

# UNCORRECTED PROOF ISSUE

**Friday 4 December 2014 - House of Assembly - Government Businesses Scrutiny Committee - Forestry Tasmania**

## HOUSE OF ASSEMBLY

## GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

**Friday 4 December 2014**

### MEMBERS

Mr Brooks  
Mr Green  
Mr Llewellyn  
Mr McKim  
Mrs Rylah  
Mr Shelton (Chair)

### SUBSTITUTE MEMBERS

Mr Booth

### IN ATTENDANCE

**Hon. Paul Harriss MP**, Minister for Resources

**Ministerial Office**

**Kim Creak**, Chief of Staff

**Forestry Tasmania**

**Mr Bob Annells**, Chairman

**Mr Steve Whiteley**, Chief Executive Officer

**Sue Shoobridge**, Chief Financial Officer

**Mr John Hickey**, General Manager, Forest Management

**The committee resumed at 2 p.m.**

**CHAIR** (Mr Shelton) - Welcome, everybody.

**Mr HARRISS** - At the outset I want to commend and pay tribute to the Forestry Tasmania board, the management and all employees at Forestry Tasmania. The board and management in particular, by my judgement over a long period of time that I have had an interest in the forest

operations of Tasmania and the contribution it makes to the community, leaves me to conclude nothing other than there is outstanding leadership to the business which drives one of Tasmania's most competitive economic strengths.

I note that over the past few months the chairman, Mr Annells, has had some significant health issues but nonetheless has continued to be in touch with me and with the business, but in that sense I want to express my personal gratitude to Rob Woolley who stepped in as acting chairman for a little period of time. Ross Bunyon has been a board member for a couple of years now, his term expired a couple of months ago and I want to place on the record my gratitude to Ross for his contribution as a board member. We won't be replacing him; we have made a quite conscious decision about that.

I also want to note and acknowledge the comprehensive professional work that has gone into seeking FSC certification for the operations of Forestry Tasmania in this state. It is a detailed process and there has been an amazing amount of professional work which has gone into that process. We are hopeful that we can achieve FSC certification.

The activities of the company, by any assessment, involve significant expenditure and generate substantial economic, social and environmental impacts for this state. To reflect on the report of the Auditor-General back in 2011 when he assessed the value of this business to the state, he concluded that as a result of Forestry Tasmania's activities, Tasmania's net gross state product was \$111 million per year better over the four-year period from 2005 to 2008 than it would have been if the activities did not occur. That is a significant observation. It is one of those factual matters that the Auditor-General has concluded in his thorough assessment of the state's economy and in this instance of Forestry Tasmania's contribution to the state.

Growing the forest industry in this state will help put Forestry Tasmania on a more sustainable path. A detailed review is currently underway that will identify the changes needed to deliver long-term solutions. To support Forestry Tasmania through this process the Government has also provided them with a letter of understanding outlining an equity transfer from Tasmanian Networks to Forestry Tasmania in the 2015-16 financial year. That will be used to restructure the company's debt to ensure the business is in a position to action recommendations from the review that the Government may agree to implement if required. This is a similar system of debt and equity transfer between government businesses that has been used previously on a number of occasions involving a number of government businesses, such as Aurora, Hydro, Transend and TasRail.

**Mr BOOTH** - That's just another lie, isn't it?

**Mr BROOKS** - Point of order, Chair. The member who is not a member of this committee has directly called the minister a liar and that has been out of order for as long as I have been here. I consider that to be completely unruly and I would ask you to ask him to withdraw it.

**Mr BOOTH** - On that point of order, I did not call the minister a liar. I said, 'That's just another lie, isn't it?'.

**CHAIR** - Considering the minister's statement and your reflecting on that statement, it is not appropriate to use the word and I have said before that members have the ability to use other words for that. It reflects on the Parliament. It is stated in the Standing Orders that we should not use it and I will be holding to that standing order within this committee.

## UNCORRECTED PROOF ISSUE

**Mr BOOTH** - Is there a list of appropriate words I am allowed to use when the minister has told a lie?

**CHAIR** - The Standing Orders say you are not allowed to use that word and I ask you to withdraw that statement, thank you.

**Mr BOOTH** - Which particular one? I am not sure what you want me to withdraw.

**Mr BROOKS** - Chair, we all know what he is up to here and under standing order 11 of this committee, you can ask him to remove himself if he continues to disrupt this hearing. I am saying he is out of order.

**CHAIR** - We will not go there at this time but the statement is where you referred to it as a lie.

**Mr BOOTH** - I thought it was 'just another lie'. I am happy to withdraw.

**Mr HARRISS** - Thank you, Chair. On the issue of equity transfer, this method of managing financial issues across the Government's portfolio of businesses is nothing new. This approach is consistent with the way in which private sector portfolios also operate.

As we have consistently said, as a government, we will not support Forestry Tasmania in the same manner that Labor and the Greens did by diverting funds away from vital frontline services like health, education and public safety. Instead, Forestry Tasmania has been directed to manage its business within the confines of its cash flow and the borrowing limits that were put in place by the previous Labor-Greens government whilst a review of its operations takes place.

The forest industry is important to our economy and, in particular, to the regional communities of Tasmania. We will manage the short-term issues sensibly while planning for a sustainable future for forestry and those that it employs.

**Mr ANNELLS** - The 2013-14 financial year was another very challenging year for Forestry Tasmania with the continuation of very difficult trading conditions for the business for the whole year. Significant change has continued to occur in our operating environment as a result of major policy and legislative developments. Whilst these changes have created some issues for us, they have also created opportunities that Forestry Tasmania is determined to embrace.

It is noted in last year's report that the Tasmanian Forest Agreement came into force in June 2013 and significantly reduced the area of available production forest, reclassified it as permanent timber production zoned land and also significantly reduced the volume of high-quality sawlogs and peeler logs that Forestry Tasmania was required to make available.

These changes were confirmed in the Forest Management Act which came into effect in November 2013 to replace the Forestry Act. Most significantly, this new act also implemented the former government's response to the URS business review and provided legislative clarity that Forestry Tasmania was to focus on its core commercial functions of sustainably managing the permanent timber production-zoned land and producing and selling the timber.

The board and management of Forestry Tasmania supports this change as it allows Forestry Tasmania to concentrate its attention and resources on its core business. Consistent with this approach, the new act transferred responsibility for ongoing management of about 220 000 hectares

of formal forest reserves to the Parks and Wildlife Service. Concurrent with that, a transfer of more than 40 staff occurred and we were sorry to see so many of our colleagues leave. We would like to acknowledge them and thank them for their service.

The election of a new government in March 2014 has brought further policy change, including, in particular, a clear direction not to proceed with the creation of new reserves envisaged under the Tasmanian Forest Agreement Act. However, the new government has also provided much-needed certainty for Forestry Tasmania by retaining the area of the permanent timber production-zoned land under our control and also retaining the minimum high-quality sawlog and peeler volumes that we were required to make available.

The new Government, like the previous government, has made it very clear that it strongly supported Forestry Tasmania's effort to achieve Forest Steward Council certification in response to increasing market and consumer demand. We have for many years held certification under the Australian Forest Standard but we realise that markets were requiring us to also achieve Forest Steward Council certification if at all possible and we are right in the middle of doing that as we speak. As part of this work, we have developed and released a forest management plan and a high conservation values assessment management plan following extensive public consultation.

We recognise that to do our job well we need to engage more actively, transparently and effectively with our stakeholders. We need, in short, to do more listening and less telling. We need to better understand the expectations of our customers, neighbours and the wider community, not only so that we can better manage their concerns but also to gain valuable insights that will help us meet our business objectives.

We have sought extensive commentary in relation to our draft forest management plan and on the development of the forest practices plan for operations in individual coupes. We have also developed and adopted a new stakeholder engagement strategy to ensure we keep abreast of exactly what our stakeholders believe and consider of our actions.

We had a very tough financial year. Whilst we are committed to operating efficiently in accordance with sound commercial practice with a clear intention of achieving a sustainable commercial rate of return, trading conditions have simply not allowed that to occur. We have continued to focus our efforts on achieving efficiencies, increasing revenue and reducing costs. However, our trading position in 2013-14 continued to be negatively affected by external factors, including the high exchange rate and restricted access to critical processing and export sites, including chip mills and port facilities in the south and north-west of the state.

[2.15 p.m.]

Sales of high quality eucalypt sawlogs increased by 6 per cent and associated native forest pulpwood tonnages were up by more than 43 per cent. Revenue from total forest sales also increased to \$95.8 million from \$56.3 million. We achieved \$6.5 million through the sale of a softwood plantation and a forestry road.

Our accounting result for 2013-14 was a loss after tax of \$43.1 million after deficit funding from the Government of \$23 million and Tasmanian Forest Agreement Implementation Funding of \$14.5 million was brought to account. This disappointing accounting loss is primarily driven by a number of non-cash factors, including \$18.9 million reduction in the valuation of the production forest, a net tax expense of \$13.3 million arising from derecognition of a deferred tax asset and an \$8.2 million increase in superannuation defined benefits cost.

In light of these very significant financial challenges, the directors have reviewed the appropriateness of continuing to prepare the financial statements on the basis that Forestry Tasmania is a going concern. The board has resolved that this is appropriate and that we can attest that we remain a going concern while Forestry Tasmania continues to work with the Government to transition its business model to a more profitable and sustainable footing.

It is worth noting that during the past year, or the year under review, Forestry Tasmania paid 1 062 Tasmanian businesses a total of \$110 million. It paid its 250 staff \$22 million. Therefore, there was more than \$132 million of direct expenditure in Tasmania as a result of our activities. In addition, we managed about 800 000 hectares of public land in an extremely efficient and cost effective way.

Both the former and the current Government have provided strong support for Forestry Tasmania and that has enabled the directors both to attest that they can and they are a going concern, and that they can meet their financial obligations as and when they fall due.

Looking ahead, despite our current difficulties, we continue to have a very important job to do on behalf of all Tasmanians. In addition to professionally and sustainably managing the permanent timber production zone for the long-term benefit of current and future generations, Forestry Tasmania continues to provide the essential foundation for the Tasmanian forest industry. This includes making available legislatively required volumes of sustainably managed timber to Tasmanian businesses and working with Government to ensure that appropriate arrangements and facilities are in place to obtain maximum value from harvested residues.

In this regard, we are pleased to work with TasPorts during the year to put in place new arrangements at Burnie to provide access to markets for harvesting and processing residues from the north-west of the state. An important focus of 2014-15 will be to support the Government's investigation of arrangements to achieve increased value from the harvesting of sawmill residues generated in the south of the state.

On a final but extremely important note, Forestry Tasmania met all nine of its safety and workers' compensation performance measures for its staff for the second year in a row. This is a significant achievement because it goes against the usual trends where accident rates can become higher when organisations are going through periods of change. It is a testament to the quality of our staff who have continued to do their job professionally and safely through challenging times. Thank you.

**Mr GREEN** - Chairman, that was a very good opening statement because it really did sum up the fact that you sought assistance from the previous government and you have indicated now that the present government has provided you with a similar view. That is that the operation can continue to be viable. I appreciate your introduction there.

On the contrary, though, minister, your opening introduction perpetuated what can only be described as one of the greatest misleadings of the Tasmanian people we have ever seen or witnessed. The fact you have said repeatedly, and we have been asking you on so many occasions, how you are going to support Forestry Tasmania through difficult times given the clear necessity as described by the Chair on a number of occasions in the past and even today, that you would not provide direct financial assistance to Forestry Tasmania. Then to find an equity injection of \$30 million, money that would have gone from TasNetworks via a dividend to the Government to

## UNCORRECTED PROOF ISSUE

the consolidated fund to provide for nurses, teachers and other public services, despite everything you have said is one of the greatest misleading of the Tasmanian people in its history.

Minister, how can you look those 10 000 people in the eye who protested with great anguish about people losing their jobs as we speak before Christmas and after in the face of everything you have said about not subsidising Forestry Tasmania in the future. Forget all the weasel words around sorting out debt et cetera, you said you would provide no direct subsidy to Forestry Tasmania. How can you now look those people in the eye, now they are losing their jobs, and expect them to believe you?

**Mr HARRISS** - In my opening contribution I indicated that equity transfers between government businesses are nothing new.

**Mr BACON** - Secret ones?

**Mr HARRISS** - Chair, it is interesting Mr Bacon interjects and says secret ones. There is nothing secret about this.

**Mr GREEN** - Why didn't you put out a ministerial statement then?

**CHAIR** - Order, the question has been asked of the minister allow the minister to answer it.

**Mr GREEN** - Just admit it for God's sake and get yourself out of this massive hole.

**Mr HARRISS** - It is not a massive hole at all.

**Mr GREEN** - Yes it is.

**Mr HARRISS** - There is no hole to get out of.

*Interjecting.*

**Mr GREEN** - You will be lucky to be a minister into the New Year the way you are going.

**Mr BROOKS** - Point of order, Chair. The member asked a lengthy question and the minister should be afforded the opportunity to answer it uninterrupted as per Standing Orders.

**CHAIR** - The minister has the call and he should be listened without interjection.

**Mr HARRISS** - Mr Green has just introduced that highly politicised component to his introductory comments before the question. It is people who were protesting, and on strike action a couple of days ago, expressing their concern. Mr Green knows full well if he wants to go down that path then job losses could have been saved with a pay freeze. You know that, the people of Tasmania know that. Embedded in the Budget was \$1.1 billion of accumulated -

**Mr BACON** - This is not time to run over lines you have run time and time again it is the time to tell the truth.

**Mr HARRISS** - Mr Green has just raised that, Chair, as the issue here. Challenged me as to how I can look those very people in the eye as to what they are doing.

**Mr BACON** - And tell the truth. He wants you to tell the truth for once. There is a first time for everything.

**Mr HARRISS** - You might take a bit of your own advice about that.

**CHAIR** - Order, I remind the committee we are here to scrutinise Forestry Tasmania's performance over the last 12 months and ask you to attempt to confine comments and questions to the scrutiny of Forestry Tasmania.

**Mr BOOTH** - Point of order, Chair, the minister's statement is repetition of what he has said previously. I ask you to rule him out of order and get him to come to the point.

**CHAIR** - I have made the point about why we are here and I ask everybody around the table to adhere to that.

**Mr HARRISS** - Chair, in terms of the substance of Mr Green's question it goes to the Government's well stated position that we were not going to provide support to Forestry Tasmania from the Budget as of 1 July this year. We have delivered on that and we make no apology. In regard to equity transfers, Mr Green would well know that during his time in government there were numerous equity transfers from other government businesses. There were also equity injections into various government business enterprises from the Budget. I could document them for him, if he would like. Suffice to say, there have been plenty in the past. This is just a sensible way of doing business so there would not be ongoing support to Forestry Tasmania from the Budget. Forestry Tasmania has made public comments about that and the board has responded to that direction of this Government in the past. We currently have the comprehensive review into Forestry Tasmania under way right now and, significantly, Forestry Tasmania will be part of that review. They will not be locked out as they have been in the past while assessments have been made of the organisation and the operation of the business. They are part of the process this time.

**Mr GREEN** - Minister, you would have to agree that you harangued, belittled, went around the state telling people you would grow the forest industry and not provide any subsidies to it, effectively accused people of abandoning the industry to the point where people believed that when you came to government you would not provide a subsidy of any description to Forestry Tasmania. Is that correct?

**Mr HARRISS** - That is your interpretation.

**Mr GREEN** - Minister, I put it to you that the way you have conducted yourself leading up to this point has created an enormous amount of hurt for a lot of people, including myself. The way you have indicated that the previous government conducted its business with Forestry Tasmania says we had no heart or no drive to grow or make sure the industry was viable in the future. I put it to you, minister, that you have grossly misled the Tasmanian people on the financial assistance you are providing the organisation. Is that correct?

**Mr HARRISS** - No, it is not. That is your assertion.

**Mr GREEN** - You told people - I have heard you on the radio and I have seen you in the paper and watched you on the TV - that in no way would you divert funds away from teaching, health or

any other part of the state's public service to prop up Forestry Tasmania. That is what you told the Tasmanian people. Is that correct?

**Mr HARRISS** - You can make all the assertions you like, Mr Green. The facts are, as I have stated, this Government's firm intention, which has been delivered, not to provide funding to Forestry Tasmania from the Budget - read Consolidated Fund.

**Mr GREEN** - By saying that - and I am not sure whether the Treasurer has put you up to it or who - it is simply tricky to the extent we are talking about \$30 million that comes off the profit made by TasNetworks to go into this business. You are right when you say there have been other equity transfers. There were equity transfers into TasRail and other organisations. It was primarily done for infrastructure reasons. You came to government with a firm promise to the Tasmanian people you would not prop up the organisation; you would take a different path and that path would ensure Forestry Tasmania was sustainable without any direct financial assistance from the Government. Do you admit you have broken a promise?

**Mr HARRISS** - I do not know how many more times I need to state the fact, as I have already stated twice today, there is no broken promise. We made it very clear there would be no support to Forestry Tasmania from the Budget.

[2.30 p.m.]

**Mr GREEN** - All I can do is leave it in the hands of the Tasmania people to make a judgment about whether the minister is being honest or not. I won't do what Mr Booth has done and call him a liar because I know it is unparliamentary, but I don't think I have ever felt so emotional about being so badly misled by a government. It really undermines all the credibility Forestry Tasmania has built up because in the end now it is Forestry Tasmania that is going to be subject day-in and day-out to people wanting to know why they are losing their jobs while Forestry Tasmania is being propped up, on the back of what this Government said leading up to and post the election that there would be no direct financial input. I am flabbergasted by the minister's response. It is tricky and he is misleading the Tasmanian people. We have a lot of questions to ask with respect to the substance of the annual report and beyond but, Chair, I think you ought to rule that the member is misleading us.

**CHAIR** - I am not going to do that. You get to ask questions and the minister gets to answer them. I did not see a question come out of that last statement so I will hand the next question over to Mr Booth.

**Mr BOOTH** - This is a bit like the emperor's new clothes, minister. I think you are the only person on the planet who believes that dissembling, dishonest attempt to rewrite history you have just had the temerity to tell this committee. The whole world has watched as you misled before the election and after so I do not think there is much point continuing trying to extract the truth out of you because everybody knows what the truth is, which is that you have misled the Tasmanian public, backflipped on your election promises and chosen to spend \$30 million of public money which could go to teachers -

**Mrs RYLAH** - Point of order, Chair.

**Mr BOOTH** - Excuse me, I am the one who is asking the question. If you listen and learn you will hear the question.



## UNCORRECTED PROOF ISSUE

**CHAIR** - There was a point of order but I would ask the member to get to his question. I will allow short statements but members are only meant to use a minute in asking a question.

**Mr BOOTH** - Thank you for that protection, Chair. If I may be allowed to continue I think the whole world knows that this minister is utterly dishonest and has no intention of holding to the commitments the Government made. The question I am going to ask is how do you intend to fund this year's deficit for Forestry?

**Mr HARRISS** - What are you talking about? You made a broad, sweeping statement. How do I intend to fund the deficit?

**Mr BOOTH** - Yes, how do you intend to fund this year's deficit in Forestry? Where is the business case? How are you going to get it to profitability or break-even point? How are you going to fund the deficit which will obviously be there?

**Mr HARRISS** - As I have consistently said, Forestry Tasmania has been required to operate in that commercial sense without direct support from the Budget in a financial sense. They are required and they have been given a letter of understanding by the Treasurer reconfirming the letter of comfort provided by the former Treasurer, Ms Giddings.

**Mr BOOTH** - So it will be debt funded?

**Mr HARRISS** - Forestry Tasmania has been authorised by that letter of comfort to borrow up to \$30 million, or it might be \$31 million - Steve?

**Mr WHITELEY** - Yes, \$31 million.

**Mr HARRISS** - The process of properly building and growing the business and addressing the financial capacity of the business will be conducted in that commercial framework. You stumbled on it yesterday so I don't know how astutely you have been doing your homework. You seemed to stumble on it just a couple of minutes before stumps.

*Members interjecting.*

**CHAIR** - Order.

**Mr BROOKS** - Point of order, Chair. The minister should be afforded the opportunity to answer.

**Mr BOOTH** - You know, minister, this says more about you and Mr Hodgman than anyone else that you sought to dishonestly hide -

**CHAIR** - Order, Mr Booth, you have already asked the question. The minister has not finished answering it yet and he has indicated he was going to hand off part of the question. When that happens, I will come back to this side of the table for another question.

**Mr HARRISS** - Thanks, Chair. If Mr Whiteley or Mr Annells need to add to my contribution it is appropriate they should. It has been in the public domain for quite some time now that Tasmanian Networks will be required to provide an equity injection to Forestry Tasmania in the 2015-16 year. I made that as part of my opening statement. I already indicated also that Forestry

Tasmania has been authorised under the letter of comfort provided by Ms Giddings to continue to borrow up to \$31 million. If Mr Annells or Mr Whiteley need to add to that answer I would invite them to do so. If there is anything which either of these gentlemen need to add that I have neglected to contribute with regard to that commercial operation of Forestry Tasmania, it is appropriate that they do.

**Mr BOOTH** - Yes, but the question was how will you fund this year's deficit?

**Mr ANNELLS** - It will be funded by borrowings that we expect within our already accrued limit of \$31 million. We went into this year with virtually no borrowings at all and at the end of this year we will have borrowings, we hope and expect, below our \$31 million limit. The only reason the board is prepared in that way is because we have a letter of comfort from the Treasurer and our minister advising us that early in the new financial year we will receive an equity injection from TasNetworks. That is how we are continuing this financial year.

**Mr BOOTH** - To be clear, you will borrow up to \$31 million this financial year on the basis that next year you will get an equity injection? How are you going to cover that in the books? Are you going to regard the equity injection as income or equity?

**Mr ANNELLS** - It will come in as equity but the bottom line is it will enable us to pay off our borrowings and take us back virtually to zero. What will happen beyond that is a matter for this review currently being undertaken which is progressing slowly but well, and I am inside that tent and discussing it.

**Mr BOOTH** - Is it fair to say then that you don't have a business case you could describe to this inquiry at the moment that indicates you could be commercially viable and will be able to break even, given the operating conditions?

**Mr ANNELLS** - The phrase 'business case' is used often. My interpretation of that is whether the board of Forestry Tasmania believes there is a future where you could reasonably expect to break even at worst and make a sustaining profit at best. The answer to that is that it almost entirely depends on the international market for residues, both demand and price. With the Australia dollar heading south - below 83 cents, as I understand, at lunchtime - that task is a lot easier than it was. It is not an easy task but it is easier than it was. At the same time, we have to deal with costs. The Government, quite reasonably, in these very difficult times, expects us to be as cost-efficient as we possibly can, and we are working hard at that. Steve and his team are doing a very good job at it, but ultimately this review with external consultants will help us in stage 2 of the review in the new year to look at our structure and the industry structure, and to determine what is the best medium to long-term strategy we should be applying to get into that happy space that you refer to.

**Mr BOOTH** - To clarify there, if you are talking about your business case being based on residues becoming more valuable -

**Mr ANNELLS** - It is not only that but that is a very large component of it.

**Mr BOOTH** - Yes, but last year your stewardship report revealed that you doubled your pulpwood exports and attributed it to your losses. Are they not in fact on the same trajectory - the more you sell, the more you lose? Have you factored in how much you will have to increase, assuming the costs remain steady, the sale value of those residues to break even?

## UNCORRECTED PROOF ISSUE

**Mr ANNELLS** - I did not quite get the middle bit - you said we doubled our exports and tripled our losses?

**Mr BOOTH** - In the stewardship report, the volumes of pulpwood doubled but the losses that you delivered tripled - a \$43 million loss was triple what you had made the year before but the pulpwood was doubled.

**Mr HARRISS** - I can certainly answer in terms of Mr Booth's misunderstanding of accounting practices.

**Mr BOOTH** - I do not really need that lesson. I am sure the chair will be able to understand the question, which is pretty simple - the more you sell the more you lose.

**Mr ANNELLS** - Anybody relying on me to explain accounting standards is in a world of pain.

**Mr BOOTH** - The minister is in trouble then, because he does not understand them either.

**Mr ANNELLS** - No, he is doing fine. Can we just put to bed once and for all this \$43 million figure? I suspect that many people are aware, and I am quite sure Mr Booth that you are aware, that that number is irrelevant to the issue of our cash position.

**Mr GREEN** - According to the minister, he sheeted it home.

**Mr HARRISS** - I do not think Mr Green ought to be verballing Mr Annells in that respect, Mr Chair.

**Mr GREEN** - I was verballing you. You were the one that got up in Parliament -

**CHAIR** - Order. Gentlemen, please. Mr Annells is answering a question, or attempting to.

**Mr ANNELLS** - Thank you, Chair. The \$43 million has nothing to do with our cash position and our ability to pay our obligations as a company. It goes up. It is an accounting loss that only a rare breed of financially literate people can understand.

**Mr BOOTH** - I understand it there, Mr Annells. It was actually riding on deferred tax assets.

**CHAIR** - Mr Booth, you have asked a question and I need to move on. You have had a fair go at the questions. I am going to Mrs Rylah next. The chair has not finished answering the question yet.

**Mr ANNELLS** - My short answer is: the \$43 million is irrelevant. The real issue is looking at our overall operations and seeing that our cash position is actually much of a muchness from the year before. Yes, we sold a lot more wood and that kept a lot more contractors employed. We were able to meet our high-quality sawlog target almost, and the economic benefits flowed. The short answer to when will we get back to profitability is, however, all tied basically to residues.

**Mr BOOTH** - But I asked how much it will have to go up - the value of those residues?

**CHAIR** - You can later, when you get the call back.

## UNCORRECTED PROOF ISSUE

**Mr BOOTH** - I was just clarifying there so that the chair can answer.

**CHAIR** - No, you were actually interjecting and I would like Mr Annells to finish.

**Mr ANNELLS** - I do not think it is worth the use of my time or yours trying to come to a precise landing on that. It depends both on the price we can achieve and the volume we can sell. So it would have to improve quite considerably but with 83 cents now looking the prospect, that helps us a lot.

**Mrs RYLAH** - Minister, I have received a lot of representation from local sawmillers. What I would like to understand is, what is the Liberal Government doing to help sawmillers whom the Labor and Greens government tried to buy out and shut down?

**Mr GREEN** - We did not try to them buy out; we put out expressions of interest.

[2.45 p.m.]

**Mr HARRISS** - It is public knowledge that this Government does have a plan to rebuild the forest industry. We did take to the election the reality that we are intent on supporting and valuing the contributions made by family-owned third and fourth generation sawmilling companies in many cases - not to pay them money to shut down. There were exit packages available. We have made it very clear that we need the capacity, which the sawmillers bring to regional areas, to process the timber, which is made available from the state forests, to say nothing of timber that is available from private forests as well.

Part of the Tasmanian forest peace deal, as it was colloquially referred to, was that there was to be the regional sawmiller structural adjustment grants program. Some signed a grant deed to exit the industry. In fact, my recollection tells me that 14 sawmillers took immediate exit payments and received payments in excess of \$8 million aggregate for those 14 sawmillers. A number of other sawmillers took an opportunity for a deferred exit payment and that secured a payout down the track if they decided to leave the industry, but did not have to leave immediately.

Some of these sawmillers have exited since that process of taking up the deferred exit opportunity, but a number of others have not left yet. The Liberal Government would prefer that they did not because we need the capacity. In order to give those sawmillers the best chance to stay in the industry, I have made changes to the program's guidelines to give those sawmillers a way to stay in the industry, should they choose.

**Mr GREEN** - You did that yourself, did you?

**Mr HARRISS** - Chair, Mr Green knows what the process is with ministerial office. Of course there is proper consultation. The directive does have to come from a ministerial office. Mr Green knows that.

**Mr GREEN** - It was commonwealth funding.

**Mr HARRISS** - Of course.

**Mr GREEN** - You have spoken to the federal minister, did you?

**Mr HARRISS** - Yes. The Federal Government shares the view of this Government that the Tasmanian forest industry needs to be, first of all, rebuilt and then grown. In order to help rebuild the forest industry sawmilling is a significant and integral part of that. Sawmillers who want to stay in the business can choose to do one of two things. They can receive half the money they would have received to leave and then on the back of that rebuild their business. Or they will be given an opportunity to forfeit 10 per cent of their grant deed, if that is what they choose to do. That will be capped at \$10 000 and they can continue low-level processing up to 100 cubic metres of native forest sawlogs per year. Sawmillers are under no obligation to stay in the industry. They do have currently in place a legally binding exit contract if they wish to activate it; but now they have a choice. Whereas in the past, the expectation, the invitation, was for them to shut the door as soon as possible.

**Mr BOOTH** - What about the ones who did not take the money in the first place?

**Mr HARRISS** - This Government wants them to stay. This Government will do all we can to ensure that that sawmilling capacity is retained. Letters to the sawmillers have gone out and they will have until the end of March next year to make their decision.

Finally, the Government is now rebuilding the forestry sector and the experience and expertise of the sawmilling industry are key to helping us achieve our goal. I share your view, Mrs Rylah. As you said, you have been contacted by many regional sawmillers - I, likewise. They are so important to regional communities in terms of capacity and the flow-on effects - the multiplier effects - which occur with regard to sawmilling in regional communities.

**Mr BROOKS** - Minister, I understand FT's research investment has yielded useful outcomes in the detection and management of ginger tree syndrome which has been detected in eucalyptus plantations in the state's north. Can you confirm this and maybe give the committee some detail around that?

**Mr HARRISS** - I am advised that ginger tree syndrome was first noticed this year in mid-rotation of the eucalyptus globulus plantations that had either just been thinned or were scheduled for thinning. The syndrome has only been seen in plantations in northern districts and appears to affect trees of any dominant class. Ginger tree symptoms include a red-brown staining from gum bleeding out of large gum pockets that formed in the wood laid down during the 2012-13 growing season. I will ask Mr Whiteley to go to the detail of that and the challenges it might present to the plantation estate.

**Mr HICKEY** - We run a forest health surveillance program which has detected these brown trees in the mid-rotation blue gum plantations in the north of the state. At this point it is not something we need to be too alarmed about. We had a thinning program so they can be culled out and sold as pulpwood, but we are watching it pretty closely because were it to become an increasing syndrome - and we put it down to that dry 2012-13 year - it would be an issue, so it is an area of ongoing monitoring.

**Mr HARRISS** - Mr Hickey has just alluded to the fact it has been an unusually dry and warm growing season that has manifested in this particular disease. I do not know whether there was any particular challenge to the management of those plantations thrown up because of this.

**Mr HICKEY** - No, it has been fairly widespread across the north. It is not a local effect, it seems to be a regional seasonal effect.

**Mr GREEN** - Minister, the chairman and the CEO told us a moment ago that Forestry Tasmania will support its operating arrangements by borrowing up to \$31 million and then they indicated next year \$30 million will come in as an equity injection and that will pay down that exact same amount. Minister, on 10 September 2014 you said there would no longer be a subsidy to the operating process of Forestry Tasmania. In another quote you said:

We are not going to any longer prop them up with an operating subsidy paid by taxpayers, thereby taking money from health, education and police.

You said that yourself in your opening statement today, minister. If the funds coming in are borrowed on one hand and then paid down by an equity injection on the other, how can that not be a direct subsidy to the operations of Forestry Tasmania? Your Treasurer has given the impression it is a debt restructuring arrangement, but effectively it is a like for like, isn't it?

**Mr HARRISS** - I made the same comment as to Forestry being required to restructure the company's debt through this process in my opening statement.

**Mr GREEN** - Debt accumulated through this year when there is no subsidy. Mr Annells said there was no debt.

**Mr HARRISS** - You have also heard Mr Annells comment quite clearly, and me as well, that under the letter of comfort provided by the former treasurer, Ms Giddings, Forestry Tasmania is authorised to borrow up to the maximum of \$31 million. In the process of working through that over the year and with the equity injection from TasNetworks, that gives Forestry Tasmania the capacity to restructure the company debt which I have been consisted about, the Treasurer has been consisted about and which you probably also heard from Mr Groom yesterday as to TasNetworks. There is nothing inconsistent with what has been said.

**Mr GREEN** - Minister, the first time you have spoken about the equity injection was today, wasn't it?

**Mr HARRISS** - I have said consistently that there would be no funding to Tasmania, as has the Premier and the Treasurer, post-1 July this year from the Budget. I made it very clear.

**Mr GREEN** - Particularly in light of what Mr Groom said about power prices and a whole range of other things taken out of TasNetworks, a newly formed company that is doing its best to turn a quid and provide opportunity for our state into the future, didn't you think it was worthy of making some sort of announcement via a ministerial statement or a Dorothy Dixon in question time about the fact your Government had authorised, without any discussion amongst the Tasmanian people, \$30 million to go from that business to the other? Didn't you think it was appropriate or worthwhile to make some sort of a statement to indicate you are in control of the destiny of the organisation?

**Mr HARRISS** - What we have made very clear - and the Forestry Tasmania board has been aware of the Government's consistent position - is that there would be no funding to Forestry Tasmania post-1 July. That has been consistent. The Forestry Tasmania board is aware of that, they embraced that, and Mr Annells in his opening statement addressed those matters specifically.

**Mr GREEN** - On another point, minister, with respect to what you have just said to Mrs Rylah about growing the industry and all the platitudes, in your financial statement it quite clearly says on page 17:

With the passing of the TFA Act Forestry Tasmania is responsible for the permanent timber production zone and the valuation reflects the quantities now available for harvest under the act - that is, 137 000 cubic metres of high-quality sawlog, 200 000 tonnes of eucalypt peeler logs and 870 000 tonnes of pulpwood associated with high-quality sawlog volume. There is legislation before the Tasmanian Parliament to repeal this act, however if this is passed it will not result in greater quantities of wood being available in the immediate future and no impact on wood flows has been modelled. The valuation of 30 June 2013 included the government transition funding which was to be provided over the ensuing three years which is now reduced to the amounts available under the rescheduling arrangements. The reduction in the revenues available is the predominant influence in the reduction of the valuation at 30 June 2014.

Despite everything you have said in the Parliament about the TFA with respect to volumes, here it is in your own annual report. Even in the face of your just responding to the north-west member Mrs Rylah, who says she has been talking to a lot of sawmillers, your own report says there is no material change to the volumes available to Forestry Tasmania to trade their way.

We provided - and we looked people in the eye and told them - \$100 million to get Forestry Tasmania through and over the hurdle so they could start to be sustainable, and you ridiculed us up and down for it. Minister, given there is no change to the volume, how can you possibly extract a further \$75 million in savings or sales out of Forestry Tasmania to make it sustainable over that next period?

[3 p.m.]

**Mr HARRISS** - Again, I reflect on the opening comments by Mr Annells, where he made it very clear that it is a tough operating environment out there at the moment for all the businesses he runs.

**Mr GREEN** - Because you continue to tell people you are going to grow the industry.

**CHAIR** - Order. The member has asked the question. I will allow the minister to answer.

**Mr GREEN** - Yes, but he has misunderstood what I have said. He continually says he is going to grow the industry and yet his own financial statement says there is no capacity.

**CHAIR** - I am sure the minister is aware of the question you put to him and we do not need to interject or come over the top of the minister while he is answering. He has only been answering it for around 10 or 15 seconds so I will allow the minister to continue.

**Mr HARRISS** - Mr Green knows full well that a significant component of an integrated industry is the capacity, in an economic way, to dispose of the residues. We cut 137 000 cubic metres of high quality saw log,

**Mr GREEN** - As a minimum.

## UNCORRECTED PROOF ISSUE

**Mr HARRISS** - As a minimum, indeed so, then one of the challenges with the high Australian dollar - again Mr Annells addressed this in his opening statement - the challenges of operating in that sort of market, the lower Australian dollar as we sit here today, it is not just a clever idea that you get 137 000 cubic metres of high quality saw log. We have to properly use all of the log. Sawmilling logs throws up residues. There are some challenges in that space with some countries flooding the Asian market with regard to residues.

**Mr BOOTH** - It is not residues. They grow it as pulp wood and it is four or five-years-old. That is a complete dishonest remark.

**Mr HARRISS** - That is in the plantation area, as Mr Booth knows full well.

**Mr BOOTH** - That is why the price is coming down. A glut of it all round the world and you know it.

**Mr HARRISS** - He can interject all he likes to try to draw a red herring,

**Mr GREEN** - That is the trouble. One mistruth built on another mistruth. Honestly, you have taken this mob so far back as a result of the way you are handling this. It is a disgrace.

**Mr HARRISS** - Taken what mob so far back?

**Mr GREEN** - Forestry Tasmania. You are undermining them to the extent that they will probably never recover based on the mistruths that you are perpetuating. It even says it in your own financial report.

**Mr HARRISS** - It doesn't say that at all and I would not expect Forestry Tasmania to respond to that scurrilous suggestion that we, as a Government, are undermining Forestry Tasmania.

**Mr GREEN** - You are undermining. You are putting them front and centre in the firing line for every Tasmanian. Ten thousand of them protesting.

**Mr BROOKS** - Point of order, Chair. Standing Orders clearly state that members on this side can ask questions and the minister has the opportunity to answer. Mr Green is refusing to allow the minister to respond within the timeframes set out under standing order 7.

**CHAIR** - Order. If interjections could cease and I will allow the minister to complete his answer.

**Mr HARRISS** - In that respect, Chair, it is quite appropriate that I invite Mr Annells or Mr Whiteley to build on the contribution I have just made in terms of addressing any further matters that might be unclear.

**Mr GREEN** - Thank you, but just one more question.

**Mr HARRISS** - No, I have just invited Mr Annells or Mr Whiteley if there is some clarification needed there as to the questions.



## UNCORRECTED PROOF ISSUE

**Mr GREEN** - We all know that there are vagaries in the market. The important element of your opening introduction was Forestry Tasmania trying to achieve FSC certification. I want to ask you a serious question, minister.

**Mr HARRISS** - Well I hope they have all been serious.

**Mr GREEN** - This is very serious though. Has the Government made any decision, or is it contemplating any change to the permanent forest estate, when it comes to harvesting on private land? Or clearing private land.

**Mr HARRISS** - I am not clear as to what you mean has the Government made any decision.

**Mr GREEN** - Have you contemplated or indicated to any organisation that you are contemplating changing the existing arrangements for the permanent forest estate and the areas of land that can potentially be cleared in Tasmania for agricultural production?

**Mr HARRISS** - You are talking about the permanent native forest estate policy and 1 January being an operative date sitting around that. Is that what you are referring to? The permanent native forest estate policy which flowed out of the Regional Forest Agreement. I am absolutely clear what you are talking about. I have addressed this in parliament and the Government's intention is to postpone 1 January 2015 until 1 January 2016 so that 40 hectares per property can continue to be cleared over the next 12 months while there is a rigorous assessment of the ongoing impacts of that.

The permanent native forest estate has also attached to it a quantum of land. There is about 6 500 hectares still, if I can use a term, in the bank. Until the next 6 500 hectares of permanent native forest estate has been harvested, there will be no breach of the policy anyway. There is no way that over the next 12 months 6 500 hectares will be cleared. When Woolnorth was cleared my recall is that was about 1 500 hectares. That was a massive project of clearing for conversion to agricultural land. That required ministerial discretion to be applied.

On 1 January, the Government has already announced that we intend to move that date out to 1 January 2016. There will be no impact in terms of the clearing, which would breach the 6 500 hectares which is still in the bank.

**Mr GREEN** - When was that announcement made?

**Mr HARRISS** - Probably two weeks ago when Parliament was sitting.

**Mr GREEN** - Do you think, under the circumstances, particularly given the gravity and the importance of the FSC certification, that is a smart move in the face of that? You believe your public discussion so far would allow people to understand what the Government is contemplating in that regard?

**Mr HARRISS** - It is not a matter of being a smart move. It is a matter of properly addressing matters related to the permanent native forest estate given that broad scale clearing on public land has already ceased. This applies only to private land and that is where the 6 500 hectares, or thereabouts, is still in the bank. There is no way that will be -

**Mr GREEN** - You have given no indication to any organisations that you plan on changing the area that can be -

**Mr HARRISS** - What organisation would you be thinking of?

**Mr GREEN** - TFGA, for example.

**Mr HARRISS** - I have had discussions with the TFGA as has the minister for Primary Industries, Mr Rockliff.

**Mr GREEN** - Have you given them an indication of what you are thinking in this regard?

**Mr HARRISS** - I have given them no indication. They made representation to us because they were concerned that 1 January next year was an unreasonable process. I think you understand that right now a property owner can clear 40 hectares for the purpose of conversion to agricultural land.

**Mr GREEN** - Depending what the forest is.

**Mr HARRISS** - Yes. If there is more, with regard to Woolnorth, that would take ministerial discretion to be used. The TFGA made representations to us about their concern over a fairly lengthy period of many months. The Deputy Premier and I had discussed this. We also took advice from the Forest Practices Authority so we understood the quantum of land to which this applies. We have made the decision which I have just mentioned.

**Mr BOOTH** - Are you saying that you do not care what the forest community is? If there is up to 6 500 hectares in the bank that can be cleared, you do not care whether it is ovata or some other forest community that is 100 per cent required for conservation under the permanent native forest estate and under the genus criteria of the original assessment?

**Mr HARRISS** - That is a nonsense proposition which Mr Booth puts to me. I am not saying that at all.

**Mr BOOTH** - What are you saying?

**Mr HARRISS** - The current practices which sit around will continue. Assessments as to forest practices plans, which may come into the Forest Practices Authority whenever and if ever there are proposals to clear up to 40 hectares, will be no different than has been the case up to now. For you to suggest, Mr Booth, that I do not care -

**Mr BOOTH** - We know you don't care, I don't have to say it.

**Mr HARRISS** - There he goes, just droning on as he always does, Chair, rather than listening. Your proposition to me is a nonsense and I reject it.

**Mr GREEN** - It is actually a major change.

**Mr BOOTH** - It is a huge change.

**Mr GREEN** - You say you mentioned it in Parliament - I will have to go back and have a look at the *Hansard*.

**CHAIR** - It is actually to do with private forests. I remind members again we are dealing with FT.

**Mr BACON** - It was the minister who mentioned FSC.

**Mr BOOTH** - Now that you have clarified that the criteria on threatened forest communities will not change I am very interested because I am sure that will have an effect on FT's ability to get FSC funding at the end of the day if you continue in this way.

I would like to go back to a question I asked previously with regard to how next year's deficit will be funded. Mr Annells responded with regard to losses of \$43 million. I am quoting from Tasfintalk by John Lawrence, an economist who has done an analysis on FT's accounts. It is on the annual report, so it is not my analysis here, but he says:

The first thing that strikes when leafing through FT's annual report for 2013-14 is that the directors have hardened their view that profits in the foreseeable future are unlikely.

He talks about where those losses have come from and how FT has used creative accounting in the past where it would say if it lost \$10 million it would say the loss is only \$7 million, \$3 million difference being considering a deferred asset which would be realised when FT made a profit. He says:

Despite Minister Harriss' guidance and backing, or maybe because of it, FT's directors have decided the possibility for future profits was sufficiently remote that the deferred tax asset needed to be written off, a write-off worse than the 2014 loss by \$13 million for a total loss of \$43 million.

In addition there is \$23 million of deficit funding, and the feds contributed \$16.5 million of TFA implementation funds, or else the loss would have been of gargantuan proportions.

If I can address your mind to the cash flows you are going to need to just fund the operations, I would like you to address your mind to the fact that the net of contractor costs in sales, which Mr Annells quoted at \$96 million in total, net of contractor costs is only \$14 million. The total revenue stream, net of contractor costs that FT have to fund their operations, is \$14 million a year. The Premier has indicated, in answer to a question in Parliament the other day, that FT will be now required to subsidise diesel fuel and transport costs for contractors to the tune of \$5 million. You have \$6 million a year in pension costs, that gives you \$11 million in fixed costs straight off and there is only \$3 million left on that scenario to fund the entire operations of FT. If you analyse the volumes that have been cut, even though you cannot identify the types, it works out that the cost of your operations is about \$20 a tonne loss for every tree you cut down. That indicates just a break even on those costs; you have to increase the value of wood by \$20 a tonne to break even. How are you going to do it?

**Mr ANNELLS** - I will pick up your first point and then I will come to your second. The first point is one I have heard used both in the public domain and within Parliament based on the assessment by Mr Lawrence. I want to put on the record, Chair, that as chairman of the board I reject unequivocally the accusation that Forestry Tasmania engages in creative accounting. Our accounts have always been, are now and as long as I am involved will always be prepared strictly

in accordance with the accounting standards. It is not just us in the end who determine whether we have met that test; the Auditor-General is all over our accounts, as you would expect him to be. Any suggestion that we somehow we double-count or creatively account is simply not right and I would appreciate that being taken out of the debate because it is not helpful.

[3.15 p.m.]

In answer to your other question, Mr Booth, all I can do is repeat to you that we are the first to acknowledge that we are operating in a very difficult environment and the real question here is if you have faith in the future that all of these businesses go in cycles. We are in, one would hope, the bottom of the cycle at this point in time and we have been there for a year or so, but these cycles come and go and Government believes and we believe that this cycle will turn with a combination of continued stringent control over costs and a significant improvement in the residues value in terms of sales, aided considerably by the fact that in this year we are talking about we did not have access to Burnie. We now have access to Burnie and that makes a massive difference to us. We still do not have access in the south, and people will deal with that I am sure this time around next year, but the reality is that is a massive problem for the industry and for us. However we did not have access this time last year in the north-west either and we now have.

I guess it is a question of faith. Do you want to believe that this industry can continue providing employment, continue providing economic activity in regions and continue using one of Tasmania's major resources? If you say yes to that, then is Forestry Tasmania and its board doing the best job? If not, get rid of us and put someone else who can do a better job. I cannot answer your specific question and Steve may have a better idea of this, but it will take a swing back in the residues market and, let me assure you that once that happens our costs do not change but our top line will very quickly increase.

**Mr BOOTH** - It sounds like you are saying that the forest industry now is a faith-based industry, almost like a religion. Do you have any advice you could tender to the committee that indicates there is anything beyond just a religious belief? Does the minister have anything to actually substantiate what you have just said, because I have been in this industry a long time and I do not hold the same faith. Maybe I am from a different religion but it is unusual to base a business case on faith.

**Mr HARRISS** - You have taken it out of context but I will let Mr Annells defend his religion.

**Mr ANNELLS** - You're probably addressing that to the wrong person, but what I was trying to say, Mr Booth, is that we are in a very tough spot so in a sense it's the fork in the road and has been for a little while. You can either wrap us up, do away with the industry and hope for better times and let someone else through the private sector, probably, use the resource at some point in time, or you can ensure that Forestry Tasmania is as efficient and effective as it needs to be and can be. I think we have made great strides in that regard, and then you look at your markets to see where your loss is coming from, and the real loss is that our harvesting and transport costs of these residues at the moment are not being covered effectively enough by this sale. There has been plenty of examples in the past when they have and we think there is an opportunity for that to happen in the future.

**Mr BOOTH** - This is 'Harriss hill' you're talking about?

**Mr HARRISS** - Do you know about this?

## UNCORRECTED PROOF ISSUE

**Mr ANNELLS** - No, I stay away from those sorts of matters.

**Mr BOOTH** - Harris hill is the big pile of woodchips on the Burnie wharf.

**Mr ANNELLS** - I got the drift. If we had been having this conversation a week ago, as my board was - and as we do every month and usually in-between times - about, 'Can we, hand on heart, say we are running a business here that should survive?', I would have said a fortnight ago, 'Gee, it's getting really tight'. But in that period we have sold boatloads of woodchips - both ourselves and, we believe, Artec.

**Mr BOOTH** - Given them away, or sold them?

**Mr ANNELLS** - I will hand over to Steve. This is a business where you need to have faith, like many businesses I have been involved with, that the customers will come if you provide the right product at the right price, and I think we are doing that.

**Mr WHITELEY** - Part of the commentary you are relying on comes back to the \$43 million in doing the maths. As to the underlying issue, it is probably worth having a look at the Auditor-General's Report. He may have briefed you on that. The underlying loss before tax in 2013 was \$13.2 million and it has dropped down to \$7.3 million. So the proposition that you sell more wood and it blows out to an operating loss is not correct. There are a whole lot of other factors and the north-west is clearly one of those, where there are moving circumstances. Comparing like on like is quite difficult as well. In the specific case of the business model for the north-west, there is a budget in there to deliver wood at a mill door price, have it toll chipped, processed and sold. The sale price we have received is not below budget.

**Mr BOOTH** - It may not be below budget but is it below cost?

**Mr WHITELEY** - No.

**Mr BOOTH** - At full cost, accounting for all the operational costs?

**Mr WHITELEY** - It is a comparable cost. The way we price chips into Burnie is the same mill door price Artec buys, so it is basically the market price in our forecasting.

**Mr BOOTH** - In your operational costs of log sales, you lost - according to this analysis - about \$20 a tonne in overall losses.

**Mr WHITELEY** - I think that is picking up some other costs, assuming all Forestry Tasmania's costs are directly associated with native forest production.

**Mr BOOTH** - He allowed half of the staff costs against it.

**Mr WHITELEY** - Coming back to the chairman's comment, the underlying issue is quite correct. As to the specific sale at Burnie, it has not been undersold.

**Mrs RYLAH** - We have just covered, minister, some of the issues around the woodchip pile at Burnie. Can you give some understanding of the outlook for this commodity, recognising the cyclical nature of commodity prices in every commodity and the weakening of the Australian dollar? What is our outlook in the next 12 months?

## UNCORRECTED PROOF ISSUE

**Mr HARRISS** - Mr Annells and Mr Whiteley have touched on the matter of the sale of some of the woodchip stockpile on the Burnie wharf. Even though Mr Booth -

**Mr GREEN** - How would you be getting on if the dollar was above parity, as it was for us for a big period of that time?

**Mr HARRISS** - It sounds as though Mr Green does not want to hear the answer, either. Mr Booth, in particular, does not like hearing these good news stories.

The re-opening of the Burnie chip export terminal earlier this year was a significant driver of improved viability for the entire north-west forest industry. I have already said earlier today that residue markets are vital. There has been no direct access to residue markets from the north-west since Gunns existed the native forest market in 2010. The collapse of Gunns prevented access to the Burnie chip export terminal until it was purchased by TasPorts from Gunns receivers earlier this year. Forestry Tasmania has contracted with TasPorts to export chips through Burnie and expects to chip and export more than 180 000 tonnes per year of residue logs through Burnie over time. The impact of Forestry Tasmania being able to operate from Burnie is twofold. One issue there is that it improves the bottom line in efficiently getting forest residues to market. We understand that that previously had to be facilitated through Bell Bay with a transport subsidy or industry assistance, if you like, for the transport of those residues from the north-west to Bell Bay. The second matter related to that is that having the operation at Burnie allows local private forest estate operators also the opportunity to improve their viability in getting products to market.

**Mr BOOTH** - Are you going to get Parliament up north so you do not have to drive the car down here, on the same basis?

**CHAIR** - Order.

**Mr HARRISS** - I have some ideas of where I would like to move you but we will not go there.

**Mr BOOTH** - I am sure you have.

**CHAIR** - Order.

**Mr HARRISS** - Chair, it was just last week Mr Booth told parliament 'there was no market and no boat for the woodchip pile at Burnie'.

**Mr BOOTH** - Well, there wasn't when I said that.

**Mr HARRISS** - I have to advise Mr Booth and to disappoint him but I can tell you today we have sold more than half the pile - around 40 000 tonnes - and a boat is due at the Burnie port around Christmas.

**Mr BOOTH** - What are you going to do with the other half?

**Mr HARRISS** - Chair, I understand and appreciate that Mr Booth will be terribly disappointed to hear any good news for the industry but he is going to have to get use to it. In regard to woodchips at Bell Bay, I can indicate that there are two boats on their way this month with up to another three due before March next year, as I understand it. So, six boats full of Tasmanian wood fibre of around

## UNCORRECTED PROOF ISSUE

300 000 tonnes all up are bound for markets which want our product. While international woodchip markets have not yet rebounded from global pressure due an oversupply in the Asian market, as I mentioned earlier, for the pulp market in particular in those Asian areas there are still positive signs. So next financial year we are expecting the total export of woodchips to climb to 3 million tonnes across the state. This Government is intent on and we have promised to rebuild the industry and while we cannot turn the ship around overnight, I am convinced we are on the right track.

**Mr BOOTH** - Does that 3 million tonnes include the plantation, minister?

**CHAIR** - I need to go back to Labor for the next question.

**Mr BOOTH** - Surely he can respond to that.

**CHAIR** - I ask the minister not to respond to interjections, but only to the people I give the call to.

**Mr GREEN** - I will talk about residues soon with respect to the ongoing subsidies that are required for the southern part of Tasmania to get chips north and issues associated with the port and the work you are doing.

At the moment, I would like to concentrate on issues associated with FSC certification and some of the questions I asked before. I have to say, by way of discussion, that other people seem to be able to get away with it, which is amazing. Before, it was all because of the policy position. Now, it is all because of the markets, and you cannot turn the ship around quickly but if the markets start to take our product, then things will be fine and dandy in the future. It is quite amazing with the same volume that existed in the past.

There is no doubt that FSC certification is a key part of the Tasmanian Forest Agreement and of ensuring our markets were open to us into the future. The Premier has made a lot of that, minister, and so has the chair. I have a quote from the chair when he said:

I do not think there is much doubt that we need to change the way we interact with our customers and with our key stakeholders.

May I ask you, minister, how much has been spent on obtaining FSC to date? Are you confident that it will be achieved? Has Forestry Tasmania had an ongoing dialogue with the environmental non-government organisations about gaining support for FSC certification? While you are answering those questions, can you remind again when you talked to the House about the permanent forest estate and when was that decision made? We have had a look and we cannot see anything.

[3.30 p.m.]

**Mr HARRISS** - Firstly, as to FSC. Is that two questions, Chair, or one?

**CHAIR** - Deal with the first one.

**Mr GREEN** - How much is FSC and the answer will be fairly simple? Are you confident you will achieve it and has the organisation had any dialogue, boo-hiss, with the ENGOS?

**Mr HARRISS** - What is the boo-hiss connotation?

**Mr GREEN** - You are about to suggest that, boo-hiss.

**Mr HARRISS** - Oh, am I?

**Mr GREEN** - Yes.

**Mr HARRISS** - Am I confident of Forestry Tasmania achieving FSC certification? There is an independent audit process which takes place and you know that. I, like everybody at Forestry Tasmania,

**Mr GREEN** - You believe in it though? You believe in FSC certification?

**Mr HARRISS** - Of course. I have said many times that it is a fundamentally important matter currently before the forest industry in this state. Mr Annells has said that, as you know, we have had Australian forest standard PEFC certification for many years. Some would argue that that is a perfectly robust and rigorous forest certification process and it is. However, the markets place significant importance on forest businesses having FSC certification. Am I confident that that will be achieved? I like everybody else am hopeful that it will be achieved because there is an independent audit process occurring right as we speak.

**Mr GREEN** - Has there been ongoing dialogue with the non-Government organisations?

**Mr HARRISS** - I will come to that if you will just let me. That independent process does what it does and Mr Annells and Mr Whiteley will be able to indicate the dialogue. The independent auditors, when they are here and when they have been here in the past, meet and consult with a range of stakeholders because you understand there are the three chambers within the FSC certification process. I am hopeful that we will be able to achieve it because of the market demand for FSC certification of our forest products. I might then go to Mr Annells in terms of the dialogue and whether it is appropriate or proper that we should disclose the expenditure on that. I suspect it is.

**Mr ANNELLS** - I have a number in my head but it may not be right. The short answer is yes there has been very much ongoing dialogue between FT and a range of what you would call ENGOS in this space. Is it formalised as it once was? No it is not, but it has been considerable and it is very much driven at an officer level by our engagement strategy with our stakeholders. I am sure as you will recall from former times, we were well aware that unless we improved dramatically our stakeholder engagement then we had no chance of getting FSC. So we have put a great deal of effort into that and we have continued regular dialogue. Whether that is at an acceptable level, I don't know. I had hoped so because I thought I would have heard if it wasn't. It has certainly been a genuine attempt from, and I have to make this point, Mr Green, me down. The answer to your question is unequivocally yes. Mr Booth will have a view on how effective it might have been but we certainly put a lot of effort into it.

**Mr GREEN** - It is not so much about Mr Booth, it is just a matter of whether or not the organisation has maintained an ongoing. I have to put up on a daily basis this misinformation with respect to my views about the forest industry and the fact that somehow I am in bed with the ENGOS when doing a deal. In fact Forestry Tasmania is working with the ENGOS. That is okay. There needs to be contingencies obviously, minister, around Forestry Tasmania not achieving FSC certification. Have you thought your way through that?



**Mr HARRISS** - You wanted to know the cost, Bryan?

**Mr GREEN** - Yes. How much have you spent on FSC certification?

**Mr WHITELEY** - There was a \$1.5 million program under the TFA and last financial year we spent \$1.14 million of that. There is \$300 000 as a further grant under subject to some milestones, but we end up with \$300 000 in the current financial year.

**Mr GREEN** - I could ask you questions about how the national FSC certification standard is going. Have they made any progress in that regard?

**Mr WHITELEY** - They are making some progress and our understanding is that they would hope to be well progressed towards the standard towards the end of 2015.

**The committee suspended from 3.36 p.m. to 3.44 p.m.**

**Mr GREEN** - When did you make the decision about the permanent forest estate?

**Mr HARRISS** - It is not about when I made the decision.

**CHAIR** - The minister on a point of clarification.

**Mr HARRISS** - I indicated I made a comment in Parliament and I thought I had. Our check of the records, like yours, does not throw anything up that I had, so it is important I clarify that. In that respect, I am intrigued as to why Mr Green was so concerned about that matter because it is all to do with the five-yearly review of the Regional Forest Agreement which did not occur in 2012 and there is a flow-on effect of that. I do not know where Mr Green was wanting to take that in terms of FSC certification.

[3.45 p.m.]

**Mr GREEN** - Minister, you will get used to this. I am asking the questions and you answer them. If you do not think there is anything to worry about, I am fine and dandy with that, but we have been given some information that you had changed your mind and are contemplating -

**Mr HARRISS** - Changed my mind?

**Mr GREEN** - Well, are potentially going to change the rules on the permanent forest estate. If the minister is comfortable to tell me there is effectively no change, he has made no commitments to anyone and is going to do it at some later stage, I am fine with that. Is that the case?

**Mr HARRISS** - The answer I gave about the permanent native forest estate is entirely accurate. I wanted to clarify for the purposes of the committee the fact I have not made a comment in Parliament.

**Mr GREEN** - Have you made a public statement to the effect that you are going to extend by 12 months and contemplate whether it is appropriate going forward?

**Mr HARRISS** - I don't think so.

**Mr BACON** - You don't know if you made a public statement about it?

**Mr HARRISS** - I just said I don't think there has been any public statement about it. I thought I had made a contribution in Parliament -

**Mr GREEN** - Why would it be on your mind, then?

**Mr HARRISS** - In the interest of openness and honesty I have clarified the situation. We all know the Parliament is a rigorous, robust environment and we talk about a lot of things in there in answering questions from the Opposition and the Greens. I thought I had made a contribution in the Parliament and I have clarified for the purposes of openness that we have not been able to determine that.

**Mr GREEN** - The Government has not made a decision?

**Mr HARRISS** - I told you I have made a decision.

**Mr GREEN** - When was that made?

**Mr HARRISS** - I can check the exact date in the documentation.

**Mr BACON** - Why hasn't there been an announcement, then? Why haven't you told the public about your decision?

**Mr HARRISS** - What is the issue?

**Mr GREEN** - People are under the assumption that they cannot - FSC certification on land clearance issues et cetera.

**Mr HARRISS** - Under the assumption of what?

**Mr GREEN** - That there is a due date with the finalisation.

**Mr HARRISS** - No, that's not true either.

**Mr GREEN** - You said there was.

**Mr HARRISS** - No, I didn't say that at all.

**Mr GREEN** - You said there is a January date.

**Mr HARRISS** - I said there is also a component of the quantum of land. I have also indicated that about 6 500 is still in the bank, so be honest about it, Bryan, when you seek to get information. I don't know where you are taking this, I don't know what your motive is.

**Mr GREEN** - My motive is that FSC certification is very important to the organisation you are in charge of. If you are doing things and not telling people about the permanent forest estate, that could possibly have an impact on the ability to get FSC certification.

**Mr HARRISS** - Oh, is that where you're taking it?

**Mr GREEN** - I'm just asking the question.

**Mr HARRISS** - I want to be absolutely clear about this. Mr Green said people are thinking it is all over on 1 January. Is that what you are contending?

**Mr GREEN** - No. Have you contemplated or made any change to the existing rules associated with the permanent forest estate?

**Mr HARRISS** - I have told you - yes.

**Mr GREEN** - You have not made that public, although you thought you had. Minister, that potentially could have an impact on your organisation's ability to get FSC certification. Did you think about that when you made the decision?

**Mr HARRISS** - I think about all the impacts on the forest industry in this state when any decisions are made by this Government.

**Mr BACON** - Is that why you kept it secret?

**Mr HARRISS** - You can be as clever as you like, Mr Bacon, about keeping things quiet, but there is nothing secret here.

**Mr BACON** - So you didn't tell anyone but you didn't keep it secret?

**Mr BROOKS** - Point of order, Chair. The minister should be afforded the opportunity to respond and answer the question but Mr Bacon is too rude to allow that to happen.

**Mr GREEN** - We have just spent almost \$1.5 million trying to achieve FSC certification. Everyone from the chairman, the Premier of Tasmania and everyone else has recognised how important it is and we are entitled to ask questions as to whether this minister is fiddling around. What contingencies do you have in place if you do not achieve FSC certification?

**Mr HARRISS** - We are back to FSC certification. Mr Whiteley was addressing his mind to some matters before the break. Whether he has concluded I am not sure.

**Mr GREEN** - Yes, there is \$1.14 million and if we do not achieve FSC certification do you have contingencies or just go back to the existing certification arrangements?

**Mr WHITELEY** - I think the space we are now in is we are well prepared for a process. As the minister has talked about, it is an independent audit process. We will know within the next few weeks the degree to which our forest management system conforms with the standard and that is the space we are in at the moment.

**Mr GREEN** - Through your consultation with a broad section of the community on FSC certification, has there been any concern raised about the current policy settings of the Government. Like, for example, protest laws or the change to the legislation and the 400 000 hectares, the status of that land, et cetera. Have any of those issues been raised with you?

**Mr WHITELEY** - I do not know directly. We have had a whole lot of submissions on our management plan. Typically they have been related to our management plan not to areas that are peripheral to the land under our management. Certainly the issue of the private land -

**Mr GREEN** - You are not allowed anywhere near the 400 000 hectares, are you?

**Mr WHITELEY** - No, in terms of FSC and our land management it is nothing to do with our management. We prepare a management plan.

**Mr GREEN** - It is not part of the growth strategy regarding Forestry Tasmania?

**Mr WHITELEY** - It is not part of our forest certification. Essentially, if Parliament were to make some changes as they do from time-to-time, we simply manage the land that is provided at that time. Parliament has made a decision, we have a forest management unit that reflects the decision of Parliament. We prepared an HCV evaluation and management plan and a forest management plan over the land that we manage. If the Parliament chose to make any changes, either to add or remove land, we would have to go through a recertification process if there were lands added. We would review our management plan if there were lands taken away from our management. Essentially it is around a standard and a process and the land we manage is the subject of certification and our management plans.

**Mr BOOTH** - Minister, I will just get you to answer the question that you would not answer before. You were boasting about how you are growing the industry and I think you used the figure of 3 million tonnes of residues you are intending to export this year. Is that correct?

**Mr HARRISS** - It is the forecast expectation.

**Mr BOOTH** - The question that you would not answer is was that including plantation timber?

**Mr HARRISS** - What do you mean it is a question I would not answer?

**Mr BOOTH** - You would not answer it when I asked you before. You were acting the part of the deaf.

**Mr HARRISS** - There was a question that came from Mrs Rylah and I was answering Mrs Rylah.

**CHAIR** - There is a question now.

**Mr HARRISS** - I did not hear Mrs Rylah ask any further question, did you?

**Mr BOOTH** - I mean you have selective hearing, we know that, but you can answer it now perhaps? The question directly is does it include -

**CHAIR** - I would ask the minister not to answer questions from interjections, so that I can have some control over the proceedings. There has been a question put now and I will allow the minister to answer it.

## UNCORRECTED PROOF ISSUE

**Mr HARRISS** - The answer is yes, it includes the expectation from public and private. You would be aware that with New Forests trading as Forico, purchasing the Gunns plantation estate -

**Mr BOOTH** - Thank you, that is all. Do you have a split on there?

**Mr HARRISS** - they are contributing to that effort and we welcome that contribution.

**Mr BOOTH** - And the percentage of native forest?

**CHAIR** - When the minister is finished, Mr Booth, you can ask another question.

**Mr BOOTH** - I am just assisting, Chair, so he does not waste his breath.

**Mr BROOKS** - Chair, there is constant interruption of the minister. The minister should be afforded the opportunity to answer the question.

**Mr HARRISS** - I was just about to say the Government welcomes the contribution to the industry, which will be made over the many years in the future we hope by Foreco. Their effort in regard to the export of wood fibre in the plantation field is part of the 3 million.

**Mr BOOTH** - How much of the 3 million is plantation?

**Mr HARRISS** - I am thinking Mr Whiteley would be able to assist.

**Mr WHITELEY** - They have made complex statements around \$2 million and that is one company so there is obviously other private forest interests that would also export wood. Forestry Tasmania publishes a three-year plan each year with capacity to supply. We do not always bring that to market and last year, as per our report, we did about 660 000 tonnes. It will likely be similar this current year so the order of magnitude is relatively stable on public land.

**Mr GREEN** - On financial documents you have 870 000 tonnes.

**Mr WHITELEY** - Available - yes, that is right.

**Mr BOOTH** - Thank you for that clarification and the question then is with regard to the proposal to export woodchip off the Hobart port. What is the cost of setting up a facility there, can you describe what the intention is and who is going to pay for it?

**Mr HARRISS** - That is a process which is on foot at the moment. TasPorts, Forestry Tasmania and a range of other stakeholders will be part of the full feasibility assessment which is under way at the moment.

**Mr BOOTH** - So you do not know at this stage?

**Mr HARRISS** - That is what a feasibility assessment is all about but you might not understand that.

**Mr BOOTH** - So it might not happen or you are you going to do it anyway no matter what the cost? The question is have you decided you are definitely doing it or is it still just a feasibility study?

**Mr HARRISS** - The full process will be assessed once the feasibility assessment is conducted.

**Mr BOOTH** - So you have not made a decision? That is the question I am asking because Mr Hidding has said in other Estimates for ports that the cost will not be pretty. Mr Hidding obviously knows what the cost is.

**Mr HARRISS** - I know nothing of Mr Hidding's comment. There has been no decision made. People who support the forest industry in this state understand clearly that we need an export facility from the south given that you cheered on those who sought to take the Triabunna chip mill facility out of the equation. You were quite happy for that to be the case because you would have -

**Mr BOOTH** - Nobody wanted to buy it.

**Mr HARRISS** - Has there been a decision made - no. This is about doing a full feasibility assessment for the capacity and everything sitting around Macquarie Wharf to provide an export facility from the south. It is desperately needed after the shutdown of the Triabunna chip mill.

**Mr BOOTH** - The one that Gunns sold, you mean.

**CHAIR** - Interjections should cease. The minister has almost completed his answer and then it will go to Mr Brooks.

**Mr BOOTH** - He has nearly completed avoiding the answer.

**Mr HARRISS** - I do not know how much more clear you need to have it put so you can understand it. I have made it very clear.

**Mr BOOTH** - That is why I asked the cost.

**Mr GREEN** - By your statements -

**CHAIR** - Mr Green, I have said that Mr Brooks would get the next call.

**Mr BROOKS** - Thank you, Chair. I just wanted to find out from the minister about retirements among senior ranks of FT over the past year or so. Tell us what cost-effective steps FT is taking to address it?

**Mr GREEN** - So you have Rylah, Brooks, Rylah, Brooks.

**Mr BROOKS** - What about yours?

**Mr HARRISS** - He has probably got Green, Booth, Green, Booth.

Mr Chairman, Forestry Tasmania has employed a number of new senior managers to replace those who have retired or resigned over the past few years. The remaining changes to the senior management team are that the existing roles of chief financial officer and general manager, Corporate Services, are being combined into a new position that is executive general manager, Corporate Services.

**Mr Green** - And a good man in there, too, from Tasracing.

[4.00 p.m.]

**Mr HARRISS** - This new position will manage the areas of finance, human relations, information technology, plant and facilities and is an external appointment. The existing manager of forest management, John Hickey, is retiring in December and Suzette Weeding, who in internal appointment, is the incoming general manager of forest management. This reduces the number of senior management positions by one through a restructuring process.

**Mr WHITELEY** - It is part of an ongoing program laid out by the board several years ago and is a continuation of looking to restructure within the business that has been going on for some time. We are very pleased with the new appointments and obviously sad to lose a couple of people who have worked very effectively for Forestry Tasmania for a number of years.

**Mr HARRISS** - I would like to take a few moments of the committee's time to acknowledge the work done by Forestry Tasmania's John Hickey. He will be retiring, as Mr Whiteley has said, after more three decades in forest research and planning. In his early career at Forestry Tasmania, which was then the Forestry Commission, John Hickey worked on the ecology, silviculture and conservation of Tasmania's rainforests and wet eucalypt forests. A notable and even ground-breaking piece of work for the time was comparing the plant composition of regrowth forests after logging with similar age regrowth forests that had resulted from a wildfire. This was one of the first Australian studies to acknowledge an appropriate benchmark for silvicultural regrowth as against natural regrowth rather than basing the comparison solely on old-growth forests. This work has been acknowledged in the *Encyclopaedia of Australian Science* relating to the study of Australian eucalypts, is to be found on a website and is still cited by students today as an important area of scientific research.

In his mid-career John was part of the team that established the Warra long-term ecological research site and led the work of alternatives to clearfelling. The team was able to adapt and develop variable retention harvesting for wet eucalypt forest but the complexity and associated cost limits its application to areas of particular social and ecological value such as areas on the fringe of large undisturbed forests and areas outside the reserve system with concentrations on threatened species. The forest practices system continues to recognise clear fell, burn and sow as the primary method of harvesting and regenerating wet eucalypt forests.

In the latter part of his career John Hickey has been an integral part of Forestry Tasmania's management team and has led much of the work outlining Forestry Tasmania's new forest management plan which was released in mid-November this year. By any measure, John has made a significant contribution to the scientific literature on Tasmanian forests and also to informing the broader public and governments on forestry matters such as sustainable yield, conservation planning and forest certification. I want to personally congratulate John Hickey on his career and wish him well in retirement which no doubt will include a significant amount of bushwalking in Tasmania's forests and wilderness which he has done much of over the years. I thank Mr Brooks for that question because it is important to pay tribute to a man who has contributed so much over more than three decades. Thanks, John.

**CHAIR** - On the committee's behalf all the best in your retirement.

**Members** - Hear, hear.

**Mr GREEN** - Minister, you had a fair bit to say a moment ago about the southern residues solution as to how it was originally everyone's fault. By suggesting in the way you are that this work is going on now to look at Macquarie Wharf as a potential solution, you are effectively reassuring the forest industry that you will find a solution to export from the southern part of Tasmania. Can you confirm that or not?

**Mr HARRISS** - It is a very important part of conducting a robust forest industry.

**Mr GREEN** - So you will find a solution?

**Mr HARRISS** - It is important that we find a solution.

**Mr GREEN** - And it will be on the Macquarie Wharf?

**Mr HARRISS** - There is a feasibility assessment being undertaken and we will take into consideration the outcome of that feasibility assessment.

**Mr GREEN** - We understand that there are constraints with respect to the wharf because, as you know, it was looked at in the past as a potential export facility. What has changed in the meantime?

**Mr HARRISS** - That is why a full feasibility assessment is being undertaken, to assess all of the matters associated with the possibility of exporting from Macquarie Wharf.

**Mr GREEN** - In the meantime Mr Booth asked a question of the Premier about the subsidy for woodchips still continuing to the north and he couldn't answer the question when he was first asked. He had to take some advice on it and it took a day or so for him to come back and say that the \$5 million -

**Mr HARRISS** - That is not true either, it was the next day. It did not take a couple of days.

**Mr BOOTH** - It took suspension of Standing Orders to actually get it out of him.

**Mr GREEN** - Okay, a day, I concede that.

**Mr HARRISS** - Less than a day.

**Mr GREEN** - Well, it was after question time on the second day. So the \$5 million export subsidy remains. Forestry Tasmania are now paying that subsidy, as I understand it. That is what you have told the Parliament. Are they paying that from the money that has been allocated to them or from a debt arrangement?

**Mr HARRISS** - From the operations of the business.

**Mr GREEN** - It is within that \$30 million that we just talked about?

**Mr HARRISS** - It is currently from the operations of their business. I don't know whether Mr Annells has anything more to add for clarification but as the Premier indicated to the Parliament a couple of weeks ago, the transport effort I think is 265 000 tonnes and the dollar amount is expected to be about \$5 million. That is on the public record.



**Mr GREEN** - A few weeks ago I spoke to a couple of contractors who indicated that their operations had been curtailed and I was told that the commitment on rail, that is the residues going north by rail and the back-carting for a particular contractor, are the only two elements of the movement north of residues. Can you confirm that or not?

**Mr HARRISS** - I want to be absolutely clear as to what I am responding to here. You have mentioned rail and back-carting.

**Mr GREEN** - I won't mention the name of the contractor but there is a contractor doing some back-carting.

**Mr HARRISS** - I spoke to the contractor who told me he spoke to you only a couple of days previously and he said you were being a little mischievous with your media release suggesting he was confused as to whether there was money provided to freight residues north. He was in no confusion whatsoever. There is no confusion as to the support to the industry being made available by FT, whether they pay their contractors or whether they cart wood products one kilometre or 1 000 kilometres.

**Mr GREEN** - Have you knocked any contractors off from the highlands as a result of the costs associated with moving residues?

**Mr WHITELEY** - Perhaps I can take an operational question. As far as the program goes there is no material difference. Essentially there is an amount of wood that we can afford to deliver north under the program. It is the same cost structure. In terms of the fundamentals of the program there has been no change in the current financial year from the previous financial year.

**Mr GREEN** - You have met the threshold?

**Mr BOOTH** - In the same way does rail get a subsidy as well as a contractor?

**Mr WHITELEY** - In the end there is a fixed amount of money, there is an amount of wood, we have done a budget - it is 265 000 tonnes or thereabouts.

**Mr GREEN** - So you have met the threshold and that is the reason?

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

**Mr GREEN** - But you are still carting it by rail and the back-carting arrangement?

**Mr WHITELEY** - What we are looking to do, and have done through the whole program, is reduce the cost where we can, so it is largely based on road back-carting against the Norske Skog softwood, which goes up and down a little, and then a relatively fixed capacity on rail at the moment. It is a little under 100 000 tons on rail and the rest on road. We back-cart where we can and do some direct cart where it does not make sense, when it is from the highlands.

**Mr GREEN** - With respect, I am not having a go at Forestry Tasmania. What I am trying to ascertain is whether the aspirations of the industry have been met as a result of the current arrangements in place. That is, because there is a particular threshold, now some people working

in southern forests are not going about their normal business as a result of not being able to get rid of residues. Is that correct?

**Mr WHITELEY** - There is no structural difference from the previous financial year to the current financial year. There is more pulpwood produced from harvesting than is able to be taken to market under that arrangement. It would cost a lot more money to add direct cart arrangements. It would very quickly go to \$10 million rather than \$5 million if the full potential pulpwood -

**Mr GREEN** - That was what I was getting at, based on growth and the minister's aspirations right at the moment, where he is running around telling everybody he is growing the industry. At the moment, you are suggesting that if we were to subsidise all woodchips north, it would cost you at least \$10 million?

**Mr WHITELEY** - There has been no material change previously in terms of sawlog supply. We had been operating at full supply in the previous 12 months and we have continued that in the current. A lot of the growth opportunity has been in the north, particularly the north-west. The north-west has been the main place we have sought to grow once the Burnie Port was opened.

In the south, there was a program put in place. It was originally TFA-funded. It did not completely deal with the issue but it allowed a level of activity that supported sawlog and peeler log production. It does not move all the pulpwood that contractors could produce. That has not changed across the two years.

**Mr GREEN** - No, but have some contractors been knocked off early this year?

**Mr WHITELEY** - It has nothing to do with that funding arrangement. That is simply to do with customer requirements, not funding arrangements or with funding budgets. It is not a finance issue; it is a customer issue.

**Mr GREEN** - They have the supply they require?

**Mr WHITELEY** - Yes. Heading up to Christmas, there are normally people juggling their stocks and that is exactly what has happened. It happens every year.

**Mr BROOKS** - We are having a significant investment in FSC certification. Minister, if you could expand more on the potential benefits that would give the industry and what the Government position is. I know you covered off briefly but my recollection is that you were interrupted a fair bit through that and I would like to hear a bit more detail about it.

**Mr HARRISS** - Thank you, Mr Brooks. The Government understands and has done all the way through this journey, that FSC certification is very much in demand by the marketplace. It is supportive, as much as we can and should be, of Forestry Tasmania's pursuit of obtaining FSC certification, notwithstanding that the current certifications are robust, rigorous and good. But nonetheless, the marketplace demands FSC certification in large measure. Forestry Tasmania made their own decision a long time ago as to the need to pursue FSC certification. This Government, as with the previous government, has been and will continue to be supportive, as much as we possibly can. Yet it is an independent audit process which is undertaken. The auditors conduct their investigative processes and they make the decisions.

[4.15 p.m.]

It could be March next year before we find out as to whether the application by Forestry Tasmania has been successful. I can only say as strongly as I can that the Government supports the pursuit of that certification because of the marketplace demand. Steve or Bob, I do not know whether there is anything else you need to add. If there is, please do so, because this is such an important measure. There has been the commitment of substantial funding to pursue this certification and an immense amount of work that has been done by Forestry Tasmania professionals to do all they can to position the business to achieve FSC certification.

**Mr ANNELLS** - I can only endorse that. In my introductory remarks I made a comment about the importance of FSC. As Mr Whiteley, the minister and I are acutely aware, we are right in the middle of the audit process and that makes me somewhat constrained because I do not want to appear through my reported comments to suggest a slam-dunk, or that this is going to happen. It is a notoriously difficult process and there are people who have genuine belief that we should not get it. Those people are speaking loudly to the auditor, as we are speaking loudly, saying we should get it because we think we have done a good enough job. In the end, the auditor will determine whether we get it or not. The process involves the identification of non-conformance to the standards and we will be briefed on those between now and Christmas in the interim report. We will have to look at that very closely and decide if we can meet those standards. That can be very tricky, particularly because some of those standards are very much qualitative. It involves the level and quantity of our engagement with our stakeholders. There is a list of everything we have done, but the reality is the perception that we have been adequately consulting. Is it there amongst the people who are our stakeholders? That is something we have no control over.

The issue for us is that unless something came out of this process that was so fundamental that you just cannot deal with it, we will keep going. Our intent would be that if we do not get FSC certification the first time around, we will carefully look at the reasons and make a hard-nosed assessment, but by and large we will keep on going and have another go at it. It is a very contentious audit on behalf of the auditor, who is completely independent of FSC International in the sense we appoint the auditor from an FSC International panel. The auditor is audited on a regular basis by FSC International to ensure the very highest standards. The line is being run at the moment that the auditor needs to be careful that he maintains the highest possible standards so as to maintain the FSC brand, and I endorse that. He does need to have the highest possible standards and he needs to keep them, and we need to meet them. If we do not, we have to go back, regroup and fix it and go again.

Out of this process there is a plan B, as Mr Green was inquiring, in the sense that we then look at the non-conformances and go again. The other plan B is that there is potential here for controlled wood status to be conferred on us as a halfway house, if you like. That is not what we are aiming for, but if we get it and that is something we can have and use in the interim while we try to get full FSC again, we will grab that and go with it. That will make quite a big difference, particularly in our woodchips and exports. That is the position with FSC. It is not possible, and very unwise, to make predictions about this and we are not. We have given it a red-hot go and think we have got there, but time will tell.

**Mr BOOTH** - I have a few questions about FSC and it is a perfect time to segue into that. In the SCS pre-audit that was carried out in March, what was identified that FT was required to change?

**Mr ANNELLS** - We didn't release the audit - that's where you are going to, I'm sure.

**Mr BOOTH** - Perhaps you could tell me why, because Vic Forests did. You have also refused an RTI request.

**Mr ANNELLS** - We did not release it because we were genuinely concerned that the time between its release to us and us having it and the actual final audit was only a matter of - I forget now - six or eight weeks. It was a very short period of time and our view was that it would muddy the waters and make it very confusing because in that short period we were also releasing our forest management plan and our high-conservation management plan them for scrutiny.

**Mr GREEN** - And there was legislative change going on.

**Mr ANNELLS** - There was legislative change, et cetera. Was it the right decision? I would have to say that we thought long and hard about it at the time and have thought long and hard about it since. There are differing views but in the end we made the decision and are sticking with it.

**Mr BOOTH** - But muddying the waters is not a defensible action in terms of refusal under the RTI act which was about public access to public information, so was there some other technically legal reason that you might have had?

**Mr ANNELLS** - I cannot speak to that but Steve might. We will meet our RTI obligations but there are a range of commercial-in-confidence and other issues that flow and you can back out certain numbers. We made that decision. The RTI is still under consideration, I think, though John is our expert on that.

**Mr HICKEY** - One of the reasons it was not disclosed under RTI is a section that deals with interim reports and the auditor made it clear to us that in giving us that interim report it was based on a preliminary evaluation that may contain false positives and false negatives. On the basis of that we felt it wasn't appropriate and, indeed, he said it wasn't common either, in his experience, for people to put out those preliminary evaluations.

**Mr BOOTH** - Vic Forests did.

**Mr HICKEY** - They did, yes. I think it had the predictable result, actually, that journalists took it and said, 'Look at all these things they have to do', which wasn't particularly helpful to their application but they have been happy to set theirs back. FT has been keen to work to a pretty tight timetable and we didn't really want a setback.

**Mr BOOTH** - That seems a bit of a strange way to behave in terms of a public process. FSC has to have community engagement and support and you refuse to provide information to the public that is germane to the assessment of FSC. I find it quite extraordinary that you would seek to not disclose. Was the minister aware that you had refused that RTI at the time?

**Mr HICKEY** - It wasn't referred to the minister.

**Mr HARRISS** - And neither it should be because of the independent process which is pursued by the auditors.

**Mr BOOTH** - Are you going to release that pre-assessment audit?

**Mr HICKEY** - We will release the final evaluation once we get it.

**Mr BOOTH** - Thank you, I appreciate that. With regard to the Lapoinya coupe in the Murchison district, are you aware of the coupe I am talking about? There is some significant community concern and they have formed a group called FLAG, I think it is called, the Friends of Lapoinya Action Group.

**Mr HARRISS** - Mr Chair, I just want to reiterate that the independent process undertaken by the auditors will roll out. I don't know where Mr Booth is taking this in regard to a specific coupe or forest area but the independent auditors will engage widely with environmental groups, public groups and the like, so I urge caution with regard to where this might be going. Is Mr Booth attempting in any way to sabotage the independent process on foot?

**Mr BOOTH** - You are here to answer questions, not to ask them. If you would like to change places I think I could probably create an industry that would be financially viable and not rely on the public purse, but at the moment you are the guy making the decisions so perhaps you could restrain yourself and answer the questions. The question is with regard to Lapoinya and it may be difficult for Mr Whiteley to give these to us straight away but he may be able to. I want to know what the net harvestable area was, what the estimated harvest volumes were, the split between the timber types, roads and structures required, the cost of the roads and structures per metre, windrowing, burning and re-establishment costs per hectare and the amount of other direct costs including employees wages. In other words, a breakdown on anticipated returns and outgoings.

**Mr HARRISS** - What does this have to do with FSC certification?

**Mr BOOTH** - It has to do with the question I am asking Mr Whiteley at the moment.

**Mr HARRISS** - We will see whether it is relevant to the inquiry.

**Mr BOOTH** - It is very relevant.

**CHAIR** - We are here to look at FT but the questions have to be put to either the minister or the Chair and if they wish to they can defer to another officer. Your question needs to be put to either the Chair or the minister, Mr Booth.

**Mr BOOTH** - Sure, either the minister or the Chair or perhaps you might defer to Mr Whiteley. I was just being courteous to Mr Whiteley because he is the person who might have the relevant facts and I am sure Mr Annells would not wish to answer that question.

**Mr ANNELLS** - The issue you are dealing with is an issue for this financial year, not the financial year that is the subject of our report. That would be my first point. The second point is that detailed analysis of that nature we would be very loath to put on the public record because it can and would be absolutely misleading looked at in the isolation of one coupe. We are well aware of the sensitivities around this particular coupe and I think our staff at a regional level have been doing a very good job in engaging with this group and hearing their concerns. Mr Whiteley in the end will make decisions about the annual program for utilisation of coupes, but I just make this point. Whilst we should quite rightly have matters drawn to our attention where there are local issues of local concern, this is not the first coupe that has attracted the creation of a group expressing concerns. We have had them on Bruny Island and in the north-east, et cetera. We genuinely try to engage with these people and accommodate their needs, whereas perhaps in the past we would not have, and we will do the same with this group.

**Mr BOOTH** - Thank you, and in regard to it not being the year we are scrutinising, it has actually never been an issue in terms of restraining members asking questions about the operations of a GBE.

**Mr ANNELLS** - I stand corrected.

**Mr BOOTH** - With regard to this one I appreciate your saying there is consultation happening now and certainly if that is occurring that is a good thing if it satisfies the residents. There had been a plan prepared and it included threats that apparently, according to the residents and the action group, had not been properly considered, including giant freshwater crayfish, Tasmanian devil, spotted tail quail, grey goshawk, white goshawk spotted in the last week, wedge-tailed eagle, masked owl, et cetera.

Todd Walsh, an authority on freshwater lobster breeding areas, has studied freshwater lobster in this area and has stated this coupe should not be logged. I will not read out the whole list of threatened species and concerns residents have but it is important when talking about losses on a coupe. If you get to a point where you properly engage with the neighbourhood and the community who live there and you cannot do anything but lose money on the coupe, what is the point? Any business needs to make sure that every cost centre hopefully delivers a profit.

[4.30 p.m.]

I acknowledge you cannot always do that but in this coupe it appears that on the desk top that I have done, and that is why I wanted to try and get the figures off you, you are looking at about a \$223 000 loss if these figures are right. They are figures prepared on the basis of some assumptions and out of your various reports in terms of cost of harvesting and so forth.

**Mr ANNELLS** - We don't consider a coupe a cost centre. At a regional level we would certainly start looking seriously at it as a cost centre. We will only harvest that coupe when and if we have approval for our harvesting plan from the Forest Practices Authority. All of the issues you are raising, one way and another, could be raised across many coupes. Not all of them perhaps but most coupes will have issues to do with many of those fauna and flora issues. The Forest Practices Authority is well aware of these issues and will not issue us with a forest management plan approval until such time as they have all been considered.

I am confident that that group will be in the ear of the Forest Practices Authority long and loud and in a sense we are in the hands of the authority. If the authority says to us you should no, or you must only harvest in a certain way, then we will do that. That is the position. I do not know whether Mr Whiteley wants to add to it but that is how the board sees it.

**Mr WHITELEY** - As far as the process goes we go through a phased planning process. Some of the numbers we publish in our three-year plan are strategic numbers. They may be before we have done field assessments. Obviously we are currently going through a field assessment process. It is good that the community is interested and engaged with the local management. My understanding is that they are communicating effectively and the forest manager is committed to an ongoing process to deal with these issues. There is not a timetable. We publish a broad intent.

**Mr BOOTH** - I think January you are intending to,

**Mr WHITELEY** - It is a broad intent and until we have gone through that process, and as the Chair mentioned it is Forest Practices, it is to do with capital programs, it is to do with all those things. We need to be satisfied about those before the plan is approved. Sometimes they are not. Sometimes we commence a process and, as you suggest, the operation does not go ahead.

**Mr BOOTH** - Thank you. A final comment about that coupe then and getting back to the Chair, that you do not regard a coupe as a cost centre, if you want to move away from a faith based industry where you just do it because you believe in it shouldn't you be looking at a coupe recovery cost? At least recover the cost of carrying out the operation. It doesn't seem to make sense. It seems to indicate it is more of a religious thing that you want to knock that forest down because you can, rather than it is going to be a viable industry.

**Mr ANNELLS** - Chair, I have been completely verballed by Mr Booth and I am shocked. Could I say BHP operates on faith. It operates on the faith that the market will recover, that it's ability to make a profit will recover. It doesn't panic when the market takes a downturn. It takes a medium to long term view.

**Mr BOOTH** - Gunns did that too, don't forget.

**Mr ANNELLS** - I have to be extremely careful what I say. Gunns was in the end over-extended, under-capitalised and chose the wrong battles. That happens. That is private enterprise. It is business. At Forestry Tasmania we are not in the middle of this. My reference to faith was about making commercial judgements based on experience and what you can glean from people who are wiser people than you, and as a board distilling that into a series of decisions that are sensible and defensible. I can assure you that we will not be looking at cost centre on a coupe-by-coupe basis. To do that would simply fly in the face of what is logical. What is logical is we certainly need to do it at a regional basis and we do. We engage with the community on a very open manner and I would have thought that might have formed part of an acknowledgment from yourself that in the last few years we have fundamentally changed the way in which we engage with the community.

**Mr BOOTH** - If you want a commitment about that we can talk about it. I appreciate there is a different attitude to Forestry Tasmania since you took the chair.

**Mrs RYLAH** - Minister, I have a strong interest in the forest industry, both at a micro level and at a macro level, to make sure we have a strong industry in this state and we get rid of the timber deficit we have in this nation. Could you give us an update on what the Liberal Government is doing to support the forest industry after what Labor and the Greens did in destroying jobs in forestry and putting a wrecking ball through regional communities?

**Mr BOOTH** - Have you seen yourself on television when you supported it?

**CHAIR** - Order.

**Mrs RYLAH** - You ought to go and have a look at the whole piece of the document.

**Mr HARRISS** - Chair, can I draw a point of order here please? Mr Booth has just taken a shot against the Standing Orders of a personal nature against Mrs Rylah. I would ask you to rule he withdraw that underhanded breach of the Standing Orders when he referred to personal matters related to Mrs Rylah, which are subject to consideration by the Forest Practices Authority?

## UNCORRECTED PROOF ISSUE

**CHAIR** - On the point of order, it is against the Standing Orders to reflect on a personal basis and I did not hear the comment but Mr Booth -

**Mr BOOTH** - I asked about that illegal logging operation Ms Rylah has been pulled up on that is all.

**CHAIR** - That is making a personal reflection on a fellow member of parliament and that is not allowed.

**Mr BOOTH** - Chair, that is not a personal reflection.

**CHAIR** - Are you saying you are not going to withdraw the comment?

**Mr BOOTH** - I am happy to withdraw it but I am saying it is a statement of fact that is all.

**CHAIR** - Thank you. We do not want to waste any more of the committee's time.

**Mr HARRISS** - Chair, on the point of order, he just said it is a statement of fact. He withdraws and then he says it is a statement of fact. Either he withdraws unconditionally or I would ask you to rule that way.

**CHAIR** - If you could withdraw unconditionally.

**Mr BOOTH** - I have withdrawn. Mr Harriss seems to have a problem with it.

**Mr HARRISS** - You did not withdraw unconditionally.

**CHAIR** - Mr Booth, you have done now?

**Mr BOOTH** - Yes, I have withdrawn it.

**CHAIR** - Thank you very much. Mrs Rylah has asked a question of the minister and we do need to move on. So on Mrs Rylah's question, minister.

**Mr HARRISS** - Thank you.

**CHAIR** - I ask the minister not to make comment on interjections otherwise we will get no where.

**Mr BOOTH** - Thank you Chair.

**Mr HARRISS** - I would not want to dignify the garbage he goes on with.

Chair, the Liberal Government is committed to rebuilding the forest industry and the native forest contracting sector is critical to the forest industry. The former Labor-Greens government set aside, through the Tasmanian Forest Agreement process, \$20 million in Federal funding which was primarily to buy out forest contractors and have them exit the industry.



We will use a portion of the unspent funds from that program to instead support contractors and keep them in the industry. A total of up to \$4 million will initially be made available through the public native forest harvest contractor assistance program. The program will provide short-term assistance to harvesting contractors working in Tasmania's public native forests. The priority for the program is to maintain the existing native forest harvesting capacity from public forests necessary to supply the industry with the statutory minimum 137 000 cubic metres of high quality eucalypt sawlogs a year.

**Mr GREEN** - Why do they need the subsidy?

**Mr HARRISS** - The program will allow harvest contractors to address outstanding financial obligations enabling them to continue to operate through a challenging transitional period in the short to medium term. Consistent with the priorities of the program, eligibility for funding will be restricted to native forest harvest contractors who have held contracts with Forestry Tasmania at least since 30 June 2013. They must also hold a current contract, with a contract end date later than 30 June 2017. Contractors who do not meet this criteria will not be eligible for funding support under the program. The basic features of the program are that in order to better reflect the differing capital investments in businesses payment rates will vary, with contracts for cable and fully-mechanised operations receiving a higher rate per tonne. Funding will only be able to be used to retire debt owed to trade creditors and recognised financial institutions directly attributable to native forest harvesting operations.

In addition, we are considering the use of some remaining funds to provide hardship and related support to former forest contractors who have been ineligible for previous assistance or exit programs and through no fault of their own have been unable to recover from the loss of their former livelihoods. This matter will be progressed after the completion of the program during the first half of 2015. We are now putting this important industry back on a sustainable footing after it was shut down by decisions of previous governments and we will reposition that funding to appropriately provide support for contractors to stay in the industry because we need harvesting and haulage capacity and we will do all we can to ensure that is underpinned.

**Mr GREEN** - The minister says he wants a bipartisan approach but he makes it very difficult when he goes on with that complete rubbish that he just did then, somehow trying to hold an olive branch out and at the same time completely misleading each and every person sitting around this table and everyone watching. It is a disgrace. Minister, how many meetings have there been of your ministerial advisory council?

**Mr HARRISS** - There has been one with another one on Monday.

**Mr GREEN** - What are the outcomes at this point?

**Mr HARRISS** - You would appreciate that with one meeting of the committee there is a lot of groundwork to be done and matters identified to progress through the committee. We have already indicated there will be, as the legislation requires, the development of a special species timber management strategy. We will be working as hard as we can through that ministerial advisory council to put in place a forest industry growth strategy for this state. There is a power of work to be done to rebuild the industry and then, on the back of that, grow the industry. The ministerial advisory council has wide representation and, importantly, Forestry Tasmania is a part of that council. In all the iterations of the past Forestry Tasmania has been left out of the considerations of the industry and where it needs to grow. The second meeting of the council will occur on Monday

next week and there will be the opportunity from there to progress subcommittees of the ministerial advisory council to chart those growth strategies to which I have referred.

**Mr GREEN** - Does that mean you are going to amend the legislation to change the volume at some stage?

**Mr HARRISS** - Growth in the industry could mean a number of things. It could be on the back of 137 000 cubic metres. We have already addressed at some length today the need for use and proper marketing of the whole of the forest product, residues being one of them. There is a residues study that has started and needs to be progressed as part of the ministerial advisory council because exporting wood fibre for pulp processes into the future may not be the best use. We need to find other downstream-processing value-adding opportunities and there will be substantial work diverted to that process.

**Mr GREEN** - Minister, the impression you give, though, is you are going to grow the industry - that is, the volumes are not going to change but there is going to be a growth strategy within the existing footprint Forestry Tasmania has. Did your credibility start to be eroded when you took a different figure to Cabinet and got rolled? All your rhetoric seems to suggest there is a greater volume out there somewhere that you can attract but you made no change in the legislation. Did you take a different volume to Cabinet outside the 137 000?

[4.45 p.m.]

**Mr HARRISS** - Mr Green knows full well and has conveniently forgotten that Cabinet deliberations are a confidential process.

**Mr GREEN** - All your rhetoric is around volumes and growing the industry but there is no change to the volume in the legislation. Why not?

**Mr HARRISS** - You can speculate all you like as to what has been a process. I have indicated to you that growth in the industry could mean a number of things and it could be on the back on 137 00 cubic metres -

**Mr GREEN** - It could be?

**Mr HARRISS** - It could be, because that is the minimum required. There are a number of means by which the industry can be productively grown.

**Mr GREEN** - Before the election you gave the impression you were going to open up the forests and Forestry Tasmania was going to trade its way out of its difficulties. That is what you told the Tasmanian people. Did you take a different volume to Cabinet of higher value?

**Mr HARRISS** - That is the impression you may have taken. We said consistently, and we hold to it, that we will work assiduously to grow the forest industry, to rebuild it first of all, after it having been decimated on your watch with the loss of 4 300 jobs across the state. In that space, Mr Green, your own report and evaluation into your party's performance at the last state election concluded exactly that - that you had deserted your core constituency and the voters had voted accordingly. You can make any assertion you like. You can make your assessments. The industry can be grown and we will work as productively as we ought to rebuild the industry. We are committed to doing that and that is where the ministerial advisory council will provide advice to

me as to the processes which need to be undertaken to rebuild the industry which was decimated on your watch.

**Mr GREEN** - What work has been undertaken through the recent residue solution study so far and how much of the \$2 million remains?

**Mr HARRISS** - I would need to take advice on that. There will be a discussion around that at the ministerial advisory council on Monday.

**Mr GREEN** - So you don't know?

**Mr HARRISS** - If that is a matter you need me to report back to the committee on through the appropriate process, I can do that.

**Mr GREEN** - This money came about as a result of the TFA, and you know that.

**Mr HARRISS** - Do you want me to do it or not?

**Mr GREEN** - Yes, I do. We will put it on notice, thank you. When do you expect the work to be completed or are you going to discuss that on Monday as well with respect to the residue solutions?

**Mr HARRISS** - There is an amount of work yet to be done. That work has only just started, as you would well know, under the former special council.

**Mr BOOTH** - Minister, with regard to native eucalypt wood production and then to do with mill door-landed values, why were the high-grade domestic peeler logs reduced from \$68 a cubic metre in 2008-09 to \$62 a cubic metre in 2013-14? The mill door-landed value for low-grade export peeler logs also reduced from \$80 a tonne in 2008-09 to \$60 a tonne in 2013-14, while the mill door-landed value of pulpwood was reduced from \$59 a tonne in 2008-2009 to \$48 a tonne in 2013-14. Why were those values reduced so substantially?

**Mr WHITELEY** - They are essentially the basic market prices and there will be different reasons for different products.

**Mr BOOTH** - On those figures, notwithstanding whether you have a southern woodchip port or not, if your mill door-landed value was \$48 a tonne for pulpwood, you can't cut it down and cart it for that from most places. Harvest and cart would be close to \$55 for most.

**Mr WHITELEY** - No, it's not.

**Mr BOOTH** - You would have to have a very close coupe.

**Mr WHITELEY** - It is nowhere near that, particularly in the north of the state.

**Mr BOOTH** - What would your harvest and cart be?

**Mr WHITELEY** - That is the current market price. You will note that it increased from \$45 the previous year and essentially that a reflection of the market.

**Mr BOOTH** - If that is the market, I would be interested in you going through those figures because I cannot see how. Maybe that is why the contractors keep going broke - because the rates are so low. There is no future at \$48 a tonne. Surely you cannot tell me there is a future for making a profitable industry out of pulpwood based on that.

**Mr WHITELEY** - The chair made some comments on that previously.

**Mr BOOTH** - But I am asking you.

**CHAIR** - It is not appropriate to ask direct questions to the CEO.

**Mr BOOTH** - Is there a direct correlation between the market price for pulpwood and contractual price agreed with Ta Ann for high-grade domestic peeler logs and how that is calculated or adjusted?

**CHAIR** - Is that for the minister or for the chair?

**Mr BOOTH** - The minister or the chair. The chair is not necessarily looking like he wants to answer that but he can.

**Mr HARRISS** - I was listening as closely as I could to Mr Booth.

**Mr BOOTH** - Is there a direct correlation between the market price of pulpwood and a contractual price agreed with Ta Ann for high-grade domestic peeler logs and how is it calculated? I recall some years ago that it was based and I think it was \$7 a tonne or something like that above the pulpwood price when the Ta Ann deal was originally struck or something like that, but if you could confirm, minister, what that correlation is.

**Mr WHITELEY** - Essentially, they are both market price. When the initial contracts were drawn up there may well have been some relationship. I cannot comment on that.

**Mr BOOTH** - So there is no ratio?

**Mr WHITELEY** - All products are sold based on market price really.

**Mr BOOTH** - So if the pulpwood price dropped away then the peeler rate would not necessarily drop?

**Mr WHITELEY** - They are different markets.

**Mrs RYLAH** - Minister, I heard mention in regard to Mr Hickey on their long-term ecological research and all that sort of thing. I understand that project has received international recognition. Can you provide information on how that side is measuring carbon and the carbon issues and the effect that it is showing from extreme weather?

**Mr HARRISS** - I have had an interest in the long-term ecological research site for years since travelling overseas some years ago to have a look at the forest industry myself in other jurisdictions to convince myself that what we were doing here was world's best practice. People overseas have understood for a long time the value of what the Warra Long-Term Ecological Research site

contributes to forest science research in this state - in the nation, in fact. It really is a shining light in Australian forest research.

I have referred earlier, as you have correct indicated, to Mr Hickey's contribution to that. Just last year Forestry Tasmania installed and commissioned an 80 metre tall carbon flux tower at the site. The flux tower allowed Warra to become one of 10 sites in the terrestrial ecosystem research network funded Australian super sites network. These are sites that combine a flux tower with intensive site-based measurement. I could continue to share with you, Mrs Rylah, my understanding of the value of that tower in terms of science contribution but I will, if I can, defer to Mr Hickey with some of the detail sitting around that because it is a very important contribution to the forest science research.

**Mr HICKEY** - Thank you. The carbon tower is pretty special and it is the southern-most tower in the world, I believe. There are 10 of them across Australia and I think some of them are actually in things like deserts so having one in Tasmania's wet eucalypt forest is pretty special and it is showing some unusual results. I think most of us would understand that forests grow and they take carbon out of the atmosphere - which is broadly correct. But they do not do that all the time and in periods of summer drought they actually release. So scientists are getting pretty interested in the information that this tower is presenting; it is a little bit different to conventional wisdom.

Perhaps the other thing that I could mention is the unusual land tenure arrangements because it was previously on state forest. It became part of the addition to the World Heritage area and it is also now under a Nature Conservation Act reserve tenure. So FT is continuing to operate it and we are attracting external funding to do that. Currently we are pleased to be able to do that. It raises the question of who should fund a global asset like that into the future and maybe it relates a bit to the discussion about FT's costs. If you say these should all be costed against the wood that we sell, currently there are a lot of other things that we do that are in that expenditure.

**Mr HARRISS** - I think Mrs Rylah might be interested also in the real-time measure of the carbon dioxide -

**Mr GREEN** - We are a bit interested in the real time, in terms of the committee.

**MR HICKEY** - It is pretty sophisticated. There is a new infrared gas analyser at the top of the tower at 80 metres and next year we hope to have the funding to make that automatically feed back into Hobart instantaneously. It is not quite there yet.

**Mr GREEN** - The special species management plan, can you indicate how much remains in that fund as well?

**Mr HARRISS** - I do not have those figures.

**Mr GREEN** - I will put them on notice as well. Does Forestry Tasmania have sufficient volumes to fulfil its obligations regarding special species at the moment?

**Mr WHITELEY** - We have published a three-year plan after talking to our customers. We have taken some steps because we have some more contract capacity, particularly on things like celery top pine that was struggling to produce. This year we are looking to get somewhere between 400 and 500 cubic metres of celery top pine, particularly in the north-west where there is some milling capacity. In the south, there are only very small operators; so we are working on that.

Across all of the species we have done that. We have also recently published a blackwood swamps management plan and recast sustainability around that. We are operating in accordance with that management plan. It depends on the weather conditions, but looking to meet customer needs across all the special species.

**Mr GREEN** - Just on the Geeveston Forest Centre, can you give us an update regarding that because it is my understanding that the locals are looking to have a greater input or take over the facility there? Can you bring the House up to speed with what is going on?

**Mr WHITELEY** - Currently FT is coming towards the end of a five-year lease. About six or 12 months ago we let the council know that we did not intend to renew the lease. This year it is being funded under the CSO payment made available by the Government. We are going through a process. It is for that purpose. It is for education and those sorts of things, so if the community can take that on that would be good.

**Mr GREEN** - You are in discussion with them now?

**Mr WHITELEY** - Yes.

**Mr BACON** - You made the comment in Parliament that you were at the protest that took place at Ta Ann, is that accurate? You claimed to be at the protest when it took place in Ta Ann at either Smithton or Southwood.

**Mr HARRISS** - There have been a number of protests at Ta Ann.

**Mr BACON** - Which one were you present for?

**Mr HARRISS** - I was at one in the southern forests when I was the MLC for Huon.

**Mr BACON** - At Ta Ann at Southwood?

**Mr HARRISS** - Correct.

**Mr BACON** - Were you given a heads-up that the protest was on? How were you there at the time that the protest happened to take place?

**Mr HARRISS** - I cannot recall. I probably received a phone call because I do keep in touch - I did then as an MLC.

**Mr BACON** - And you went down to Southwood.

**Mr HARRISS** - As an MLC, I had regular communication with the forest industry. I do not know where it is going in terms of Forestry Tasmania.

**Mr BACON** - I put it to you, minister, that you have a pattern of lying to the Parliament -

*Members interjecting.*

**Mr BACON** - Sorry, misleading the Parliament and the Tasmanian people -

**Mr BROOKS** - Point of order.

**Mr BACON** - I withdraw that. You have a pattern of deliberately misleading the Tasmanian people and the Parliament. This is just another example of that.

**Mr HARRISS** - Which example?

**Mr BACON** - That you claimed to be there at the protest when it took place.

**Mr HARRISS** - I was there.

**Mr BACON** - Okay, when was that?

**Mr HARRISS** - I will check my diary, if that is important to you.

**Mr BACON** - It is important to me.

**Mr HARRISS** - I was at the site. You can check with the local police.

**Mr BACON** - I think informing the Parliament in an accurate manner, you have had to correct the record today when you were caught out telling mistruths earlier. You have told mistruths before the election and constantly since the election. This is just another example. It is a pattern of behaviour.

[5 p.m.]

**CHAIR** - Mr Bacon, we are dealing with FT and its performance over the last accounting period with a little bit of variation. I have allowed that because people do wish to go into a little bit of history and forecasting of what might happen. To go where you have gone is inappropriate in my belief and we need to move on to the next question. I am going to Mr Brooks for the next question.

**Mr BROOKS** - I did have a question. It is disappointing that Mr Bacon tries to grandstand in the final minutes and make ridiculous slurs against the minister. It is typical of the approach of that party.

I had a serious question about the confidence within the timber industry. I met with contractors recently and whilst it is still a long way to go there seems to be a more confident feeling from the industry and the contractors. I was wondering if the minister could comment on whether he is seeing a similar change in attitude around the future of forestry in Tasmania from the previous disaster of the Labor-Greens government.

**Mr HARRISS** - Just over a week ago I attended a commendable quarterly meeting held by Forestry Tasmania with the contractors. That is the second such meeting that I have attended. There have been two held since we came into Government. I have attended both and I gained from those people, as I am gaining from saw millers, a sense of confidence. People are walking with a bounce in their step as to their preparedness to contribute to the industry. There is a confidence level out there and people are saying they are very happy about the direction which this Government is providing. It is in the comments by people to me on those one-on-one meetings and in broader meetings. I attended two forums only a few weeks ago, organised by Private Forests Tasmania, and across the board I sensed a bounce in their step.

## UNCORRECTED PROOF ISSUE

**CHAIR** - Minister, I would like to thank you and all members for contributing to this.

**The committee adjourned at 5.03 p.m.**