

Project name

VicForests Review 2010 (the Review)

Terms of reference

Purpose

The core policy driver for establishing VicForests was to separate Government's commercial forestry roles from its policy, monitoring and regulatory roles in forest management, in line with National Competition Policy objectives. This would ensure that Government's commercial forest operations remain open and accountable and that the logging industry is managed more efficiently and competitively (*Our Forests Our Future Policy Statement 2002*).

In line with these objectives, the primary purpose of establishing VicForests was to create a statutory body to undertake the management and sale of timber resources in Victorian State Forests on a commercial basis (*VicForests Establishing Order in Council S198 October 2003*).

The purpose of the Review is to assess whether VicForests has delivered the outcomes that Government sought at its establishment and to identify opportunities to enhance VicForests' role in the sustainable management and commercial utilisation of the State native forest timber resource.

Scope

The Review should inquire into and report on the following matters:

Business Model and Operations

1. Assess whether VicForests is achieving the outcomes that Government sought at its establishment including the creation of a more efficient, competitive and sustainable native forest logging industry.
2. Examine VicForests' business model particularly VicForests' capacity to balance the delivery of annual dividends to the State with the maximisation of long term economic returns to Victoria, within the context of Victorian Government policies relating to sustainable forest management.
3. Assess whether VicForests is operating efficiently, effectively, transparently and profitably in line with VicForests' commercial remit. This assessment should include benchmarking of VicForests' operations against better practice and provide recommendations aimed at enhancing the performance of the organisation together with appropriate performance measures to monitor ongoing performance.
4. Evaluate VicForests' performance in delivering the following core business functions:
 - I. Plan, estimate and manage the available forest resource in line with current and future demand for timber products, in order to best position and market timber to customers;
 - II. Sale of timber for sawlog, pulplog and other end uses, including an appraisal of auction based pricing of timber and other forms of sale; and
 - III. Harvest and supply of timber, including an assessment of the harvest and haul tender process.
5. Examine and assess VicForests' business model in the context of VicForests' capacity to undertake commercial functions, beyond the commercial sale and supply of timber, including; the provision of biomass for energy production, road maintenance, forest regeneration and salvage harvesting operations.

6. Examine VicForests' risk management framework noting particularly its capacity to manage and respond to commercial risks.

Assessment of stakeholder relationships

7. Examine and assess the interaction between VicForests: and Government; industry; and other stakeholders.
8. Identify opportunities for enhancing VicForests' stakeholder engagement with industry, Government Departments and other stakeholders, in line with VicForests' commercial remit.

Environmental performance

9. Assess VicForests' environmental performance relating to forest management and compliance with regulation (relating to resource use and the environment) and examine opportunities for improvement.

Product certification

10. Examine VicForests' mechanisms or structures to assure compliance with the economic, social, environmental and cultural requirements of the Australian Forestry Standard and make any necessary recommendations for improvement in these mechanisms or structures to maintain accreditation including potential changes to criteria.

Recommendations

The Department of Treasury and Finance and the Department of Primary Industries seek recommendations in relation to each of the elements listed above.

Out of scope

The Review should not include a review of the current legislative and policy frameworks governing VicForests and the Victorian timber industry. However, if in the course of the Review, the consultant identifies regulatory, legislative and policy impediments the consultant may provide recommendations that require legislative and policy change.