



Privatisation for Victorian State Plantations

The second largest holding of radiata pine in Australia is changing ownership.

The Victorian Plantations Corporation (VPC) was established as a State Business Corporation in 1993, taking over management of the public sector plantation estate from an 'umbrella' Department that had carried the functions over the previous ten years. As was the case in New Zealand, in the Australian State of Victoria a long established forest service (Forests Commission, Victoria) was effectively dis-established by a reformist Government in the early 1980s.

In early 1998, the Victorian State Government announced its intention to offer the VPC for sale by international tender. The sale involves all plantation growing stock, existing supply contracts and other related assets, and all management rights in respect of the estate.

The Government argues that the privatisation of VPC will facilitate further development of plantations in Victoria by the private sector. SBC Warburg Dillion Read has been engaged as transactional advisors, and NZ Forest Research Institute has subsequently been involved with resource auditing processes.

The plantation land base will remain as Crown land, leased to the purchaser on a 99 year lease, with its use restricted to plantation forest and timber production. The responsibility for fire management will pass from the Department of Natural Resources and Environment to the Country Fire Authority. The CFA is in the process of coordinating the formalisation of Forest Industry Brigades. The Government will require the purchaser of VPC to offer jobs to VPC's 120 full-time staff.

The VPC is the major supplier of plantation timber to the Victorian timber industry. Its major asset comprises timber plantations on 167,921 hectares of 'vested' Crown land. VPC manages 106,976 ha of softwood plantations (virtually all radiata pine) and 8,001 ha of hardwood plantations (eucalyptus). VPC presently supplies 1.8 million m³ pa of timber, of which 100,000 m³ pa is hardwood.

The VPC has plantations widely distributed across the State and is admin-

istratively divided into three zones. The Government will consider bids for either the whole of the estate or for each of the three regions, which comprise the:

- North East zone, which is the largest with just under 50,000 ha of plantations and a total area of 79,000 ha.
- Latrobe zone, which has around 26,000 ha of plantations and a total area of 46,000 ha.
- Western zone, which comprises 36,000 ha of plantations and a total area of 43,000 ha.

As well as aiming to maximise its price for the assets, the State Government has stated its motives in terms of objectives of:

- Facilitating the development of an internationally competitive and efficient timber industry.
- Providing an environment conducive

to increased investment, more plantations, innovation and value added processing.

- Transferring of risk from public to private sector.
- No residual risk for the State, ie, all parts of the business to be sold.

As part of the sale process, bidders are being asked to provide a Management Plan for the plantation. This will include a short term and long-term plan of the bidder's intentions for the future of the estate, specifically addressing issues such as operational efficiencies and business initiatives/development, plantation expansion plans or investment plans in downstream processing.

The sale process is expected to be concluded by December 1998 and legislation facilitating the sale process has been passed in the Autumn session of Parliament in Melbourne.

New Zealand's forestry sector becomes more energy efficient

A recent report by the Energy Efficiency and Conservation Authority documents a 2.7% improvement in the efficiency of energy use by the forestry processing industry in two years between 1995 and 1997. This was the result of a 1.2% decrease in energy consumed coupled with an increase of 1.5% in the sector's GDP. The energy saved represents around \$10 million dollars to the industry.

EECA's Chief Executive, Godfrey Bridger, says that under the impact of ongoing technological improvements, use of higher-quality energy sources, and better energy management practices, the forestry processing industry is expected to record further energy efficiency gains, albeit slowly, over the next three to five

years. He said this trend was welcome as it helped reduce forestry production costs, improved the industry's competitiveness globally and helped New Zealand achieve reductions in carbon dioxide emissions.

Energy-Wise Monitoring Quarterly says that in the year ended March 1997, New Zealand's forestry processing industry accounted for around 11% of the total energy consumed and contributed 4% of national gross domestic product. Of the industrial subsectors, only aluminium production uses more electricity than forestry.

The energy component of forestry processing, as a percentage of total cost, is estimated to range from 5-6% for sawn timber, to 35-40% for mechanical pulp.