

**Wednesday 5 June 2013 - Estimates Committee A (Green) - Part 2****DIVISION 5**

(Department of Infrastructure, Energy and Resources)

**Output group 2****Energy Advisory and Regulatory Services****2.1 Energy Policy and Advice -**

**CHAIR** - Can you introduce the people at the table please, minister?

**Mr GREEN** - I introduce Gary Swain, Deputy Secretary of Strategy and Policy; Norm McIlftrick, Secretary of the department; and Alison Turner who works with me as my adviser.

**CHAIR** - Minister, did you want to make an opening comment about this area?

**Mr GREEN** - The only thing I would say is that each and every department has had to do and face up to some pretty rigorous testing when it comes to the budget. We are 78 FTEs fewer than we were and as I indicated to you this morning, when I get the chance I do, if I can, put on the public record my thanks to the department for that effort. It is not easy.

We will be talking about mining a little later on and MRT is a good example of where a renewal program has substituted people who have left through retirement and been renewed by younger graduates et cetera but still having savings overall.

The point I am making is that the cuts we have had to put in place, which have been difficult across these departments, have effectively been met and we have used strategies to ensure that we can still maintain services at the same time. It is not easy to go much beyond that point.

In energy, there are some major reforms under way in the energy portfolio. Many of these, from my perspective, are about ensuring that we maintain the lowest possible prices we can for energy consumption in Tasmania. We want to make that a positive for us.

**CHAIR** - Thank you, can I just head into an overarching area of energy in its broadest sense? Most often we hear about electricity of course, but we have other forms of energy in this state including natural gas and petroleum supplies.

What in terms of risk management is in place in the event that there is some major disruption to any one of those?

**Mr GREEN** - The Office of Energy Planning and Conservation represents Tasmania's interests in developing a national energy and emergency management arrangements and is ensuring consistency with the state's own energy supply emergency management arrangements.

Recent incidents, including the bushfires this summer, have highlighted the need for a coordinated approach to energy supply and emergency management. These arrangements are continuously being reviewed and strengthened by undertaking exercises at both the state and national level. The OEPC has worked with industry and other government agencies to put in place emergency management plans. These set out the responsibilities of various participants for each industry sector and are intended to improve coordination and communication effectiveness of the overall response. The plans are regularly reviewed.

During 2012-13 the OEPC has focused on emergency preparedness work on gas and petroleum product supplies. The bushfires in January and a recent incident, in which some reticulated natural gas was out of specification, proved that the current processes were adequate while highlighting areas for improvement in communication and delineation of the roles of the state and regional emergency management bodies. The focus for future work is the need to assist local communities to become more resilient when faced with energy supply emergencies. Are there any other issues with respect to storage and stuff you might want to mention?

**Mr SWAIN** - Just to add a little detail, we have committee structures to support energy security preparedness. We monitor or receive advice from Hydro about water storages. There are protocols in place if their storages goes below certain levels that they need to give advice to the department. We have existing sort of communication channels with all the entities in the gas sector so that if there are any supply issues we become aware of them and then can seek to facilitate a resolution.

On the petroleum side, we broadly track the supply-demand balance and the vessels coming into Tasmania, just to make sure there are adequate supplies of diesel and petroleum in the state. I should mention there is at least an annual if not biannual process where AEMO - Australian Energy Market Operator - runs emergency management exercises. We had one of those earlier this year and they are a regular activity that requires the department - at least Transend and Aurora if not Hydro and AEMO - to run through scenarios and test if there are any issues.

**CHAIR** - Post the bushfires, did that throw up any need to tweak the emergency response plans at all or make them more robust? Gary has just indicated, or I think you did, minister, that everything was found to be okay, but did the bushfires throw up anything in particular in regard to the security of our energy resources?

**Mr GREEN** - Do you mean energy supplies or resources?

**CHAIR** - Supplies as much as.

**Mr GREEN** - What it did show was that in that area of the state - and Norm will probably comment on it more - the fact that we had the back-up supply beside the actual supply meant that when they both burnt down, we had no supply.

Aurora has been thinking, in terms of saving money, that when it comes to transmission or distribution infrastructure, generators should be set up and established in remote locations so as to ensure they can meet peak demand for energy consumption. Strahan is a good example of that. It is on the end of a long transmission line going in and to upgrade that transmission line would be very expensive in order to only meet limited numbers of peak loads. The same would apply to the Tasman.

The work that was done with respect to the rebuilding of the system ensured that supply security would be better. We have at least one generator we are thinking of deploying in the future. We flew those ones in. Remote location energy security did come to the fore as a result of the bushfires, but it is probably in line with the strategy put in place by Aurora anyway as a cost saving measure, and it highlights how important it is to have that sort of strategy in place in the future.

**Mr McILFATRICK** - Building on what the minister said, it did highlight Aurora's very good operational response. Aurora's operational response is without peer. The people on the ground knew what needed to be done - similar to my own agency on the roadside, and in combination with the police. All that went really well. On top of that there is a statewide emergency response that kicks in, and we have officers who take that overview role. One of the things I learned is that when the operational people are doing a good job, you just keep out of their way.

**Mr GREEN** - And why would you not?

**Mr McILFATRICK** - We sent Bryan down -

**Mr GREEN** - And I got right in the way.

**Mr McILFATRICK** - There were certainly some things to be learnt from Aurora's emergency response and from the roads situation, and we will tighten up some procedures, but overall it was a very good test of our people's capability and I do not think we were left wanting. But an inquiry is going to be completed on the bushfires, so we will leave that.

I have huge respect for the people who did the job from my department on those days and certainly those from Aurora. I am very proud of what they did.

**Mr GREEN** - I should have said all of that, Norm.

**CHAIR** - There is a bit of a mutual admiration society on the other side of the table, patting each other on the back.

**Mr GREEN** - Is he interfering in operational matters?

**CHAIR** - Nothing changes. Minister, with gas as an energy source, is there any particular exposure to danger because of the volatility of gas, in terms of a leak or explosion?

**Mr GREEN** - At a national level, they are talking about developing supply hubs to avoid what happens when you have an explosion or any serious change in supply. The eastern seaboard of Australia has a supply versus export issue when it comes to the price of gas, along with governments' inability to manage the issue. It is not so much of an issue in Tasmania. We have contracts in place that go out to at least 2017, don't they Gary? There will be change with respect to the operation of the Tamar Valley Power Station but in my discussions with Hydro they have assured me they will put the necessary strategies in place to maintain supply.

[2:15 p.m.]

I guess there potentially could be issues with respect to the volume that was used through the pipeline and how costs for the use of the line are administered beyond that point, but overall I think I don't have any serious issues.

**Mr McILFATRICK** - I guess you were talking about the danger of gas explosions.

**Mr GREEN** - Yes.

**Mr McILFATRICK** - I guess we're lucky that we have a modern system in terms of shutdown capabilities of the pipeline and very stringent planning laws about what can and can't happen around major pipelines, particularly high pressure pipelines. We don't have the same issues that potentially would have existed in old systems such as 100 units going in one end and 70 coming out the other because there was so much leakage. Having a new system does give us a lot of benefit.

**Mr SWAIN** - From one of my past lives, I can say that we're probably lucky that the design engineer for the Tasmanian gas pipeline and transmission network was also the person who was the chair of the committee that put in place the first gas safety standard for Australia. He explained to me how that worked. They used what was called a Swiss cheese theory: that if you could cut a block of cheese with holes in it and you could find any way to align those holes, that wasn't safe enough. It was a very risk-averse process and he took me through how they developed the standard and all the testing they did. Tasmania was probably lucky that we happened to have the guy who was the main expert in Australia as the design engineer for the TasGas pipeline.

**CHAIR** - Thank you. Greg and Tony, anything on that same theme?

**Mr MULDER** - Security of gas?

**CHAIR** - Yes, go Tony.

**Mr MULDER** - Security of electricity; just an observation that I think with critical infrastructure like this, the basic security strategy has always been duality of supply and I'm wondering why we haven't thought of putting in a 330 or whatever it is into Nubeena so that areas like the Tasman Peninsula, which are so easily cut off, don't have a duality of supply, so land-based and sea-based; whether that would -

**Mr GREEN** - That's what I sort of answered before with putting local generation in place so as to ensure mitigating the chance of that happening on into the future.

**Mr MULDER** - One of the issues there, of course, is it becomes - you don't have to get electricity down there when have got a generator, and now you have to get diesel fuel down there. That becomes - I think it was an issue, actually, even for the small-scale generators that were down there. It was keeping the fuel up to them -

**Mr GREEN** - Yes. That was a sudden event. I guess, with -

**Mr MULDER** - Emergencies always are.

**Mr GREEN** - Yes but the contingencies, if we had established generation up there, would be different without doubt.

**Mr MULDER** - I'm just suggesting that had we looked seriously at putting a cable across Storm Bay or something

**Mr GREEN** - Norm worked in Aurora, obviously, so he is more across the protected side of getting 330 into the Peninsula and what that would cost, I'm not sure.

**Mr McILFATRICK** - It is that trade-off between reliability and cost. In some cases, when you start talking about under-sea, or really you're talking about a cable, it does get prohibitive. For instance, I think a rough rule of thumb for a below-ground as opposed above-ground is 3 to 5 times for the cable versus the overhead. I'm sure, from the reliability point of view, all of those things need to be looked at. What you also have to take into account with Aurora and Transend is they are regulated utilities so, if they are going to put a duplicate supply in, particularly if it's a much higher cost, the regulator will look at whether that's allowable or not. It's very much about building the asset for this for the purpose. In the peninsula, it appears to me that the duplicate supply plus a generation standby is potentially the better option, as it has been in Strahan.

**Mr GREEN** - Alison reminds me that, as part of the dual system going in, that Aurora is contemplating the best way forward, so we don't have a repeat or as close to a repeat as possible. There is a lot of learning through that process.

**Mr VALENTINE** - I want to touch on the emergency management at Selfs Point. How long since that's been reviewed and what is in place? I know, years ago there used to be quite a significant set of protocols in place. Can you update us on that?

**Mr McILFATRICK** - Certainly the petroleum industry through the industry themselves and us as a coordination point do look at that but I would have to get an update on when the plan was last looked at.

**Mr VALENTINE** - There are gas facilities there too, aren't there.

**Mr McILFATRICK** - We can get an update for you if you put that on notice.

**Mr GREEN** - There are gas facilities there. Just recently quite a significant amount of money was invested there to upgrade their facilities.

**CHAIR** - Moving to the electricity supply industry reform and the process which is already on foot, what are the critical time frames related to that reform and to date is there any indication of expressions of interest for the purchase of the Aurora customers?

**Mr GREEN** - Leading up to the sale of customers there have been significant amounts of consultation with potential retailers for the state. We said right at the outset and I will say it again, the retail sale part of it is vitally important to it. It will be a test as to whether we have got it right in terms of the regulated wholesale price and the stringency around all of that with the amount of people who come forward to bid for those customers. We still believe that the tranches are well and truly saleable.

The critical date is January 2014 to bring in full retail competition. We are working through the process of establishing a new board that we have to do to start the amalgamation or drawing together, merging, of Transend and Aurora distribution and transmission. That process is underway. We have appointed a chair and we will be announcing a board in the not-too-distant future made up of board members from both Aurora and Transend.

**Ms FORREST** - Who is the chair?

**Mr GREEN** - Dan Norton. We are well down the track with working through all the necessary changes with respect to the wholesale price. The Tamar Valley power station transferred last weekend to Hydro Tasmania so that has taken place as well. After that we will continue to work with those businesses to make sure that we set them up so they are well and truly sustainable on into the future. It seems from the advice that has been given to me already that their ratings, as it stands, will be maintained, so I am comfortable with that.

**Mr McILFATRICK** - Lazard has been appointed as the agent for government to interface with interested retailers to keep that process at arm's length. There has been a level of interest. The next stage will be moving into the detailed due diligence and expression of interest process or making bids for the retail business. If we are aiming for 1 January, that needs to happen pretty soon.

**Mr HALL** - On the sale of the Aurora customer base, publicly the other day, I think it was Frontier Economics managing director, Danny Price made a comment that he would advise potential retailers to steer clear of the Tasmanian market because it was almost impossible to compete, that there is a regulatory risk and also that it is such a small market. Do you have any comment to make on that rule?

**Mr GREEN** - We have always known it is a small market and we believe that the risk mitigation that we were putting in through the regulated wholesale price is absolutely transparent and it requires change legislatively to have an impact, so I do not think we can be any more certain about that. Do not forget, these are the first two tranches leading the way to full retail competition in Tasmania; any person or any business that takes up the offer to take on the customer base will be afforded some protection in the early part of that. They should be aware that it is pretty hard anywhere in Australia to pick up a couple of hundred - what does this tranche represent in terms of customers?

**Mr McILFATRICK** - Nearly 300. Each tranche is about 100.

**Mr GREEN** - So to pick up 120 000 new customers in one go when you see how competitive it is around other jurisdictions in the country is something not to be sneezed at.

**Mr HALL** - I hope it all goes well.

**Mr GREEN** - The other point is that it is all right to take the purist view, but that would effectively mean that we would be embarking on the path of selling our generating assets. We have not had an appetite to do that and we won't.

**Mr HALL** - Another bit of information that has come to my attention and really crosses in some ways your role as Minister for Primary Industry as well as Energy, that is obviously to do with Aurora Energy being sold and the book of customers is the primary asset that is going.

**Mr GREEN** - Aurora Energy is not being sold; it is the retail customers.

**Mr HALL** - The information I have is that as far as irrigators are concerned - you may or may not be able to comment on this - there are two issues here. The policy now is for up-front deposits in cash using the two highest billing periods in the year and this is going to be put upon the irrigators and, secondly, if not, then a direct debit from the farmer's bank account each month with 1/12 of the annual aggregated account, so in other words Aurora is looking to get as much cash up front as it can in irrigation season.

**Mr GREEN** - That is for new customers, not for old customers.

**Mr HALL** - That is for new customers, not for existing customers.

**Mr GREEN** - Not that I am aware of.

**Mr McILFATRICK** - I would have to check but, generally when you are a new customer of any utility you have to prove your credentials, so there would be either a security deposit taken or a direct debit arrangement put in place. We can check on the policy for irrigators; I do not believe it is a policy applied to current irrigators,

**Mr HALL** - If that could be provided, please, because that is a question that has been asked. How long do those new customers remain new customers? Is it only a one off or is it a continuing payment plan that they have to make over time?

**Mr McILFATRICK** - Generally, with the broader consumer it would be once 12 months has expired, but we will get the details.

**Mr HALL** - Thank you, Chairman.

**CHAIR** - Rob.

**Mr VALENTINE** - Yes, I was just interested in how long these initial contracts are supposed to run for with the retailers and the review periods?

**Mr McILFATRICK** - Three months no change and then it is six months and then up to full retail competition over 12 months.

**Mr VALENTINE** - No, you have three retailers, haven't you?

**Mr McILFATRICK** - Two.

**Mr VALENTINE** - Two retailers, you are working with?

**Mr McILFATRICK** - Two tranches of customers.

**Mr VALENTINE** - Okay, and how long are those contracts with those retailers?

**Mr McILFATRICK** - The way it would work, is that you were selling the opportunity to service the customer so the customer would move to the new retailer and then other retailers could obviously compete to take them away from that retailer but there will be no return of the customers to Aurora.

**Mr VALENTINE** - Okay, sorry, I am with you totally.

**Mr GREEN** - We are just affording them protection in the first place. Once the customer base comes over they cannot move anywhere, then they can only move between the two and then full retail.

**Mr VALENTINE** - I understand that side. So any other retailer can come into the market after a certain period of time?

**Mr GREEN** - So it is full retail competition?

**Mr VALENTINE** - Yes.

**CHAIR** - Minister, is there any indication of how much solar is being fed into the grid?

**Mr GREEN** - Demand is dropping from Aurora's perspective for various reasons. We could probably give you an update.

**Mr SWAIN** - Solar PV installations are currently supplying 11 000 Tasmanian households, 26.8 megawatts of installed capacity and it is 0.75 per cent of Tasmanian non-industrial electricity supply, so significant growth was still quite strong.

**Mr HALL** - Regarding renewables and the feed-in tariff, that legislation will be introduced some time this year?

**Mr GREEN** - We have put forward a position paper for consultation which includes a grandfathering clause and then the regulator to establish a fair and reasonable feed-in tariff price. We will be expecting some feedback on that in a week or so.

**Mr HALL** - That will include not just households but small-scale generators?

**Mr GREEN** - Up to 10 kilowatts.

**Mr McILFATRICK** - For the larger ones that go above the 10 kilowatts that is generally a negotiated account.

**Mr GREEN** - You need an off-take agreement.

**Mr McILFATRICK** - Yes, an off-take agreement with the network and the retailer so it does not come into a blanket tariff.

**Mr GREEN** - To provide some comfort, it seems from other jurisdictions the size of the installations are going up and they are getting cheaper. When people first decided to put solar on their roofs for a like-for-like type arrangement you generate electricity so you do not have to buy electricity. Feed-in tariffs means it is energy going back into the grid. Some people in New South

Wales have put it on to try to make money when the tariffs were amazingly high -

**Mr HALL** - They had a contract, unlike here.

**Mr GREEN** - That is right. The primary aim is to save the energy you consume by generating your own and anything that goes to the grid is to a degree subsidised by the residences that do not have solar so we need to make sure that we get this right. But where it exists in other parts of the country there has been significant change and they have had to grapple with this. The installation of solar PVs continues to go up.

**Ms FORREST** - We scoot around the edge of the issue and it is an issue for Transend more than the Hydro. What contingency and what consideration will be given to the withdrawal of the major energy industrial users because that would have a significant impact on Transend particularly because of their staff, and Hydro have a bit more diversity?

**Mr GREEN** - The only real contingencies that you can have is to - we have Basslink which helps us to a degree - but there is a domino effect if one goes then transmission costs potentially go up for others which means that they become uncompetitive. We have established a cabinet subcommittee to look at ways that we can grow energy consumption in Tasmania and partly the reform process has been about trying to ensure that Tasmania has as competitive an edge as we possibly can when it comes to energy consumption and we are now building to attract people here for that. It seems a bit far fetched at the moment but electric cars and things like that to up the amount of consumption in Tasmania is important.

Data centres that consume a large amount of electricity are a potential in Tasmania, particularly in our temperature, our climate and things like that. We are just like anyone - given our isolation and the way our system works it is probably more critical to us. Ford Motor Company can leave Geelong but it does not mean that their energy system really struggles whereas we have wind and inertia issues and being able to get the system operating is a bit different. In the meantime, we are making sure we are working with those MIs to keep them here.

**Mr McILFATRICK** - In terms of the overall system and the major industries, the transmission component of their bill is quite high in proportion; for general domestic and business customers it is a lower part of the bill. The biggest impact would be on the other major industries so the transmission prices have to be smoothed out across all the customers.

**Mr GREEN** - Which are the rules.

**Mr McILFATRICK** - Which are the rules so it is obviously a thing to be looked at, at all times, perhaps so that we remove any price shocks for the industry and do not get a snowball effect.

**Mr GREEN** - Solved.

**Mr MULDER** - On the market retail contestability and the fact that we are now getting people moving in there, it has just gone on as a side issue that the only difference will be the packaging of electricity supply and being able to tailor the same product to different market requirements and thereby attune yourself to the customer. What capacity is there in that to solve this feed-in tariff, the buyback stuff, into the customer database, into those packages? Rather than sitting here bemoaning the fact that there is increase in supply, maybe these retail organisations that are coming into the marketplace have the capacity to also offer packages of different buyback rates.

**Mr GREEN** - Yes, they do, absolutely. With the maintenance if the grandfather arrangement we have in place is successful on the 27 cents that goes for three years then that will come off the transmission distribution business, but beyond that, as they do elsewhere in Australia they can offer packages that include generating your own energy as part of an overall contract. It has been

demonstrated elsewhere well and truly.

**Mr MULDER** - Also there seems to me a bit of a conflict in all the marketing programs to reduce energy use when in fact what you want to do is increase it.

**Mr GREEN** - The whole national electricity market has really come to the fore in recent times because there has been a drop-off in demand across the country. The requirement for new generation has stalled; we do not need any new generation I think nationally until 2021; here it is about 2025. Nobody expected that consumption would drop off to the extent that it has. While the exchange rate remains high, manufacturing remains difficult with manufacturers closing, people not spending, people being more frugal in the way they use electricity, all of these things are having an impact.

**Mr MULDER** - It seems you could save yourself a bit of money by withdrawing the 'save electricity' campaign. An empty room does not need light but Aurora does.

**Mr GREEN** - Yes, but it is about cost of living and it is about helping people with cost of living. In the end, we need to grow demand in Tasmania overall, we want more houses built and we want more businesses here and we need to focus on strategies to attract them here.

**Mr McILFATRICK** - You are right that some retailers may take a position that they want to buy solar output. They have to buy renewable energy certificates and that is one way of getting them. There is one energy company nationally that has a very high prominence in purchasing solar and renewable energy so there is no reason why that cannot happen here competitively.

**CHAIR** - Minister, in terms of risks to the state, if we were to lose any of the major industrials, what risks does that pose to our energy providers?

**Mr GREEN** - Before TEMCO went it could handle that over Basslink; it would stay almost the same. I am not sure about pylon transmission costs. But if they and Pacific Aluminium left then our ability to run the system would be compromised.

**CHAIR** - Is there any indication that there are economic and business challenges to any of those?

**Mr GREEN** - Yes. Both of them. Temco went on to shut down. Some negotiations took place even though they did not come to us in the first place. It was a company decision to have a look at their operations nationally and internationally. In the meantime they had some commercial negotiations with Hydro and arrived at a price and it still continues to operate and we are very pleased about that.

Pacific Aluminium have of course indicated that they were very happy with the commercial negotiations they had with Hydro Tasmania but they've indicated to the government on a number of occasions that they think that the transmission costs to their business are too high. They are trying to have us give them some relief with respect to transmission costs to their business. We understood that they were in a cash-positive position after their negotiations with Hydro and that it was really all about keeping the Bell Bay operation within the overall sale package of Pacific Aluminium. We thought we had achieved that but aluminium prices continue to be low and of course there has been a change of management. We continue to have discussions with Pacific Aluminium. We indicated to them that they needed to be able to demonstrate hardship. That is the way the rules are set out for us to give them relief with regards to transmission costs. otherwise you would have once again a snowballing effect where each and every major industrial or large transmission user would want exactly the same, which would then have an effect back on to the ability of Transend to earn revenue.

**Mr McILFATRICK** - What the market operator would do nationally is look at the make-up of

Tasmania and then might or might not put some new rules around the operation of Basslink - for instance, how much could be exported or imported because the availability of large loads in one way can be a bit of a choke on interruptions to the system if you have a large load. If Basslink disappeared and it can shed its load; that keeps the system in balance. If you don't have a large load sitting at the end of Basslink and suddenly Basslink is interrupted then that creates wider stability issues. That is all looked at all the time. In fact the exercise that Gary talked about earlier was about modelling some of those responses. It is very much the role of the Australian Energy Market Operator to keep that in mind all the way.

**CHAIR** - On Basslink still, is there any plan to move or duplicate? I think particularly of the discussion I had yesterday on the emerging development of wind power of substantial proportions on King Island.

**Mr GREEN** - There is potential if the project goes ahead, which we hope it does. If the community voted to have the project go ahead on King island that means it can go to the next stage which is effectively the feasibility of the TasWind project for King Island. We know that we can make a significant contribution to Australia's renewable requirements if the project does go ahead because we will have a cable going directly to Victoria and that renewable energy will be supplied through that cable. The next potential step, if the business case stacks up, would be to connect King Island south of Tasmania but mainly in Tasmania, which would then provide us with a conduit to provide more energy into the national electricity market.

It would be great if I could be more specific and confident about that but at this stage it really does rely on the Tasman Project going through all of the necessary phases to establish whether a business case would go ahead.

**CHAIR** - We are all aware that renewable energy credits are not available for the combustion of biomass to generate electricity. That is, as we understand, because of the federal government policy position. What is your policy position on biomass for energy?

[2.45 p.m.]

**Mr GREEN** - Biomass energy is generated in Tasmania and has been for a long period of time, as you know. Where I worked, at the Burnie mill, we generated electricity - we made steam and generated electricity through biomass a long time ago. We used coal-fired boilers and wood waste in those boilers to get super-heated steam. It's not a new concept. Nationally, short of any change with respect to policy, it's hard to see how that can be viable as it stands at the moment. Also, any sort of large-scale generation, based on what I've just said, is not really required at a national or state level into the foreseeable future. Having said that, I think there are good opportunities, as pointed out by the Chair of Forestry Tasmania recently, to look at how we can pelletise material, and make it suitable for biomass. Biomass is used elsewhere in the world and could maybe be used here in Tasmania to fire efficient wood heaters and other things. We certainly want to look at those options.

**CHAIR** - So, the numbers reality is that it will only take one vote and we've got it anyway.

**Mr McILFATRICK** - I guess we're similar to the solar argument; they are currently viable, without any doubt, where they substitute for taking energy off the grid. So, if you can match a biomass generator with an industrial complex, for instance, where the generation cost of that biomass is less than the cost of power off the grid, it is different to exporting biomass power and needing the returns to make that viable. But the scale of the project would need to fit the scale of the industry, in order for a co-generation type facility to work.

**CHAIR** - Anything else on this? We'll move to minerals resources management. Minister, do you need a change of personnel?

### Output group 3

## Mineral Resources Management and Administration

### 3.1 Minerals Exploration and Land Management -

**Ms FORREST** - With regard to the funding for this line item - the appropriation - it does reduce quite a bit over the forward estimates. I assume next year's reduction is the payroll tax issue, is it?

**Mr McILFATRICK** - Part of it.

**Ms FORREST** - Yes, but there's no explanation about why we're seeing reducing appropriations over the forward estimates.

**Mr McILFATRICK** - I have said in other places that MRT is no different to the rest of the agency. We have had an efficiency dividend over the last three to four years, where we've tried to spread that across the agency. Out of my 500 plus employees, about 50 of those are in MRT. So, there are ongoing efficiency dividends expectations. Payroll tax, on its own, and the fact that we're not paying payroll tax and then recovering back, is about \$250 000 this year, so that's part of the drop. But a significant part in the out-years is that we have had a big program of developing the TIGER database and acquiring data under previous election promises, for a period - they weren't forever. And we've had a \$600 000 project which is coming to an end.

In terms of the ongoing activities, they've been reduced by our efficiency, and business improvement processes. There's the payroll tax, and the renewal program the minister mentioned earlier - we've had some long-term employees retire and we've brought younger people in, but overall numbers in MRT have dropped by about five over the past four years. But, we still have a huge capability.

**Ms FORREST** - You still have plenty of capability, then, to manage exploration applications for leases and licences and everything?

**Mr McILFATRICK** - It has been an area where you would have noticed, over the years, different people appearing at the table. We have had people who have left after 40 to 45 years but in terms of the overall impact, a reduction of about 10 per cent of the employee base is pretty much in line with the rest of the agency.

**Ms FORREST** - Can we have an update on the amount spent on exploration in the last year?

**Mr GREEN** - We have had significant record levels of exploration in Tasmania, which has been encouraging. We have seen some nervousness in the minerals area, particularly leading up to the decision on the national heritage listing of the north-west.

**Ms FORREST** - Which you were frightfully pleased about.

**Mr GREEN** - Yes. There has been a lot of politics played with that issue. I have tried to remind people it was Malcolm Turnbull who put it up in the first place - a Liberal - and he asked the National Heritage Committee to look at the world heritage values of the area as well, so it was long running, I admit.

We campaigned hard against a blanket listing of the area and in the end the federal minister, Tony Burke, who, incidentally, was the only person responsible for making the decision, decided not to blanket list it, which we are really pleased about. Leading up to that point there had been significant investment in mineral exploration in our state. For the previous four years the total expenditure had been \$40.7 million. Is that accumulative?

**Mr McILFATRICK** - No, it is \$40.7 million last year, which is about a 31 per cent increase

over the previous four years.

**Ms FORREST** - So, it is trending up still?

**Mr McILFATRICK** - It does go up and down, certainly. The last December quarter showed us at \$10.1 million for the quarter, so it is around about \$40 million.

**Mr GREEN** - We have been really happy with that and I think it is a reflection of MRT's modelling, and its ability to provide explorers with information about their potential to find minerals in Tasmania.

We hope miners that have been able to find viable amounts of material, for example Shree and Venture Mines, get underway. We have approved Shree, and the commonwealth has approved Shree.

There is a federal injunction at the moment that will be heard in early July. The commonwealth are yet to give their final approval for the Riley mine. We are hopeful of course that they will, and they should because we have a bilateral arrangement in place that effectively means we have been working in parallel with the commonwealth EPBC Act - that is the EPA has. We are waiting for approval, but we are not expecting too many problems.

As you know, that will finance them into the Livingstone project. I have been to have a look at both of those projects - beyond them is Mount Lindsay and then hopefully Big Wilson, a little further up the watershed into the Wilson River area. All of these areas have been mined in the past and it will be a fantastic boost if we see those mines come to fruition. We are certainly advocating that they do.

**Ms FORREST** - That is why I organised a visit, for as many legislative councillors who could, to come and visit their site and see the reality of it.

**Mr GREEN** - Have they been?

**Ms FORREST** - Some were able to make it. It was the day the Tony Burke announcement was made, so it was quite a good place to be.

**Mr GREEN** - Yes, most people do not appreciate that it is not far away from the Reece Dam - you can see the water.

**Ms FORREST** - And have environmental benefits.

**Mr GREEN** - Areas that have been logged in the past, they will take all that's available, and it is only relatively shallow. I wish I had thought of it - a road going right through the middle of it is only worth about \$250 million, right next to the rail line.

**Ms FORREST** - And the power.

**Mr GREEN** - And the power. And they just take all the organic material out of it and put that back onto the area, rehabilitate it in fairly small areas and Bob's your uncle. In an area that has been logged in the past, the area where the Riley mine could go ahead has fairly poor trees - from a commercial point of view. There are some good stands close by that have not been harvested.

**Ms FORREST** - We were shown that. You have predicted a decline in the royalty for mining this year or I should say when Shree gets going and then at Riley and Livingstone as well. Will that change and has that been factored into the forward estimates or not?

**Mr GREEN** - The volatility of royalties depends on the fluctuations of the commodity prices. There is also the issue that there were a series of events at Grange, with the collapse of the wall and there were some seismic events at Rosebery as well that curtailed production there for a while. That, together with the commodity prices means that we will see a drop-off. But royalties have generally been fairly volatile anyway.

**Mr CREAK** - Certainly the exchange rate and those cyclic events pushed two of the key mines into lower ore bodies in order to keep production up and at the same time suffered a lot of the price drops that the whole of Australia has seen quite unexpectedly. Also of course our year lags a year behind the financial year in estimating these things so we do see a lag in these numbers. We are seeing them pick up now, for example, in iron from Grange's lift and it would be under the hundred-dollar mark to well over \$130 a tonne now so that will be reflected in forward figures. But to answer your question, yes, there has been a conservative position factored into the forward numbers to allow these two key mines to get started.

**Mr GREEN** - And some flexibility with the new legislation for the minister to make decisions about assisting and, of course, Norm did the negotiations with the industry around royalties. We have been as flexible as we can be in setting increased royalty rates for the sector.

**Ms FORREST** - That was an example of good stakeholder engagement where the government actually listened to them.

**Mr GREEN** - That is right.

**Mr McILFATRICK** - The minister's and my target was - and put through Treasury - to get 5.5 per cent, a fair value, but when we went back to the industry they said, 'Let us adjust the formula because in tough years you will get a little bit more from us but in really good years you will get a lot more from us', and that has maybe added to the volatility a bit because where we are now with, say, volumes being down or profits being down we are getting a little bit less royalty but when they kick back up again we will probably recover that -

**Ms FORREST** - But you will keep the industry here, and that is as important.

**Mr McILFATRICK** - We will. They are a good industry to talk to because they do want to pay their way. They do not like paying royalties but they do not usually complain.

**Ms FORREST** - The other good bit of news, minister, is that Grange Resources have relocated their office to Burnie.

**Mr GREEN** - Yes, and I should give you a big pat on the back for that. It was fantastic news and I know you talked with the management as well. It would have been unheard of a little while ago that you would bring your head office here from the so-called Australian centre of mining in Perth so we have been able to bring their head office from Perth to Tasmania.

**Ms FORREST** - An ASX-listed company.

**Mr GREEN** - Yes, it is listed. It is obviously the third biggest one listed in Tasmania to have their headquarters here, which is fantastic. It gives a lot of confidence to people that the mining industry in Tasmania does have a bright future despite everything that has been said. I do not mind telling you in this forum, Chair, that I have copped a terrible beating over the Nomenclature Board's decision on naming the Tarkine. If people have the view that as a result of that name being put on the map, it was applied for by the Cradle Coast Authority representing every council on the north-west coast, thinking that somehow that is going to stop the mining development going ahead, I can reassure people that it will not.

**Ms FORREST** - It will actually help it.

[3.00 p.m.]

**Mr GREEN** - In fact in many ways it will help it. My relationship with the mining industry shows me that they are well and truly ahead of the game when it comes to being able to demonstrate they can mine responsibly. It's not going to stop environmentalists wanting to lobby for what they believe is the appropriate thing on into the future. From my perspective, this decision made by Grange is a real shot in the arm to mining industry overall and Wayne Bould[✓] needs to be congratulated, not only for achieving the position he has, but also for running the argument. We've managed to work with him to provide some relief with respect to royalties deferral for a period, which is good. We'll have more employees come to Tasmania from Perth; the headquarters will be here and, if you read carefully what he's had to say, there are funds within Grange to look to acquire other projects in Australia which will be run out of Tasmania as well, which is very good, so I'm obviously very happy about that.

**Mrs HISCUTT** - Minister, you've deferred that for three years, have you?

**Mr GREEN** - Yes.

**Mrs HISCUTT** - So it will be one lump or one catch-up payment in three years time.

**Mr GREEN** - No, progressive payments.

**Mr CREAK** - It's planned to be deferred in three tranches.

**Mrs HISCUTT** - So, that doesn't need to be accounted for in the budget papers?

**Mr CREAK** - In the second, third and fourth year they'll pay a proportion of that.

**Mr GREEN** - Yes, in 2013-14 there is to be a payment made over three years in the following tranches; \$100 000 in 2014-15 and \$200 000 in 2015-16 and \$200 000 in 2016-17.

**Mr McILFATRICK** - That won't be reflected in the budget papers but, you'd understand, the volatility of it will probably more than soak up \$100 000 a year.

**Mr CREAK** - If you look at the net benefit of the interest on that deferred royalty, which we would get paid anyway, compared to even just bringing 10 new jobs at a senior level into Burnie, let alone the opportunity cost of losing the office, it's an enormous return on that investment.

**Mr VALENTINE** - On the issue of remediation and those sorts of things, was it you, minister, who gave out some information about how many rivers were -

**Ms FORREST** - That's the next line item.

**Mr GREEN** - It was Paul O'Halloran who gave that information.

**Mr VALENTINE** - Oh, was it? I don't care who came out with it.

**Mr MULDER** - The other Green.

**Ms FORREST** - Minister, are there other mining operations in the wings or any positive explorations that we can be updated on?

**Mr GREEN** - We have the Luina project and the old Cleveland mine tailings down there. We've got that then we've got the bauxite.

**Mr CREAK** - Stellar is a tin explorer at Queen Hill in Zeehan. They've been working away for some time on an enormous resource there. Tin probably has the most potential of most minerals going forward. Tasmania has the capacity to provide 5 per cent of the world's capacity in tin and that's a very large number. It's really good news in terms of the future. The minister has mentioned Mount Lindsay in that regard. ABx4 bauxite is also an up-and-coming project in the Midlands.

**Mr GREEN** - Do you know where that is?

**Ms FORREST** - No.

**Mr GREEN** - North of Campbell Town, where you look over and see that grave up on the hill, on the left-hand side, going towards Burnie. On the outside of Campbell Town, there's a small cemetery up on the hill; have you noticed that?

**Ms FORREST** - I will on the way home.

*Laughter.*

**Mr GREEN** - Well, whoever is buried up there is buried in bauxite. It's over the hill from there.

**Mr CREAK** - It's prospectively very good; it's a low temperature bauxite which enabled the company to put that into a market as secondary supplies in China; they've got an off-take agreement and it's a relatively low-impact panel-mining operation which takes out a piece of land, remediates it and takes out the next piece of land.

**Mr GREEN** - Hardrock?

**Mr CREAK** - Hardrock Coal at Fingal is in the final stages of its mining lease application now, which is 1 million tons a year ultimately; 300 staff.

**Mr GREEN** - They have taken a step or two forward in recent times by changing the capital requirements needed to invest.

**Mr CREAK** - Last week on the stock exchange they released a revised capital program. They are trying to appeal to investors who have a slightly lower appetite in the current environment, but it is still there; they have reduced their project from \$140 million to a \$70 million project with some very sensible re-engineering of the existing project, enabling it to step up to full operation.

**Ms FORREST** - They are still in the capital raising phase?

**Mr GREEN** - They are, they have changed their style and size.

**Mr McILFATRICK** - That is a small upscale; they still have a very high net present value in the \$70-80 million range.

**Ms FORREST** - Are they still planning to do it underground when they do it? That is the plan still?

**Mr McILFATRICK** - Yes

**Mr CREAK** - Initially at the foot of the old mine and then they will put a new underground drive in.

**Ms FORREST** - Under the sea?

**Mr CREAK** - No – they will do some exploration under the sea perhaps, ultimately, but that will be a long way down the track.

**CHAIR** - So we move to 3.2, Ruth - anything that you want to.

**Ms FORREST** – Again, this is a really important area. The budget allocation seems to be fairly consistently taken up by the payroll tax adjustment.

**Mr McILFATRICK** - There hasn't been a major change really - that smaller efficiency dividend within payroll tax and then CPI.

**Ms FORREST** - So with regard to the plant up there at Mount Lyell and the King River, and the federal government funding that was withdrawn and sent to the Toxic Heavy Metals Taskforce, how are we going with the plan up there?

**Mr McILFATRICK** - CMT are still meeting their obligations in respect to that and work with the federal government in that program. It is still ongoing.

**Ms FORREST** - Are we going to get the money back?

**Mr CREAK** - I think they are having negotiations around that but it is still an ongoing program that has been clawing back quite a legacy. It is still moving in a positive direction.

**Mr GREEN** - The upshot was that the technology systems weren't up well enough to provide for a project that was viable - the initial technology they were putting forward to recover copper out of the water.

**Ms FORREST** - Who ended up taking the other sites that had been remediated?

**Mr GREEN** - During 2012 \$150 000 was spent on rehabilitation at Royal George, Storage Creek and the Argonaut Tin Mine at St Helens as well as safety work on Beulah, Rossarden and Murthinna. In 2012-13 approximately \$140 000 has been allocated to mine rehabilitation in Zeehan, Royal George and Rossarden, quarry rehabilitation in Frankford and Avoca, as well as safety work at Zeehan, Dundas and Murthinna.

**Mr VALENTINE** - In relation to the report that was in the paper somewhere along the line - and I don't know where they got the information from - but something like 40 rivers were affected in Tasmania; is that right? In the contracts with these mining companies, what sort of strictures do you place on them in terms of making sure that they are not polluting?

**Mr GREEN** - In this day and age, very rigorous.

**Mr VALENTINE** – No, I was just interested to hear. You hear the extreme ends of the debate; I just wanted to hear the facts.

**Mr GREEN** - Obviously the legacies used in Tasmania, we have taken that question on notice to check whether Mr O'Halloran was reading into the *Hansard* the correction but suffice to say there are legacy issues right around Tasmania from previous mining, particularly in relation to acid drainage.

You have heard about the Queen River and the delta in the Macquarie Harbour and there is a similar delta in the Reece Dam on the Pieman because of the operations in the past. What is refreshing is when you go to mining sites like Savage River and have a look at how they are

containing their drainage and what they are doing to mitigate against that and putting it back into the system neutral or better than.

**Ms FORREST** - They are remediating the previous damage as well.

**Mr GREEN** - Yes, the previous damage. They are doing that as well which, taken in a Tasmanian context, it is a big site, so it is a big job.

**Mr VALENTINE** - It is like the zinc works and doing its job as well, the way that has worked over the years.

**Mr GREEN** - There was another good example at Mount Bischoff where they mined more tin from Mount Bischoff and that assisted in some remedial work when it came to the acid drainage going into the Arthur River. It is an ongoing program that needs to be maintained.

In this day and age you have a completely different set of specifications, mines are monitored. One mine has caught the attention of the EPA in recent times. People are scrutinised very heavily when it comes to how they are performing. It might be for the reason that when mines are going well there is a significant amount of money generated so you can have a strong environmental program built into your mining structures, as advocated by MRT and the EPA.

In other industries where it is hard to make a quid, often that was neglected and that is why in the past we naively went about our business not knowing what damage was being created in the longer term.

**Mr McILFATRICK** - You would not get a mining licence today without entering a security arrangement - a deposit environmental bond. As the mine grows and has a bigger risk profile then the bond would grow but the best we could possibly hope for with these old mines is for them to keep operating because as they are operated - and Renison is one and Savage is another - and the current operations are much more technically capable these days, they will remediate the sites themselves. Renison has been another one that has been actively looking at how they can use the mistakes of the past but in doing that also remediate the sites.

**Mr CREAK** - The case of the much-publicised photograph of acid mine drainage which gets completely overused in the press by every environmental organisation - the White River off the back of the Luina project. The introduction of a bright face project now owned by Elementos would completely remediate that issue by investment in the mine directly reopening plus provide jobs and grow the advantages.

We would hold in excess of \$50 million of bonds in risk in either cash or bank guarantees over existing operations. An assessment is made prior to them getting their licence and they do not go ahead, they do not turn a sod, before that risk which is of a conservative upper end, a belt and braces approach, is in the bank before they can start. There is no chance, going forward, of any new project backing up a risk on the government by an imploding private organisation losing its business. We are covered for that.

We also have a rehabilitation of mines trust fund where the forfeited bonds, whether they come from a quarry in the Derwent Valley that is open for commercial use on a road by a farmer, or whether it is a large open cut mine that has collapsed and we operate from those funds on an annual basis through a committee of experts and stakeholders.

**Mr VALENTINE** - Thanks for that.

**Ms FORREST** - The only other thing is some of the abandoned mountain mines like this. Is work still going on around those abandoned sites?

**Mr GREEN** - Some of the ones I read out earlier are abandoned sites.

**Mr CREAK** - They are. Most people are prospecting those or monitoring those; certainly EPA and MRT staff do that as well, even though some of the mines that need care and maintenance may seem to be abandoned, like Avebury. Avebury isn't abandoned; there are, in fact, six people on site maintaining Avebury as we speak. It's a mixture -

**Ms FORREST** - It would be nice to get that going again, wouldn't it?

**Mr CREAK** - It would be very nice.

**Mr McILFATRICK** - That could be your next project after Grange.

**Ms FORREST** - Yes, we'll tick that one off.

*Laughter.*

**CHAIR** - Anything further in this output? We move to support for the minister, which is primarily about forestry and other business matters.

#### **Output group 4 Support for the Minister**

##### **4.1 Support for the Minister -**

**Mr GREEN** - Introducing Karen Valdasz and Gary Swain.

**Ms FORREST** - Minister, obviously you need a bit of support, otherwise it wouldn't be there as a line item, but we're seeing a significant increase in the contribution here, in terms of dollars. The footnote only says 'the increase in support for the minister in 2013-14 reflects additional funding provided for policy reform' so what are we talking about, and where is this support needed and why this big increase when everyone else has been cut?

**Mr GREEN** - I'll let the secretary answer that.

**Mr McILFATRICK** - As part of our response to the global financial crisis and looking at how we go forward, I have undertaken a minor restructure of the organisation. I've put strategy and policy functions under one deputy secretary - that only covers about 10 per cent of the organisation in terms of head count, but it is where most of the thinking and policy development happens. The rest of the organisation is under regulatory and customer services, or construction. In doing that, however, we looked at the last few years of activity within, particularly, forestry and, to be honest, we have been under-resourced in that area. We've had a small forests policy unit, but just in the last year, for instance, we've been involved, through the minister, supporting the reform of the forest industry, and the future reform of Forestry Tasmania.

Gary, on my behalf, is supporting the subcommittee on forestry in considering the future of FT. We've had to add to our resources in forest policy to handle looking at reform issues, which are much broader. If you like, at the moment, my Treasury colleagues are managing the energy reform process with help from us, and we're managing the forestry reform process with help from them. DPIPWE is also involved. You can't do that on a shoestring, so there's a moderate increase. They've increased it from about \$647 000 last year to just a bit over a million this year, but that is really putting the effort behind the wheel, where it needs to be in forest reform, and supporting the industry as it goes forward. It's a moderate increase. It's one of the few budget items in my whole portfolio that's gone up, but it's really a reorientation of resources across the organisation.

**Ms FORREST** - So predominantly you're saying the increase relates to the reform, and future, of forests and Forestry Tasmania.

**Mr McILFATRICK** - The minister has other things under his portfolio that will probably always require reform initiatives. At the moment, he's got energy, which is a pretty full book, and forestry but in the future we also want to look at how we can do better in mineral exploration and resourcing, how we can reform racing, et cetera. That small unit, for the next three years at least, is going to be working for the minister on sorting out these issues.

Just recently, the same unit helped me - not inside this portfolio - with a governance review, with Treasury, of Metro Tasmania. In our portfolio right across Infrastructure and Resources we have a bit of a think tank and the minister is paying the bill at the moment.

**Ms FORREST** - Thank you for that information, Norm. How then do you report outputs and outcomes against this line item? We do not see anything that would give an indication of the outputs.

**Mr McILFATRICK** - It is difficult when you have a small unit. At the moment we would report it in terms of activity under the Forestry Tasmania oversight process and others but they will be different; they will be more like a project reporting and that reporting for FTOP goes through the subcommittee of cabinet. As this is a dynamic, we would need to examine ways of being more open in the reporting but it is early days. There is certainly a strong reporting relationship to cabinet but I guess what you are looking at is scrutiny of accounts and that sort of thing.

**Ms FORREST** - Yes, and some performance indicators or performance information at least.

**Mr McILFATRICK** - A performance indicator at the moment is a sustainable forest industry.

**Ms FORREST** - That is without financing it.

**Mr McILFATRICK** - That is all we need.

**Mr GREEN** - And various other milestones along the way.

**Ms FORREST** - When you look at the amount of money that is invested in forestry and the future of Forestry Tasmania, we were told yesterday that \$52.9 million is going to Forestry Tasmania just to meet the bottom line demands there, and if you look at the money that is going into the TFA and with the money that is expected to be going into it through this line item as well, it all adds up, as you know.

**Mr GREEN** - Yes, I do.

**Ms FORREST** - I think the taxpayers of Tasmania and the parliament need to have some expectation of outcomes, and a sustainable forest industry will be one. If FT can turn around and be profitable it would be another, but it is just a long way off according to the industry yesterday.

**Mr McILFATRICK** - To give you some context, this is an increase in resourcing for a small part of my department by about three or four people. It is not like I have suddenly brought in the troops but I can assure you it is a reorientation of our budget. It has not suddenly gone and got another \$500 000; I have had to find it elsewhere.

**Ms FORREST** - Someone else has taken the chop?

**Mr McILFATRICK** - A haircut.

**Mr VALENTINE** - Or a service of some sort has been stopped.

**Mr McILFATRICK** - No services have dropped.

**Mr HALL** - Minister, whilst we are on forestry -

**Mr GREEN** - No need to frown.

*Laughter.*

**Mr HALL** - Quite a lot of people have requested the detailed maps of the proposed World Heritage area extension under the TFA; they have not been made publicly available so the question is surely: adjoining landowners have a right to expect clarity and about where the actual boundary extension is.

**Mr GREEN** - Yes, I am aware there is a meeting in Deloraine in the not too distant future to discuss this very point, as I understand it, the interface between World Heritage and private land, which is something that -

**Mr HALL** - Yes, but that has nothing to do with that. That is a separate issue. What I am saying is, you need 1:25 000 maps to be able to determine where they are.

**Mr GREEN** - Yes, but we have overlays. Gary, I am not sure why we are not making them public.

**Mr SWAIN** - The short answer is the reserve process is a Tasmanian process and the World Heritage process is an Australian Government process so we are not the principal, we are a stakeholder involved.

**Mr HALL** - Who is talking to whom? Are we all talking to each other here on this business or not?

**Mr GREEN** - Yes, except that the commonwealth are masters of their own destiny in that regard. I do not see why it should be difficult to get a hold of the map.

**Mr HALL** - That would be good if we could. I am not just talking about the Western Tiers area, I am talking about further down as well.

**Mr McILFATRICK** - It will only take two to talk to the commonwealth if they are available -

**Mr GREEN** - And there is some slight variation to the boundaries anyway that they are still working through. Why don't I take it upon myself to talk to the commonwealth and try to provide an answer?

**Mr HALL** - I take on board what you said about the Tarkine and minister Burke consulted, as he said, on economic and social reasons as to why and I support that decision but he did not do anything with regard to the World Heritage boundary extensions - not a thing, and I find that quite hypocritical. He did it for one part of Tasmania and did not do it for the other. But anyway, that is minister Burke and I am just making that point.

**Mr McILFATRICK** - Can I just make it clear that we will not be able to fulfil that request within the normal turnaround time for questions on notice because it that will have to go to the commonwealth.

**Mr SWAIN** - There is a technical process going on too involving the commonwealth.

**Mr GREEN** - We should be able to supply an indicative -

**Mr SWAIN** - Yes. It is very close to the -

**Mr MULDER** - Just go to the central plan registry, it is easy except you cannot print it.

**Mr HALL** - Can the minister advise what processes are being instigated to consider the allocation of funds under the TFA regional development program? One would hope that scrutiny and rigour apply so that the taxpayers of Australia are well protected there and we do not end up like a forest contractors' exit issue.

**Mr GREEN** - The whole forest contractors' exit is coming under quite a bit of scrutiny but I will not step back and leave the contractors in the situation they were, particularly faced with the situation of Gunns making the decision they did to exit native forests and at the same time, effectively, collapses in the MIS schemes leading up to that point and the fact that many people were going broke. We had to do something so I certainly stand by the fact that we had to work closely with the contractors' association to get a result for contractors. Otherwise we would have abandoned them in their hour of need, so I am not going to walk away.

No system is perfect. The commonwealth administered this; we administered \$5 million and then a bit more to try to keep contractors in the game and I think that proved to be administered quite well. Yes, it is true there is \$100 million coming forward to be administered over four years. We already have in place regional groups established to take in submissions for regional development projects. There has been a number of really good projects funded already through the earlier process leading up to this point.

**Mr HALL** - Is Jonathan West still the chief adviser?

**Mr GREEN** - Jonathan West has been given a role with respect to the rollout of this \$100 million. We need to make sure that we keep focused on diversifying the Tasmanian economy as much as we possibly can.

This \$100 million will help us to do that. It will be amazingly useful to us to give those small businesses that see real growth potential and jobs potential the opportunity to flourish as a result of it. Yes, there will be the appropriate amount of rigour around the decision-making.

**Mr HALL** - With regard to the private forest sector, can you advise what steps are being taken to engage with that sector to develop a pathway forward for a new forest industry that we have heard so much about?

**Mr GREEN** - As you know, honourable member, there is quite a bit of water to flow under the bridge with respect to the administrator of the Gunns portfolio of trees and the MIS arrangements.

**Mr HALL** - I am talking more about the forests on private land.

**Mr GREEN** - We have always been of the view that if you restrict the volumes that are coming off public land then there is a good opportunity for volumes to increase off private land, which I would have thought just makes commonsense. That is if we can get the market sorted out to the extent that it needs to be sorted out.

It amazes me how people run the argument that if you just stop what you are doing all of this will go away. If people do not believe that there is a real need to structurally adjust the forest industry as it stands at the moment to change the focus to markets well then it really does surprise

me because that flies in the face of everything that has occurred in recent times.

Our biggest forestry business collapsing, people might want to blame the Greens but you cannot blame them for every piece of that. There is a major change. It is always somebody else's fault but there is a problem in the industry that we need to address and to say it is all going to be fine if we do not give forestry Tasmania any money, they can then fend for themselves. You could cut every tree down in Tasmania at the moment and give it to Forestry Tasmania and based on the markets, they would not be able to make a quid. We have to structurally change this industry and we will.

**Mr FISK** - There is no doubt that the general low level of activity in the industry is impacting dramatically on the private forest sector, in particular the non-industrials. There are various aspects of turmoil going on in the Gunns situation alone. They are now ramping up activity agendas to raise some cash to see if they can keep it as a viable amenity to sell so that is having an impact. There are quite a few contractors being re-engaged to do work there, which is positive because all of these things are having an impact in regional economies. There is no doubt that is an indication of what is happening. We see it in the levies that we receive and that dropped from the order of \$350 000, \$400 000 a year, where at the moment it is running about \$25 000 to \$30 000 a year. We get a levy on it for hectare basis based on activity on private land.

That is an indication of the impact of all the different things that are going on in the market place at the moment on the private forest sector. We are working to encourage new markets. There are all sorts of things that are impacting on our markets, not the least of which is the value of the Australian dollar but in time, as less commercial forest is available that is owned by the state, then the private forest estate becomes an increasingly important potential component of the wood supplier industry.

**Mr HALL** - The TFA is predicated on 100 000 cubic metres of plantation resource being available in the future. What basis has that figure been calculated on and has there been consultation with your sector or the private forest's sector in regard to future plantings?

**Mr FISK** - PFT has not had any involvement in the TFA discussions and calculations so I cannot assist with that.

**Mr GREEN** - We have always taken advice from Forestry Tasmania on potential involvement in any resource. We had a situation where the 300 000 cubic metres that was to be supplied in the legislation, as it previously existed, had a component of plantation built into it. It is about whether or not the quality is there and that is the work that we are meant to do now. It is more likely on private land, that pruning of the appropriate trees is taking place.

**Mr HALL** - The Chair of the AFCA, when being interviewed the other morning, was saying, no we do not want to lose any more contractors.

**Mr GREEN** - All of the work we are doing in assisting people, particularly on the north west coast, are in the plantation sector. Not the native forest sector, we have already helped most of those. They cannot make a quid in the plantation sector.

**Mr HALL** - I have seen quite an increase in trucks on the road but with chip logs.

**Mr GREEN** - Yes, that is right there are quite a few going north.

**Mr HALL** - They are native forest ones, not plantation.

**Mr GREEN** - It is an indication, that it's starting to work because we're getting back to the forests that are yielding higher sawlog volume. We've still got growth potential. It's still very hard to market that product. I'm not sure whether we've got any commercial information on that but it's

still very hard to make any money out of that type of product; that older wood that's being woodchipped.

**Mr HALL** - The dollar is on the way down.

**Mr GREEN** - I hope it goes down. We need to be in a position to provide what we said we would in terms of the sawlog volumes and that really is the focus for us going forward. What has made it difficult over the recent past has been our inability to get rid of residues which means Forestry Tasmania has had to allocate the forests that are not yielding quite the high volume of sawlog required. Having said that, there is room for expansion within the volumes supplied up to 137 000 ha now because we're not supplying any.

**Mr HALL** - As to the legislation and the current status of the 1997 RFA and 2005 CFA; where does that leave those acts now that the TFA has been passed? What happens from a legislative point of view?

**Mr GREEN** - The RFA expires in 2017 and the intent of both governments is that negotiations will provide a new and extended RFA to be completed by October 2013. The current RFA includes obligations to undertake five-yearly reviews of progress in meeting milestones and commitments contained in the RFA. Does this legislation change supersede those or is there any run-off from those other agreements that still haven't been finalised?

**Mr McILFATRICK** - The Community Forest Agreement was a supplementary agreement to the RFA so it's really an addendum. During the review process it will be determined whether we need a completely new RFA or another addendum that supports this current one. The way we handled it in 2007 was to really staple some new rules to the back, and that could equally happen under this one but the review will need to be undertaken over the next year with the commonwealth.

**Mr HALL** - Sean Cadman, as you know, was a member of the IPF and gave evidence before our forestry select committee that he'd been approached by FT to assist in their FSC submission. Do you know whether he's been engaged and what role he plays at this stage?

**Mr GREEN** - No, I don't. We have just made moves to appoint the Special Council which will start -

**Mr HALL** - My next question was on the Special Council. How much will that cost and how much will Mr West cost for this whole process?

**Mr GREEN** - Mr West; that's between the commonwealth and -

**Mr HALL** - Okay.

**Mr GREEN** - but the Special Council is underway. There is \$3.3 million for the Special Council.

**Mr SWAN** - There is \$3.5 million from us and \$3 million from the Australian Government over the forward estimates.

**Mr GREEN** - The Special Council was required under the -

**Ms FORREST** - Can you tell us who is on it?

**Mr GREEN** - We've got the names somewhere. It was established under a ministerial order which will initially comprise members of the signatory organisations plus a member representing the interests of special species timbers for that sector. The order will detail additional tasks that the

council will be required to undertake in addition to those provided by the legislation itself. The order will also detail administrative matters such as procedural arrangements for meeting with the council.

Some of the key tasks the council will undertake include: provide advice in relation to the development and implementation of plans and the transition of Tasmania's forest industry to greater reliance on the use of plantations; provide support and advocacy in the community and in markets to improve market access and social acceptance for Tasmanian forest products; provide support and obligation to the parties to the TFA with respect to matters such as retaining Forest Stewardship Council certification, and any other relevant certifications for Tasmanian forest products.

The council will have a key role in the review of the required yield of special timbers and a special timber management plan in accordance with the provisions within the TFA. The council will be established under a special gazettal, which I have responsibility for, and will comprise Don Henry, Ken Padgett, Ross Hampton, Jane Calvert, Phill Pullinger, Colin McCulloch, Terry Edwards, Shane Rice, Lyndon Schneiders, Jim Adams and Michael Oliver Bayley - Vica - together with Pavel Ruzicka, who will be the special species representative on the special council.

I am really pleased that Pavel put himself forward and we were able to take up that opportunity. He has an enormous amount of experience in the special species area. He is amazingly dedicated to that sector within the forest industry and I certainly look forward to his contribution to the council and, once again, I thank him for agreeing to be part of it. Effectively, the costs of the council relate to its operations - there is no salary, as such, for council members, just their expenses.

**Mr HALL** - Sitting fees?

**Mr GREEN** - No sitting fees.

**Mr HALL** - No sitting fees?

**Mr GREEN** - Just expenses.

**Mr HALL** - That is all I have on that matter.

**Mr GREEN** - Although, I should put on the record now that it will be a fairly onerous task for a lot of people, and if people are not supported by their organisations we might have to look at something down the track. But I cannot comment on that now.

**Mr MULDER** - The contractors' exit program and those that fell through the cracks the first time round, what is the process -

**Mr GREEN** - \$20 million.

**Mr MULDER** - How is that going to be dished out?

**Mr GREEN** - We are formulating new guidelines as we speak, but, of course, the whole intent of that and the discussions we had with the commonwealth was to ensure -

**Mr MULDER** - I am sorry, minister, what is happening with the guidelines?

**Mr GREEN** - We are still working through -

**Mr MULDER** - Still working on the guidelines.

**Mr GREEN** - on establishing the guidelines. When will we be ready, Gary?

**Mr SWAIN** - We have only just got that task under the National Partnership Agreement. The commonwealth has confirmed funding in the last week or two, so over the next few weeks we are working through that task. It obviously needs to dovetail with some of the other programs that are already in place, like the previous contractor programs, as well as the regional sawmill programs, high quality sawlog quotas, and the employment systems - they need to fit as a package.

**Mr MULDER** - The \$20 million, is that a separate amount for contractors? Is that in addition to the \$15 million for the sawmills, et cetera?

**Mr GREEN** - Yes.

**Mr MULDER** - I guess we are looking for an undertaking. Last time one of the common complaints was that there was a very short application timeframe, and the criteria only became available late in the piece. I have had accountants approach me on behalf of contractors saying they need a longer time period, because meeting the criteria requires a fair amount of work by accountants. Can you give some indication that there will be plenty of advance notice and that there will be sufficient time for people to get their stuff together and apply?

**Mr GREEN** - It is likely we will be managing that process from Tasmania, and we know the range of people we are talking about here. We have been intimately involved with them for a long period of time now.

[3.45 p.m.]

**Mr MULDER** - I prefer 'closely' working with them.

**Mr GREEN** - I understand what you are saying. There are some really sad stories of people. We had to make sure that the criteria is robust that can stand up to any scrutiny going forward.

**Mr MULDER** - I did not want to get into the emotional stories bit because I think we have all heard them and heard enough of them.

**Mr McILFATRICK** - I agree with what you are saying. In the community forestry agreement there were some companies that did not have access to an accountant and one of the things that we do have at our disposal - if someone asked if they could have someone to help them put their business plan together we can either do that through Economic Development or we could do it directly through the department.

**Mr MULDER** - What sort of a time frame are we anticipating before we start to open up the next round of bids?

**Mr GREEN** - Sooner rather than later.

I should just correct the record. The \$20 million includes employees from the sawmill buyback, potentially - assistance for those and contractors.

**Mr SWAIN** - We have a lot to work through in the next couple of months but we would hope that over the next four to eight weeks we can get that program developed. We need then to consult the Australian Government that is funding it, as well as the signatories and the industry players involved. There is a fair bit to do. And, as the minister said, we will have to pay pretty close attention to the findings from the previous process and reform some of the same pit traps.

**Mr MULDER** - An awareness program for those that are involved there?

**Mr SWAIN** - We haven't got that far yet but we are doing that on some of the other programs.

We are doing that with the regional sawmillers' transition program for the reason of clarity of understanding and assistance to people to participate and to fill in forms. It can save a lot of work and confusion down the track. I would imagine we would look at something similar.

**Mr MULDER** - Do you have the information you need to directly communicate with all potential applicants?

**Mr SWAIN** - I think we have a good handle on where the potential applicants would be and there are not so many of them. We would have people in the department who dealt with all of them over the last couple of years.

**Mr MULDER** - And the ideal would be to write directly to those people. You would keep up a communication program with those people you have identified?

**Mr SWAIN** - We will take a couple of approaches. We will work through the signatories, through the peak bodies and directly to the people that we are aware of.

**Mr VALENTINE** - The issue of local government hits, minister, from the forestry agreement - you would be aware of the financial reform project from 2004, I think, where local government and government sat down and worked out a regime of taxing - what should be taxed and what should not be taxed - and came out with almost a level playing field so that there was not too much disadvantage either way. Government paid rates and local government paid land tax. Parks were exempt from rates. The library levy and local government planning levies were abolished. The Hydro crown land occupation was not rated but it was subject to a rated equivalent but was kept by the state government; it did not come back to local government.

In all of this the councils lose significantly and it is really not in the spirit of the agreement to all of a sudden see what was previously land that was rated being changed to reserves that are unrated. Some councils are left with a very significant hole, \$400 000 for the Huon; the Dorset Council or one of the others up north, was significantly affected. Surely there must be some recognition that that agreement has been - I will say 'breached'. It is probably a strong word, but I do not know how else to describe it. Should not there be some consideration going back to local government in regard to some other adjustment somehow to level the playing field again?

**Mr GREEN** - I understand your concern and you have raised this matter with me on a number of occasions now and I appreciate that. We have had a look at what the impact potentially is. We understand the amount of money that was paid by Forestry Tasmania in rates in 2013 was about \$2.6 million. There were 1 350 separate rate notices. The impact of the TFA has not been precisely calculated. The advice that I have received by FT is possibly to make some general projections. The projections do not support some of the claims that have been made about the extent of the impact on council revenues. The area of production land on which Forestry Tasmania's rates bill has been assessed to date is just over 664 000 hectares. I am advised that TFA will involve the transfer of around a quarter of the current rateable reserves. If the rates bill is reflected in a reduction of forests, councils' revenue will reduce by about \$640 000. That is between now and the year 2022.

**Mr VALENTINE** - \$640 000 in total?

**Mr GREEN** - Yes.

**Mr VALENTINE** - Across all affected councils?

**Mr GREEN** - Yes.

**Mr VALENTINE** - Does that include land that might have gone into World Heritage areas as well, that might not have been Forestry?

**Mr GREEN** - They have never been rated on reserves themselves.

**Mr VALENTINE** - No, that is right.

**Mr GREEN** - There have been some accusations that there will be multi-million dollar losses to councils. I can tell you what the actual rates were that went to each of the councils prior to the change. Karen, did we end up getting any detail on the difference between the rates that they were currently paid and -

**Ms VADASZ** - No, they are still working that through.

**Mr GREEN** - Break O'Day received \$528 178; Burnie \$17 000; Central Coast \$50 000; Central Highlands \$113 000; Circular Head \$335 000; Derwent \$135 000; Devonport \$896 000; Dorset \$196 000; Georgetown \$26 000.

**Mr VALENTINE** - It is what they didn't receive that I am interested in much more than what they received. Is it possible for you to provide that?

**Mr GREEN** - The total rate amount is \$406 000 for Huon overall; that is what they were receiving, so it is a proportion of that amount.

**Mr VALENTINE** - Can I get a list of what they are not now going to be receiving as a result?

**Mr GREEN** - I am not sure whether we will be able to provide that within the time.

**Mr VALENTINE** - A question on the notice paper, then.

**Mr GREEN** - We will endeavour to answer it for you.

**Mr VALENTINE** - Thank you. It is good to sort fact from fiction.

**Mr GREEN** - Yes. It has been portrayed as a huge loss. That needs to be mitigated against what has been spent. There is the opportunity to have a change in their allocations through the productivity commitment as well, as part of that process and change in their rate base -

**Mr VALENTINE** - If they can demonstrate a loss.

**Mr SWAIN** - This is the state grants committee. The relativities assessment will change to the extent that a councillor has been significantly affected. It will be moderated by that process which takes relative need into account.

**Mr GREEN** - All of those things, and the amount that we will be spending in those jurisdictions to restructure their economies as well.

**Mr VALENTINE** - Thanks.

**CHAIR** - Minister, can I go back to the special council which Gary indicated is getting \$3.5 million funding for the forward estimates - \$3 million from the commonwealth and \$3.5 million total. What is the specific expectation of the expenditure from that? You have indicated that the special council members will not be remunerated apart from getting some expenses. What do you expect the \$3.5 million, over four years, I presume, if that is the forward estimates we are talking about?

**Mr GREEN** - You can go through it in detail, Gary. To meet the expectations of some of the

areas I read out earlier, but Gary can advise some more detail around that.

**Mr SWAIN** - Across time it is 2012-13, \$0.5 million; 2013-14, \$2 million, with \$1.5 million coming from the state. Then 2014-15, \$2 million, with \$1.5 million coming from the state and 2015-16, \$1 million coming from the Australian government and \$0.5 million from the state. Under the arrangements to set up a special council, the special council will be required to put together a work plan for the minister and report on that at the end of each period, which in turn will reflect in the state government's requirements to the commonwealth under the partnership agreement. There is a process in place for them to put more detail around their work but the significant elements of it that we know of at this point will include support for attaining Forest Stewardship Council certification, which has been estimated at about \$1.5 million. They will have ongoing communications and they will also take a lead role in some of the work around special species, looking at alternate uses and opportunities for residues.

Three or four big chunks have been identified and they will use those under the order the minister will make as the basis of their work plan, which they will then submit to the minister for consideration.

**Mr McILFATRICK** - We will also probably require a full-time executive officer. They are not being paid themselves but at this stage it is estimated at, with overheads, et cetera, \$120 000, and then ongoing expense. Those costs would be going outside to other purchase services, if you like. They may need an expert to look at FSC. It will be expenditure that is endorsed under the work plan that the minister endorses and then expended in those years.

**Mr SWAIN** - It is worth knowing that they are not a legal entity, so they cannot enter into contracts of their own; the department will have to facilitate some of their activities, which means it will then be reported through the department.

**CHAIR** - Minister, earlier you indicated that the World Heritage area nomination is a commonwealth matter, but is the state still not having some input into the tweaking of the boundaries? I understand Minister Burke has written to people and indicated that the boundaries are still being worked out.

**Mr GREEN** - That is right. There are some discussions about the boundaries taking place. It is a tweaking of the boundaries based on road alignments and various things like that. Forestry Tasmania is involved and obviously DPIPW -

**CHAIR** - Is there any indication as to the effect that will have on the 170 000 hectares in terms of area?

**Mr GREEN** - The advice I have is that there is no real material change to the area.

**Mr SWAIN** - This is very much a refinement, very small changes on maps at a technical level between the interested parties so it is straightening curves, and very much a technical exercise.

**Mr GREEN** - How they have judged the coupes, where they will be logged -

**Mr SWAIN** - Making sure that the boundary is operationally feasible.

**CHAIR** - Can you indicate how much your department has spent on the development of the world heritage area nominations?

**Mr GREEN** - Not this department. DPIPW have had staff involved in -

**Mr SWAIN** - Both departments have been, within existing resource structures, so there has

been no additional costs from existing roles within DPIPWE and DIER as part of their time.

**CHAIR** - No additional costs; I accept that because it is internal people but -

**Mr GREEN** - I know what you are getting at but they are not taken from -

**CHAIR** - And there would have been some allocation in terms of mapping or tracking?

**Mr GREEN** - Yes. They have done an enormous amount of work but then the Office of Parliamentary Council, the Department of Premier and Cabinet with respect to development of notice are working through all of those issues, quantifying reserves ready for protection orders and all of those things. It is one part but I can put on notice a question to try to establish what resources have been allocated.

**Mr McILFATRICK** - My guess, in terms of legislation and through to the world heritage mixed up over the last 6 months, would have been about 20 people in government directly from each of those departments involved full-time. If you were doing a number count on that across the four departments, it is likely to be in the range of about \$1 million worth of effort.

It is because people have moved resources. Penny Wells, for instance, was full-time on it; she was not doing another job while she was doing that.

**CHAIR** - Louise Crossley, from the group on Bruny Island, has indicated that the lobbying process which has been undertaken on the island has been successful in terms of a cessation of logging in some areas which were exempted from the initial reservations. If that is the case do you see that as constituting substantial market action, not by her in particular, but by the groups that she represents, including in association with Markets For Change?

**Mr GREEN** - There has been a temporary cessation of logging based on alternatives being found, I am advised.

**CHAIR** - Any indication of how long that will last?

**Mr GREEN** - Advice is two or three months and they are continuing to look at alternatives.

**CHAIR** - Who are continuing to look for alternatives? FT?

**Mr GREEN** - Forestry Tasmania.

**CHAIR** - That being the case, we can take it that if they find alternatives, that market action will have been successful.

**Mr GREEN** - The coupes we are talking about are contingency coupes, transition coupes, yes.

**CHAIR** - That is what I said; they are exempted from the initial reserves.

**Mr GREEN** - Yes, that is right. I have been an advocate for the legislation being amended and the necessary volumes being supplied. Providing the volumes are supplied, I am happy and that has yet to be tested.

**CHAIR** - In accordance with the TFA, am I right that until one of the clauses is enacted, that special timbers supply will be at the rate of 12 500 cubic metres per annum?

**Mr GREEN** - Blackwood is less than that now, isn't it?

**Ms VADASZ** - Yes.

**Mr GREEN** - Blackwood is much less than that which was accepted by the industry as being not an amount that could be viably harvested even as it stood right now. I suppose the short answer is it is unlikely we would be supplying 12 500 cubic metres.

We have an amount of money, \$2 million, to develop a management plan with respect to special species timbers but it is really is about being able to supply the market requirements and that is what we are obviously going with.

**CHAIR** - In that vein then, it was acknowledged that there are insufficient quantities of special species timbers, hence the identification of contingency coupes. You would be aware that on-ground inspections by a group of people have suggested quite clearly, and supported by FT, that in those contingency coupes there are no appreciable stands of celery-top to name one nor much of other special species timbers. Why then was the industry allocated, or the industry had it indicated to it, that the contingency coupes would provide a viable supply of special species timber when it will not?

**Mr GREEN** - I certainly heard you on your feet during the debate talking about that issue and it was reported. We have allocated a significant amount of money to put together a plan for special species and, as I have just indicated, and appointed Pavel as the representative on the Special Council to the special species sector. My expectation is we will do the necessary work but the upshot, from my perspective, has always been to ensure the industry gets the requirements it needs to continue at a reasonable level as determined by the signatories.

**CHAIR** - In that suggestion that the industry gets the level of supply that it needs, you would be aware that there are not sufficient supplies of celery-top pine for the boat-building industry at the moment.

**Mr GREEN** - I have just received a letter not long ago from Mr Denman who is suggesting ideas about purchasing existing privately owned celery-top and putting that into a bank for the boat-building industry in the future.

It has always been difficult, it seems, to supply the amount of celery-top that is required for the boat-building industry. We were having many discussions about this issue - the boat wood bank for celery-top that was held at various locations around Tasmania that I undertook to have audited through Forestry Tasmania to finally get a handle on exactly what resource was around. We will consider what Mr Denman has indicated to us in his correspondence. The boat-building industry is an important one, from an historic point of view and from the point of view of the expertise of the craftsmen involved in building the boats. It is not something we want see fall over in any way. By the same token, I suppose they ran the same arguments about King Billy pine - a lot of boats were made out of King Billy pine many years ago. We have to do our best to make sure that we supply the sector with what we can and at the same time make sure that we implement the agreement. As I have said, I will have a look at what Mr Denman was proposing.

**CHAIR** - I can only conclude from what you have just indicated that there are insufficient quantities of special species timbers -

**Mr GREEN** - No, you can't.

**CHAIR** - You have indicated that -

**Mr GREEN** - It has always been difficult to supply. We will have the work done to allow us to understand exactly. As I mentioned a moment ago about the board bank, nobody could ever give you a proper, full understanding of what was in the board bank. It wasn't until I instructed the parties

to go together, stand there and count them that we found out what boards were in the bank. It is not until we do the necessary work we have allocated \$2 million that we will understand exactly what resource will be there in the future.

We know there is not a lot of celery pine coming behind the operations that have taken place over the last 100 or so years and intensified over the last 30 or 40 years, particularly the way the coupes would be managed in the future. For example, where I come from on the north-west coast all the areas I know of that were production forests ready for harvest have been converted, so there is no chance of any celery-top coming back into that area. Many other parts of Tasmania that are managed from a regrowth perspective would be managed on an 80-year rotation and there are areas set aside for much longer rotation for that product in specialty timber zones. I want to enhance that position to understand exactly what is there and then provide the industry with the certainty it needs to go forward.

**Mr HARRISS** - In the event that adequate quantities are not available either from what has not been reserved or from the contingency coupes, is it possible to access resource from within the World Heritage Area in the event the World Heritage nomination goes ahead?

**Mr GREEN** - Forestry Tasmania has indicated it is not interested in harvesting in the World Heritage Area.

**CHAIR** - They are not interested or are not going to?

**Ms VADASZ** - They have ruled it out.

**CHAIR** - Would you accept that that flies quite contrary to Adriana Taylor's amendment during the debate in the Legislative Council and then supported in the House of Assembly?

**Mr GREEN** - It's an issue we need to come to grips with. Adriana's amendment was an insurance on the insurance. Let us do the work and see where we are at with specialty species and then we will all have a clear indication of whether we can move forward in the way we have committed to, as you quite rightly point out.

**CHAIR** - Even after you have done that analysis and determine there is insufficient quantities of special species timbers, FT would have to go into World Heritage if necessary. Is it therefore not a fact that when FT announced it would not go into the World Heritage Area it was in denial of a parliamentary decision?

**Mr GREEN** - There is also the aspect of whether full cost recovery should apply in those circumstances to harvested special timbers. As it stands at the moment, the way material has been supplied to the sector has been mitigated against the other harvesting operations that have taken place. A full cost recovery over some of that material would change the commercial reality of the ability to harvest it. I know this is from my perspective and not necessarily yours; I accept you have a position going forward and I appreciate that. I am not having a crack in any way but from my perspective it is more about allowing the industry to settle down and trying to put ourselves in a space where we can market the product we produce in Tasmania. There is a major change going on in the sector and I think it is quite an exciting time.

[4.15 p.m.]

The specialty species part of the equation is a very important one we have devoted significant resources to, to resolve. It is not perfect. If it were, you would not be asking me the questions you are, but we are at least in a position now that a lot of the angst has gone out of the debate and we have certain criteria to fulfil to even allow the legislation to go forward then from my perspective, it is indefensible.

**Mr MULDER** - On that area, I know that the annual take of specialty timber supply arrangements are until 2019.

**Mr GREEN** - I do not think I have heard that date mentioned in the past.

**Mr MULDER** - There is a supply agreement currently in place - or was it indefinite, the volumes?

**CHAIR** - Yes, under the special timbers management plan that was developed in 2010.

**Mr MULDER** - Wasn't there an end date for that plan, subject to a review?

**Mr GREEN** - If there is, it is the first time I have heard of it.

**Mr MULDER** - I am asking the question, I do not know.

**Mr McILFATRICK** - It might be the end to the plan but not to the agreement. The plan is probably a 10-year plan done in 2010, I think.

**Mr MULDER** - As part of the work you are doing around the specialty timbers, will we get a result about some idea of what volumes are sustainable?

**Mr GREEN** - Yes.

**Mr MULDER** - I could not imagine too much Huon Pine would come out of that and given that your regrowth -

**Mr GREEN** - The Huon Pine is in pretty good shape. We are not worried about Huon so much at all.

**Mr MULDER** - No, I know you have plenty of that stacked up and it has been roasted once. I am more interested in things like the celery top and some of those species.

**Mr GREEN** - We understand what is on private, too. We will have a much better picture.

**Mr MULDER** - As part of this program we will have to come up - it can only be sustainably logged at the rate at which a tree grows, can't it?

**Mr GREEN** - Clearly, that is exactly right which is 400 years but within the coupes.

**Mr MULDER** - We will have a better handle on what is available in terms of quantity, regardless of the area it has to come from.

**Mr McILFATRICK** - Under the special council, this \$2 million will be applied to look at a long-term plan and it will take a number of years to get that sorted out under the work program. By 2016 we will have a plan for going forward long term to direct future supply levels and the locations that those supplies would come from. That would then supersede any plan that was put in place in 2010.

**CHAIR** - The only other matter, minister, is grants and subsidies and for the members' interest or advice, I can only see in that area payments on behalf of the Forest Practices Authority and Private Forests Tasmania. Are there any questions with regard to the FPA or private forests?

**The committee suspended from 4.18 p.m. to 4.32 p.m.**

[4.31 p.m.]

**CHAIR** - Minister, we are ready to go on local government.

**Mr GREEN** - We have had electoral reform that has come to the upper House and just gone through. I have a draft bill dealing with dilapidated buildings and uses provisions and miscellaneous issues. That has gone out for public consultation and is currently being revised for consideration by the parliament in spring. That has been a little more complex than what I first imagined in respect to particularly dilapidated buildings. The department and workplace standards are doing a good job helping me achieve my goal to give local government some teeth with respect to making decisions about those issues.

We have been working on financial and asset management reforms to try to ensure that local government has a 10-year financial strategy and most of them are reacting well to that - such things as indicators and measures of performance of local government, the creation of water committees to ensure compliance, and improving the depreciation and revaluation practices have been discussed. Also, valuation rating to a fair degree.

We have also put out a paper on the role of local government that Barry Easther and I launched recently. Phase two is underway where we are consulting with councils, stakeholders and the community on the capacity of local government to deliver on the roles that essentially have been identified in stage one.

The local government division has continued a program to meet with all of the councils at least once a year. Thirty-two visits have taken place this year.

**Mr HOYSTED** - 36.

**Mr GREEN** - The local government board has reviewed recommendations with respect to council and numbers on seven municipal areas. There has been quite a bit happening in this area.

**CHAIR** - We will go first of all to the temporary Alderman Armitage.

**Ms FORREST** - Temporary?

**Mrs ARMITAGE** - No, I still have 17 months to go.

**Mr GREEN** - Yes, you are in good shape.

**Mrs ARMITAGE** - I don't have a problem with that at all.

You mentioned the dilapidated buildings bill that does have some shortcomings. It might have been Launceston City Council that raised it in the beginning. There are a couple of issues to do with visual amenities.

**Mr GREEN** - I think it was West Coast, Ulverstone.

**Mrs ARMITAGE** - There were probably several of us. I can remember getting some information from the mainland, from some Victorian councils, in particular. They have some by-laws on visual amenities. At the moment we only have them on fire hazards.

**Mr GREEN** - Yes.

**Mrs ARMITAGE** - I certainly will bring that back to you before it gets to us perhaps for some

amendment.

**Mr HOYSTEAD** - I think it has already been done.

**Mrs ARMITAGE** - It has been raised but it is not coming up with it, it only has buildings, dilapidated buildings, it hasn't got the visual amenity part in it. You might check into that because I was told that that would probably come at a later stage. It would seem silly to have two bills coming when it should be incorporated in the one.

**Mr GREEN** - Explain to me exactly what visual amenity is.

**Mrs ARMITAGE** - Visual amenity is, for example, a property that might have old car bodies in a main street that looks pretty disgusting. People come to the council and say the property looks pretty terrible, it is devaluing all our properties, but basically they cannot do anything unless it is a fire hazard. If it is not a fire hazard they cannot do a thing about the fact that someone does not bother removing all the rubbish from the front yard and things like that. That is apart from a dilapidated building that is actually the visual amenity in the street in their front yard.

It is generally their front yard. There are a couple in particular in the Launceston electorate that have been raised again and again. The local council has gone to the owners and they have no teeth to do anything. This is one of the reasons they were also pushing this bill. They have come back to me and said it is part way there, it has the dilapidated buildings but they have left out the visual amenity part that is supposed to be coming later. I just cannot see the reason for it to come later. Realistically if we are putting it through it should all come at once.

**Mr HOYSTEAD** - I can certainly follow that up but my understanding is we were actually dealing with that because it was raised by Launceston some time ago. You are talking about car bodies on properties and the capacity there, so we are looking at improving the nuisance provisions so it can actually do that. I will certainly follow it up.

**Mr GREEN** - It is the old trick when you doorknock and those car bodies on the property. A big dog normally flies out at you.

*Laughter.*

**Mrs ARMITAGE** - If you could follow that up that would be good. The general manager told me it was a part that had been left out and he has provided me with some information from one of our lawyers. I thought why put an amendment in. That would be great.

Apart from that, the new regime you have here - the partnership agreement performance measures spaced out - so you believe that the new focus on collaboration including visiting councils will certainly work much better?

**Mr GREEN** - Yes. We have demonstrated with King Island that where necessary if there is a pressing absolute need we will re-engage with the partnerships individually and help one another as a result. I am pretty comfortable. I think most councils are comfortable. The relationship has matured a hell of a lot compared to when we first started and we are in a much better space now in terms of our relationship overall.

**Mrs ARMITAGE** - And reviewing the performance measures spaced out as well? Not every eight years. That is basically now the constant visits, is it?

**Mr HOYSTEAD** - Yes. They are no longer held by the local government board. They have done a review of council numbers last year, the original council numbers this year, so their job will be to look at specific issues rather than just have this general process going on. That decision was

made some time ago and I think it was largely because councils have done much of what the board was wanting them to do in terms of administrative processes, financial planning and asset management planning. Many of the issues the board was raising in those eight-year reviews have in fact been addressed by councils so I assume the decision was made to focus on specific issues that were more urgent.

**Mrs ARMITAGE** - Most councils were meeting their requirements?

**Mr HOYSTEAD** - In terms of those particular issues?

**Mrs ARMITAGE** - Yes.

**Mr HOYSTEAD** - Yes, all councils have their 10-year financial plans, their asset management plans. The Auditor-General has said that councils are financially viable in terms of most of the information -

**Mr GREEN** - Some of them have a lot of money.

**Mrs ARMITAGE** - Some don't have much. Some have too many regional facilities.

**Mr VALENTINE** - They are waiting for the government to come up with their 10-year plan.-

**Mrs ARMITAGE** - Some have too many regional facilities that they are funding out of the ratepayer base.

One of the interesting things I noted was that with the electoral reform you missed out the most important part. Can you tell me why there was not discussion about amalgamation with electoral reform? Many people have said to me that is probably the most important part of electoral reform that the state could have done. I am asking you your opinion on electoral reform. Do you believe that amalgamation of local councils or some local councils would deliver efficiencies or savings?

**Mr GREEN** - There is good evidence around that councils are working closely together and, as I have indicated and you may well have been there a couple of years ago at the local government conference, I said from my perspective you are not dissimilar to me. I face really tough scrutiny every day when it comes to electricity prices and I think councils are going to face really tough scrutiny every day when it comes to the rates and the value for money that people are getting, particularly given the pressures on cost of living.

Unless councils wake up to themselves, the community is going to come down really hard on them. Having said that, it is important that we take the councils with us; the sustainability argument is vitally important. The electoral reforms, I think, will provide consistency for councils in terms of their leadership to start to implement greater change than they would have done under normal circumstances because they have an election every two years.

That stability in itself will provide mayors and the leadership within councils a greater opportunity to implement plans which, I would hope, includes them thinking about how they will work more closely with other councils and potentially merge. Clarence and Sorell have been talking. On the east coast we had two councils wanting to merge but their board told us it would be probably better if they did not; it would make the situation worse. It is not a simple equation but I think the reforms that were put in place will certainly help.

**Mrs ARMITAGE** - I see some anomalies. One of the arguments for the sewer and water takeover -and I call it a takeover - by the state was that their areas did not have potable water because some councils could not afford to provide it.

**Mr GREEN** - It is the Tassie indecision.

**Mrs ARMITAGE** - Yes, I agree with that. It is only fair that everyone in Tasmania has the same rights, that they all have potable water and sustainability.

**Mr GREEN** - Twenty-seven boiled water alerts.

**Mrs ARMITAGE** - Absolutely. So do you not see it similar with ratepayers with the payment of rates? As it is, we have different councils with different responsibilities and some councils, as I mentioned before, have regional facilities that have had to be funded. Of course, you have some councils depending on the rate system. They can all choose different rate systems of paying a lot more to live in certain areas. You only have to look at the northern area - you have Launceston, West Tamar, Northern Midlands, Meander Valley. If you live in West Tamar and Launceston, for example -

**Mr GREEN** - George Town and Dorset.

**Mrs ARMITAGE** - Let us use West Tamar and Launceston, as an example. They are within a kilometre of each other. You can drive out from within a couple of kilometres of the city centre of Launceston and for the same priced house, you can pay a lot less in rates. There are anomalies there which are almost the same as with the sewer and water. With sewer and water everyone had to have the same. Here we are in one Tasmania, yet in an area a kilometre or two away people in a huge house with magnificent water views will be paying half the rates of a neighbour a couple of kilometres away. Do you see that as fair?

**Mr GREEN** - I see that there may be some inequities but we are not about to undertake forcing councils to amalgamate.

**Ms FORREST** - But you did; you forced them to give up sewer and water.

**Mr GREEN** - No.

**Ms FORREST** - Yes. They had no choice.

**Mr GREEN** - That is not right. We implemented a plan, working very closely with local government associations to introduce legislation to ensure that the owners - they have not given it up, they still own it -

**Ms FORREST** - We could not really get into the debate about the cost.

**Mr GREEN** - Water and sewerage infrastructure is managed in a way that provides for the best interest of Tasmania overall, and from which dividends will be paid to each of the councils.

**Ms FORREST** - They became owners as there was no other option - that was forced. I am sure you cannot tell me that the majority of the councils willingly allowed the government to take water away.

**Mr GREEN** - Once they put their finger in the air and all of a sudden felt there was an indication that it was not quite a problem, as people thought it was going to be in the first place, they changed their minds. Initially, they were all on board.

**Mrs ARMITAGE** - I do not believe that that is quite true, minister.

**CHAIR** - Order. Can I intervene? In terms of this line item, a robust debate on what has happened with the water processes in this state is not appropriate.

**Mrs ARMITAGE** - I was comparing it to the rates, actually.

**CHAIR** - I understand that, but then you took that debate a lot further by debating with the minister about what happened or did not happen at the time.

**Mrs ARMITAGE** - We did have a difference of opinion, yes.

**Mr GREEN** - Anyway, you are probably right. Not every council was completely with it; but overall I think the majority were and the decision was made on that basis. Not only that, it was endorsed by both Houses of parliament. What is the matter with that?

[4:45pm]

**Mrs ARMITAGE** - I have probably finished on rates because I was pushing the point that there is not necessarily fairness in the state when you consider the difference between the rates for some councils. There are several councils with regional facilities and I think Burnie is one that has been mentioned as well.

**Mr GREEN** - There has been significant reform going on in local government to the extent that I do not get up and talk about reform in local government any more because local government has reformed up to here. I talk about changes in consultation with local government as opposed to reform.

If you think about the planning reforms that have taken place - the statewide plan regional land use strategies, if you have a look at the water and sewerage now that it is implemented - obviously you are not completely aware that, overall, it is a change that has been put in place which has changed the structure even further to ensure that it is managed centrally.

Those reforms, in my view, are moving local government to a point where they must think more regionally about a whole range of issues and it really is about taking the people with us.

I understand your frustration, though, because you represent Launceston ratepayers and you are right in the middle of those others.

**Mrs ARMITAGE** - Absolutely. But the point of mentioning the planning - and I know that we did have the Minister for Planning earlier - but I will ask you if that is all right, seeing that you have just brought that up, the fact that with the bushfire management reports, is it true that there is still only one officer based in Hobart who can sign off on these?

**Mr GREEN** - No.

**Mrs ARMITAGE** - There was, but is there now?

**Mr GREEN** - There was but there are, I think, 20 others in training now who will be in a position to do that.

**Mrs ARMITAGE** - So they are in training, and they are qualified to do it, or are they still in training?

**Mr GREEN** - I will have to take that on notice, but the last time I checked it was the answer that was given to me that gave me comfort. In the very not-too-distant future there is going to be more than just one.

**Mrs ARMITAGE** - Because that was one issue that I have had with constituents waiting on that for a long period, particularly with the bushfires when they had so much on their desk, which is

understandable, but no one else could sign off.

**Mr GREEN** - Yes, there is another aspect to that involved when it comes to the code that it only applies where there are interim schemes and that is in Launceston, so it is not across the whole jurisdiction.

**Mrs ARMITAGE** - But there were quite a few that were waiting, that was all, minister.

**Mr GREEN** - Yes, and I apologise for that but we had to put in place the necessary changes based on the Royal Commission. You would want to make sure you implemented that from new residences to adhere to a code. That has happened and the Tasmanian Fire Service are the only ones qualified to make those decisions and we are doing our best to rectify that.

**Mrs ARMITAGE** - Thank you.

**Mr MULDER** - I have a few questions. In relation to the proposal for a referendum on constitutional recognition of local government, what is the government's position on that?

**Mr GREEN** - It has been tried two or three times in the past to get constitutional recognition for local government. I do not mind that local government have been given recognition but what worries us is the way the local government would be potentially funded from the commonwealth, which has the potential to effectively go around state government in terms of managing the state's resources as a whole.

So we will not be allocating any resources to support or not support the campaign.

**Mr MULDER** - I think the financial assistance grant has come together; it is something like \$36 million to the state, is it?

**Mr GREEN** - The only area that I am aware of that they directly fund councils at the moment is through the Black Spots program - was it Black Spots or Roads to Recovery?

**Mr HOYSTEAD** - Roads to Recovery.

**Mr MULDER** - It is Roads to Recovery, yes.

**Mr GREEN** - That has come about through some anomaly.

**Mr MULDER** - So that goes directly to council and it does not come through the state at all?

**Mr GREEN** - No, it doesn't.

**Mr MULDER** - How do you do that without constitutional recognition?

**Mr GREEN** - There is some anomaly that allows them to do that. I would have to check exactly what that is. Somebody else might be able to tell me.

**Mr VALENTINE** - It went to court and I think the referendum is the way forward.

**Mr HOYSTEAD** - As a matter of clarifying that, I suspect if push came to shove it would be unconstitutional; the commonwealth would want that clarified so they will want a new section 96 to enable the director to -

**Mr MULDER** - On the Roads to Recovery Program, what is the state government involvement in that program? Is it administering the funds or -

**Mr GREEN** - Some of the companies that have responsibility for road maintenance for state, and potentially for local government, are saying to me it would be good if the two jurisdictions could work much more closely together to ensure better continuity of work for them, and it all makes sense. It is by collaboration.

**Mr MULDER** - So, the state government has no role?

**Mr GREEN** - No, all of a sudden the councils wake up one day and they are funded to the tune of \$x for roads.

**Mr MULDER** - What about the finance assistance grants program that I mentioned before?

**Mr GREEN** - \$36 million, but I will have to -

**Mr MULDER** - I understood it was \$36 million, but the quantum really does not matter. That comes to the state, doesn't it?

**Mr VALENTINE** - It goes through the states' grants commission.

**Mr HOYSTED** - It goes through the states' grants commission and is then allocated to local government.

**Mr MULDER** - Thank you, alderman. I am not testing your knowledge on this at the moment.

**Mr VALENTINE** - I am sorry, member for Rumney.

**Mr GREEN** - Feel free to chip in, Rosemary - there is a competition.

**Mr MULDER** - What is the costing of that?

**Mr HOYSTED** - To run the states' grants commission?

**Mr MULDER** - Yes.

**Mr HOYSTED** - I will have to take that on notice.

**Mr MULDER** - But there is a cost to it?

**Mr HOYSTED** - There would be, yes. There are three staff members in Treasury, who are basically the states' grants commission.

**Mr MULDER** - Where does the funding for them come from?

**Mr HOYSTED** - It may be an administrative fee coming out of commonwealth funds. I do not know but -

**Mr GREEN** - Do you want us to check on that?

**Mr MULDER** - Let us assume that is the case at the moment - that is where the funding comes from. So, it is an administrative cost deducted from commonwealth funds that were destined for local government?

**Mr GREEN** - There would be administration moneys built into the funding. Either that, or it might be that the money comes in a lump sum and they use interest to pay for administration.

**Mr MULDER** - You will probably not be able to find that out in two seconds.

**Mr GREEN** - It would be useful for me to find that out as well.

**Mr MULDER** - If you took advice as to the source of that administrative cost in the deployment of funds to councils, then perhaps you'd like to say those costs would no longer apply if the constitutional amendment came through and the federal government could just give the special assistance amount straight to councils.

**Mr HOYSTED** - There would need to be an adjustment process in terms of how much they allocate to each of the councils, because it is a very complex process. It would certainly be a cost to the commonwealth.

**Mr MULDER** - I don't know; the Premier's Community Fund doesn't seem to have trouble apportioning costs to local entities.

**Mr GREEN** - Have you been pulling on it at all?

**Mr MULDER** - Me?

**Mr GREEN** - Yes.

**Mr MULDER** - Absolutely not.

**Mr GREEN** - Why not?

**Mr MULDER** - Why not? I have Mr Polley running my electorate; I don't need to.

*Laughter.*

**Mr MULDER** - You asked the question, remember.

**CHAIR** - I am about to invoke standing order 99 on relevance.

*Laughter.*

**Mr MULDER** - I am sorry, I should have remembered that we ask the question.

**CHAIR** - Correct, and they are relevant questions.

**Mr MULDER** - That's a criticism of the minister.

**CHAIR** - Have you finished, Tony?

**Mr MULDER** - Yes.

**CHAIR** - Anything further on local government?

**Mrs HISCUTT** - I was going to follow on from Mr Mulder, as he's asked all the questions. There's a percentage I want to query, but that information will come.

**Mr GREEN** - Yes, we will get that.

**Mrs HISCUTT** - Thank you.

**Mrs ARMITAGE** - One small question. The fire services levy has been hoisted onto councils to collect. I appreciate that they receive a fee for doing it, but why is it still incumbent on local councils to collect the fire services levy? So much of the time, people see their rates notice and they assume the fire services levy is part of the money that goes to the council when, of course, it is not. It is collected on behalf of the state government. We've got Service Tasmania - why doesn't that go on a separate account like everything else, and get taken off the council's rate bill?

**Mr GREEN** - I think it was deemed to be the most efficient way to put a levy on the fire services which benefit us all, through the provision of -

**Mrs ARMITAGE** - Presumed by whom?

**Mr GREEN** - I did not implement it at the time, but I presume by the parliament.

**Mr HOYSTED** - It was considered as part of the process when we originally developed a state-local government financial relations partnership agreement about 10 years ago where we agreed to pay rates and councils agreed to pay payroll tax and the sharing of cancellation fees and costs. A fire levy came up and it was decided, as the minister said, that the most efficient way of collecting the funds was -

**Mr GREEN** - Now they think they're being diddled because of the forestry stuff.

**Mr HOYSTED** - I seem to recall the time when that agreement was signed that the councils came out to the tune of \$4 million plus compared to the state, so perhaps it has evened up more now, I don't know.

**Mr VALENTINE** - It was an agreement.

**Mr GREEN** - He reckons they've been diddled by the rates and changes.

**Mr VALENTINE** - No, I asked a question and I am interested in the answer.

**Mr GREEN** - I know that, I'm sorry.

**Mr HOYSTED** - It still is an agreement. I think there have been questions about whether it needs to be reviewed. I don't think LGAT is keen to review it at this stage and I don't think the government would be keen to review it, but nonetheless it is still in place.

**Mr VALENTINE** - We would have to review the collection of the fire levy otherwise.

**Mr HOYSTED** - That's right.

**Mrs ARMITAGE** - Have you had complaints from the councils about collecting it?

**Mr HOYSTED** - I haven't, no.

**Mr GREEN** - I haven't.

**Mrs ARMITAGE** - Maybe it's more internal.

**Mr VALENTINE** - A quick question on the Darrel Baldock memorial initiative. Can you tell me what that is?

**Mr GREEN** - Yes, it is \$50 000 to assist with the building of a memorial at Latrobe. There has

been a significant amount of money raised and Braddon has put significant funds in and we are providing that amount of money to assist to finalise what is a pretty significant project.

**Mr MULDER** - Is it government policy to do this for all deceased former ministers from Braddon?

**Mr GREEN** - Not unless you're a champion footballer.

## **Output group 5 Racing Regulation and Policy**

### **5.1 Racing regulation and policy -**

**Mr GREEN** - Tony Murray, the secretary, is not here, but I am more than happy to start.

**CHAIR** - Anything in overview that you need to share?

**Mr GREEN** - From the Racing Services point of view there is often a lot said about the industry overall but integrity is a vitally important part of the industry. We see that other jurisdictions around the country are entertaining establishing a similar system to what we have here in Tasmania with Racing Services and therefore the integrity associated with racing separated from the industry body themselves. We have expected Racing Services to provide a high level of standard with respect to integrity because we believe that is what gives punters, in particular, and industry participants the confidence to participate in the industry in the first place. That is the model we have and we have no plans to change it, even though as part of the work we are doing with Tasracing we are looking to assist where we can by taking on some more responsibility. That would be the overview.

**CHAIR** - Thank you. With regard to the positive swabs -

**Mr GREEN** - Or numbers of swabs.

**CHAIR** - No, I have seen the numbers. What are the range of things that are being tested for and what are the most common breaches in the event that offenders are detected?

**Mr MURRAY** - The substances that are prohibited substances under the rules are contained within the rules so the testing basically does an analysis on prohibited substances. The rule that we have most breaches under is the TCO<sub>2</sub>, which is total carbon dioxide, and there is a particular permitted level. When trainers present horses above that level, we take blood. We normally do pre-race blood and get some of it for testing, and that is the rule that gets breached more than any other.

**CHAIR** - What is the effect of that substance on a horse?

**Mr MURRAY** - It enables them to continue at their maximum capacity for a longer time.

**Mr GREEN** - There could be a little something in there for all of us.

*Laughter.*

**CHAIR** - The minister is thinking of working past 5 o'clock.

*Laughter.*

**Mr McILFATRICK** - It takes an hour before it kicks in apparently.

*Laughter.*

**CHAIR** - I want to go to matters related to the industry, not specifically regulation and the probity measures related to the industry, so my first question in that area is the wagering turnover and how it is tracking for each of the three codes, and whether there are any particular trends and what are the latest figures you might have, please.

**Mr GREEN** - We are tracking. The turnover has increased across all three codes and, indeed, the greyhounds are performing the best in terms of the increase in turnover. I think overall it is about 8-point-something per cent average increase in turnover across the three codes.

It is hard to put your finger on exactly why turnover increased but I think it is a combination of things, not least of which is being able to provide punters with good form and at the same time allow people to understand that the integrity of racing is sound. It is about 8.4, or 6 per cent, overall increase in turnover, which is bucking the trend probably of some other jurisdictions around the country.

**CHAIR** - Looking at the figures on page 6.16 - that is the performance information and suspensions, disqualifications and fines imposed by stewards on licensed persons - the actuals between 2010-11 and 2011-12 were a substantial uplift; there were substantially more disqualifications, suspensions and fines imposed over that one-year period from 2010-11 to 2011-12. Is there a snapshot of the reasons for that, the breaches that might have been incurred?

**Mr MURRAY** - Generally, I put it down to two reasons: firstly there were new rules introduced in harness and also the thoroughbred codes as a result of the national bodies doing a review of a whole range of activities in relation to the welfare of the animals. There were new whip rules introduced and I think it is fair to say that, particularly in the harness industry, participants took quite a while to adjust from a lifetime of driving in a particular manner to having to adjust to a different style. There were a number of breaches of the rules under the changes to the whip rules.

The other area is we increased our presence on non-race days; we increase the number of stable and kennel inspection that we did. By the stewards being out in the field, we observed a number of breaches - it might be trackwork riders not wearing the appropriate safety gear and there is a fine for that type of event. I put it down to some changes in national rules, particularly in relation to whip rules, and also a greater presence of stewards out in the field.

**CHAIR** - Then on to licence applications that were received in those same two years. There was a dramatic decline from 1 626 down to 1 447 over that year and bounding back up. In 2012-13 the target is back up to 1 660. Any particular reason for that?

**Mr MURRAY** - The reason was that back in the 2010-11 season they introduced a three-year greyhound licence and a number of people took up that option. In the first season, 203 people took up the option of the three-year licence. When they applied in 2010-11 they then did not have to apply for three years hence. The appropriate figures are the actual licences that we issued in those years, which are separate to the figures in the budget figures. The actual licences we issued across the three codes in those three years went from 1 468 in 2011 up to 1 557 and up to 1 646 in the current year.

It is appropriate that we review the figures that we put in the budget papers because applications received can be misleading due to a number of factors. More importantly, in terms of how the industry is performing, the actual licence issues over the three years have gone up quite significantly.

**Mrs HISCUTT** - Your funding seems fairly steady over the forward estimates. You have here,

that you are undertaking high level research and analysis on a range of issues. What things would they be and is this funding enough to cover all that?

**Mr MURRAY** - Yes, it is. One of the major initiatives over the last 12 months at the racing industry conference in Hobart in May last year was a proposal put by minister Green for the introduction of the National Racing Integrity Advisory Group and that was supported. The new group has started and it has now had four meetings. The group is looking at high level integrity matters, exchanging information and researching a number of areas. It is the first time that the three codes and the states have been able to get together to undertake research. There is no real cost other than the attendants at the meeting and each state is given various responsibilities and research to be undertaken to report back to the group. That is a high level research investigation into racing integrity that is occurring.

**Mrs HISCUTT** - This is the doping and all that stuff?

**Ms FORREST** - The other points that are relevant here are developing, implementing and evaluating racing policy with reference to local and national developments in the sector. What developments could have an impact to Tasmania and what input do you have in that?

**Mr MURRAY** - We provide advice on integrity-related matters and Race Fields is one of them. It is moving continually with legislation in various states. It seems to have settled down now but Race Fields has been one of the main things over the last number of years that has been changed

**Mr GREEN** - Great assistance when we brought the legislation in the first place and they will be assisting us with this next phase.

**Mr MURRAY** - The advice we give you is all to do with the integrity of the industry and there are things we are talking to the minister about - the director being able to enter into relationships with the Australian Crime Commission, with law enforcement agencies, those types of things. Those discussions which are coming down from the national integrity group are ongoing. The minister can get advice on that. In any reviews that need to be undertaken in relation to racing integrity, we provide advice to the minister and do an analysis. It might be a review on appeal board, which is relevant at the moment. On a variety of integrity matters, advice is provided to the minister on a needs basis.

**Ms FORREST** - Dealing with other jurisdictions as we had discussions in another committee process, the integrity side of things is in with the operational side of it. Does that present challenges when you are looking at those things, dealing with the other jurisdictions?

**Mr GREEN** - I talked a bit about that in the overview where I indicated that there has been discussions and a federal inquiry -

**Ms FORREST** - The committee did not make any recommendation because it was lineball, I guess.

**Mr GREEN** - Discussions that were not coming down either way. Sometimes it is an easy thing if you are trying run a political argument that you would not make huge savings if you amalgamated the two. Anecdotally we are getting a feel for the fact that other states are thinking about separating the bodies because of issues associated with integrity and Victoria is the latest to be engaged in that sort view.

**Ms FORREST** - Did Western Australia not separate theirs and put it back together again?

**Mr MURRAY** - They have a different model. They are all together and they also control the TAB so it is a unique model there.

Victoria has a racing integrity commissioner who has done a recent report recommending the complete separation to which the minister and our Premier has provided in-principle support and they are working through that.

Queensland has done a further separation of the integrity by certain changes in their legislation since the new government came in.

The other jurisdictions are definitely looking at their integrity models in one form or another. You only have to look at some of the integrity matters nationally. There is hardly a state that has not been affected by integrity matters in racing and so everybody is looking at their structures and making sure they have best practice. The view in Victoria now and in some other jurisdictions is separation will lead to a better delivery of integrity. The independence that comes with it, not only in the development of policy but in the funding separation, would suggest that it will deliver better outcomes for the racing industry. Without high-level integrity you do not have a racing industry, you do not have the confidence of punters, you do not have the confidence of participants.

**Mr GREEN** - So we are not making any changes.

**CHAIR** - If you were to put a current estimate on the industry, minister, the value of the industry to the Tasmanian economy?

**Mr GREEN** - I am having some work done. Norm has agreed to put up half the funds and TasRacing will put up the other half. I have been frustrated over time by not being able to quantify the argument, even with my political colleagues of the importance of the industry so it is time that we have a contemporary view of exactly what the industry is worth to the state.

**Mr ILFATRICK** - We will have that completed by about October jointly funded by us and TasRacing.

**Mr MULDER** - All we are talking about now is a business case for investment of public money into this industry.

**Mr GREEN** - We are kicking in \$29 million. The industry says they want more. It is the same bill of the industry. Given the structure of the existing set-up the government is always going to provide for the industry but at the same time we want to make sure that they do everything they possibly can to be able to live within their means.

If you want to run an argument that the industry should be supported to the tune of effectively \$31-odd million a year you need to be able to justify that.

**Mr MULDER** - Demonstrate its value without knocking financials.

**Mr GREEN** - Yes. I have not a feather to fly with other than anecdotal. I have not a proper report to say what the industry is worth. It is easy politically to say they require x amount and they are really here but nobody can tell you exactly what it is.

**Ms FORREST** - They are doing very well in the current economic climate.

**Mr GREEN** - I could keep reminding them that we can take this industry forward. It is a good industry in Tasmania; not many of the other states have a funding agreement deed in place like we have. There is an enormous lot we can build on. They ought to be positive about it instead of being negative about it all the time. The more they whinge the more people are going to start to focus on what is coming from consolidated funds.

**Mr MULDER** - We need to get a position to say that this is not industry welfare or subsidy.

**Mr GREEN** - I would like to think that it comes out on the positive side. I am a great supporter of the industry, I want to see it go ahead from strength to strength but it is a difficult environment to compete in. You only have to walk into any pub where the Sky is on and you can see there is a race every minute of the day almost all day and all night.

**Mr MULDER** - In the end it is the capacity to sell the product versus the investment.

**Mr GREEN** - Yes, that is why our infrastructure has to be 10 out of 10; our integrity has to be the same and then it gives us a chance. We are selling the product into France, which is quite amazing, and we have people in Singapore looking at options there as we speak.

**Mrs HISCUTT** - How many people does the industry support?

**Mr GREEN** - It is not really within this room and the discussion that we are having now but I could not give you a honest answer because I do not know. What I am intending to do is find out.

**CHAIR** - We are somewhat constrained in this process because of the regulatory nature of the line item.

**Mr GREEN** - If you want to ask questions based on what you have in front of you it is almost impossible.

**Mr ILFATRICK** - The study would be publicly available on the DIER website when it is completed and I expect that is going to be three or four months.

**CHAIR** - We are done, minister, thank you.

**Mr GREEN** - I say thank you to you, Chair, and all the participants and all the political advisers.

**The committee adjourned at 5.16 p.m.**