Additional tools, skills and information are now required to operate under this new organisational structure.

Goals

Reviewing and assuring VicForests' practices will result in:

- world standard forest management practices
- cost-effective supply chain
- a skilled and secure workforce.

Initiatives

- 5.1: Implement a new supply chain management system
- 5.2: Skills development program
- 5.3: Improve pre-harvest coupe volume estimation
- 5.4: Analyse factors contributing to cash flow position and develop strategies to improve financing options
- 5.5: Review of management accounting and reporting system



Table 2: VicForests' Strategic Direction 2011–12 to 2013–14

	VicForests' Strategies	Strategic Goals	Strategic Initiatives
External Drivers	1. Resource security	<ul style="list-style-type: none"> Increasing efficiency of Victoria's native forest regulatory framework Development of a VicForests Forest Management Plan Improving estimation and communication of yield forecasts 	1.1 Input into revision of the <i>Sustainable Forest (Timber) Act 2004</i> and related legislation or procedural reviews 1.2 Develop a VicForests Forest Management Plan 1.3 Forest Resource Information Strategy 1.4 Spatially delineate the working forest areas into management coupes 1.5 Review harvesting rotations for faster growing forests 1.6 Impacts of pre-harvest and landscape threatened fauna assessment
Resource limiting growth			
Domestic housing outlook flat	2. Social licence / Policy response / Stakeholders	<ul style="list-style-type: none"> Consolidation of new roles and responsibilities with government Enhanced community understanding of the benefits of Victoria's forests 	2.1 Best practice sustainability reporting 2.2 Refine and implement stakeholder engagement plans, specific to associated communities, interest groups and government 2.3 Implement long-term relationship initiatives with traditional owners 2.4 Review strategic position on FSC certification
Pulpwood margins low			
Strong AU\$ against the US\$	3. Professional contract workforce	<ul style="list-style-type: none"> Review current sales and delivery methods relative to alternative models Confirm the tender process Increase contractors with audited business systems Implementing a zero harm occupational health and safety culture 	3.1 Review mill door sales 3.2 Incremental improvement of the harvest and haul tender process 3.3 Increase contractor self-management and third-party auditing of business and safety systems
World wood biomass increasing			
Change in government policy	4. Viable customers in stable or growth markets	<ul style="list-style-type: none"> A portion of sales with increased tenure (20 years) New timber-related markets Ecological thinning of native forests 	4.1 Implement recommendations of government's price allocation model review 4.2 Implement recommendations of Australian Paper working group 4.3 Establish long-term sales agreement process 4.4 Field trial of combined commercial and ecological thinning objectives
Complex stakeholder environment			
Governance of forest management	5. Internal process improvement and assurance	<ul style="list-style-type: none"> World standard forest management practices Cost effective supply chain Skilled and secure workforce 	5.1 Implement a new supply chain management system 5.2 Skills development program 5.3 Improve pre-harvest coupe volume estimation 5.4 Analyse factors contributing to cash flow position and develop strategies to improve financing options 5.5 Review management accounting and reporting system

Table 3: Project timelines

VicForests' Strategic Directions													
Strategy	Initiative	Timelines											
		2011-12				2012-13				2013-14			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Resource security	1.1 Input into revision of the <i>SF (Timber) Act 2004</i>												
	1.2 Develop a VicForests Forest Management Plan												
	1.3 Forest Resource Information Strategy												
	1.4: Spatially delineate the working forest into coupes												
	1.5 Review harvesting rotations for faster forests												
	1.6 Impacts of threatened fauna assessment												
2. Social licence/ sovereign/ stakeholders	2.1 Best practice sustainability reporting												
	2.2 Stakeholder engagement plans												
	2.3 Long-term relationship with traditional owners												
	2.4 Review position on FSC certification												
3. Professional contract workforce	3.1 Review of mill door sales												
	3.2 Improve harvest and haul tender process												
	3.3 Contractor self-management and auditing												
4. Viable customers in stable or growth markets	4.1 Implement PAM review recommendations												
	4.2 Implement Australian Paper working group recommendations												
	4.3 Establish long-term sales process												
	4.4 Field trial of commercial eco-thinning												
5. Internal process improvements and assurance	5.1 Implement new supply chain management system												
	5.2 Skills development program												
	5.3 Improve coupe volume estimation												
	5.4 Analyse cash flow and strategies to improve												
	5.5 Review of management reporting												

Measuring performance

Key

- Performance achievement of 90% of the target
- Performance achievement of 85% to 90% of target
- Performance below 85% of target

Indicator	Description	Frequency	Actual 2010-11	Target 2011-12	Target 2012-13
Financial performance measures					
Revenue to budget	The percentage of year to date revenue that is within budgeted amount	Monthly	93%	100% or greater	100% or greater
Expenses to budget	The percentage of year to date indirect expenses (overheads) that is within budgeted amount	Monthly	95%	100% or less	100% or less
Increase in unit sawlog price	The percentage increase of year to date weighted average sawlog price over previous year end (actual)	Monthly	6%	2%	2%
Increase in unit pulpwood price	The percentage increase of year to date weighted average pulpwood price over previous year end (actual)	Monthly	2%	-3%	-3%
Debtor days outstanding	This indicator is a measure of the average number of days that customer debt was outstanding at period end	Monthly	79	Less than 45 days	Less than 45 days
EBIT to DTF targets	The percentage of year to date EBIT (Earnings Before Interest and Tax) that is within budgeted amount agreed with DTF	Monthly	\$3.648m	\$5.636m	\$4.64m
Staff and contractor measures					
Lost time injury frequency rate – staff	This indicator is a measure of the number of reportable workplace incidents impacting VicForests' direct employees	Monthly	7.8	10% reduction from last year	10% reduction from last year
Lost time injury frequency rate – contractors	This indicator is a measure of the number of reportable workplace incidents impacting VicForests' contractors	Monthly	8.5	10% reduction from last year	10% reduction from last year
Customer measures					
Delivered sawlog in full and on time (DIFOT)	This indicator measures the extent to which customer orders are delivered in full and on time. It reflects VicForests' performance in delivery and consistency of supply	Monthly	78%	96%	98%

Indicator	Description	Frequency	Actual 2010-11	Target 2011-12	Target 2012-13
Delivered Pulplog in Full and On Time (DIFOT)	This indicator measures the extent to which customer orders are Delivered In Full and On Time. It reflects VicForests' performance in delivery and consistency of supply	Monthly	101%	96%	98%
Environmental performance measures					
Environmental performance score	This measure tracks the extent to which VicForests' harvesting contractors meet environmental coupe requirements as prescribed by VicForests	Monthly	95%	96%	97%
Coupe monitoring records completed	This measure tracks the rate at which formal coupe monitoring records are completed during the period	Monthly	90%	95%	97%
Process measures					
Tactical planning performance	This is a measure of the number of years of approved volume against sales commitments	Annual	2.5	2.5	2.5
Silviculture liability	This is a measure of the gross area of coupes that have been harvested and not regenerated and handed back to DSE	Annual	16,748 Ha	Not greater than last three years harvest area	Not greater than last three years harvest area
Cubic metre logged per staff	This measure will track general efficiency improvements in VicForests' operations	Annual	13,696 m ³	2% increase	2% increase

Appendix One

Response to the Sustainability Charter for Victoria's State forests, 2011–12

Table 1: VicForests' strategic goals and initiatives

VicForests' Strategies	Strategic Goals	Strategic Initiatives	1. To maintain and conserve biological diversity in State forests	2. To maintain and improve the capacity of forest ecosystems to produce wood and non-wood products
1. Resource security	<ul style="list-style-type: none"> Increasing efficiency of Victoria's native forest regulatory framework Development of a VicForests Forest Management Plan Improving estimation and communication of yield forecasts 	1.1 Input into revision of the <i>Sustainable Forest (Timber) Act 2004</i> and related legislation or procedural reviews		
		1.2 Develop a VicForests Forest Management Plan		
		1.3 Forest Resource Information Strategy		
		1.4: Spatially delineate the working forest areas into management coupes		
		1.5 Review harvesting rotations for faster growing forests		
		1.6 Impacts of pre-harvest and landscape threatened fauna assessment		
2. Social licence / Policy response / Stakeholders	<ul style="list-style-type: none"> Consolidation of new roles and responsibilities with government Enhanced community understanding of the benefits of Victoria's forests 	2.1 Best practice sustainability reporting		
		2.2 Refine and implement stakeholder engagement plans, specific to associated communities, interest groups and government		
		2.3 Implement long-term relationship initiatives with traditional owners		
		2.4 Review strategic position on FSC certification		

VicForests' Strategies	Strategic Goals	Strategic Initiatives	1. To maintain and conserve biological diversity in State forests	2. To maintain and improve the capacity of forest ecosystems to produce wood and non-wood products
3. Professional contract workforce	<ul style="list-style-type: none"> • Review current sales and delivery methods relative to alternative models • Confirm the tender process • Increase contractors with audited business systems • Implementing a zero harm occupational health and safety culture 	3.1 Review mill door sales		
		3.2 Incremental improvement of the harvest and haul tender process		
		3.3 Increase contractor self-management and third-party auditing of business and safety systems		
4. Viable customers in stable or growth markets	<ul style="list-style-type: none"> • A portion of sales with increased tenure (20 years) • New timber-related markets • Ecological thinning of native forests 	4.1 Implement recommendations of government's price allocation model review		
		4.2 Implement recommendations of Australian Paper working group		
		4.3 Establish long-term sales agreement process		
		4.4 Field trial of combined commercial and ecological thinning objectives		
5. Internal process improvement and assurance	<ul style="list-style-type: none"> • World standard forest management practices • Cost-effective supply chain • Skilled and secure workforce 	5.1 Implement a new supply chain management system		
		5.2 Skills development program		
		5.3 Improve pre-harvest coupe volume estimation		
		5.4 Analyse factors contributing to cash flow position and develop strategies to improve financing options		
		5.5 Review management accounting and reporting system		

Table 2: VicForests' SFMS objectives and targets

VicForests' Sustainable Forest Management System objectives	2011–12 Targets	1. To maintain and conserve biological diversity in State forests	2. To maintain and improve the capacity of forest ecosystems to produce wood and non-wood products	3. To promote healthy forests by actively managing disturbance
1. Improve VicForests' skills in biodiversity	Harvesting and roading foresters complete biodiversity training by June 2012			
2. Maximise the economic returns from harvesting operations	Increase compliance of acceptable damage in thinning operations. 93% of CMRs to identify <15% damage			
3. Ensure VicForests is appropriately managing regeneration commitment	Continue timely monitoring of regeneration and manage re-treatment program. Regeneration commitment to be no greater than last three years harvest area			
4. Manage identified high risk issues in appropriate time	Ensure time taken to act on CAIRs rated with risk of high or above is minimised. 90% of CAIRs with high or greater risk to be closed inside 90 days			
5. Address public concerns directed towards VicForests	Provide initial response to community queries within 2 working days by Dec. 2011			
6. Improved Indigenous engagement	Engage with Indigenous owners in VicForests management areas and develop Indigenous traineeships by June 2012			
7. Improve our understanding of threatened fauna distributions and habitat requirements in order to better manage biodiversity.	Report on the biodiversity findings of pre- and post-harvest threatened species surveys across State forest by June 2012			
8. Understand VicForests' impact on water yield	Model the impact on water production of harvesting scenarios by June 2012			
9. Minimise the risk of fuel and oil spills by improving the management and storage of this material on coupes	Increase the average annual score for fuel and oil store bunding on the coupe monitoring record to 96% compliant over the period 2011–12			
10. Understand the impact of VicForests' activities on forest carbon cycles	Measure VicForests' net carbon impact by June 2012			

Table of acronyms

Acronym	Definition
AFS	Australian Forestry Standard
AO	Allocation Order
DIFOT	Delivered in Full and On Time
DPI	Department of Primary Industries
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
Dumps	Timber storage facilities.
EBIT	Earnings Before Interest and Taxes
F17	A predicted strength rating using visual stress grading, described in Australian Standard AS1720.1. F grades range from F4 to F34. F17 is commonly specified for high strength house applications such as framing and roof trusses.
FSC	Forest Stewardship Council
FTE	Full Time Equivalent
JoSHL	Joint Sustainable Harvest Levels (Statement) – published May 2008
LTIFR	Lost Time Injury Frequency Rate (number of lost time injuries per million hours worked)
LVL	Laminated Veneer Lumber
MDS	Mill Door Sales
OFOF	Our Forests Our Future – State Government Policy Statement published February 2002
PAM	Price Allocation Model
SFMS	Sustainable Forest Management System
SFTA	<i>Sustainable Forests (Timber) Act 2004</i>
SGARA	Self Generated and Regenerated Assets
Stumpage	Timber value (excluding harvesting and haulage).
SWOT	Strengths Weaknesses Opportunities Threats
TCV	Treasury Corporation of Victoria
TIS	Timber Industry Strategy
TRP	Timber Release Plan
TSA	Timber Sales Agreement
VAGO	Victorian Auditor General's Office



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