



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE B

Sustainable Timber Tasmania

Friday 24 November 2023

MEMBERS

Hon Rosemary Armitage MLC;
Hon Jane Howlett MLC;
Hon Tania Rattray MLC (Chair);
Hon Rob Valentine MLC;
Hon Meg Webb MLC; and
Hon Josh Willie MLC

WITNESSES IN ATTENDANCE

Hon Felix Ellis MP - Minister for Police, Fire and Emergency Management, Minister for Resources, Minister for Skills, Training and Workforce Growth, Minister for Racing, Leader of the House

Mr Rob de Fegely Chair

Mr Steve Whiteley CEO

Ms Suzette Weeding General Manager Conservation and Land Management

Mr Chris Brookwell General Manager Corporate Services

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The Committee recommenced at 11.30 a.m.

CHAIR (Ms Rattray) - Welcome to our second hearing today for Sustainable Timber Tasmania. We understand that is the preferable name. We read the *Hansard* from the other place.

I will introduce members of this Committee to you. We have Josh Willie, Rosemary Armitage, Tania Rattray, Rob Valentine, Meg Webb, and Jane Howlett. We also have secretariat support from Julie Thompson. That is us.

Minister, welcome to you and the team you have at the table. STT - an important industry for Tasmania. Could you introduce your people at the table and if you bring anyone else during the course of this hearing please, again, introduce them.

Mr ELLIS - The people at the table with me today: Rob de Fegely, Chair; Steve Whiteley, CEO; Suzette Weeding, General Manager Conservation and Land Management; and Chris Brookwell, General Manager Corporate Services. I have my Chief of Staff Elaina Deayton with me, who won't be taking questions.

CHAIR - Would you like to make an opening statement?

Mr ELLIS - Of course. I am pleased to advise the committee that Tasmania's forest industry continues to go from strength to strength under the Government's pro-growth settings. Jobs are up - more than 5700 Tasmanians directly or indirectly earn a living from our forests. Investments are up - from the up to \$23 million investment in production and processing across the state, brought about by a \$6 million injection from our forestry on-island processing program, to investments by hardwood and softwood processors around the state.

Wood production is up from 3.31 million tonnes in 2013-14 to 4.9 million tonnes in 2022-23. Exports are up. TasPorts' annual report for 2022-23 showed that the volume of forestry products transiting annually through our ports is now over 3.5 million tonnes. That's more than a 45 per cent increase on 2014-15, which was our first full year in Government. Not only is forestry a key economic driver, injecting more than \$1.2 billion annually to our economy, it is sustainable, renewable, and stores carbon naturally, all the while providing the timber that we need to build our homes, and fibre for a plastic-free future.

As members here might be aware, I announced yesterday that forestry's contribution to Tasmania's economy and regions is set to grow, as Sustainable Timber Tasmania's hardwood plantation logs are to be made available to the industry in a landmark step forward that has been decades in the making. STT will release around 350 000 cubic metres per annum of wood to the industry, including 125 000 cubic metres per annum of pruned and unpruned millable logs, with a greater than 30cm small-end diameter. These logs are to be made available for processing with the objective of increasing the economic contribution of the forestry and forest products industry in Tasmania.

In line with Government policy, a key focus of STT will be growing on-island processing and value-adding of timber. This will mean increased opportunity for regional investment and regional jobs in forestry across the state. STT will undertake a three-stage allocation process for plantation logs and will commence stage one of the process, which will allow interested parties to qualify for participation in stage two. The qualification period will remain open until

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end January 2024. STT work diligently to ensure that the allocation process for plantation logs provides a level playing field and complies with federal laws relating to competition.

Importantly, in recognition of the capability and significant contribution made over decades by STT's current customers, they will be provided with a fast-track to qualification as part of STT's planned allocation process for plantation logs; opportunity for continued long-term access to available native forest sawlog; and access to round two of the Government's on-island processing program, which will be dedicated to supporting Tasmanian businesses intending to process the hardwood plantation resource.

Further, STT advise that a 30 per cent weighting will be applied for contributions to the Tasmanian economy as part of the planning process. This is above the 25 per cent set for Government departments through the Buy Local policy. More broadly speaking, STT remains an important part of the industry, its value is reflected in this year's operational and financial results, along with a multitude of positive achievements and highlights. I am very pleased to advise that Sustainable Timber Tasmania has achieved its sixth profit in a row.

STT continues to make a significant contribution to the Tasmanian economy, paying tens of millions of dollars to more than 500 Tasmanian businesses and supplying forest products to almost 50 customers, many of whom are processing right here in Tasmania. STT's value to the community extends beyond the operating profit, supporting firefighting activities and protecting communities from bushfires, particularly with the summer ahead.

I want to take this opportunity to thank the Board, the Chair and more than 160 staff and the hundreds of contractors of Sustainable Timber Tasmania and all those involved in the forest industry for their resilience and hard work and together we look forward to growing a sustainable forestry sector.

CHAIR - Thank you very much, minister. I'd like to invite the honourable member for Nelson to commence our questioning and, actually, I don't think I acknowledged a welcome to everyone at the table.

Mr ELLIS - Can I just ask, Chair, as well company chair statements, do you do that in this House?

CHAIR - Company chair statements?

Mr ELLIS - Yes. It's fine if not, just wanted to double check.

Ms WEBB - If we don't cover it during the course of it, maybe you can table it at the end and it will go onto the record.

Mr ELLIS - Yes. No. That's fine. I just wanted to double-check.

CHAIR - And here, we've got an annual report. That's what we're here for.

Mr ELLIS - Absolutely.

Ms WEBB - Okay. I'll kick off. Just a few administrative questions, actually, just to start with. The first one relates to right to information, because I did note when I looked at the

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Ombudsman's annual report that Sustainable Timber Tasmania was a case study there, for a fairly critical case study from the Ombudsman who described that the organisation had an unhelpful approach.

They said, 'unhelpful approach taken by Sustainable Timber Tasmania which the Ombudsman found highly disappointing and not in keeping with the intention of the Act'. My question was around what steps STT has taken to address the Ombudsman's criticism of the agency, taking what he described as a narrow and obstructive approach to RTI requests and what steps have been taken to instead encourage a culture of compliance with the objects of the RTI Act.

Mr ELLIS - Yes. Sure. I'll just make some general comments and then pass to the STT team. Obviously, we want to be making sure that we're forthright and upfront in terms of the information that we're providing to the community and whether that's through RTI or positive disclosure and a range of other matters. I know STT had some other updates that they've recently done in terms of forest practices plans and a whole range of other proactive information sharing as well in this space. In terms of work around the RTI, I might pass to the STT team to add further.

Mr de FEGELY - Thank you, minister. Yes. I'll - first instance to the CEO and -

Mr WHITELEY - So, we received -

CHAIR - Caught a handball, Steve.

Mr WHITELEY - No, happy to take any of these handballs.

Ms WEBB - The first question I asked was around steps taken to address those issues. I then have a whole series of data-related questions I would like to ask you about RTI, which we can either take now or take on notice to provide us with the data later.

Mr WHITELEY - I'll just run through those. As part of our approach to RTI, we clearly seek to make appropriate information requested available, to the extent that there are concerns. The ones that I'm aware of, in some cases, relate to information that is commercial in nature or requires third party verification. We run through each of the processes required in order to appropriately disclose.

The other aspect that I'm aware of is, in some cases, timeliness, and simply, that's the resources that we've allocated to that task. Suzanne might like to add, given that really her team is the group that deals with specific matters around that, where I provide overview and review.

Ms WEEDING - Look, in terms of the RTI process, we strive to comply with the legislative requirements. It is quite complex in terms of what some people request through the RTI process and we absolutely take onboard feedback from the Ombudsman in relation to requests that are referred to the Ombudsman and certainly feedback that comes back as part of that process. We received seven requests for assessed disclosure in the last financial year and worked through each of those and their complexity from that side of things. In terms of the RTI process, we absolutely strive to comply with the legislative requirements and work it through.

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The Ombudsman process exists to provide that extra level of assessment and review of those requests that are received by us and other entities. Before it gets there, it goes through quite a complex process within the organisation in coming through the appropriate offices and is available for internal and then obviously that external review process.

Ms WEBB - Sure. I'm very familiar with the process. So, my question was around - and perhaps I need to pre-empt the question to say, minister, were you aware that this organisation was a case study for poor practice in the Ombudsman's report, and perhaps was the CEO or the Chair aware? My question was around - given the criticisms specifically made there, what steps have been taken to improve practise since having that drawn to your attention?

Mr ELLIS - We're aware of the Ombudsman's decision, not specifically around it being a case study but, as I mentioned before, we're really committed to making sure that, as a government broadly, we are providing and sharing information with our community, increasing the amount of data that is publicly available. STT, in their space, are now making available forest practises plans proactively on the website, where previously that was a matter that was requested.

CHAIR - I'm sure we will talk about that.

Mr ELLIS - We do similar with data dashboards across a whole range of government departments.

We will look at whatever feedback is provided by the Ombudsman and others around how we can continue to improve our processes. I know that the CEO mentioned that particularly in these spaces there's matters that are commercial in nature, and things like that that are important to be respected and worked through. As far as posture, we are always looking to improve and we're always looking to see what more information can be made publicly available to the community while respecting the other commercial sensitivities.

Ms WEBB - What further actions have been taken to address the criticisms made?

Ms WEEDING - In terms of that specific request that you are referring to and that case study that was put forward, the request related to the existence of -

Ms WEBB - It doesn't have to be specific to the request.

Ms WEEDING - No, that's fine. In terms of that specific request we've released the information as requested.

Ms WEBB - What have you done internally to improve compliance with the Act, given the criticisms made? I won't go badger this question further, because I think I have asked it enough times. There aren't any steps specifically that have been taken to improve practise? You can you say that? If there are, please lay them on the table.

Ms WEEDING - We've learned from the process in terms of what the Ombudsman has put forward. There are number of Ombudsman state case studies that are put out every year for a whole range of entities, and it is an opportunity for us to learn from that. In terms of myself and officers that work within the organisation working on RTIs, we've learnt from that

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process, and have put in place measures to be consistent with that finding from the Ombudsman.

Ms WEBB - In terms of the seven requests received during the period, can you give me the breakdown of were fully or partially accepted and provided, how many were fully rejected - in terms of what grounds from the Act - and how many were reviewed internally or reviewed externally?

Ms WEEDING - I do not have that information before me.

Ms WEBB - Can I provide it through as question on notice?

Ms WEEDING - Yes, no problem.

CHAIR - That question will come through, minister.

Ms WEBB - Can I have another small, admin one? I'm interested in consultancies, and interested in how many consultancies have been commissioned by STT for projects during the reporting period that were under the \$50 000 threshold? I'm further interested, in terms of those contracts, obviously not identifying them, I'm asking for numbers. I'm also interested to know in terms of that quantum of contracts under the threshold, how many may have been granted to the same organisation or company. If there's instances of multiple contracts under \$50 thousand being given to the same company?

Mr WHITELY - We reported in the information table in the annual report -

Ms WEBB - I must have missed it, could you direct me to the page?

Mr WHITELY - Page 101.

Ms WEBB - Thank you.

CHAIR - While we're referring to the page, I have never seen such small writing, and I'd like to provide some feedback to the organisation, at least put them on one single page.

Member - I think they're saving trees.

CHAIR - I do not know what they're saving, but it's very difficult to read. Just some feedback for people who have to read it.

Mr WHITELY - A lot of effort goes into the report and any feedback on how we are able to improve presentation is welcome.

Ms WEBB - It's tiny, thank you for pointing it to me. Seven under the threshold of \$50 000. The second part of my question was around whether there were instances in which a single company was granted multiple tenders or contracts.

Mr WHITELY - Bear with that for a moment, we've got a record of those, if we could just review that for a moment.

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Ms WEBB - Can that be tabled?

Mr WHITELEY - We've got a report here. They are not repetitive.

Ms WEBB - Not repetitive. Thank you.

CHAIR - My question is around yesterday's media release, the 'bombshell', I think it was referred to from some of the people I represent. I'm interested, firstly, having some understanding of how STT will be applying the 30 per cent weighting to the contribution to the Tasmanian economy. And also what actually constitutes a Tasmanian business. I think they're a couple of important questions to start with.

Mr ELLIS - Absolutely. I'll pass over to the STT team very shortly but I'll make a few broad policy statements around this. Our Government is really focused on ensuring more on-island processing of our timber resource. This plantation resource coming online now is a generational opportunity for Tasmania. The plantation sawlog that's been planted has grown in many cases over 30 years, and the stewardship of that resource has been undertaken by STT. We will have quite a unique resource, a new resource that will be coming online, basically in the Asia-Pacific. Ensuring that we maximise the value that comes from those logs by manufacturing here in Tasmania, as we have done for generations, that it continues to be at the forefront as we move forward, is absolutely critical as we bring it online.

It will mean potentially a change. It means a change in the resource mix. Eucalyptus nitens is a relatively new species for Tasmania in terms of that more engineered timber and sawlog-type processing. That's really significant, making sure that we are fully supporting that. I mentioned before our on-island processing grant going to this specific hardwood resource so that, as our millers retool to the new resource, they are supported on that journey so that we can maximise the amount of value that comes back for the Tasmanian economy.

To speak more specifically around the process and that weighting, I might pass to Steve to provide a further update.

Mr WHITELEY - The first question is about the definition of a Tasmanian business. We use the same definition as is applied and defined under Department of Treasury and Finance guidelines. It's published by Treasury and that is the definition we use for Tasmanian business. That's published and available.

The second one is in relation to the weighting of what we're doing. Commencing this process, we had some board-approved matters related to both probity and the process we undertake. Some of those will be published in stage two but I'm happy to run through those for you if that would answer your question, Chair.

CHAIR - Will there be a board that looks at assessing -

Mr WHITELEY - There will be an evaluation panel but I'm happy to speak to the question if you like, and if you'd like to add to that.

To characterise the process, because I think it's helpful to put on the record why we're doing it, the minister has provided the policy view; the following objectives were set within the process:

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- We're seeking to increase the economic contribution of the forestry and forest products industry in Tasmania.
- We're seeking to grow on-island processing and value-adding of timber in Tasmania.
- We're seeking to achieve a positive contribution to Tasmanian Government policy objectives for on-island processing.
- We're seeking to stimulate new capital investment, encourage innovation and improve efficiency.
- We're seeking to provide resource security for the wood products industry and job security for Tasmanians through new long-term wood supply agreements.
- We're seeking to achieve fair and market-based prices for logs from STT-pruned and thinned hardwood plantations.
- We're seeking to generate a sufficient return on investment for STT.

That's the approach we've taken to things so it's consistent with good commercial practice, as well as the well-articulated position by the Government.

In a competitive process, which this is, interested and qualified parties will submit business cases for on-island processing of the hardwood plantation logs. That's what we refer to a stage two. It's really a response that any of the people who qualify submit to us. In broad terms, there's been reference to the 30 per cent weighting but there's also a 70 per cent component. For completeness, the 30 per cent weighting is applied to the proposal's contribution to the Tasmanian economy. Broadly, as follows, I'll give you an indication:

- What on island processing will be undertaken?
- What markets will the processed hardwood plantation products be sold into?
- What will be the economic value-add?
- What will be the value of domestic sales or export sales?
- What investment will be made?
- What jobs will be created or maintained?
- Will the products produced be used further in downstream processing manufacturing activities in Tasmania?
- What partnerships will be created or maintained?
- What other contributions to the community will be made?

We will invite others who come up with a specific proposal to add and tell us quite clearly the value they are promoting for the economy. We'll prompt them by those sorts of questions but we're really inviting business to say, 'we've got a great business idea and here's how we're going to contribute across those areas'.

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The other part is the weighting applied to the price. Clearly, that needs to be part of any commercial offer.

The broad elements of weighting around commerciality include the price offer for the volume of logs. We've got a range of log qualities. What we're not doing - there was some conversation yesterday around the range of log qualities. We know by discussing with individual businesses there's a huge range of views on what types of logs they value within their business. It certainly isn't a one-size-fits-all view from the businesses that currently operate in Tasmania that we're contracted with. We also need to deal with the proposed risk allocation. That's clearly part of any commercial set of arrangements.

We need to be holistic, so think about compatibility with other offers. In the end, it needs to be about both individual businesses and the total value and the complementarity of the mix of things, particularly where it adds to primary processing then secondary value-adding in Tasmania. I think that's a great opportunity for Tasmania. A lot of our value-added valuable products now are, effectively, sent interstate to be made into other things. We want to explore what opportunities there are for us as a state to improve those things progressively. As the minister said, support from the Government in investment is required to do that.

Then lastly, timeliness of completion, so simply the capacity to process the logs and deal with them.

What we're seeking to do is the best overall proposals, the balance of those factors, will be invited to negotiate with us a long-term wood supply agreement. It won't stop there. We will receive those offers, those proposals, that value proposition - and we already know, through conversation with our existing customers, that there are some great business ideas that we know of. This is really to open it up to all parties on a fair basis to consistently provide that information to us. Then we'd see that the successful proponent's commitment to on-island processing will be incorporated into any wood supply agreement. We want to not simply have a process where people promise; we would seek to include that in a wood supply agreement. If people are making offers to deliver that value to the state, they can anticipate that we'll want to include that relevantly in any wood supply agreement.

Hopefully that has given you a bit of an overview of the approach we broadly want to take, why we're taking it and how we propose to go about it.

CHAIR - What's the constitution of the panel? Is it all STT?

Mr WHITELEY - No. We've engaged some expertise from a couple of companies to assist us through this process. One of those is to effectively put together what we've called an information memorandum. It's to independently review the information around the plantations we hold. We normally do a forest valuation with a third party each year and they use that information. But we've chosen to get another fresh set of eyes to have a look at that particularly for this purpose and make that information, which is really customer-focused information, so people understand the nature of the logs that will be available over decades. We don't do this very often, so we've got another service provider helping us with commercial aspects.

In terms of the specific evaluation, there will be members of management from STT will form half of the evaluation committee.

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CHAIR - Half of what number?

Mr WHITELEY - The number is not important, it's more that we will receive advice from entities who have expertise in those areas independent of us. We have contracted them in, but that's their expertise. The other will be the people who are required, on behalf of the state, to run the business.

Mr ELLIS - The other things I might just add, Chair, noting your interest state wide and strong interest in the timber industry.

CHAIR - I've been on the phones since about 7.30 this morning fielding calls.

Mr ELLIS - Yes.

CHAIR - They obviously didn't have your number, minister, or they'd have been calling you.

Mr ELLIS - I'm not sure who they might be, but happy to take a call from anybody and I've been making calls myself as well. I might specifically mention around the north-east, too, because I know that it is an area you're very passionate about and strongly represent.

CHAIR - I sat through the TFA. A whole January.

Ms ARMITAGE - Several of us did.

CHAIR - We understand.

Mr ELLIS - Absolutely. I couldn't agree more, chair, and as I say, I appreciate your strong support for the industry over many years. The north-east is an area that has really big opportunities with this resource coming online, because the north-east has, I suppose, a high predominance of these plantations grown for long term saw logs. As that resource is coming online - and also the north-east suffered very heavily in terms of native forest lockups as well - as this resource comes online, the north-east of our state will play a critical part when it comes to the timber supply that's coming off this area. It's a huge opportunity for that region as well as the broader state.

CHAIR - What was the reasoning behind changing the criteria of on-island processing grants to now only include the hardwood plantation sector? What was behind that?

Mr ELLIS - This is round two of our on-island processing grants. Just like with other grant rounds that we have, from time to time appears an important and pressing priority, in terms of what we might be able to address with the program. With my other side of my resources hat on, we're up to round nine for the exploration drilling grants initiative and we have specifically targeted critical minerals in the last two rounds as Australia has developed its critical minerals strategy and Tasmania is doing our own.

CHAIR - Let's get back to the wood.

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Mr ELLIS - The reason why we're specifically focussed on on-island processing grants for this resource, is this resource is coming online and it's new. For many of our millers, that might mean a change in tooling. That's to do with matters with the species, but also the size. Supporting our millers as they retool, as they take up new opportunities as part of that, we think is appropriate for round two.

As we continue to support the industry, we'll continue to look to whatever broader opportunities might be appropriate as far as on-island processing, because whether it's softwood, whether it's special species, whether it's native hardwood, or whether it's this plantation hardwood resource, there is still massive opportunity right across the state that we need to be taking advantage of. Because we have this large, new opportunity that will require change, we thought that that's appropriate to really be targeting in our support in this space.

CHAIR - Given that price is always going to be a key component of any decision that STT makes, can you give me some understanding of how the Victorian situation will impact? For instance, they pay \$200 per log and a Tasmanian company says they can only pay \$170, then their costs for getting that log across the water is only about \$80, how do you see Tasmanians being able to compete when they've been subsidised by the Victorian government for that \$200 a log? Effectively, it's probably only costing them \$80 or \$100.

Mr ELLIS - I'll pass over to the team from STT to talk around the specifics in terms of allocations, but what I'll say, generally speaking, is that we have this on-island processing component as an important support of making sure we're processing here on the island, because that's where a lot of value is derived when it comes to timber production.

CHAIR - That's all well and good but in the initial stages, it's going to take quite some time to 'tool up', if you like - your words - tool up to be able to actually accommodate some of that opportunity, and here you've got an industry on the other island that has shut down but are happy to come in and buy our logs subsidised.

Mr ELLIS - We're very conscious of what is, frankly, one of the biggest policy failures that our country's ever seen. What Labor have done in Victoria and doing in Western Australia is an absolute disgrace. It is destroying regional communities in that state, as well as Western Australia, it's destroying their fire response capability and -

Ms WEBB - Can we focus on our state, Chair?

Mr ELLIS - I have been asked about Victoria.

CHAIR - That was the scenario that I used because they've got a subsidised industry, or they've been subsidised.

Mr ELLIS - Well, they're being paid to go away. As far as that, we're very conscious of any impact that that might have on Tasmania. There are some -

CHAIR - But we can't stop Victorians buying timber here. That's against jurisdictional -

Mr VALENTINE - It's against the constitution.

CHAIR - Yes, that's it, so we can't stop them.

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Mr ELLIS - That's right, and in the private forestry space we are seeing some Victorians buying from private growers here in Tasmania -

CHAIR - That's a private decision. This is owned by the people of Tasmania.

Mr ELLIS - That's right. That's a key part of why we want to be making sure that it's processed on the island, because this is the people's resource, we've invested in it for decades and making sure that Tasmanian timbers are supporting Tasmanian jobs is critical. That's why we have this loading that exceeds our Buy Local Policy, for example, that we have for government departments. It's going to be a strong outcome for STT anyway because a grower that has customers nearby is a real strength, so having that additional capability is important.

I might pass over to the STT team to talk around the allocation question that you asked specifically, Chair, but, as I say, the structure is set up as such that we're very keen to be focusing on delivering an on-island capability, because that's going to be better for Tasmania and it's going to be better for the business as well.

CHAIR - I'm mindful that the Chair doesn't run this show here, as such, asking all the questions. Is there a brief answer from the CEO? Then I need to move up and down the table.

Mr WHITELEY - Perhaps, if I can just refer to our current practice, which we'd expect to continue. We sell zero, nil, sawlogs interstate. We know our job is to support the Tasmanian industry and that's the way we operate and that's the way we'll continue to operate, is the short answer.

We know there are some of our customers have purchased logs from us and on-sold them. That hasn't been anybody in northern Tasmania or north-east Tasmania, it's been another business. In terms of some concerns around that, we've made it very clear that we sell logs to be processed in Tasmania. One of the steps we intend to do with a refresh of our contracts is to make it very clear where the wood is to be processed, so we'll take an opportunity through the plantation process to do that for the other logs.

We've always had an assumption that we sell logs to Tasmanian businesses and there's been no question that they would want to on-sell logs. We've seen some evidence that that has happened in a small way. We'd like to tidy that up administratively, but very clear, we understand our role for the state and that is to provide resource to be evaluated in Tasmania and that's the basis on which we'll operate now and we'll continue to operate in the future.

In terms of the other reference to timing of capacity to process, we're not requesting people process these plantation logs they may be interested in immediately, so we view that if they have a contractual right and a reasonable timeline to commence their operations, they will then be able to go to their machinery suppliers and their bankers and set themselves up, as envisaged by the policy decision. We're seeking to run processes in support of the Government's policy position around growing on-island processing, unequivocally.

Ms ARMITAGE - Moving to special timbers. In yesterday's hearings, STT or stated that they have 52 000 hectares of special timber management units or STMUs - a little bit of a preamble before I get to the question. STT's Forest Management Plan 2019 to current states:

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... Sustainable Timber Tasmania manages approximately 52 700 hectares of PTPZ land as a special species timber zone and this is the primary source of special species timber. The zone is comprised of blackwood forests, rainforests and eucalypt forests that are rich in special species timbers ...

STT's new website has a specific special species timbers page, which states:

Currently, Sustainable Timber Tasmania has identified approximately 52 600 hectares of permanent timber production zone land as special timbers management units. This area is considered the primary source of special species timber and is comprised of blackwood forests, rainforests and eucalypt forests which are rich in special species timbers ...

I will read out some figures that came from a right to information request, on 17 May, whereby STT advised, by email, that the STMUs totalled 52 760 hectares and comprised the following:

- 3 740 hectares of previously harvested regrowth forest;
- 1 200 hectares could be harvested before the end of 2026;
- 1 650 hectares are classified as FSC HCV 3.3 and off-limits to harvesting;
- 10 650 hectares are classified as non-forest and does not contain any special timbers;
- 5 430 hectares are mining leases; and
- 20 000 hectares are classified as non-production forest.

My understanding in last year's GBE hearings was that STT advised that they spend \$ 1 million of CSO funding on STMU land management.

Now, my questions. Given that land management cost is derived of a per-hectare basis, it's difficult to see how \$ 1 million of CSO funding can be spent on managing special timber areas when a large proportion of the areas don't even have any special timbers in them. What is the dollar cost per hectare allocated by STT to STMU management; and how many hectares of STMUs does STT manage for the production of special species timber? That's my first question. I realise they're a little in-depth. and I can put it on the record

Mr ELLIS - I'm happy to start at a policy level and I'll pass to the team at STT to go into greater depth. The first thing to note is that the special timber management units come in a range of different classifications and that is important. Some are quite small. Some are quite large and broad.

Ms ARMITAGE - Some don't have any specialty timber in them at all.

Mr ELLIS - Partly because of the broadness, I suppose -

Ms ARMITAGE - Buttongrass.

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Mr ELLIS - They'll provide an update on that; and mining leases do also have special species on them. But, in terms of the way that we provide for land management and special species, there's a couple of things to note.

STT provides a range of different land management services as the active land manager in this state. That includes firefighting services - they are one of our three key firefighting agencies. They do fuel reduction as well, roading and access is a key part of that too. In terms of special species, they also provide an important community service obligation when it comes to stockpiling of certain special species. For example, Huon pine is a key one of those and STT provide -

Ms ARMITAGE - I think that was a zero last year.

Mr ELLIS - Yes. So, we have a large stockpile of Huon pine, which means that we don't necessarily always need to be salvaging Huon pine as part of that. That is important to note, because those stockpiles that STT maintain allow us the flexibility that they can then go and salvage, at appropriate times in appropriate volume; because we're talking some of the most remote areas of our state.

Ms ARMITAGE - That's fine; but do you have a dollar cost per hectare?

Mr ELLIS - A couple of important things to note when we're talking about land management in general and special species and the way that we spend that CSO funding; but look I'll pass over to STT to maybe add.

Mr WHITELEY - Broadly, to break down the question, part of it is about CSO, the payment, and part of it's about clarification of various reports-

Ms ARMITAGE - I have a couple more questions, too.

Mr WHITELEY - In terms of helping to hand over to the right people. We'll do it in two parts, if you'd like.

Ms ARMITAGE - Absolutely.

Mr WHITELEY - Part of it is around the zoning that was done. Originally, special timbers management units, when they were put in place many years ago, were more than 140 000 hectares. The granularity of that was quite different; if it's in blackwood swamp, for example, it's quite precise. There were some dedicated coups, provisional coups that were mapped specifically and there was also discreet areas like the Teepookana Plateau.

Most of the other broader rainforest area was zoned, if you'd like, either as being most suitable for myrtle based supply or celery top pine. Within the vegetation management we have myrtle-rich forests or celery top pine-rich forests. Broadly, across the land base, at the granularity of 140 000 hectares, that zoning system was set up but it was unequal. Some areas were quite precisely mapped and others were set aside for that purpose; albeit granularity picked up other things within the boundary.

CHAIR - In other words, they were inaccurate.

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Mr WHITELEY - Well, the granularity was different, it varied depending on the resource.

CHAIR - You might use 'granularity'; I'd probably use 'inaccurate'.

Mr WHITELEY - Well, it's like orders of magnitude; did it coast, \$1, \$10 or \$100. If you're talking about 140 000 hectares, what we didn't do is try to minutely map out every patch of myrtle or every part of the forest that is potentially rich in celery top pine.

What we did is say that these broad areas are dedicated to special timbers production. The other part we identified was an overlap zone where the eucalypt tall wet forests overlapped with rainforest understorey. There's a component there and that was discretely mapped because that's the system that we use for our eucalypt process to derive a sustainable yield.

All of those together contributed to the original description of the special timbers management zones. It's clear why there could be some apparent anomalies and it's really the resolution that which the land was mapped in the first place.

Clearly, if there was an area of buttongrass picked up, that was never going to count as myrtle and in terms of the analysis that's been done, it was never counted as delivering that; but within the zone, as part of an extensive area of forest, whose principle purpose was for a long-term special timbers management. That's the information that's been subsequently used for various other reporting.

There was some reporting done for the process run a number of years ago, looking at a growth plan, and there was also a special timbers management plan that came out of that. Certainly, it's quite consistent with the information. We never claimed that special timbers comes from buttongrass but we certainly claim that myrtle comes from-

Ms ARMITAGE - There was a lot of buttongrass in some of those original areas.

Mr WHITELEY - Yes, that's accepted. It's really the granularity. People drew a line around a large area of rainforest; it was clearly identified as buttongrass; there was no basis on drawing another separate GIS line; it was very clear what the target resource was at that time for that purpose, to say, 'here, we've dedicated this area.'

As you've mentioned, there's been some changes, such as other descriptors that are clearly available, and they're overlays to that. To come back to -

Ms ARMITAGE - That leaves 10 090 hectares, if I take out all the descriptors.

Mr WHITELEY - It hasn't changed the volume though, because the wood was never counted as being available on those hectares. Really, it hasn't changed the consequence. I understand why it may have led to somebody looking at the detail and saying, 'why would you call something a zone and then it's got these other things?' Well, that's the rationale for what happened many years ago when these zones were first setup.

CHAIR - Around 2016?

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Mr WHITELEY - Many years before; it has been around for a long time. This was well pre-TFA and all of those sorts of processes.

Ms ARMITAGE - With respect, would you say that saying that STT has 52 700 hectares of special species-rich STMUs in their forest management plan on your website is misleading?

Mr WHITELEY - Suzette can talk about the land part, which is those sorts of questions, then Chris can talk about the money, the CSO part.

Ms ARMITAGE - Would you say that saying that you have that is a bit misleading?

Mr WHITELEY - I will let Suzette talk about the broad range of questions you have on land. Those two people can answer the questions.

Ms ARMITAGE - I would like an answer to that.

CHAIR - One of the members asked a question to you through the minister, so I think that is a fair question.

Ms ARMITAGE - It does say that you have 52 700 hectares of special species-rich STMUs in your forest management plan. Obviously, you do not. Is that misleading in your website and your forest management plan?

Mr WHITELEY - I am happy to answer that question, but if you would let Suzette broadly do that. If you wish to ask me directly again, that is okay, after you have heard her answer.

Ms WEEDING - The 52 600 hectares is a broad descriptor of an area that is available for special timbers harvesting. It's important to consider that not every hectare of that 15 600 hectares would be able to be harvested under forestry practices constraints, regardless. It is an area that broadly identifies the availability of special timbers, based on mapping that was done quite some time ago, and provides an indicative area to go out and to investigate for special species timbers.

The areas in the various classifications that have been harvested previously are being grown-on for special timbers for the future. As you know, these things work on a rotational cycle. Those areas are being retained and grown-on for special timbers for the future. Managing special timbers is a long-term cycle. At the moment we are not doing a great deal in special timbers management units; there are a small number that are included in our three-year plan.

CHAIR - You are not doing very much at all.

Ms WEEDING - That is from a production perspective. We can talk about that separately if you would like, I am happy to. In terms of the areas themselves being maintained for growing special timbers, that is what they are intended for. Regarding the non-productive zoning, it is a zoning that was undertaken predominantly for eucalypt harvesting. It does not indicate that you cannot harvest it, and it does not indicate that it does not have special timbers available in those areas. It is technically available, but it is subject to development of forest practices plans and requirements to the forest practices plans. Some areas are reserves, as

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consistent with everywhere under the forest practices system, and would be excluded from harvesting under those conditions. It is a high level of granularity in identifying that as an area available for special timbers and managing it for that purpose.

CHAIR - A very specific question that the member has asked, and I believe that it deserves an answer.

Mr ELLIS - Can you just repeat it?

Ms ARMITAGE - I will repeat it. Would you say that STT has 52 700 hectares of special species-rich STMUs in your forest management plan and your website is misleading?

Mr ELLIS - Special species-rich areas?

Ms ARMITAGE - Yes, 52 700 hectares of special species-rich areas; when we have just got here that 42 670 hectares is basically -

Mr ELLIS - They are rich in special species. That is the important thing to note about these forests - that they are very rich in special species. Not all forests are homogenous, and certain areas of forests are different. If you go for a walk through the Tasmanian bush, you see the way that the bush can change even over a short period - it is quite dramatic. Indeed, the way that land management has been practised on this island for tens of thousands of years means that even within wet areas that typically would have rainforest, there are buttongrass plains. It is important that we manage that well because buttongrass is a fire risk, and for many special species, fire is a big threat.

To manage the forest around those areas - around buttongrass that may be more rainforest types - then it's important that we have, for example, firefighting capability, and a range of other things.

Ms ARMITAGE - Well, that's not rich in special species when you've got buttongrass.

Mr ELLIS - But an area might be rich in something despite the fact that it's not homogeneously endowed in the same way across that area of land - that would be the way that I categorise it. As the STT team have quite strongly said, we also acknowledge that not every square inch of that land is endowed the same in species.

Ms ARMITAGE - Would you like to make a comment about the current MMG Roseberry tailings dam - it's an STMU, according to the latest STMU mapping.

Mr ELLIS - As far as -

CHAIR - Available. It's clear that the minister supports the -

Ms ARMITAGE - He does. All right.

CHAIR - We have a follow-up.

Ms ARMITAGE - I have follow-ups as well if I could finish these first and then I'll probably finish my -

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Mr ELLIS - Around the west coast, around Roseberry, for example, there's a huge amount of special species. I know that there's strong interest in that area around special species. We manage our forests for multiple uses here in Tasmania, particularly our production forests, and that's important to note. It's not completely homogenous - nor should it be.

Ms ARMITAGE - Well, I have two follow-ups so that might help and then I'll be finished this area. Last year, STT CEO advised in the GBE hearings that:

In the model we use, we are not ourselves engaging a contractor to harvest special timbers from within the special timbers management units.

However, the three-year wood production plan shows that at least 20 STMU coupes were scheduled to be harvested by STT contractors, providing both eucalypt and special timber products. Can you explain how STT can say last year that they don't harvest STMUs, when clearly, they are?

Mr WHITELEY - The context for that discussion, as I recall, related to the rainforest aspect and it particularly related to the harvesting that we reported in our annual report at the time, which was the Blackheart sassafras. Our customer at Smithton came to us and said they had an important order to help fit-out one of the new hotels and what could we do to help them source Blackheart sassafras for sliced veneer. They had some stock and they needed enough. Under our model for that area, they bring their own contractor because they're effectively doing single tree selection. So, it's appropriate that that model is applied in order to source the right logs for that customer for the types of logs that they wished to procure.

The answer to that question was intended to describe that situation. The other one I think you're referring to is, as I said before, we've got a eucalypt resource which also has a special timbers understorey. We do schedule that. It's clearly in that case -

Ms ARMITAGE - And that's in my next question about the eucalypts.

Mr WHITELEY - Yes, I'll answer your first question, if that's okay. The way we do that, we do arrange for a contractor - as we do for our normal eucalypt production - and we make sure that all of the special timbers that we can is recovered. That's either direct to the sawmill customer or we use Island Specialty Timbers in the south of the state - just making sure that all of the suitable special timbers material is recovered. In terms of the management model for those areas, they are regenerated and then grown for a long time.

We'll always do the recovery and we do that on every coupe, whether it's in a designated special timbers management unit or not. That's universal. We'll always seek to recover all of the valuable special timbers, even if there's only a couple of trees in what would otherwise be a coupe that we've set up -

Ms ARMITAGE - Do they sometimes get damaged when you're taking the eucalypts? Some of the younger specialty timbers?

Mr WHITELEY - It depends. I wouldn't say damaged.

Ms ARMITAGE - Well, need to be taken out and not allowed to continue growing.

Mr WHITELEY - Normally, if it's mature forest, the rainforest is the same age as the eucalypts. Clearly, if the eucalypts are much younger and we schedule it for eucalypt purposes, there can be some immature special timbers if it exists because of the past fire. Generally, there's less of that. It's more a remnant where the fire hasn't burned but it has created enough of the regrowth eucalypt while still in the gullies there will be important special timbers. We use contractors appropriately. If it is single-tree selection, it is tied more with the customer bringing their own contractors - they are selecting the tree. If it is part of a mix of special timber and eucalypt, we engage the contractor and recover the special timbers in the same way that we would always recover the value in the eucalypt.

Ms ARMITAGE - This is what I would consider to be my most important question -

Mr ELLIS - Can I double-check, before we go to that, for completeness for one of your previous questions around the CSO funding payments?

Ms ARMITAGE - Yes, I was going to come back to that because it hadn't actually been answered. I still have that up there because we've been round that a little bit. But I would really like this one answered. You can take the other one on notice if you haven't got the answers.

Mr ELLIS - I'm happy to do it now.

Ms ARMITAGE - All right. I just have one, which I consider to be my most important question.

Mr ELLIS - Whatever works for you.

Ms ARMITAGE - Can STT meet the legislated eucalypt requirements of 137 000 cubic metres of high-quality sawlogs without accessing STMUs?

Mr WHITELEY - I think it is a misconception, the question, because there is a defined overlap between the two.

Ms ARMITAGE - So, clearly not?

Mr WHITELEY - No, it is a misconception. It's not either/or; it's designed for both industries. I think that is where the question is not quite - I'll answer what's intended.

Ms ARMITAGE - I have a second part to it.

Mr WHITELEY - Part of it is really understanding the structure. As I said, we have an area of a bit over 4000 hectares. It is part of what we do with our eucalypt sustainable yields and is also part of the special timbers management.

Ms ARMITAGE - With respect, I understand that and the people asking these questions understand that.

Mr WHITELEY - Well, maybe not.

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Ms ARMITAGE - That's a big call.

Mr WHITELEY - In terms of the tone of the question, I think maybe not. Part of it is we schedule eucalypts to meet the 137 000 cubic metres. We don't have to schedule those now. We've got a large estate to supply eucalypts. We are not supplying all of that. Within the period that the eucalypt will be made available, people are asking us, 'why aren't you producing special timbers?'. Clearly, we want to clear fell. There is a drive from both and this is actually the best place at the moment to supply special timbers as required by the market.

We need to get the balance right. We publish a three-year plan each year and seek comments on whether we've got the balance right. We've had some comments which have been helpful in that regard. That is exactly why we put it out there - to see whether we have the balance right between supporting the special timbers interests and the eucalypt interests because we are supplying both from, effectively, the same operation.

Ms ARMITAGE - What do you think the shortfall of the legislated eucalypt products would be if you didn't go into the STMUs?

Mr WHITELEY - I don't know why we wouldn't go. The purpose of the STMUs is to provide special timbers.

Ms ARMITAGE - I was talking about the eucalypts, that's all.

Mr WHITELEY - In other words, don't harvest the eucalypts but do harvest the special timbers?

Ms ARMITAGE - No, I am simply saying that if you didn't actually harvest the eucalypts from the STMU areas, what would your shortfall be, if you didn't go into those areas, for eucalypts? I'm not talking about not going to those areas for special timbers because, obviously, that is what they are for.

Mr WHITELEY - The two are the same. We go there for both.

Ms WEBB - It's a different method of harvesting, though, isn't it? For the eucalypts.

Mr WHITELEY - No, it is for both, that is really the thing. We know there is demand for both and this is one of the best places to efficiently deliver special timbers. The alternative is to go single-tree harvesting only in rainforest.

What we are hearing from people is they value the mix of being able to schedule mixed eucalypt-special timbers which, at the moment, makes the special timbers affordable and available. We understand from the industry that they have some difficulty in meeting the cost of single-tree selection. Maybe, if we don't supply too much from either one or the other that achieves the goal of continuing to have a supply of special timbers that is available and affordable and of the right quality, along with the eucalypt, because they are actually growing in the same areas. We think it is a happy coincidence of those two. But because there is 4000 hectares, from a management point of view, it is important that we schedule them in time to meet those dual objectives appropriately.

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That is really our answer. It is how we go about it, not whether they are competing. We don't view them as competing. They are absolutely complementary. But there is a discussion about the rate at which we harvest within that 4000 hectares.

Ms ARMITAGE - I believe, minister, that you were asked and I don't think you've had a response yet from the Tasmanian Specialist Timbers Alliance about instigating a moratorium on harvesting the STMUs, pending investigation. My understanding is there has been no response to the Tasmanian Special Timbers Alliance on that. Do you have any response to a request on a moratorium?

Mr ELLIS - I'm not committed to a moratorium on that land. The CEO has outlined quite well that there are mixed uses, that there are mixed forests, that there is a range of different opportunities. It's important that we're delivering Tas oak, which is the most critical wood product we're delivering off our PTPZ or our public forests. But that we are also delivering special species. The two have been an important part of the Tasmanian forestry journey forever. For a lot of harvesting of special species, the volume that we get from eucalypts helps support the business model of being able to do more specialised, smaller volume species as well.

Coming right back, Ms Armitage, I recognise that there needs to be some more intentional thinking at a policy level around how we unlock more opportunities in the special species value chain. As STT continue on this process to bring online more plantation timber and also a stronger focus on regrowth timber, that means that for longer-lived species like special species, we are going to have to change the policy settings so that we can bring more of that online. We've established a special species round table and a working group so that we can examine what those opportunities are. There's a range of different things.

Ms ARMITAGE - How often does the group meet?

Mr ELLIS - I think the most recent meeting was in October, so last month, and there's a meeting scheduled soon. There are a range of different opportunities. . Let me outline a few of those. The first would be around land access. Obviously, special species occur in particular areas and what we can do better around that is important. There are important salvage opportunities in our state as well, for example, Hydro wood. There are a lot of special species buried under our lakes. There is also the supply chain. I've heard a range of different suggestions, including things like helicopter harvesting, for certain high-value stems of timber.

So, continuing to work closely around that so that we can acknowledge that STT's business model is in a period of change and that across our state we need to be thinking more about how we can support special species. Special species are not only high-value but they're an important ambassador for native forestry. That's in this state but also in this country. People around our country love special species products and it's important for people to know that those special species can only come from a native forest, that it is managed well, that it's managed sustainably -

CHAIR - Minister, given that you have just acknowledged that the business model for STT is changing, is it time for a separate management authority for special species timber?

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Mr ELLIS - I've heard suggestions around that. It was something that was raised in the special species round table as a possibility. I think it would be fair to categorise that there wasn't strong support among the broader special species sector for that initially -

CHAIR - No, but is it your support?

Mr ELLIS - As I say, it's important that we're making sure that it delivers for the sector. STT do have a really strong capability when it comes to special species. My point more is around acknowledging that as part of that shift that the forest potentially looks different. Being more intentional about how we can leverage, for example, STT's capability, the permanent timber production zone, or a whole range of other opportunities is important.

The thing with special species, particularly after the TFA, which you referenced before, that was a huge amount of land that was locked up that had a lot of special species on it.

Ms ARMITAGE - A lot of buttongrass as well.

CHAIR - Mining leases.

Mr ELLIS - It had a lot of buttongrass as well, but there was a huge amount of special species that was lost to the industry. That meant that the industry shrunk. Doing more to work intentionally on those supply chains, work intentionally around our policy settings is important, but STT's strong capability in special species is a really important supporter. One of the problems with - one of the difficulties - that special species have is that the industry is small. If we create a specialised authority, that's creating a smaller capability than STT, which is a large capability, which can support some of those specialised products.

CHAIR - My colleagues who are sitting here at the table with me will probably agree with me, and I hope so, we have been talking about this for the last five or six years.

Ms ARMITAGE - As long as I have been here.

CHAIR - And nothing has changed. We still continue to receive the same information every year around access to special species timber. Am I right, members?

Ms ARMITAGE - You are.

Mr WILLIE - I haven't had a question yet, but I have something on this STMU conversation.

Ms ARMITAGE - I just need the answer to that question. Apparently the answer is there, the dollar cost per hectare allocated by STT to STMU management.

CHAIR - I will take the answer and I have a follow-up form Ms Webb and then I promise I will come back to you, Mr Willie.

Ms WEBB - I would rather move onto a different topic because we have spent a lot of time on this even though there's plenty more.

Mr WILLIE - There are some things that have been raised that I want to clarify.

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Mr WHITELEY - Can we talk about the CSO including special timbers? CSO including special timbers, is that okay, Chair?

Ms HOWLETT - There's a few of us who haven't had a question yet.

Mr BROOKWELL - This goes to the question about the CSO and the funding, there's some confusion around that. I would like to read a statement out to clear up that confusion if I may:

STT received administrative direction under the GB Act on 30 June 2017 to perform community service obligations. The direction revoked all previous directions in relation to CSOs. At a high level, the direction requires STT to undertake various fire activities, and those were largely unchanged. In addition, the direction required STT to ensure that permanent timber production zone land continues to be managed, accessible, and available for multiple uses.

That was a change, and in terms of the previous instrument, STT has a ministerial charter dated June 2015, and schedule 2 of that ministerial charter identifies STT's non-commercial activities. Schedule 2 goes into more detail around those specific activities.

CHAIR - Can we have the dollar figure? Thank you.

Mr BROOKWELL -

Management of agreed sites for public recreation, maintenance of agreed forest roads, and in terms of special species, the identification, management and harvest of special species timber, and management of the Huon Pine log stockpiling on non-commercial terms.

It goes on:

Forest education activities, non-commercial tourism, and the Warra Long Term Ecological Research Site. [name checked - Warra LTER]

STT's prior direction was more specific on the nature of the land management activities. Schedule 2 of the ministerial charter has not been updated since the 2017 CSO direction was issued. Both the ministerial charter and the 2017 direction are publicly available documents, and this inconsistency can cause confusion.

STT'S CSO funding was progressively reduced after 2017 direction was issued. The funding reduced from \$12 million in financial year 2018, to \$10 million in financial year 2020, and then \$8 million in financial year 2021. It has remained at that level since. Minister Ellis has gone on record in answering an earlier question without notice to explain that the expenditure calculations used under the previous direction are no longer used under the 2017 direction.

The CSO funding is expended across PTPs that are consistent with the ministerial direction from 30 June 2017.

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CHAIR - There's no quantum available?

Mr BROOKWELL - I don't have that dollar per hectare.

CHAIR - Is it available?

Mr BROOKWELL - It hasn't been relevant under the new direction since June 2017

CHAIR - Okay. It's not available because it's no longer relevant. Mr Willie?

Mr WILLIE - In terms of the STMUs, hearing that they're for both uses, so specialty timber and hardwood, the concern here is that you potentially go in and you take the specialty timbers and then you clear fell and then you do the regeneration burns, and effectively that is not reproducing the specialty timbers within the state. Over time, you're turning these areas into regrowth forest areas for eucalypts. I think that's the legitimate concern from the specialty timber industry, is that these areas are being lost and a resource is being destroyed slowly over time, minister.

Mr ELLIS - I'll pass over to the STT team around this.

Mr WHITELEY - Part of it, just to be clear, this relates to a very small part within the broad group of special timbers management. As we've said before, there are blackwood swamps, there's a whole lot of other areas that are predominantly rainforest and then we've got the Huon Pine salvage area, and then what we did was identify where there was the overlap and that was around 4000 hectares. That was where there was old eucalypt with a rainforest understorey. In terms of characterising all special timbers management units as being managed in that way is not correct, it's a portion, but an important portion.

The management approach - so I think people are focussing on - this is a management unit, and management's actually the important question. How do we manage this important resource that's got both eucalypt and special timbers? The approach there that was intended was plan deliberately, because we forecast decades ago there was going to be a resource change, we've got this important resource so it will be what services the special timbers industry so let's plan this over time quite deliberately. The thing that we see as the solution is have a look at the resource and make sure it's allocated over time to provide consistency.

The other one about loss of resource is as per a bushfire that - again, bushfires, bad bushfires in 2016 went through the north-west and they will kill rainforest species and they did. It was so dry, that's what happened. Rainforest regenerates and myrtle regenerates, all the other species, they all regenerate. They take a long time to grow, so whether it's a harvest event or a wildfire event, part of it is being deliberate about making sure you grow them long enough in order to reach maturity and that's what's intended with this process.

There's research that we've done related to the mix of areas, particularly where there's been, in the past, eucalypt and rainforest and we do get mixed forests and I can refer you to some research that was undertaken and post-harvest monitoring about the young special species coming back. We've had examples recently of celery top pine coming back in *Eucalyptus nitens* plantations associated with some of the areas in the south. Special timbers grow like

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any species but it takes a long time to be valuable and that's the management challenge we've got.

Mr VALENTINE - That's why you need a longer life cycle management for those areas.

Mr WHITELEY - Exactly.

Mr VALENTINE - 400 years.

Mr WHITELEY - Exactly, and that's part of -

Mr VALENTINE - It's only 90 years. That's not good enough.

CHAIR - Mr Willie, we need to tighten up our answers, they're too long.

Mr WILLIE - I'd like to get back to the wood supply, not specialty timbers stuff, but I've got one last specialty timber question I'll ask which is, we can all agree that this industry supports social and economic outcomes for Tasmania and environmental outcomes and it's a good story to tell. Minister, how many full-time and part-time sector participants are there and what is the total economic contribution to the state the sector provides?

Mr ELLIS - In terms of forestry in general?

Mr WILLIE - No, specialty timbers.

Mr ELLIS - Special wood species, sure. Look, are we talking within STT or are we talking within the broader industry?

Mr WILLIE - Both if you can. What STT contributes and what the broader industry does.

Mr ELLIS - We obviously don't have Forest Policy here, this is a GBE hearing, but I'm happy to take that question on notice in terms of the - but if - I don't know if STT would have anything available to -

Mr WHITELEY - No, I think it's a relevant question. I think the last very comprehensive report that I'm aware of was done by Farley, to answer that.

Mr WILLIE - In 2009?

Mr WHITELEY - I think so. I know I was on the steering committee, so I know - part of it is it's probably been informally refreshed but I think the - if you wish to have another view of answering that big question, I thought the Farley review was a very good way to systematically go about finding out where the various participants are.

Mr WILLIE - Is it time to update that, given that was 2009?

Mr WHITELEY - It may well be. Again, that is a matter for the minister and department, but it was a very worthwhile exercise last time it was done.

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Ms WEBB - Switching to a different topic. Nationally independent regulators and entities, such as ASIC, have become quite active in pursuing and cracking down on greenwashing. Part of ASIC work involves encouraging companies to develop rigorous and credible environmental, social, and governance (ESG) reporting, as well as climate financial reporting. The Australian Treasury released a second consultation paper about the Commonwealth's proposed climate-related financial risks disclosure regime. Exposure draft legislation is expected as the next stage of that.

Why doesn't STT include an ESG analysis of its operations in its annual report? Is STT seeking compliance to any recognised ESG frameworks?

Mr de FEGELY - Chris Brookwell can probably answer in more detail, but the answer is yes, we are beginning to do that, particularly in relation to the climate-related climate risk reporting. We've had a briefing this week from Deloitte, our internal auditors, on that. It is very extensive, as you would probably be aware. We are not in the first round - we are not quite big enough - but it will come in the next three years. Yes, we will be looking to report on that.

Ms WEBB - Within the next three years?

Mr de FEGELY - I am not sure when our compliance date is, Chris; do we come in 2026-27? Anyway, our process has started - as did Deloitte, when they first realised what the extension of the reporting is. The requirements are exhaustive, which is good; but we will need to do a lot of work to put them together. We recognise that we have to do it and we will do it; we've just got to get ourselves organised to get the right information together to start doing that reporting.

Ms WEBB - We probably don't need a big, descriptive comment to add to that, other than to hear that you are looking at it and are on-track in planning to do it.

Mr WHITELEY - If I can add to that, in terms of the short answer, the answer is yes, we are pursuing all those and looking at various mechanisms in which to report. Some will be financial and others are sustainability. You will expect to see that increasingly part of our annual reporting in years to come.

Ms WEBB - Does STT have a carbon policy?

Mr WHITELEY - Yes, we do.

Ms WEBB - Is it available for us to see? Do you display it somewhere publicly and make it available?

Mr WHITELEY - We will check that.

Mr ELLIS - Can I add to that as well, from a policy level, one of our Government's commitments is working with STT around carbon opportunities. That work has advanced. One of the real strong suits for forestry, going into the future-

Ms WEBB - Can I ask a couple more questions towards that, so we can get some specifics. I am mindful of time and wanting to move through. Has STT developed a carbon

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change modelling as part of any carbon accounting strategy to model the soil carbon stocks? Has any modelling or assessment been done to establish what change occurs after logging, harvesting, or burning of coupes? Is that all part of the work that's being done?

Mr WHITELEY - We've engaged with various research agencies to run national models so we understand carbon. We are relying on the bookend model and various others. There are research projects we are involved in with forest and wood products who are looking to do things. We've supplied our data to modellers to undertake that modelling. We're progressively seeking to engage with experts in undertaking modelling and we expect that to inform our management.

Ms WEBB - Excellent. Does that include soil carbon monitoring and modelling?

Mr WHITELEY - It has; but my understanding of that is that's pretty immature compared to the things that we've got good data on. We've got good data on trees and within the model it does include saw carbon and I think it's acknowledged at the moment that they've used certain values in there; but there's things that will need to be worked on by the modellers.

Ms WEBB - How does STT map the area to be logged? Is the mapping methodology independently verified or approved by other parties?

Mr WHITELEY - In what sense?

Ms WEBB - I'm looking towards the mapping for carbon, the carbon holdings and things. Is that what you're describing - that you're just beginning to do that modelling process?

Mr WHITELEY - We've got maps and measures of forest and land, and carbon clearly is one of those. Changes in carbon is what we're interested in. As in your previous question, part of it is above ground, part of it is below ground; part of it is sequestration, part of it is carbon stocks. We're interested in all of those things.

We've provided our data to modellers who were doing that. We're really interested in understanding that, and that will be a core part of our management structure.

Ms WEBB - Are there any other Government entities here that are involved in that mapping process around the native forest estate and the work that's been done? Is that something you partner with other aspects of Government or agencies?

Mr WHITELEY - We work with the Climate Change Office; and within the sector we're aware that some of the private growers - particularly as it relates to their plantation estates - have done a fair bit of work. Tasmania is a small enough place where we collaborate with all of the interested parties.

Mr ELLIS - Suzette may have an answer to a question on RTIs.

Ms WEEDING - To follow up on your earlier question on RTIs. Three RTIs were accepted during that financial year - one was disclosed in full; one was disclosed in part; and one where the information did not exist.

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We had four that were not accepted. It mentions 'refused' in the annual report, but that's just the reporting mechanism. Of those, two were actively disclosed and there were two where we sought to refine the scope - which is permissible under the act - and the applicant didn't respond.

Ms HOWLETT - A segue to the next point: what mechanisms do you have in place to address climate change?

Mr ELLIS - Thank you, Ms Howlett. Sustainable forestry management is part of the solution to climate change, not the opposite. We do not agree that ceasing all native forestry is the best approach to mitigating bushfires and climate change. Our strategy is informed by science and it aims to balance conservation and use, to provide the optimal framework for atmospheric carbon reduction and timber production. Tasmania's large productive forest estate captures carbon and provides society with low-emissions products.

The overwhelming majority of trees harvested in Tasmania are plantation and regrowth forests. Whenever wood is harvested from our native forests, it is regrown as a native forest. This not only maintains our native forest estate in perpetuity, but allows for carbon capture as these trees grow. Our sustainable forestry management approach is reinforced by the Intergovernmental Panel on Climate Change (IPCC), and supports jobs in forestry - rather than as would be in the case under job-destroying lockups.

In fact, the IPCC, the Food and Agricultural Organization, STSET and the International Energy Agency have repeatedly concluded that sustainable management of forests, including a mixed strategy of conservation and timber production, is more likely to be optimal for atmospheric carbon reduction. To quote the IPCC:

Sustainable forest management can prevent deforestation, maintain and enhance carbon sinks, and can contribute to greenhouse gas emissions reduction goals. Sustainable forest management generates socio-economic benefits and provides fibre, timber and biomass to meet society's growing needs.

Ms WEBB - Isn't the IPCC talking about plantations?

Mr ELLIS - No, it's talking about a mixed-use strategy, but I can commend the report to you. It's Special Report on Climate Change and Land, August 2019, well worth -

Ms WEBB - I don't think they're promoting clear felling of native forests.

Mr ELLIS - Sorry, Ms Webb?

Ms WEBB - It's okay, it was a comment, not a question.

Mr ELLIS - And you can see that on PTPZ land, it's actually been carbon capturing for the last 30 years. Unlike Labor in Western Australia and Victoria, we do not intend to shut our native forests sector down and we're committed to the long-term sustainable management of our forests for the future benefit of all Tasmanians.

CHAIR - Was there a supplementary, Ms Howlett?

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Ms HOWLETT - You mentioned jobs just before. I was just wondering what is STT doing to support Tasmanian businesses and also jobs across our state?

Mr ELLIS - Absolutely. STT is a very strong supporter of regional communities, particular in terms of regional jobs. So, over the last year, STT spent \$ 120 million with local Tasmanian businesses. That's 98 per cent of total expenditure and I think that compares remarkably favourably with just about any sector and any business in our economy. Forestry, in general, is a key pillar of the Tasmanian economy, total value including flow-on effects of \$ 1.2 billion.

It also supports 5 700 direct and indirect jobs, many of which are in regional areas, absolutely, and as I mentioned, \$ 120 million of payments to 593 Tasmanian businesses from STT. This includes \$ 54.6 million to harvest and haulage contractors, which employ over 270 people in regional areas. STT also supplied 49 individual customers with forest products, many of them located in regional areas across our state.

Of course, the statistics are good but they don't tell the full story, the story of small takeaway stores on regional highways that have re-opened to service log truck drivers, young husband and wife team that have recently set up a harvesting business, or a small IT business that's creating world-leading sensing technology to better manage our forests and doing it right here in Tasmania. It's a small snapshot of the flow-one effects of STT's commitment to Tasmania, real people in real jobs across our state and I know that this commitment to Tasmania, to growing the industry and growing on-island processing and regional jobs remains the same.

CHAIR - Thank you. Mr Valentine?

Mr VALENTINE - Looking at page 53 on the annual report.

CHAIR - I think this page was a little bit bigger, wasn't it? Or not?

Mr VALENTINE - Looking at C1, biological assets in there on the fifth paragraph down, you say that standing timber is valued at fair value less -

CHAIR - Is measured?

Mr VALENTINE - Sorry, is measured at fair value less cost to sell. Can you outline why the biological asset valuation increment has reduced by 35 per cent when the 2022-23 result is compared with the 2021-22 figure, okay? It's clearly reduced. The valuation increment has reduced by 35 per cent. Why would that be, minister?

Mr ELLIS - I will pass over to the STT team.

Mr BROOKWELL - The valuation methodology hasn't changed and we have an external independent valuer in [indistinct 12.59.09 p.m.] engaged to come up with the valuation and their methodology is to look at all of the revenues and costs of the business in terms of inputs into their assessment of what they value, the estates, which is essentially the trees in this note that you refer to. Why has the value of the trees gone up this year? It's gone up, essentially, for a variety of factors.

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Mr VALENTINE - The biological asset valuation increment has reduced by 35 per cent when you compare the two years.

Mr BROOKWELL - Have we mentioned the word - is your question why has the value of the estate gone up?

Mr VALENTINE - No. The question was, the standing timber is measured at fair value less cost to sell. So, can you outline why the biological asset value valuation increment has reduced by 35 per cent when you compare the two years, 2022-23 to 2021-22.

Ms WEEDING - Which number are you referring to?

Mr VALENTINE - It's on page 53.

Mr WHITELY - 23 has 208 million and 22 is 199 million, that's gone up.

Mr VALENTINE - Note c1, page 53 and 54.

Mr ELLIS - Did you say 2021-22, Mr Valentine? I think that might be the old report if so.

CHAIR - It's got 23.

Mr VALENTINE - 22-23.

Mr BROOKWELL - To clarify, the value at 1 July 2021 was \$186 million

Mr VALENTINE - Yes.

Mr BROOKWELL - It's then increased to June 2022 to \$199 million, and then it's increased again to June 2023 to \$208 million, in round numbers.

Mr VALENTINE - Looks like it might be my mistake, I'm sorry about that.

CHAIR - That's good to know that the value hasn't decreased, so thank you for asking that question, honourable member. Is there another one there that we might get another positive response from?

Mr VALENTINE - I won't continue there because, clearly, there's one annual report difference, I would suggest, so, sorry about that, we're all human. Can you outline whether the significant increase in the sale of forest products is 8.92 per cent, on page 45, which counts for the bulk of the increase in revenue, is a result of more forest products being sold, higher value forest products being sold or generally higher prices for forest products?

Mr BROOKWELL - We have a few inputs into why the revenue for forest products is increased in 2023. The volume of domestic logs did reduce and that's been commented on yesterday, but we benefited from an increase in US dollar prices for both native and plantation chip and we also benefited from a weakening of the Australian dollar by about 5 cents over the

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year, and the benefit of both the chip price and the foreign exchange rate supported our growth in revenue despite the volume reduction.

CHAIR - Another one there?

Mr VALENTINE - What actions are you taking generally to ensure that in 2023-24 you do not again experience a decline in net profit by over \$7.3 million, which is on page 36? So, it's gone from \$11.383 million down to \$4.057 million.

Mr de FEGELY - If I may, minister. A couple of things, the evaluation about forest estate, which has a number of variables, as Chris has just outlined, particularly things like the exchange rate for chips and the export market, that has a big impact on our overall evaluation of the estate, plus, our defined benefits liability is the other thing that can have a big impact on our result. Both of those things are more or less out of our control, unfortunately, as Mr Brookwell has outlined, we get an independent value for the forest estate and the independent value puts what they believe is the appropriate market costs and returns and uses an appropriate discount rate on a discounted cash flow basis to give us our annual valuation. The evaluation of our defined benefits liability is also done independently and so, those two things are very major points.

We're obviously very closely monitoring our own internal costs and revenues in terms of domestic log sales and our domestic costs, so hopefully we can manage those but the two larger things that are out of control, as much as we can manage them, we'd like to, but they are the things that can cause some volatility in our annual numbers.

Mr BROOKWELL - Just to add to that, there's a reduction in the profitability in FY 2023, which you've pointed to quite rightly. I think it's important to have a look at the quality of the earnings as well.

As I mentioned, there's a variety of reasons why revenue for forest products increased and that did flow through to the margin that we make from forest products. That's an important driver for core business.

In terms of the key components as to why profitability reduced, we had a reduction in the uplift of the forest valuation; we made less profit on the sale of property; and we had a revaluation of the land and buildings. So, the key contributors to some of the decline in profitability in FY23 was sort of outside the core gross margin of selling wood.

CHAIR - If some of it's to do with the sale of property, why would you lose money on the sale of property in this environment?

Mr BROOKWELL - We didn't lose money on the sale of property. We just made a lot more money on the sale of property in FY22 compared to FY23.

CHAIR - So you've got less to sell? You've sold everything you can, pretty much?

Mr WHITELEY - We only sell things we don't need to use any more.

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Mr VALENTINE - You might be able to tell me whether it's an error or not, but total operating expenses is reported as \$115.324 million on page 36 for 2022. Yet, page 48 records it as \$116.876 million. There's a \$1.5 million difference there.

Mr BROOKWELL - You're correct. In terms of the risk statement, that's been restated correctly on the face of the profit and loss account and hasn't flowed through to the supporting note.

Mr VALENTINE - Which is the mistake? Is it page 48 or is it page 36?

Mr BROOKWELL - The consolidated statement of comprehensive income, the profit and loss account in old money, so on page 36.

Mr VALENTINE - So, page 48 has got an error?

CHAIR - There is no missing \$1.5 million.

Mr VALENTINE - That 116 876 (million) on page 48 should be 115 324 (million).

Mr BROOKWELL - I think you've balanced the ledger.

Mr WILLIE - Minister, you talked about the plantation resource coming online, which is great and I'm aware of some trials happening with some of the sawmillers. Why don't you provide that plantation resource earlier?

Mr ELLIS - Earlier than the trials?

Mr WILLIE - No, earlier than when you plan to make it available, from 2027. You've got a legislated requirement of 137 000 cubic metres and you delivered 103 000 this year. I'm aware that there are sawmillers who would like more resource.

Mr ELLIS - There's a few questions there. I'll pass over to the STT team shortly. I think you identified in the first instance the answer to one of your questions. We do have trials ongoing at the moment and it's important because this is a new resource. As such, it needs to potentially be treated differently. In the mill, it may require retooling. It may be suitable for a different range of products than currently exist with some of the other species that we are typically seeing coming from our native forests. It may also have new customers that may want it for different things. So the -

Mr WILLIE - No doubt, but some of these businesses could probably take that resource a bit earlier than 2027.

Mr ELLIS - And some of them are. As you identified, they're doing trials on it at the moment.

Mr WILLIE - I'm talking about more than trials.

Mr ELLIS - As I say, the trial process is important. It is currently meaning that we'll be able to bring on some more. STT also, obviously, have the native requirement they provide. I'll pass over to the STT team to add further.

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Mr WHITELEY - I think that's possibly a misconception. What -

CHAIR - There's been a lot of that today apparently.

Mr WHITELEY - We are hoping to deal with that, so this is a valuable process, Chair.

Clearly, we have contracts that run to 2027 -

CHAIR - When are you going to start negotiating those?

Mr WILLIE - But the point here is -

Mr WHITELEY - Can I do plantations first?

Mr WILLIE - There's demand that's not being met and there's a legislated requirement for -

Mr WHITELEY - No, we're supplying now. If you look at our three-year plan, I think there's around 20 000-odd logs that we will be supplying now. Don't conflate long-term contracts, which is what the minister has just announced, through supply. We're not holding back supply. People who want to buy logs now who are our existing customers, we discuss with them through the course of the year. As reported, we've sold them logs. We don't report them as contributing to high-quality sawlog, but we are making them available, nevertheless, mainly on a trial basis.

What we're doing through the process the minister has announced is we will enter into long-term contracts to allow them to invest over a long period rather than simply do short-term sales, which is what we're doing now. We're really working on resource security, not availability. The logs will be made available. I was asked yesterday, 'how long do you think this would take?'. We hope it's earlier through the calendar 2024 year. Once people have a long-term right, they may need to re-equip themselves. They may be ready to go now. Some of our existing customers have already tooled up. If they were successful in entering into a long-term agreement with us, they can take those logs under a long-term agreement immediately. They may be taking them under short-term agreements at the moment.

So, really, it's not an availability question. Security to allow investment is what the process is. We're not holding off until 2027 but neither are we disadvantaging any of our current contract holders who do have contracted rights to 2027. One part doesn't come at the cost of another. Really, this is building on existing rights that people hold and, if they are interested, and we know some are very interested, some less so, in smaller logs, the plantation logs, we'll make them available under a long-term contract as soon as we're able to reach agreement with people through the process I've outlined.

Mr WILLIE - Do you need to update the regulations to get this new plantation resource into a category three?

Mr ELLIS - In terms of the way we categorise different logs, obviously we'll work closely with STT and the industry around any process that needs to take place because this is a different resource, different species, so we'll continue to work closely at a policy level around

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anything that may need to happen in that space. As I say, because we're still in a trial phase, taking into account the newness of it is important.

Mr WILLIE - When you provide this 125 000 cubic metre resource, what percentage will be pruned?

Mr WHITELEY - Part of what we are under is a probity process. We've been permitted by our probity people to provide high-level information but, under probity, it needs to be fair to all players. So, what we're doing is those people who qualify through what we're calling the stage one process will be provided very detailed information about all the mix of logs. That will include how big they are, how old they are, pruned and unpruned, et cetera. There is a lot of detail that will be made available early next year once we've got the suite of qualified people who will participate in the process. They will be provided a lot of information around that.

At the moment, simply we've talked about a familiar log type, which is a 30-centimetre small-end diameter. It's consistent with the trials we're running now, so we're selling logs that are both pruned and unpruned. Most of the equipment at the moment, for at least the high-value logs, is 30-centimetre. We're also selling some smaller logs for pallets and various other things that people are looking at. Again, we've got a range of people who are already utilising these logs. Over time, we'll be able to contract the specific logs that individual businesses are interested in.

Mr WILLIE - So, you're still doing the work. You don't have a percentage that will be pruned?

Mr WHITELEY - Not at present. We have done the work but, in terms of announcing things, we're going through a stage process. There will be a lot of detail for those people who are qualified to access that information.

Mr WILLIE - Did Sustainable Timber Tasmania from the previous financial year top up the volume from plantations that wasn't being met from the native HQSL (high-quality sawlog)?

Mr WHITELEY - No. They are independent processes. We've got direct contracts with various customers; we meet those and that is what we report on. Separate to that, probably three years ago, we went to all of our customers and said are you interested in plantation logs? In addition to their current right, we're selling them plantation logs to those businesses who are interested. It isn't a trade-off, it's buying additional wood for any of the current customers who wish to be interested at the moment. Some are, because they are equipped to do it. Others are set up for bigger logs and it doesn't make sense with their current equipment. We've been doing research trials, providing information to people as well, but it isn't a swap, if you like, this is new business.

Mr WILLIE - In terms of the native forest component, the 58 000 cubic metres, how do you plan to allocate that resource from 2027, given that there are a lot of businesses accessing more resource now? How are you going to do that fairly?

Mr ELLIS - The two points to note is the plantation sale process coming online means that we have a very large resource that's going to be available to our millers around the state. That's really encouraging, that's a big volume, 125 000. As you mentioned, those plantations

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were planted to offset lockups that happened some decades ago, so that the plantation resource would come online at the time that the native began to reduce. We'll work closely - well, STT will work closely - with existing customers around that. In terms of allocation -

Mr WILLIE - You don't know?

Mr ELLIS - As I say, we will work closely with the existing customers around it. We are really committed to providing (a) more resource, and (b) that long-term security. We're four years out, people have contracts until 2027, and important work is done by STT recently to extend contracts for those that were due to expire sooner than that. Those contracts that are in place until 2027 remain and then we will work proactively to ensure that longer term contracts are able to be entered into.

CHAIR - When will that work start?

Mr ELLIS - I am aware that the plantation sale part is a key part of that. I'd be looking to do it reasonably soon, in terms of the native, because I think there are some good opportunities. To provide that certainty also means that, as the CEO mentioned earlier, that those customers of STT can then go to the bank for loans of new equipment, tools, all that sort of stuff.

CHAIR - Next year?

Mr ELLIS - We will be working pretty closely around that timeframe.

Mr WILLIE - It will certainly be good. You have a large employer in my electorate that does some great work for Tasmanians.

Mr ELLIS - I know there are some strong concerns around potential lockups under a Labor-Greens government in the future and all that stuff.

Mr WILLIE - You've been in government for 10 years. Ten years and you haven't changed a thing.

Mr ELLIS - As I mentioned, we've had significant growth and will be bringing once in a generation opportunities to Tasmania.

CHAIR - I am interested in understanding what methodology was used to revalue the estate. I will be asking this to the minister. Given that the auditor general, on page 96 of the annual report, focussed on that. I am interested on what methodology.

Mr ELLIS - Around the valuation?

CHAIR - The revaluation of the estate.

Mr ELLIS - I'll pass over to the STT team shortly. Can I just add to a previous question regarding jobs supported by the special species sector? In the full study 2015, approximately 160 full time equivalent people were employed directly in working with special timbers across saw mills, distributors, producers, and retailers. Approximately \$20 million in turnover gross revenue from special timbers production and sale, encompassing sawn timber, semi processed,

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and end-use special species products, which was through the same source through a report commissioned by State Growth.

CHAIR - Thank you. Methodology?

Mr BROOKWELL - We touched on this with the earlier question.

CHAIR - We did.

Mr BROOKWELL - The methodology hasn't changed. It's an income capitalisation approach which, in English, means you take all of the revenues and the costs of the business and the independent valuer puts that into a discounted cash flow model to derive the value of the trees. The value of the trees is only for their current standing crop of timber. It does not consider future rotations.

CHAIR - You said this is complex.

Member - It is very complex.

CHAIR - Why wouldn't you use a simpler methodology?

Mr BROOKWELL - The accounting standards prescribe the fact that the trees need to be valued under a fair value regime and then there are only a couple of methodologies that then you can then utilise. What happened during financial year 2023 was that in discussion with the Auditor-General we changed the approach to the estate. Between 2010 and 2023 we presented and integrated asset which is trees, roads, and land, together with the provision for re-establishing and regenerating the harvested coups.

That was a single figure which was disclosed under the biological asset. In the current year we changed that in discussion with the Auditor-General, and then we have splintered those different components of the assets and liabilities out into separate notes. Now under biological assets we present just the value of the standing timber, and we present roads and lands under property, plants, and equipments, and we have a separate provision for our liability to re-establish harvested coups, which is the main change.

CHAIR - Thank you. Where are we going now? I'll give you that one back, we're swapping things around. I do have a couple of other questions.

Ms ARMITAGE - I have this one first. In the 2021-22 year, STT claimed to have spent \$36 000 on managing the Huon pine stockpile. Can the STT advise how much it has expended on this task in the 2022-23 year?

Mr BROOKWELL - Similar to the earlier answer, we do not capture that ordinarily. There is a computation to derive that, and we did that in this session last year to answer that in situ. What we can say is the level of activity hasn't changed and that's been discussed earlier in this session. We would have spent approximately the same amount of money this year.

CHAIR - Thank you Ms Webb.

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Ms ARMITAGE - That actually was not the question, put me back on the list, please, that was your question.

Ms WEBB - The leatherwood retention regime is something I wanted to ask you about. On your website there's a special species timber production table for 2022-23 which says that no leatherwood was harvested for that period, so I wanted to ask if that's correct, and then, the intention is that no leatherwood would be harvested in this current financial year? And indeed, how much is projected to be included in forest practises plans that are current or ones that are being finalised at the moment?

Ms WEEDING - That number would be correct as reported in terms of the amount of leatherwood harvested. We do not target leatherwood for harvesting in any way, shape, or form. On occasion, the odd leatherwood tree is removed as part of the forest harvesting operation where it doesn't constitute commercial leatherwood or it might be where a landing location needs to go in place or part of a roading operation. In the way we manage leatherwood, we have a MOU with the Tasmanian Beekeepers' Association, we have Tasmanian Leatherwood Guidelines which are endorsed by the same association, which provide and prescribe how we manage leatherwood in our harvesting operations.

Leatherwood is quite prevalent across the landscape, particularly in some of these wetter forest communities, where we have a eucalypt overstory and leatherwood understory. It's something we take very seriously in considering as part of our planning operations. We work with the local beekeepers in association with the retention of that leatherwood in those particular areas - the beekeepers that have got hive sites in that vicinity - and we work to exclude patches of commercial leatherwood from our operations.

Ms WEBB - To clarify then, when you say that no leatherwood was harvested, you mean that nothing was harvested that was then monetised, in terms of leatherwood, but there might have been leatherwood cut as part of accessing a site or as part of operations to do with harvesting of other timber? It might have been that leatherwood was cut?

Ms WEEDING - There may have been individual trees impacted, but not commercial leatherwood. Part of our apiary guidelines is retention and protection of commercial leatherwood, and that's a prescribed portion of leatherwood within our particular area, because it can be scattered as individual trees across the coupe or even smaller trees across the coupe. In terms of the way we retain and protect leatherwood, we very much focus on those commercial leatherwood patches to make sure we maintain that resource for beekeepers in the area.

Ms WEBB - In relation to re-seeding sites, you mentioned that there are figures provided of 186 million seeds being used in this reporting period, to sow sites that have been harvested. What is the seed harvesting and selection criteria and process? How accurately does the seeding for the regrowth reflect the forest that was logged, in terms of presentation and species distribution and ecosystem services?

Ms WEEDING - In terms of the assessments that we undertake, we focus very much on returning the forest as it is, and what is there. The eucalypt seeds we sow are focused on the species that are present on the site in the rough proportions of the species that are present on the site. We focus on seed collection either onsite or in-zone - seed that has comparable genetics to the trees that have been harvested from that particular area.

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Ideally, we want it all from the couple, but that is not always possible because trees don't flower and produce seed every year; but the purpose and the intent is to return the forest to the way it is. In terms of the understorey species, that is usually ground-stored and our experience has shown that that will regenerate out of the ground once we return the eucalypts.

Ms WEBB - So, you don't reseed for species other than eucalypt?

Ms WEEDING - Not specifically, no. We do undertake some targeted work; for instance, leatherwood, from time to time we will undertake targeted replanting of areas. We have done that recently in a coupe up in the north-west, in an area where we had a concern raised by a local beekeeper. We've grown leatherwood in our forest nursery at Perth and planted that area this previous year.

Ms WEBB - In terms of the eucalypt sowing that's done, to what level would you say it reflects the biodiversity of what was there prior?

Ms WEEDING - That's absolutely our target. Our target is to reflect the biodiversity on the site previously.

Ms WEBB - How well do you think you achieve that target?

Ms WEEDING - We have a quality standard process that we run to assess our reforestation success and the species that are coming back. Science has shown us over the years you can't really change the species composition of a forest; the forest is there for a reason and the species that are there are the species that prefer to grow in that particular location. There have been studies in the past where they have tried to enhance it or change the composition, and they are generally not very successful. The best thing for us is to get the forest back the way it is and to restore that biodiversity - essentially, that species composition - as it is, because that is the species best suited to that site.

Ms WEBB - Do you audit before harvest and then some time into the regrowth period to see how those two match up?

Ms WEEDING - Absolutely. We take an assessment. Part of our planning process is working out what species are present there and undertaking quite detailed mapping of the species present on site. There is a whole range of other things we do as part of that, in terms of natural and cultured assessment, focusing on the eucalypts. Post regeneration activity, whether we are burning or scarifying, whatever process we undertake to regenerate - we do a number of them- then we go out and do a reforestation assessment to see how the species are growing; see whether they are being significantly browsed; do we need to undertake any remedial action where something might not have been as successful. We take regrowing the forest very seriously, so it is there for future generations and future harvesting, but also for the species that rely on the forest and forest areas.

Mr ELLIS - The Perth nursery is quite a fascinating facility - the variety of trees. We even grow Huon pine.

CHAIR - We can talk about that at another time. We don't have time to talk about it today.

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Mr ELLIS - I highly recommend it as a place to visit.

CHAIR - How long is STT going to persevere in gaining FSC or, if they are, what is the expected time frame to gain it?

Mr ELLIS - I'll pass to the STT team shortly around the ongoing process with FSC.

CHAIR - No, I don't need to know about the process, I just need to understand whether there's going to be a continued push for it. If it is, what is the expected time frame? I understand all of the other; we've been talking about that for about eight years as well.

Mr ELLIS - I'll pass over to them in terms of those questions. STT has certification through PEFC as well, and we think that's a strong result. Regarding the specifics around time frames and things like that, I note that it's currently an item under the ministerial charter for FSC with STT, so that's a policy question for Government but in terms of the process, I'll pass over to the team.

Ms WEEDING - To answer your question briefly, we don't have a specific timeline to get the auditors back, at this point in time. We are working through closing out the non-conformances that were identified in the 2019 audit. It's quite a complex process, which I could talk through in detail; but I'm sure that would will chew up the time. We will get the auditors back when we are confident that we've closed out the non-conformances and that we've got a good chance of success in terms of that audit. We had quite a high success rate in terms of conformance with the standard last time the auditors were here. We can expect that to be reflected, although there were some key issues that we still need to work our way through.

CHAIR - So there's no timeframe?

Ms WEEDING - It's open-ended.

CHAIR - What is wrong with the PEFC certification? Why isn't that enough, minister, for this industry?

Mr ELLIS - PEFC is a great standard. It's the Australian standard. I think I'm right in saying that it's the largest standard in the world and -

CHAIR - So, what are we doing? Why are we continuing on this journey? I can't imagine the cost to date; I probably would need to be lying down, not sitting down, to understand it.

Mr ELLIS - The PEFC standard is a really strong standard and STT's achievement of PEFC speaks volumes of the successful and sustainable way of -

CHAIR - My question is, why isn't it enough?

Mr ELLIS - There are some customers that may prefer an FSC standard. Most of our Australian domestic customers, broadly speaking, are very happy with PEFC.

CHAIR - So, why continue? Why not just focus on those that are happy to have that, as a certification for Tasmanian timber?

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Mr ELLIS - One of the interesting points around the decisions to exit native forestry in some other states means that there's going to be strong and enduring demand for Tasmanian native timbers, and certified under PEFC continues to be a great opportunity. It's a policy question for Government. I know that over many years, different customers have seen value in it. It's part of the reason why FSC certification is under the ministerial charter. Certainly, in terms of the quality of the way that STT manages the estate sustainably, PEFC is a strong certification for that as well as our independent Forest Practices Authority which certifies or approves the forest practices of STT.

Ms WEBB - There's no answer to that. You said it's a policy question for Government. You're Government. You're the minister responsible. She's asked you the question why isn't it enough? You've just said there are businesses opportunities being one of the remaining states who do native forest logging. Why isn't the current standard enough?

Mr ELLIS - I also mentioned, Ms Webb, that some of our customers would prefer FSC.

Ms WEBB - So, we're still seeking customers?

CHAIR - My question was why not focus on those and let it go? Let it go.

Mr ELLIS - We always seek customers. We seek customers each and every day. It's a business but look. I'm more than happy to continue conversations around certification. It's an important area and we have a strong track record to speak to as well.

CHAIR - But we can't gain it.

Mr ELLIS - In terms of general certification, that is what I'm saying.

CHAIR - But FSC - it's out there somewhere and your Government keeps on aspiring to it. It's costing a lot of money and we still are not getting any closer.

Mr ELLIS - I'm happy to continue working around in this space. The fact that we have the largest certification in the world speaks strongly to our performance and we monitor this situation closely.

Ms WEBB - The 19 habitat retention trials that are happening in relation to FSC certification. Are they only focused on swift parrot habitat or do they include other threatened species trials as well?

Ms WEEDING - They include the range.

Mr VALENTINE - In the 2022 *Tasmanian State of the Forests* report, on page 17 it is stated:

Of the total native forest area, 1.255 million hectares is in conservation and public reserves, 957 000 hectares is permanent timber production zone and other publicly managed land, and 833 000 hectares is on private freehold land.

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Of the 957 000 hectares identified in that report, how much, to date, has never been industrially logged before?

Mr WHITELEY - We only manage 800 000 hectares so I am wondering where that has come from.

Mr VALENTINE - It is in the state of the forests report.

Mr WHITELEY - We only manage 800 000.

Mr VALENTINE - You only manage 800 000?

Mr WHITELEY - In total. That includes plantations. Our land basis is 800 000.

Mr VALENTINE - So, of that 800 000, how much has never been industrially logged before?

Mr WHITELEY - I am not sure we have a definition of that, but we do have a view of old-growth, which may be an indirect way of answering your question, if that is okay?

CHAIR - Can that be taken on notice?

Mr WHITELEY - I am not sure we have a record. That is quite a specific question. In terms of endeavouring to answer your question, the definition of old-growth relates to age and disturbance, et cetera, so that may be a good surrogate for your question, perhaps. Or it may have been reported somewhere else in the state of the forests report. It may be worth going back to the authors of the report to see whether they have some data that sits beneath that. It may be better to go back to the authors to find out what they are saying and then we may be able to help. Although probably not specifically the question you have.

Mr VALENTINE - In this report, on page 4, you say:

We conducted harvesting on about 1 per cent of our land. Of the 6000 hectares of native forest harvested to generate forest products, 77 per cent of operations were completed using partial harvest methods. We also actively regenerated more than 5800 hectares of previously harvested forest by sowing about 186 million seeds. This annual cycle underpins our sustainable management of the forest estate.

On the 6000 hectares, is that the amount of land managed for logging operations or the total amount of forest land logged?

Mr WHITELEY - That refers to the annual cycle. There is a continuum there where we report regeneration from previous years' harvesting. The 6000 was the activity level associated within that annual reporting period of harvesting then, in terms of regrowing the forest, we also conducted regrowing activities for previous harvesting. There is a bit of a lag time there. That reflects activity.

Mr VALENTINE - Of that 6000 hectares, how many had never been industrially logged before?

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Mr WHITELEY - I think in the report, in the tables, there might be something to help with that. Again, old-growth is probably the best indication of that, but not entirely true. There may be some regrowth areas that were from indirect fire. We do not have a record of precisely that question. We certainly have indicators based on the nature of the forest that is there. We know how much we are operating on, how much regrowth, how much plantation, how much mature, including old-growth. We report all of those elements. In terms of undisturbed, old-growth is probably the closest definition to that.

Mr VALENTINE - Could you give me that?

Mr WHITELEY - It is either in the report or on our website.

CHAIR - Can that be tabled?

Mr WHITELEY - It should be in the report or on our website. We report that.

CHAIR - Thank you, so if that can be provided.

Mr WHITELEY - I think it has been provided.

Ms WEBB - Do you actually contribute to the state of the forests report?

Ms WEEDING - Yes, we do.

Ms WEBB - So you provide data into the state of forests report?

Ms WEEDING - We do.

Ms WEBB - So when you referred Rob to ask the authors, would it not relate to material you provided?

Mr WHITELEY - I don't know. That is expressed in a certain way. We provide data and they've interpreted it. That's the difference.

Ms WEEDING - There's an accumulation of a whole suite of data that goes into the State of the Forest Report. It comes from us and it comes from Government agencies, it comes from the Forest Practices Authority-

CHAIR - For ease of access so we don't need to go looking - because we do more than one of these scrutinies - we'll request that, thank you.

Ms ARMITAGE - With regard to consultancies, I notice that you've paid \$518 422 in legal services. Can you give me a breakdown for the financial year 2022-23? It's a lot of money.

Ms WEEDING - In terms of the general area of where legal fees are spent?

Ms ARMITAGE - Just the \$518 422; you can't go into detail with the things that are in confidence, I appreciate that.

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Ms WEEDING - It covers a range of court cases that we have been a party to over the past couple of years as well. It also covers legal evaluation of our leases, licenses, all of our legal documentation that we hold within the business - all gets captured within our legal services requirement-

Ms ARMITAGE - Do you have any split up to do with which area-

CHAIR - Which are for cases, and lease agreements?

Ms WEEDING - We don't have a breakdown of that.

CHAIR - Can that be provided?

Ms ARMITAGE - It sounds like an awful lot of money; it would be nice to sort of know where it goes. The minister would like to know where it goes, surely, or minister knows where it goes?

Mr ELLIS - We have some interested counterparties and people like the Bob Brown Foundation that are trying to shut down forestry and use 'law fare' as a key part of their-

Ms ARMITAGE - It would be interesting to see the amount that goes to court cases. Also, the integrity governance and advisory Victoria, the executive team review, it says can senior management be more effective - so, for the almost \$59 000, what came out of it? Did you make your team more effective, or what was the result for spending that money?

Mr de FEGELY - We're obliged each year for the board to undertake an evaluation. We made a conscious decision to get a team from Victoria that was recommended to us by another well-known chairman here in Tasmania that said that they were very good. It was really to advise the board on how the individual directors could be more effective -. It was basically continuing professional development for our board members, and to undertake a review of the executive management team at the same time, as to how the management team works with the board and how the board can be more effective.

Each of the board members has a target of things to do. Because it was an extensive amount of money - I agree with you - I wrote to the minister earlier in the year to say could we use that work that we got from last year as an ongoing base so we didn't spend the money again this year so we could build on the results of that work.

Ms ARMITAGE - Was it a week, two weeks?

Mr de FEGELY - It was over about six months.

Ms ARMITAGE - Over a period of time - a week, one day a month? Did they come down, was it online?

Mr de FEGELY - There was a period where they did interviews, and part of it was later days of COVID-19 so it was done online. Interviews for each director and the general management team. We felt that the board had gained a lot from the discussions they had with

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integrity governance as that's what they specialise in. They felt that the management team could also benefit from it, so we extended the contract to management.

Ms ARMITAGE - Did you get any quotes from any other similar organisations.

Mr de FEGELY - We've done this every year, so we've got to know.

Ms ARMITAGE - Similar costs, or is this more expensive?

Mr de FEGELY - No this is more expensive but we've extended it over two years so you can essentially say it was about half what we would have to spend normally. But we've got a special extension from the minister to continue using the output from that piece of work over to the next year.

Mr ELLIS - Ultimately, if we weren't doing the work to continuously improve we'd be criticised for that as well.

Ms ARMITAGE - I am just looking at the figures.

Mr ELLIS - For sure; but just in terms of obviously being responsible stewards of the taxpayer resources, it's important we continue to improve the way we govern our-

Mr de FEGELY - It was a very valuable exercise, from my perspective as chair.

Ms ARMITAGE - Do you know what it cost last time when we had a previous firm do it?

Mr de FEGELY - Probably about \$25 000 or \$30 000 -

Ms ARMITAGE - So around about half.

Mr de FEGELY - It's always more; but I think -

Ms ARMITAGE - You thought it was beneficial.

Mr de FEGELY - I do; it was better than the ones we've had before.

Mr VALENTINE - Do you have a mapped understanding of how much

Mr VALENTINE - Do you have a mapped understanding of how much and where of each type of vegetation and, hence, each type of product, was impacted by the 2019 bushfires?

CHAIR - That might need to be taken on notice.

Ms WEEDING - We have a mapped area of the impact area of the fire. One of things we did after the fire was go out and undertake assessments. The intensity of the fire varied across the landscape. Despite the fact you might have an impact area of forest, in terms of the forest areas within them, some were quite significantly impacted and other areas it burnt through. We are not able to generate that specific information in terms of the impact. What we have done is taken a view in our sustainable yield calculations and our projections looking

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forward in terms of bringing these areas into our production cycles and consider that as part of our planning processes.

Mr VALENTINE - You cannot get any finer.

CHAIR - Thank you very much. We have expired our time. On behalf of the committee I thank you all for your time. As you can see, the committee has a huge interest in special species timber because this House fought very hard for that to be a focal point of the Tasmanian timber industry into the future. We look forward to any other opportunity that we have in the future and again on behalf of the committee, thank you for your time.

Mr VALENTINE - Can I put on notice one last question?

CHAIR - You would have to read it out.

Mr VALENTINE - STT's current three-year plan shows that in the south of the state 3 000 cubic metres of special species millable logs are forecast to be harvested in the next three years, with 2 900 cubic metres of that in the next two years. These volumes are forecast to come from just 11 coupes. 3 000 cubic metres is a lot of millable special species timber logs.

Can you please advise what is the estimated breakdown of the volume by species and saw log grade? Can you confirm that these volumes only include millable logs - that is category 4 and utility saw log? Is the timber being cut to meet existing contracted demand or simply being produced as arisings during integrated eucalypt harvesting? Where will the timber go, if not to existing contract holders? Will it all go to Island Speciality Timbers? Lastly, if these coupes are so special species-rich why aren't they being harvested using methods approved under the Special Species Timber Management Plan instead of being clear-felled?

CHAIR - Thank you. I thank the member. Thank you very much Gaye from Hansard.

The Committee suspended from 1.48 p.m. to 2.30 p.m.