

## MEDIA RELEASE

### STATE GOVERNMENT MUST ENSURE ECONOMIC AND SOCIAL SUSTAINABILITY OF VICTORIA'S TIMBER INDUSTRY

**MELBOURNE, 15 August 2008**

Victoria's leading timber processor, ITC Timber, has urged the State Government to consider the impact of the VicForests log auction process on the industry's future economic and social sustainability as it continues the preparation of the Timber Industry Strategy.

The call follows completion of the fourth online log auction by VicForests.

ITC Chief Executive Officer, Vince Erasmus, said the Company was surprised by the aggressive pricing demonstrated by bidders in the auction noting that the prices being paid were cause for concern.

"ITC Timber is the largest processor in the Victorian hardwood timber industry with a significant domestic and international sales footprint and the strong backing of our parent company, Futuris Corporation," he said.

"Yet we are most concerned that the prices paid by others at the recent auction represent a cost base that cannot support a commercial return and that potentially jeopardises the economic and social sustainability of the sector."

Mr Erasmus said that ITC Timber secured much of its desired level of volume from the auction. The prices paid for some lots reached a level well in excess of the price of similar logs purchased in Tasmania.

"We are concerned that such extraordinary increases will see Victoria become uncompetitive in the global market for sustainable forest products, leading to a loss of jobs and future investment."

"ITC shares the State Government's commitment to the application of market forces to determine the pricing dynamics for logs. However when prices reach unsustainable levels such that it threatens the economic and social sustainability of the industry, the outcome is counter to the Government's stated intentions of its Timber Industry Strategy," Mr Erasmus continued.

"ITC calls on the State Government to include consideration of the mechanisms of the auctions as it prepares the Timber Industry Strategy, to ensure our industry is best positioned to prosper over the years ahead," he concluded.

For further comment and information:

Michael Clark, Group Marketing & Communications Manager, phone (03) 9421-9999 or 0429 920 216

#### BACKGROUND INFORMATION

About ITC Timber

ITC Timber processes and value-adds high-grade, quality timbers in Victoria and Tasmania from State-managed and privately owned regrowth forests for architectural applications, furniture, flooring and construction materials. The Company has production capacity to convert more than 250,000 cubic metres of logs per annum in these two States. In choosing GoodWood™ and SupaLam™ products from ITC Timber, customers are assured that the product is supplied from forests that are managed in accordance with sound environmental practices and that the production is controlled in Australia.