

Departmental-specific initiatives to achieve 2006-07 Budget priorities

Title:

2.5 Managing the Forest Estate

Ministerial priority ranking:

Budget Priority:

Environmental Sustainability Action Statement

Description:

This initiative is to provide for the proper and effective management of Victoria's vast forest estate.

- We have 3.4 million hectares of State Forest, this makes up 40% of the Victorian public land estate that the government holds and manages on behalf of the community.
- State forests provide a diverse range of services to a wide cross section of the community. These include:
 - timber harvesting
 - recreational activities not permitted in national parks (trail biking, hanggliding, mountain biking etc.)
 - clean water, plant and animal health, protection of waterways (rivers), other ecosystem services
 - regional community benefit through pride of place
 - tourism potential or other public private partnerships
- These uses and services have always been available however traditionally, the primary management focus has been on timber harvesting. Initiatives to fund other services have historically received attention through cross subsidisation from commercial activities. This is no longer possible with the creation of VicForests.
- We need to increase the level of service provided in relation to these alternative forest services as the decrease in logging resulting from OFOF and related initiatives has increased Victorians awareness of the value and opportunities the forest estate provides.
- This increased awareness is placing growing demands on existing resources. The need to manage conflicting uses is growing. There is also a level of risk for government where facilities do not meet suitable safety standards. Furthermore, if the natural capital of the forest estate continues to degrade, some of the ecosystem services it provides are put at greater risk - for example water.
- It is known that Victoria's 'Parks' receive 29cents per hectare for park management, whereas DSE receives 11 cents per hectare for forest management.
- This initiative addresses some of the existing pressure points. It seeks funding to:
 - **Manage built assets:** The initiative would upgrade existing infrastructure including roads, bridges, and visitor and recreation sites that do not meet required safety standards, necessary evacuation procedures or are key to provide linkages to high profile places.
 - **Enhance the natural capital of the estate as it is increasingly becoming degraded:** The initiative would restore some of the degraded estate so as to make it more serviceable to the community; investigate its full socio-economic value; monitor and research to meet legislative requirements for an indicators framework, and set up volunteer based monitoring programs to assist with improving resource knowledge.
 - **Strengthen community engagement and volunteer effort in forest management.** The initiative would draw on successful experience in East Gippsland and implement actions identified as preferred use for local forests.
 - **Manage trail bikes use.** The initiative would reduce existing conflict with land-holders of adjoining properties and other forest users who are being displaced by anti-social riding behaviour. This has a detailed action plan ready to implement. This initiative makes up the bulk of the output initiative money requested in 2006-07.

Indicative Financial Impact (Please delete any lines or tables not required)

Cabinet in Confidence – Sustainability Action Statement

OUTPUT INITIATIVE:	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	Ongoing \$m
Gross price change (Note 1)	0.000	2.050	10.821	10.554	10.155	10.409
Offset from internal reprioritisation	0.000	0.000	0.000	0.000	0.000	0.000
Offset from revenue	0.000	0.000	0.000	0.000	0.000	0.000
NET OPERATING IMPACT - TOTAL	0.000	2.050	10.821	10.554	10.155	10.409

Notes

1. The following escalation factors have been applied: 2006-07 : 1.025, 2007-08 : 1.0506, 2008-09 : 1.0769, 2009-10 : 1.1038

ASSET INVESTMENT INITIATIVE #:	Type	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	TEI \$m
Estimated cash flows	B	0.000	7.500	8.500	8.500	8.500	33.000
Surplus asset disposal proceeds		0.000	0.000	0.000	0.000	0.000	0.000
NET IMPACT - TOTAL		0.000	7.500	8.500	8.500	8.500	33.000
Output impact of the asset initiative:		2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m	Ongoing \$m
Gross price change (Note 1)		0.000	0.000	0.263	0.560	0.858	1.155
Capital Asset Charge (Note 2)		0.000	0.000	0.600	1.280	1.960	2.640
Depreciation expense (Note 3)		0.000	0.000	0.375	0.800	1.225	1.650
Offset from internal reprioritisation		0.000	0.000	0.000	0.000	0.000	0.000
Offset from revenue		0.000	0.000	0.000	0.000	0.000	0.000
NET OPERATING IMPACT - TOTAL		0.000	0.000	1.238	2.640	4.043	5.445

Notes

- Maintenance and running costs included at 3.5% of asset investment
- CAC included at 8%
- Depreciation included at 5% (20 year life)