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**Government Response to The
Legislative Council Government
Administration Committee 'A'
Report on The Impact of the
Proposed Transition out of Public
Native Forest Management and
Harvesting in Tasmania**

Background

On 16 March 2011, the Legislative Council Administration Committee 'A' determined to inquire into the impact of the proposed transition out of public native forest management and harvesting in Tasmania, given the strong level of concern being raised following the signing of the Statement of Principles in October 2010 and the work of Mr Bill Kelty as facilitator to the signatories in attempting to develop an agreement to present to Governments.

This inquiry was based on interviews and submissions made by *Statement of Principles* signatories, Government officials, industry experts and participants and other stakeholders involved in forestry in Tasmania. The information gathering process was carried out between March and May 2011.

The Committee's report was released on 28 June 2011.

The key findings of the Committee were:

- there is no agreement on what transition or high conservation value means;
- a viable forest industry remains critically important for Tasmania's economy;
- there is widespread confusion in the community on the roles of signatories and governments in dealing with the Statement of Principles and how other stakeholders will be involved;
- The Australian Government had not completed its due diligence work;
- The impacts on private native forests were not being considered;
- There is a wide range of businesses that are reliant on a secure native forest resource;
- The sale of residues from sawlog and veneer log harvesting is critical to the viability of the industry;
- Any transition out of native forests will have significant impacts on regional communities, but these impacts have not been well studied;
- There is a lack of evidence that other industries, including tourism could substitute for forestry in affected communities;
- There are significant costs associated with managing native forests as conservation areas which require further assessment;
- The carbon value of forests is an important issue that is not well known and may have important economic benefits in the future.

The recommendations from this report, and the Government's responses to these, are listed as an attachment to this report.

Government Response to Report

The Government believes that the Committee has undertaken a thoughtful analysis of the issues concerning the future of Tasmania's public native forests, and the aspirations and concerns of the industry and communities that rely on the continued harvesting of those forests, and as such it thanks the Committee for this report.

The Committee's findings and recommendations highlighted a number of very important issues where uncertainty existed in the community regarding the process of implementation of the Statement of Principles that were agreed to by the signatories on 14 October 2010.

However, soon after the Committee's report was released at the end of June 2011, there were a number of significant developments that relate to and address to various degrees the Committee's findings and recommendations. These include:

- Mr Kelty's final report to the Governments from the Statement of Principles process;
- Forestry Tasmania's *Evaluation of Wood Resource Implications* report which provides regional data of supply implications for products from both native forest and plantations under the different scenarios discussed by the Signatories to the Statement of Principles;
- The Environmental Non-Governmental Organisations (ENGO's) report outlining the the basis on which they nominated the 572,000 hectares of HCV forests;
- Dr Jacqui Schirmer's report on her work on the social and economic impacts of the severe industry downturn since 2008.

The Government is not to saying that these reports answered all of the questions and issues raised by the Committee. Rather, these reports are mentioned as they highlight that this is a process that is still in progress, and it is recognised that there will be uncertainty and hence questions that need to be asked and answered as this process evolves.

Following the delivery of Mr Kelty's report to Governments it was obvious that both Governments needed to take a more decisive role in assisting individuals, businesses and communities that were being affected by the industry changes and to provide a way forward for the ongoing debate arising from the Statement of Principles process. This imperative lead to the signing of the Tasmanian Forests Intergovernmental Agreement (the TFA) on 7 August 2011.

The signing of the TFA marked a significant milestone in a long and ongoing process to assist the forestry industry and its workers to adjust to the significant external changes in its business environment over the last two years. These changes have been brought about by many economic factors largely beyond the control of governments. Some of the changes have been as a result of decisions made by businesses in the industry themselves or their customers.

The TFA outlined a response to industry changes by both Governments with the aim of reducing the pain been felt by Tasmanian communities and to provide greater certainty for the future.

It will provide greater certainty for the industry about future resource availability, certainty for those workers who have lost their jobs and those businesses that have struggled to survive over the last two years. It will also deliver to those that seek greater protection of our native forests.

The Australian Government has made it clear that it will assist the Tasmanian Government through additional funding only if there is a balance between providing for a sustainable industry with greater protection for native forests.

The Government is a long-term supporter of the forest industry and recognises its significant contribution to regional rural communities throughout Tasmania. The Government's motivation through this process has been to do all it could to assist the industry its employees and the dependent communities adjust to the changes that are happening and to re-build the foundations of a strong and sustainable industry into the future.

This re-building requires a transition from the current situation to the future.

It does not mean a transition out of native forests, even though that is what some of the signatories to the Statement of Principles appear to want.

The TFA makes it very clear that there will be a reduced harvest level of wood from public native forests enabled by the extinguishing of Gunns Ltd's sawlog and native forest pulpwood contracts with Forestry Tasmania.

However, the TFA has guaranteed minimum supply volumes of the other key products and that the other native forest sawlog and veneer contracts will be honoured. These extend through to 2027.

The TFA gives utmost priority to assisting those directly affected by the changes in the industry. It provided for up to \$85 million in assistance over the next year to support contractors, sawmillers, employees and the community, and much of this assistance has been or is very close to being delivered.

The TFA sets up a process for looking at issues such as high conservation value definitions and claims, industry supply claims and future native forest and plantation resources. The Governments will receive a report for the Independent Verification Panel headed by Professor Jonathan West in the near future and the Government expects that this report will provide many of the answers the Legislative Council Committee has asked, and allow the Government, and the Legislative Council, to better understand and evaluate the way forward when considering the legislation that will be brought to the House.

The future use and management of any recommended new reserves is an important issue. For the first time we have been successful in having the Commonwealth recognise its obligations to assist the State in the costs of managing these new reserves. \$7 million will be provided to Tasmania each year on an ongoing indexed basis as a contribution to the costs of managing these reserves for public use and recreation, and for protection from fire, pests and diseases.

The creation of new economic development opportunities in communities impacted by the forest industry changes is a fundamental component of the TFA. The Australian

Government has agreed to provide up to \$120 million over the next 15 years, including an initial payment of \$20 million this year to fund regional development projects.

The first investments from this Program have already been announced including:

- \$1.5 million for the Harcus Road Infrastructure project will allow for the conversion of up to 27 farms from lower value beef production to higher value dairy production in the State's North West;
- \$4.25 million to establish an Agritas Trade College in Smithton which will facilitate skills development in areas such as agribusiness and irrigation development and will offer nationally recognised qualifications in agriculture and management, along with a wide range of short-course programs
- \$3.9 million being invested in that Tasman Salmon Industry to boost aquaculture production in the Huon; and
- \$3.6 million investment in the Sensing Tasmanian (SenseT) Program which will allow farmers to monitor the microclimate, not only in their region, but on their own property, along with the ability to precisely control irrigation and other crop management accordingly.

It is this type of new investment and job creation that the TFA is bringing to Tasmania, with further investment to be informed by a detailed socio-economic study to be undertaken by Professor West and a joint government analysis of options for diversification of the Tasmanian economy consistent with the Tasmanian Economic Development Plan that was recently released.

In addition, the Governments will develop a process to further identify, by June 2012, the impacts of the forest industry changes on affected regions, the progress in implementing the adjustment measures and the need for further assistance measures.

The importance of the ongoing commitment of the signatories has been recognised in the TFA through a requirement for them to annually advise the Governments of their ongoing commitment and for the Governments to review the TFA if the signatories indicate that the TFA is no longer durable.

Ultimately, the Government recognises that to fully implement the TFA will require both Houses of Parliament to approve legislation. The Government wants to ensure that, as the processes outlined in the TFA are worked through over the next 12 months, issues raised in this report are addressed as fully as possible and that ultimately the process be endorsed by the members of the Legislative Council.

That is why the Government notes this report, and thanks the Committee for their thoughtful analysis and recommendations.

Direct responses to each of the Committee's recommendations are attached.

RECOMMENDATIONS OF LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION COMMITTEE A

The Impact of Proposed Transition out of Public Native Forest Management and Harvesting in Tasmania
 The Committee recommends that there not be any additional reserves of native forests or any transition out of public native forest management and harvesting, as proposed under the Statement of Principles, without consideration of the following:

#	Recommendation	Response
a	The definition of key terms such as High Conservation Value Forest (HCVF) be settled and based upon a scientific methodology and applied to any future conservation decisions	This issue is being address through the TFA via the Independent Verification Group (IVG) who have been asked to assess and provide advice about stakeholder claims relating to conservation values, areas and boundaries of potential reserves from within the ENGO-nominated 572,000 hectares of High Conservation Value native forest. The Government brings to the Legislative Councils attention that WWF guidelines about HCVF evaluation states that "It is a science-based - providing a systematic framework for identifying high conservation values, based on the best available ecological and social information. However, the ultimate decision as to whether the conservation values present are sufficiently concentrated or critical to be termed HCVs will always be a subjective one." It is expected that as part of their report, the IVG will outline the scientific methodology and logic for the verification of high conservation values allowing the wider community to better understand the process.
b	An agreement relating to any transition out of public native forests should consider the conservation value of all native forests within Tasmania	The purpose of the IVG is to verify the claims relating to high conservation value within the nominated 572,000 hectares, and to then seek a lasting solution to the ongoing and exhausting debate over public forest management that has caused so much division in our community. It does not look at private land.

#	Recommendation	Response
c	The organisations or individuals to be consulted on the proposed terms of any agreement need to be carefully considered by Government. Given the limited number of signatories to the SOP, a particular emphasis needs to be given to consulting with non-signatory stakeholders who are said to be adversely affected by a proposed transition	As part of the terms of reference for the Independent Verification Process, the IVG were explicitly required to put in place appropriate arrangements for ongoing consultation (Clause 20) with: • Governments (through the Intergovernmental Taskforce), • Signatory organisations (through the Reference Group of Signatory representatives), • experts • and other stakeholders (including, but not limited to, the stakeholders listed at Attachment A of the Terms of Reference available at http://www.dier.tas.gov.au/data/assets/pdf_file/0010/64828/IVG_ToR_as_endorsed_by_all_Signatories.pdf). Professor West has reported that he has undertaken consultation with these groups in his briefings.

#	Recommendation	Response
d	The future roles and responsibilities for the management of public native forests needs to be carefully evaluated by the Tasmanian Government prior to an agreement for any transition being adopted. The responsible authority/s need to be provided with the necessary funding to actively manage the resource on a long term and economically sustainable basis;	Agreed in principle. Although not directly a part of the TFA process, Treasury is undertaking a Strategic Review into Forestry Tasmania, of which the Stage 1 (Redacted) report has been released. The purpose of the review is to examine the future structures, governance and business models under which Forestry Tasmania may operate within the Statement of Forest Principles. Once the IVG report has been received and the stakeholders indicate their level of agreement to the report, this will better position the Government to consider the appropriate future structures for managing State Forest production and any new reserves and reserve tenures. It is important to understand that whilst the IVG may recommend future land use and tenure for ENGO nominated areas, it is the Government, and ultimately Parliament, that will decide on the appropriate land tenure for any reserves nominated by the IVG. In doing so it will take into account potential impact on areas of significant mineral potential and also other recreational or traditional users of these areas. Through the TFA, the Australian Government has undertaken to provide \$7 million a year, indexed to grow, to assist in the ongoing management of any new reserves created through the TFA ensuring that the future burden of managing these reserves down not fall solely on the State.

#	Recommendation	Response
e	The terms of an agreement for any transition must include decision-making that balances the social, economic and environmental factors associated with transition;	Agreed in principle. The creation of new economic development opportunities in communities impacted by the forest industry changes is a fundamental component of the TFA. Through the TFA, the Australian Government will provide up to \$120 million over the next 15 years, including an initial payment of \$20 million this year to fund regional development projects. This will be informed by a detailed socio-economic study to be undertaken by Professor West and a joint government analysis of options for diversification of the Tasmanian economy consistent with the Tasmanian Economic Development Plan that was recently released. In addition, the Governments will develop a process to further identify by June 2012 the impacts of the forest industry changes on affected regions, the progress in implementing the adjustment measures and the need for further assistance measures.
f	Governments must ensure certainty of long term wood supply for the forest industry, including access to native wood supply for those industries unable to transition;	Agreed in principle. Through the TFA, The Government has provided for a guaranteed minimum annual supply of high quality sawlog, peeler logs and special species timber (to be verified). These are the supply levels requested and agreed to by the industry signatories. The Government will look at how best to implement the TFA commitments once the IVG report has been received.

#	Recommendation	Response
g	An agreement on any transition must be legally binding upon the signatories. This will limit the risk of future claims for additional reserves which will create further uncertainty for the forest industry in Tasmania;	The importance of the ongoing commitment of the signatories has been recognised in the TFA through a requirement for them to annually advise the Governments of their ongoing commitment and for the Governments to review the TFA if the signatories indicate that the TFA is no longer durable. The Australian Government (Minister Burke) has also recently publically stated that he is looking at mechanisms by which to bind the signatories to a durable agreement into the future.
h	Local, State and Commonwealth Governments sign a Memorandum of Understanding that sets out the respective roles and responsibilities of each level of Government as part of any transition;	The TFA is the first step in establishing a durable and ongoing agreement about the respective roles and responsibilities of the State and Commonwealth Governments. The State Government is aware that beyond the local employment and business impacts that have been occurring due to the loss of woodchip markets in Japan and its consequent flow on affects in regional communities, one of the potential future impacts of the TFA is the direct loss of rates paid by Forestry Tasmania to local councils. The State Government will consider any impacts on Local Governments once it has received the IVG report and is in a position to evaluate its impacts on productive forestry land.
i	The Tasmanian Government complete the review of the Forest Practices Code;	The Tasmanian Government agrees that it is important to complete the review of the Forest Practices Code, however as noted by the Forest Practices Authority (http://www.fpa.tas.gov.au/news/review_of_the_forest_practices_code) there are a number of key policy issues that need to be clarified before finalising this review. The Government believes that these policy decisions can only be made within the wider context of the TFA implementation and expects to be able to address this over the course of 2012.
j	The following assessments must be completed prior to an agreement being adopted to confirm the viability of any proposed transition:	See sub-comments below

#	Recommendation	Response
i	The communities affected by any agreement require appropriate levels of targeted economic, social and other support from the State and Commonwealth Governments. An independent taskforce should be established as a matter of priority to undertake a full social and economic impact assessment to determine the assistance required and the appropriate methods for the delivery of support and transitional services	The creation of new economic development opportunities in communities impacted by the forest industry changes is a fundamental component of the TFA. The Australian Government will provide up to \$120 million over the next 15 years, including an initial payment of \$20 million this year to fund regional development projects. This will be informed by a detailed independent socio-economic study to be undertaken by Professor West and a joint government analysis of options for diversification of the Tasmanian economy consistent with the Tasmanian Economic Development Plan that was recently released. In addition, the Governments will develop a process to further identify by June 2012 the impacts of the forest industry changes on affected regions, the progress in implementing the adjustment measures and the need for further assistance measures.
ii	A report is commissioned by Government to evaluate the opportunities for alternative enterprises to replace forestry related enterprises in affected communities	As noted in (i) above, both the Governments and Professor West are undertaking work to evaluate the opportunities for alternative enterprises to replace forest related enterprises. The Premier has recently announced that \$950,000 had been committed to implement Dr Sirolli's successful economic development model in Smithton, Scottsdale and George Town to help small businesses grow in these regions.

#	Recommendation	Response
iii	Government commission an independent feasibility study of the future use of wood and wood residue in Tasmania including the establishment of downstream processing industries such as biofuel, rayon, fuel pellet and other value-added industries. The feasibility study should also include consideration of how existing industries such as veneer mills can generate additional employment opportunities for regional communities;	Agreed in principle. The Stage 1 report as part of the Strategic Review into Forestry Tasmania looks at this issue in some detail, and there have already been a number of reports commissioned by the FFIC into these opportunities in the past. Forestry Tasmania's <i>Innovation Plan</i> currently summaries Forestry Tasmania's view of the potential opportunities for new industries, and part of the Strategic Review is looking at the appropriate risk profile that Government should take in progressing and supporting these sort of developments.
iv	Subject to the findings of the independent feasibility study, Government establish a forestry innovation fund to expedite the development of new downstream processing industries in Tasmania;	The \$120 million to be received over the next 15 years from the Australian Government as part of the TFA will be used in part to expedite the development of new downstream processing industries, potentially including forest industry investment, in Tasmania.
v	Government undertake an independent economic assessment of the carbon value of the public native forest reserves proposed under an agreement to determine the most effective mechanism to maximise the economic benefit to the State of Tasmania;	A study into Tasmania's forests and carbon capacity was announced in the 2010 State budget and will be completed this year. The project is being undertaken by CO2 Australia Limited. The project is now well advanced. This study should provide an independent scientific view on the carbon stored in Tasmania's forests including the environmental and economic impact of forest management on these values. Separate work is being done into this area as part of the IVG process, and the Government expects this will be released as part of the IVG's report.

#	Recommendation	Response
vi	Government undertake an environmental and economic impact assessment of the use of plantation resource as a substitute for public native forest resources.	It is expected that work done as part of the IVG report to be released in the near future and will provide some advice on the use of plantation wood as a substitute for the public native forest resource.