

FORESTRY TRANSITION PROGRAM

Sawmill Voluntary Transition Package

APPLICATION GUIDELINES
FEBRUARY 2024



Acknowledgment

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.



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Accessibility

If you would like to receive this publication in an alternative format, please telephone the Forestry Transition Program Business Transition Support Officer on 1800 318 182, email forestrytransition@djpr.vic.gov.au. This document is also available on the internet at djsir.vic.gov.au/forestry/grants.

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1. Background

In May 2023 the Victorian Government announced the cessation of commercial native timber harvesting in State forests by 1 January 2024.

The Victorian Government's Forestry Transition Program aims to maintain as many regional jobs as possible as the timber industry transitions away from native timber harvesting.

The Sawmill Voluntary Transition Package is part of a suite of programs on offer by the Victorian Government to support sawmill businesses, harvest and/or haulage contractors, community forestry operators and other forest-based businesses impacted by the native forestry industry transition.

2. Overview of the Sawmill Voluntary Transition Package

The Sawmill Voluntary Transition Package (the Package) is a payment the Victorian Government will make to sawmills to cease purchasing logs under a Timber Sale Agreement or Forest Produce Licence from Victorian State forests prior to 1 January 2024 and surrender their Timber Sale Agreement.

Eligible sawmills (see section 3 – Eligible businesses) will be contacted by the Department advising them of the Package and the application process.

Recipients of the package are not required to close their sawmill.

The Department will assess each application and make a funding determination.

The decision on funding support will be made by the Minister for Agriculture in her absolute discretion.

The Package is administered by the Department of Energy, Environment and Climate Action (the Department).

3. Eligible businesses

To be eligible to apply for a Package, an applicant business must:

- a. be a party to a current Timber Sale Agreement with VicForests that includes the supply of E grade or better sawlog from 1 July 2023 to 30 June 2024; or
- b. hold a Forest Produce Licence administered by VicForests that includes the supply of box ironbark, red gum, durable, common or mixed species sawlog from 1 July 2023 to 30 June 2024; and
- c. currently produce sawn timber products as its main output noting this excludes posts, poles and firewood; and
- d. have a dedicated sawmilling site on private land; and
- e. hold a current registered Australian Business Number (ABN); and
- f. declare that they meet all industrial relations obligations as an employer in accordance with the National Employment Standards under the *Fair Work Act 2009* (Cth) and the applicable Award, such as the Timber Industry Award.

4. What will the Department pay?

The amount the Department will pay through a Package will comprise:

- a payment for the contracted or licensed volume of sawlog that will not be supplied in 2023–24
- a payment of up to \$1,000,000 per business for non-fully depreciated plant and equipment used to process native timber from Victorian State forests
- a payment of up to \$150,000 for sawmill site rehabilitation¹
- a payment to cover employee statutory redundancy costs.

4.1 Component 1: Pricing of timber

The Department will pay for 100% of the 2023-24 Annual Supply Level volume as per the relevant Timber Sale Agreement or the Annual Volume as per the relevant Forest Produce Licence less^{2,3}:

- any volume supplied against the relevant Timber Sale Agreement or Forest Produce Licence during 2023-24 and less
- the amount of any early compensation payments by VicForests in 2023-24.

The Department will use the rates per cubic metre in the schedules below to price the surrendered volume of timber:

Table 1: Schedule of rates for Ash and Mixed species sawlog

	\$/m ³	\$/m ³	\$/m ³	\$/m ³
Species/grade	B	C	D	E
Ash	400	280	210	160
Mixed species	300	240	180	140

Table 2: Schedule of rates for Box Ironbark, Red Gum and durable species and Common and Mixed species sawlog

	\$/m ³	\$/m ³	\$/m ³
\$/m ³	Class/grade 1	Class/grade 2	Class/grade 3
Box Ironbark	350	225	n.a.
Red Gum and durable species	350	300	140
Common and Mixed species	300	140	125

Note that any undersupply by VicForests over the period of a Timber Sale Agreement up until 30 June 2023 that has not been previously compensated by VicForests will be compensated by VicForests in accordance with the relevant Timber Sale Agreement.

4.2 Component 2: Plant and equipment compensation

The Department will pay the difference between the non-fully depreciated value (closing value) of the eligible plant and equipment and the auction realisable value based on a valuation undertaken by the Valuer-General Victoria, as detailed in section 7.

To be eligible for the payment, plant and equipment must:

- be listed on the business's ATO-compliant 2021-22 or 2022-23 depreciation schedule with a closing value of greater than \$0.00
- be used primarily for the production of sawn timber
- not be a motor vehicle, IT and office equipment, and infrastructure. These will be considered as separate asset classes from the plant and equipment used for the processing of native forest timber and will not be included in the valuation
- not be deployed by the business for sawmilling purposes by the business after payment has been made by the Department if the sawmill remains open. The business may sell or donate the plant and equipment after a payment has been made.

¹ Sawmills with an annual volume allocation of 1,000m³ or less will be eligible for \$50,000.

² For Timber Sale Agreements with an 'up to' volume amount, the minimum volume will be used for the calculation.

³ For Forest Produce Licences the annual entitled volume for 2023-24 will be paid.

If the valuation amount is less than the closing value on the depreciation schedule, the Department will pay the difference, up to \$1.0 million per eligible business.

If the valuation amount is greater than the written down value for a piece of plant and equipment, the Department will not make a payment.

For example:

	Written down value	Current market value	Projected loss on sale	Departmental payment
Item 1	\$250,000	\$20,000	\$230,000	\$230,000
Item 2	\$100,000	\$130,000	\$0	\$0

The final sum to be included in the Letter of Offer from the Minister is subject to this process having been completed.

4.3 Component 3: Sawmill site rehabilitation

The Department will pay \$150,000 towards sawmill site rehabilitation for sawmills that have an annual intake of 1,000m³ of sawlog or more and intend to cease operating as a sawmill by 30 June 2025.

For sawmills with an annual intake of less than 1,000m³ of sawlog and intend to cease operating as a sawmill by 30 June 2025 the Department will pay \$50,000.

Sawmills that have more than one processing site at least one kilometre apart are eligible for additional sawmill site rehabilitation payments.

4.4 Component 4: Employee statutory redundancy costs

The Department will reimburse the sawmill for employee redundancy payments made by the sawmill, capped at the maximum rate specified in the applicable Award or National Employment Standards.

The reimbursement amount will be based on the evidence of the redundancy payment being made to an employee. Only actual redundancy amounts will be reimbursed.

The Department will not reimburse the payment of leave entitlements.

Note that reimbursement of employee redundancy payments will be made on the basis of a genuine redundancy.

Community Forestry sawmills

Community forestry sawmills (see section 3 – Eligible businesses) with a Forest Produce Licence for sawlog have the option to:

- apply for the package and if accepted, surrender all sawlog allocation on their Forest Produce Licence(s) from a date agreed to with the Department; or
- continue operating until 30 June 2024 and not participate in the Sawmill Voluntary Transition Package. As at 30 June 2024, these mills will be eligible for the sawmill site rehabilitation payment, the plant and equipment compensation package and employee statutory redundancy costs only.

Note for sawmills purchasing timber through a Forest Produce Licence, payment of the harvest and haul component of the timber price will be based on the evidence of that component amount being made to the relevant harvest and haulage contractor, if a harvest and haulage contractor is used to harvest and deliver timber.

5. Key dates

Application opening date: Wednesday 23 August 2023

Package briefing: Thursday 31 August 2023 at 10:00 am

Period for questions about the Application process ends: Friday 15 December 2023

Application closing date: Sunday 30 June 2024

6. Application process

Step 1: Invitation to submit an Application

The Department will write to eligible sawmills inviting them to submit an Application for a Package.

Applications for the Package must be submitted by 5:00 pm Sunday 30 June 2024 (**Application closing date**).

Step 2: Businesses prepare and submit an online Application

The Application is to be made through an online form and requires the applicant business to provide the following information and commitments to the Department:

1. A declaration that the business (the entity which is party to the relevant Timber Sale Agreement or Forest Produce Licence) is eligible to participate in the Package:
 - a. is a party to a current Timber Sale Agreement with VicForests that includes the supply of E grade or better sawlog from 1 July 2023 to 30 June 2024; or
 - b. holds a Forest Produce Licence administered by VicForests that includes the supply of box ironbark, red gum, durable, common or mixed species sawlog from 1 July 2023 to 30 June 2024; and
 - c. currently produces sawn timber products as its main output, noting this excludes posts, poles and firewood; and

- d. has a dedicated sawmilling site on private land; and
 - e. holds a current registered Australian Business Number (ABN); and
 - f. meets all industrial relations obligations as an employer in accordance with the National Employment Standards under the *Fair Work Act 2009* (Cth).
2. A copy of the current executed and dated Timber Sale Agreement with VicForests including any relevant Deeds of Amendment and/or a copy of the current executed and dated Forest Produce Licence administered by VicForests.
 3. Confirmation of Sawmill Voluntary Transition Package components:
 - a. Component 1 – Timber pricing
 - i. Acknowledgement of the timber price payment as outlined in the letter sent by the Department inviting an application for the Sawmill Voluntary Transition Package. If the applicant considers the price calculation to be incorrect, they are encouraged to contact the Program Manager on sawmillvtp@ecodev.vic.gov.au
 - b. Component 2 – Plant and equipment compensation
 - i. A copy of the business's asset depreciation schedule that is Australian Taxation Office compliant
 - ii. Identification of the plant and equipment for which compensation is requested
 - iii. Agree to the Department arranging for a valuer from the Valuer-General Victoria to visit the site, accompanied by a Departmental officer, to undertake an independent valuation of all the eligible non-fully depreciated plant and equipment for which compensation is requested.
 - c. Component 3 – Sawmill site rehabilitation
 - i. The number of sawmill sites for which the rehabilitation payment is requested
 - ii. The address of each sawmill site.

- d. Component 4 – Employee statutory redundancy costs
- i. A spreadsheet detailing the employee statutory redundancy payments to be made to employees who are to be made redundant:
 1. Employee starting date
 2. Years of service
 3. Hourly rate
 4. Award
 5. Redundancy pay weeks
 6. Redundancy pay value.

Note that the information in the spreadsheet may be de-identified and not include employee names.

4. A declaration that the business:
- a. will comply with the conditions of participation in the Package set out in these Guidelines;
 - b. consents to the Department sharing information with Australian and State government departments and agencies and the Australian Business Register for the purpose of verifying the information provided in the Application;
 - c. understands that if the sawmill chooses to participate in the Package and intends to make some or all of their workforce redundant, the business will be required to, from the date an application is submitted:
 - i. provide access for the Department's worker support program staff to engage with employees regarding the Forestry Transition Worker Support Program, with the access to employees to be provided at no cost to the Department or employees; and
 - ii. provide employees who are to be made redundant with the opportunity to participate, and actively ensure their participation in an agreed program of pre-redundancy training within work hours, including onsite skills audit and/or verification and other Forestry Transition Program worker support activities; understanding that these activities occur in service modules with cumulative time required up to 10 business days; with the cost of any leave to be at no cost to the employee or the State;

- d. understands that if the sawmill is successful in the Package, the business will be required to:
- i. enter into a grant agreement with the Department for the payment
 - ii. agree to the termination of all Timber Sale Agreements that they hold with VicForests on or before 29 March 2024
 - iii. enter into an irrevocable Deed of Termination and Release with VicForests for all Timber Sale Agreements held with VicForests
 - iv. agree to not purchasing sawlog on a Forest Produce Licence that they hold with VicForests after an agreement for a Sawmill Voluntary Transition Package is reached with the Department
 - v. identify how contractors will be paid the harvest and haulage component of the timber price in cases where there has been long-standing use of contractors for the harvest and delivery of timber for a sawmill purchasing timber through a Forest Produce Licence
 - vi. consent to VicForests sharing the applicant's Timber Sale Agreement or Forest Produce Licence with the Department
 - vii. meet all employee statutory entitlements of employees associated with redundancy due to this Package
 - viii. enable worker support payment redundancy top-ups to be calculated by the Worker Support Service by ensuring that full payroll and employment information is provided in writing for workers that are made redundant (this includes all information relating to start date; years of service with the business; annual salary and rates of pay; relevant Award; statutory redundancy payments made or to be made by the business to the worker; unused annual leave and statutory entitlements paid)
 - ix. meet all obligations relating to major workplace change in accordance with the relevant award or Enterprise Bargaining Agreement.

The date the business will cease buying and receiving logs from VicForests on a Timber Sale Agreement. This is to be no later than 31 December 2023.

7. Verification and Assessment Process

Step 3: Eligibility check

The Department will confirm the eligibility of each applicant's Application.

An Application is 'eligible' if:

1. the business is an eligible business, having met all of the criteria listed in section 3;
2. the information and evidence provided is true and correct in every particular;
3. the declaration required to be made when submitting the Application is made; and
4. the Application is submitted by the Application Closing Date.

The Department may request clarification of the information provided, ask for additional information or validate the information provided before formally determining the eligibility of the Application.

The Application cannot be assessed until the information requested is provided within the timeframes specified by the Department.

Step 4: Assessment and Valuation

To assess the non-fully depreciated value of plant and equipment, the Department may request the applicant provide clarifying or further information, and access to the business site/s to inspect the property and assets of the business.

The Department will arrange for a valuer from the Valuer-General Victoria to visit the site, accompanied by a Departmental officer, to undertake an independent valuation of all the eligible non-fully depreciated plant and equipment that has been listed by the applicant in their Application.

Subject to this valuation process, if the valuation amount is less than the written down value in the business' asset register, then the Department will pay the difference between the auction realisable value as assessed by the valuer and the written down value. If the valuation amount is greater than the written down value for a piece of plant or equipment, the Department will not make a payment.

The completed valuation by the Valuer-General Victoria is final and non-negotiable.

The Department will assess all other components of the package and make a recommendation for funding to the Minister.

Step 5: Approval of funding

The Minister for Agriculture will consider the recommendations made by the Department when deliberating on final approval for a Package for a successful applicant.

8. Offer and grant agreement

Step 6: Offer of a Package

Where the Minister for Agriculture approves a Package for a successful applicant, the Minister will write to the successful applicant with an offer to enter into a grant agreement with the Department.

The successful applicant must respond to the Letter of Offer in writing indicating they have accepted it.

The letter of offer is a non-binding agreement and will lapse after 15 business days from the date of the letter unless varied by agreement with the Department.

Step 7: Grant agreement

The Department will issue the successful applicant with a grant agreement if the applicant accepts the letter of offer.

The grant agreement is a legally enforceable document that clearly set out the obligations of both parties. The grant agreement aims to protect the Victorian Government's interests and to ensure the efficient and effective use of public money.

The grant agreement will detail all funding obligations and conditions, including without limitation the following key terms:

1. Timber Sale Agreement and Forest Produce Licence holders will be required to indemnify and release the State and its agencies and their officers and agents from and against any and all current and any and all future claims, actions, proceedings, demands, costs and expenses in connection with the Package.
2. All monies due and payable to VicForests but remaining unpaid must be paid prior to the Package payment being paid.
3. Where the successful applicant has been the recipient of financial assistance or a grant from the State for which an agreement has been entered into, any obligations of the business to the State arising out of the take-up of a Package payment will require settlement in accordance with the Department's directions⁴.
4. The applicant must settle liability in connection with the surrender of the Timber Sale Agreement and enter into a Deed of Termination and Release with VicForests (on such terms as required by VicForests).
5. No part of the Package payment will be made under the grant agreement until VicForests' Deed of Termination and Release has been executed by VicForests and the applicant.
6. The full amount of a Package payment will only be made after evidence has been provided that any required statutory entitlements for employees have been met, unless special circumstances can be demonstrated and arrangements settled with the Department in advance.
7. When the Package payment is paid in full in accordance with the grant Agreement, the Package payment is full and final settlement of the sawmill's agreement to surrender its rights under such agreement. No further application for any assistance from the State with respect to that agreement will be considered.
8. The applicant agrees to, and facilitates, reasonable access for the Department-funded Forestry Transition's Worker Support Program staff to engage with employees regarding the worker support program, with the cost of providing access to employees to be at no cost to the Department or employees.
9. The Package payment will be paid in one or more instalments after 1 July 2023 as determined by the Department in consultation with the successful applicant.

Successful applicants must agree and sign the grant agreement within 20 business days from the date the Department provides them with the grant agreement, otherwise the offer will lapse.

⁴ For example, a sawmill might be the recipient of a Victorian Timber Innovation Grant and the take-up of a Package Payment may impact on the achievement of a grant milestone.

9. GST and other taxes

Applicants should note that all costs and calculations included in the Application must be exclusive of GST.

Applicants will be required to determine the tax implications of any payment under the Package from their own taxation advisors and at their own risk. Tax liabilities (if any) payable or paid as a consequence of the Package is entirely the responsibility of the applicant and will not be reimbursed.

If a successful applicant is registered for GST, a GST payment will be added to any payments made under the Package.

10. Absolute discretion

The Department reserves the right to request the applicant to provide further information should it be deemed necessary. The Department reserves the right to amend these Guidelines and the application terms at any time as it deems appropriate.

Any changes to the Guidelines will not affect the eligibility of the applicants and Applications made prior to the date of publication of any update.

The State makes no representation that a grant of funds will be made to any applicant and reserves the right to make no funds available under the Package.

11. Other Forestry Transition assistance available

The Forestry Transition Program includes assistance for affected timber businesses, workers and communities. Successful applicants under the Package remain eligible for other Forestry Transition Program support packages when and if released, subject to meeting the specific requirements.

Forestry Transition support includes:

- Victorian Timber Innovation Grants – this program supports businesses to transition from native timber and explore, investigate and implement business transition opportunities.
- Worker Support – this program supports affected sawmill workers and those working in harvest and haulage businesses. Support for workers includes:
 - Training and re-training programs, including a pre-redundancy training program and workplace skills audit (recognition of prior learning process)
 - Case management, specialist employment and career assistance
 - Relocation support
 - Top-ups to worker redundancy payments
 - Tailored mental health and wellbeing support.
- Transition Fund – this fund will support actions from the local development strategies to grow businesses and create jobs in affected communities. This fund is yet to be released.

Details of these programs can be found at djsir.vic.gov.au/forestry/forestry-plan or by phoning 1800 318 812.

12. Privacy

The Department of Energy, Environment and Climate Action (DEECA) is committed to protecting personal information provided by you in accordance with the principles of the Victorian privacy laws.

Any personal information about the applicant or a third party in the Application will be collected by the Department for the purpose of grant administration.

If personal information about third parties is included in the application, the applicant must ensure that those third parties are aware of the contents of this privacy statement and the contents of the Department of Energy, Environment and Climate Action Privacy Policy available from the Privacy Officer (details below).

Any personal information about the applicant or a third party in correspondence will be collected, held, managed, used, disclosed or transferred in accordance with the provisions of the *Privacy and Data Protection Act 2014 (Vic)*, *Health Records Act 2001 (Vic)* and other applicable laws.

In order to seek documents held by the Department you may submit an FOI request under the *Freedom of Information Act 1982* to the FOI Manager, Department of Energy, Environment and Climate Action.

The Department is committed to protecting the privacy of personal information. The Department's privacy policy is available from:

Enquiries about access to information about you held by the Department should be directed to:

Freedom of Information Manager and Privacy Officer

Department of Energy, Environment and Climate Action
PO Box 500
EAST MELBOURNE VIC 8002

Email: foi.unit@delwp.vic.gov.au

In order to seek documents held by the Department you may submit an FOI request under the *Freedom of Information Act 1982* to the FOI Manager, Department of Energy, Environment and Climate Action.

13. No representation

Businesses are solely responsible for obtaining independent, professional legal and financial advice prior to making an application.

By making an application, the applicant acknowledges that it has not relied on, and will not rely on, any financial or other advice, representation, statement or promise provided or made by or on behalf of the Department in connection with their participation in the Package and exiting future timber supply.

The Department makes no representation that a grant of funds will be made to any applicant and reserves the right to make no funds available under the Package.

14. Further support

Sawmill Voluntary Transition Package contact

Program Manager: Ross Potter, Project Manager, Forestry Transition

Contact details: sawmillvtp@ecodev.vic.gov.au

Further information

Businesses requiring further information about the Forestry Transition should contact a Forestry Transition representative for further details.

P: 1800 318 182

E: sawmillvtp@ecodev.vic.gov.au

W: djsir.vic.gov.au/forestry/grants

The Guidelines will also be made available at the following website: djsir.vic.gov.au/forestry.



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