

Tasmanian Forests Agreement Bill 2012

Whole-of-Government Departmental Submission to
the Legislative Council Select Committee

January 2013



Contents

1.	Introduction	3
1.1	Overview of the Tasmanian Forest Agreement 2012	3
1.2	Work Program	5
1.3	Market situation	7
2.	Policy and Legislative Framework	8
2.1	Protection Order	8
2.2	Resource Security	10
2.3	Sovereign Risk	11
3.	Funding	12
4.	Conservation/durability	13
4.1	Conservation Agreement	13
4.2	Implications for Government Entities.....	13
4.3	Durability and Special Council.....	15
4.4	Carbon.....	16
4.5	Special Species Timber.....	16
5.	Industry Transition	17
5.1	High Quality Sawlog contract voluntary buyback.....	17
5.2	Regional Sawmillers Structural Adjustment Program	17
5.3	Forestry Tasmania Rescheduling	18
5.4	Residue Market Solutions.....	18
6.	Economic Transition	20
6.1	Social and Economic Analysis.....	20
6.2	Tasmanian Forests Agreement Economic Diversification Funding	20

1. Introduction

1.1 Overview of the Tasmanian Forest Agreement 2012

On 22 November 2012, the Tasmanian Forest Agreement 2012 (TFA) was formally agreed to by the Reference Group of Signatories, representing key environmental and forest industry organisations and a key union. The Premier and Deputy Premier welcomed the Agreement and announced on 22 November 2012 that the Tasmanian Government would work closely with the Australian Government to implement the TFA.

Key elements of the TFA include:

- A legislated minimum supply of 137 000 cubic metres of high quality eucalypt sawlog and the establishment of Permanent Timber Production Zones;
- An additional 37 954 hectares designated as a Specialty Craft and Timber Zones, along with peeler wood supply to meet contractual arrangements;
- Support for Forest Stewardship Council certification of remaining native forestry activity;
- 504 012 hectares of native forest will be given legislative protection in two tranches – 395 199 hectares after enactment of legislation and 108 813 hectares by March 2015, pending the satisfaction of durability clauses; and
- An additional 20 183 hectares will be designated as a once-off log, restore and reserve area, and 1 228 hectares of log-of-last-resort zone.

The TFA has been agreed at a time of significant market uncertainty for the forest industry. The collective view of the Signatories is that the implementation of the TFA provides greater certainty for both industry and conservation interests, compared with the status quo. This view is supported by Ta Ann Tasmania Pty Ltd, which has indicated that it cannot continue to operate in Tasmania without the TFA.

In support of the TFA, the Tasmanian Government amended legislation which was first tabled in Parliament on 21 June 2012 to allow for the specific implementation of the TFA.

The *Tasmanian Forests Agreement Bill 2012* (the Bill) was passed by the House of Assembly on 23 November 2012. The Bill is intended to give legislative effect to the intentions of the Signatories to the TFA and the Government's key objective to enable the protection of Tasmania's carbon reserves.

On 11 December 2012 the Australian and Tasmanian Governments announced a funding package to support the Signatories Agreement. The package includes \$102 million to fund initiatives in addition to those already committed through the \$276 million of funding included under the Tasmanian Forests Intergovernmental Agreement 2011. This funding will help Tasmania implement the TFA.

The funding from the Australian Government for the TFA will include:

- \$28 million to support industry restructuring including support for workers and contractors;
- \$25 million to support regional structural adjustment, sustainable residue solutions and encourage innovation in the use of plantation timber;
- a further \$2 million additional per year (\$6 million over the period 2014-17) to support the ongoing management of additional reserves, bringing the total to \$9 million per year, escalating at CPI, in perpetuity; and
- \$3.5 million to support implementation of the Signatories Agreement including the establishment of the Special Council; forestry industry certification; and securing the durability of the Agreement.

Of the joint \$102 million additional commitment, the Tasmanian Government has committed to provide \$39.5 million to assist industry to transition to the new operating environment and support for the Special Council and securing durability of the Agreement.

The flow of the funding is dependent on the Bill, which gives effect to the Agreement, passing through the Tasmanian Parliament.

This Whole-of-Government Departmental submission has been prepared with input from all relevant agencies to inform the Legislative Council Select Committee of:

- The Government's proposed amendment to the Bill, reflecting consideration of concerns raised by members during the Second Reading Speech Debate; and
- The substantial and co-ordinated body of work underway to advance the TFA.

1.2 Work Program

There are six major streams of work being progressed simultaneously by the Tasmanian and Australian governments and Forestry Tasmania to give effect to the TFA.

These are:

- Policy;
- Legislation;
- Funding;
- Conservation/durability;
- Industry transition; and
- Economic Transition.

The Department of Infrastructure, Energy and Resources as Lead Agency along with the Departments of Premier and Cabinet; Treasury and Finance; Primary Industries, Parks, Water and Environment; and Economic Development, Tourism and the Arts have significant roles in the implementation of the TFA. The program of works has also been discussed and agreed with Forestry Tasmania and the Australian Government. There is a very high level of commitment and co-operation from all parties to delivering the work program required under the TFA.

The work program demonstrates the complexity, interdependencies and timeframes associated with TFA implementation milestones. It is important to note that this work program, which has been coordinated by the Lead Agency, has regularly evolved with changing circumstances. For example, an earlier work program dealt with the scenario where the Bill passed through Parliament prior to the end of 2012. When the Legislative Council decided to refer the Bill to a Select Committee, the work program was updated to adapt TFA implementation to the new process and timeframes.

In addition to the tasks related to policy and legislation, the current work program includes:

Funding

- Working towards a funding agreement between State and Australian Governments to formalise the funding commitment;
- Immediate Forestry Tasmania funding requirements to support implementation of the TFA, which have been addressed.

Conservation/durability

- Preparation for the establishment of Special Council by Ministerial Order, with a draft order provided to the Signatories;
- Preparatory work for tasks associated with the Special Council, including:
 - Secretariat support provided to Signatories;

- Signatories continuing to meet before establishment of the Special Council; and
- developing the framework for durability advice on the TFA;
- Consideration of the proposed extensions to the Tasmanian Wilderness World Heritage Area;
- Communication with the Australian Government with respect to the interaction between the *Carbon Credits (Carbon Farming Initiatives) Act 2011* and the TFA;
- Joint development of a new Conservation Agreement between the Australian and Tasmania Governments, and Forestry Tasmania, is near completion; and
- Facilitating discussions between Signatories and Forestry Tasmania on Special Species planning.

Industry Transition

- Sawlog contact voluntary buyback program, which is underway;
- Forestry Tasmania commencing rescheduling of harvesting;
- Regional Sawmillers' Structural Adjustment program, with discussions taking place with the Tasmanian Sawmillers Association to commence the program shortly;
- Initial funding provided for alternate market for residues work program; and
- Planning for key industry transition programs consistent with funding arrangements.

Economic Transition

- Socio-economic modelling to underpin programs for workers, contractors and communities, which is being undertaken by the Australian Government Department of Sustainability, Environment, Water, Population and Communities; and
- Planning for additional economic diversification projects consistent with the Tasmanian Economic Development Plan, and subject to the passing by the Parliament of the Bill.

These implementation tasks are described in further detail in sections 3-6 below.

1.3 Market situation

The TFA is intended to provide certainty to industry at a time when there has been significant uncertainty and changes in markets.

The Tasmanian forestry industry has experienced a significant downturn since 2008. Surveys conducted by the Co-operative Research Centre for Forestry (CRC), estimates total job numbers have approximately halved in just three years, reducing from about 6 960 in 2008 to 3 460 in 2011.¹ These surveys represent the most detailed assessment of employment levels currently available. A copy of the Summary section of the CRC Report is provided in Attachment 1.

In order to examine the future structures, governance and business models under which Forestry Tasmania may operate, in a significantly changed business environment, the Tasmanian Government commissioned a Strategic Review of Forestry Tasmania. The review was conducted by consultants URS Australia Pty Ltd (URS), with the Stage 1 completed in February 2012. While this work was not intended to be related to the TFA, the URS work nonetheless identified the following factors as causing challenges in the industry:

- Long-term reduction in national demand for hardwood structural timber;
- A significant contraction of historic Japanese woodchip markets, and growing preference for plantation fibre; and
- A high Australian dollar, leading to weakening export competitiveness.

A redacted copy of the Stage 1 Report is provided in Attachment 2.

Forestry Tasmania is of the view that since URS' review, there have been some signs of positive change in the market. This has included measures to find alternative markets for sawmill residue. This has removed some of the structural impediments that existed to sawlog throughput, with consequent flow-on effects for other wood supply.

However, while Forestry Tasmania is of the view there are indications of improvement, the overall evidence suggests that without significant structural adjustment in the Tasmanian forest industry, it is highly likely that the industry will continue to be challenged.

The TFA provides for structural adjustment, and provides active support for new markets and products where the Tasmanian forest industry can create and sustain a comparative advantage in these new areas.

¹ J Schirmer, C Dunn, E Loxton & M Dare, *Technical Report 214: Socioeconomic impacts of forest industry change: a baseline study of the Tasmanian forest industry* (Interim Report), CRC for Forestry, July 2011. (available from: <http://www.forestsagreement.tas.gov.au/about>)

2. Policy and Legislative Framework

2.1 Protection Order

The Signatories to the TFA have requested immediate protection of the areas of land identified in the Agreement to be reserved, subject to transitional scheduling and pending the reserve making process (Clause 34 of the TFA).

The Protection Order, once made, provides certain protections to the land contained in it, consistent with the intentions of the Signatories.

For example, the Protection Order:

- from the date specified, prevents a regulator acting under any other Act, from authorising, approving or permitting a prohibited activity identified in the Protection Order in relation to a parcel of land;
- extinguishes the certified forest practices plans identified in the Protection Order in relation to a parcel of land, from the date identified;
- suspends forestry covenants and forestry rights identified in the Protection Order in relation to a parcel of land;
- prevents the manager or owner of the land from selling the land; and
- prevents the manager or owner of the land from granting a right or interest over the land (for example a lease) for a period exceeding 12 months without the written permission of the Minister administering the *Nature Conservation Act 2002*.

Critically, the Protection Order has effect prior to the completion of the reserve making process to be established by the Bill.

Constraints on the Protection Order Process

During briefings and debate on the Bill, some members of the Legislative Council raised a number of concerns about the current operation of the Protection Order.

As currently drafted, the Bill provides for the Minister for Energy and Resources to make a Protection Order.

The Bill specifically provides that the Protection Order, as drafted, must be either accepted or rejected by either House of Parliament. This wording has the effect of preventing Parliament from amending the Protection Order during debate.

The Bill was drafted in this manner to reflect the fact that the purpose of the Protection Order is to give effect to the agreement of the Signatories, without alteration.

During debate on the Bill, some Members of the Legislative Council expressed concern that Parliament does not have the ability to excise some land from the Protection Order, should it have a particular concern with it, without having the effect of rejecting the whole Protection Order.

In addition, the Bill provides that the Protection Order comes into place immediately upon being made by the Minister and remains in place following acceptance by Parliament. Each House of Parliament currently has 15 sitting days from the Protection Order being tabled to make a decision on whether the order should be accepted.

It has become apparent that, allowing for the Legislative Council's deliberations on the Bill, and the timeframe provided for tabling and acceptance of the Protection Order by both Houses of Parliament, it is possible that acceptance of the reserve making process may not be confirmed until August 2013.

This timeframe does not accord with the statements from the Australian Government that funding cannot be guaranteed after April 2013. Other aspects of the TFA, such as the sawlog contract buyback scheme, are also prevented from being concluded until a final outcome is known.

Proposed amendments to Protection Order process

The Government is, therefore, proposing to table an amendment that addresses the issues set out above (see Attachment 3).

The proposed amendment will result in the inclusion of what was to be the Protection Order as a new set of schedules (to be known as 'Future Reserve Land') to the Bill, rather than being a separate instrument made if the Bill is passed. This would allow Parliament to make amendments to the areas of land that can be proposed as reserves, noting that the Minister for Parks, Heritage and Environment will still determine the final boundaries, values and purpose of any reserve prior to it being proclaimed. This is to ensure that appropriate management boundaries are identified during the formal reserve making process.

It also addresses the issue of timing as the Future Reserve Land automatically comes into effect on commencement of the Act. Other processes, such as the sawlog contract buyback, will also be able to be fully concluded, following commencement of the Act, rather than being contingent on the subsequent agreement to the Protection Order. This has the potential to bring forward payment to industry by several months.

The amendment contains details of the Future Reserve Land, including a description, purposes and values, activities to be prohibited, forestry rights and covenants to be revoked, and the dates future reserve orders are to be made for each parcel of land. The new schedules also contain maps of each parcel of land (Schedule C) and transitional coupes identified by Forestry Tasmania (Schedule B).²

² Please note that the transitional schedule is prepared from Forestry Tasmania data current as at 14 December 2012. The schedule may be subject to further amendments as the transition scheduling is finalised over coming weeks. The only other data still to be finalised is the Forest Practices Plans to be revoked (column 6 of Schedule A). It is understood that this work is advanced, however final verification by Forestry Tasmania District staff has been delayed due to the current bushfire situation. The final schedule will be provided to the Select Committee as soon as it is available.

2.2 Resource Security

The TFA represents a commitment by the Signatories to a long-term vision for the forestry industry, the environment and Tasmania's communities.

The TFA seeks to achieve reform to:

- deliver security of wood supply and resource for industry;
- protect additional areas of native forest with important conservation values;
- transition the Tasmanian forest industry to greater use of plantations;
- assist workers, contractors and communities in the process of the restructuring of the industry;
- address the more effective use of residues from the harvesting and processing of forest products; and
- support the achievement of Forest Stewardship Council certification.

Secure supplies of high quality native forest sawlog are central to the TFA. The Bill provides for a minimum 137 000 cubic metres high quality sawlogs, consistent with the agreed position of the Signatories under the TFA.

Forestry Tasmania has advised the Signatories that, in order to meet this minimum requirement, 7 000 cubic metres of sawlogs will need to be sourced through additional cable logging for the next 15 years. The Tasmanian Government has agreed to initially provide up to \$4.8 million a year over the next three years to Forestry Tasmania to enable the harvesting of these areas to supply sawlogs at no additional cost to industry.

These funds will be passed on by Forestry Tasmania to contractors as a payment to offset the additional harvest and transport costs. The requirement for ongoing funding beyond the initial commitment that relates to the forward estimates process, will be considered as part of the normal State budget process.

The supply of the high quality sawlog resource is already protected under the *Forestry Act 1920*. It is also important to recognise that the Tasmanian forestry industry is much bigger than the high quality native forest sawlog component alone.

The table below sets out the approximate annual levels of timber that may be expected to be produced and/or available under the new wood production scenario.

	Public Estate	Private Estate
Native sawlog volume	Minimum 137 000 cubic metres high quality sawlogs, plus >42 000 cubic metres* lower quality logs	30 000 cubic metres* (includes veneer and special species)
Domestic peeler	160 000 cubic metres	
Export peeler	>157 000 cubic metres	
Native pulpwood	>315 000 tonnes*	100 000 tonnes*
Special species	>10 000 cubic metres*	
Plantation Hardwood sawlog	Significant volumes after 2020	300 cubic metres*
Plantation Hardwood pulpwood	>120 000 tonnes	250 000 tonnes*
Plantation Softwood sawlog	19 000 cubic metres*	384 000 cubic metres*
Plantation Softwood export sawlog	17 000 cubic metres*	
Plantation Softwood pulpwood	255 000 cubic metres*	328 000 tonnes*

* Minimum based on 2011-12 volumes supplied, which were significantly lower than previous years. Figures reported in Forestry Tasmania and Private Forests Tasmania 2011-12 Annual Reports.

2.3 Sovereign Risk

Protection against Government decisions that may reduce future long term contracted sawlog supply is a key concern for the forestry industry. This is particularly the case in the context of the current discussions on the Forestry Tasmania transition process, and the limited support for the sector from financing and insurance companies who perceive the industry as being a risk.

Current forestry resource security mechanisms in Tasmania are based on the establishment of an independent land owner manager that requires both Houses of Parliament to reduce contracted supply. This level of protection is consistent with many other states.

The TFA recommends that timber volumes should be made available to industry through long-term, fully compensable supply contracts, with legislated sovereign risk protection.

The provision of sovereign risk protection for the forestry industry was considered during the Legislative Council Second Reading Debate on the Bill. A legislative option was drafted by the Office of Parliamentary Counsel, at the request of the Member for Murchison, and discussed during briefings.

While the amendment is yet to be moved in the Legislative Council, the Government has decided it intends to support the amendment, should it be moved by the member for Murchison, subject to considering calculation of compensation, consistent with similar legislation, such as the *Land Acquisition Act 1993*, where the Valuer-General approves (and calculates) fair compensation.

3. Funding

On 11 December 2012 the Australian and Tasmanian Governments announced a funding package to support the Signatories Agreement. The package includes \$102 million to fund initiatives in addition to those already committed through the \$276 million of funding included under the Tasmanian Forests Inter-governmental Agreement 2011. This funding will help Tasmania implement the Agreement.

The additional funding from the Australian Government for the Agreement will include:

- \$28 million to support industry restructuring including support for workers and contractors;
- \$25 million to support regional structural adjustment, sustainable residue solutions and encourage innovation in the use of plantation timber;
- a further \$2 million additional per year (\$6 million over the period 2014-17) to support the ongoing management of additional reserves, bringing the total to \$9 million per year, escalating at CPI, in perpetuity; and
- \$3.5 million to support implementation of the Signatories Agreement including the establishment of the Special Council; forestry industry certification; and securing the durability of the Agreement.

Of the joint \$102 million additional commitment, the Tasmanian Government has committed to provide \$39.5 million to assist industry to transition to the new operating environment and support for the Special Council and securing durability of the Agreement.

With the additional funding commitments given by the Australian and Tasmanian Governments, an inter-governmental agreement will need to be negotiated and signed by both Governments to formalise the commitments and the terms of the funding. This is a standard procedure with any Commonwealth-State funding agreement, and involves both relevant portfolio agencies and central agencies, with the eventual execution of an agreement by First Ministers.

Initial discussions have been held with Australian Government officials and Tasmanian officials are awaiting a first draft of an agreement to commence the

negotiations. The intent is that the agreement will be negotiated before the Tasmanian Parliament first sits in 2013, though the flow of funds from the Australian will not occur unless and until the Bill passes the Tasmanian Parliament.

4. Conservation/durability

4.1 Conservation Agreement

The TFA, in clause 43, envisages a new Conservation Agreement under the Australian *Environment Protection and Biodiversity Conservation Act 1999* be signed by the Australian and Tasmanian Governments, and Forestry Tasmania, to provide interim protection for the agreed reserve areas, subject to the transitional rescheduling and pending the implementation of the Protection Order/Schedules under the Bill. An agreement has been drafted by the three parties and is expected to be signed in the near future.

The proposed agreement is modelled on the previous Conservation Agreement signed in January 2012 and which expired in October 2012. It is proposed to permit the harvesting of all coupes identified by Forestry Tasmania as being required for transitional logging until 30 June 2013.

4.2 Implications for Government Entities

The management outcomes for both production forests estates and reserve forests estates that are associated with the Bill will have implications for a number of Government entities, and, in particular, the Department of Primary Industries, Parks, Water and the Environment and Forestry Tasmania.

Department of Primary Industries, Parks, Water and the Environment

The new reserves will be proclaimed primarily as a combination of National Parks, Conservation Areas, and Regional Reserves. In a very small number of cases, nature reserves and nature recreation areas may be proclaimed where the land parcels lie adjacent to existing reserves of these classes. This process occurs following the approval of the proposed reserve order by Parliament.

Once the proposed reserve orders are approved, the reserve proclamation process under the *Nature Conservation Act 2002* can commence. This process will involve ensuring appropriate management boundaries for each new reserve, which may involve minor alterations to the indicative boundaries identified by the Signatories.

If the boundaries, purpose and values for this land do not change substantially, then the Minister for Environment, Parks and Heritage can recommend to the Governor they be approved as reserves under the Act. If there are substantial changes, the reserve proposal with the new boundaries, purpose and values will need to be re-submitted to both Houses of Parliament for approval.

Once approved by the Governor, the proclamation is gazetted and the land is formally reserved.

Once the reserves are proclaimed, they will be incorporated into the management program of the reserve estate managed by the Parks and Wildlife Service.

A work plan will be developed to assess the risk profile and the management requirements for each reserve and then appropriate management works will be included within the operational program of the respective district. The work plan will commence with an assessment of the significant values and significant assets and the development of risk management strategies for them.

Existing fire management responsibilities for the current land manager will not be affected by the Future Reserve Land or Reserve Order.

When a reserve is proclaimed under the *Nature Conservation Act 2002*, the Parks and Wildlife Service will become responsible for fire and all other land management activities.

The Parks and Wildlife Service (PWS) already manages fire risk within its current reserve estate of approximately 2.5 million hectares. The protocol with the Tasmania Fire Service and Forestry Tasmania is strong and will continue to be applied to any new reserves proclaimed.

The fire management and responsiveness capacity of PWS would need to increase to deal with the fire management of approximately 500 000 hectares. The proposed funding committed by the Australian Government will provide an additional \$9 million a year, equating to about \$16 per hectare, to manage the new reserves created under the legislation. The cost of management, including fire management, will be adequately provided for under this funding package.

The additional funds provided by the Australian Government, will also support field management, reserve assessment and planning and management of assets, including roads.

Forestry Tasmania Restructure

It is clear that Forestry Tasmania has not escaped the impact of the downturn in the forest industry and is being challenged by major reductions in demand, constraints on supply and cost increases.

The strategic review of Forestry Tasmania undertaken by consultants URS recommended the separation of Forestry Tasmania's commercial and certain non-commercial activities, as well as governance and other changes.

The Government established the Forestry Tasmania Transition Oversight Committee (FTTOC) to prepare an implementation plan for transition. The Committee consists of the Heads of Agency from Premier and Cabinet; Treasury and Finance; Infrastructure, Energy and Resources; and Primary Industries, Parks, Water and Environment. FTTOC is currently working to develop more detail on the structural transition options for Forestry Tasmania in consultation with the business.

While this work commenced prior to the TFA, the TFA, at clause 55, puts forward a view on how the production forests estate and the reserve estate should be managed. This is being taken into consideration by FTTOC.

4.3 Durability and Special Council

The Signatories have agreed to publicly and proactively support the outcomes of the TFA, including in markets for Tasmanian forest products.

The durability of the TFA is addressed in clauses 40 to 45 of the TFA. The Signatories have recommended the establishment of a Signatory Council to oversee initial implementation and durability of the TFA, including reporting on implementation.

The Signatory Council is to provide a durability report to Government, to demonstrate that the implementation of the commitments in the TFA is progressing appropriately. The Bill addresses this request through the establishment of the Special Council and the requirements for the provision of a durability report and advice on durability.

The frequency of durability reports is a matter to be considered by the Legislative Council, as there is a mooted amendment that would create an annual durability report.

DIER and other Departments have continued to support the Signatories, subsequent to the signing of the TFA. This has included:

- drafting a Ministerial Order for consultation with the Signatories that can be made to establish the Special Council on the passing of the Bill;
- providing interim secretariat support to facilitate the continuation of meetings of the Signatories; and
- providing updates, information, assistance and facilitation to work through actions that Government and the Signatories need to progress with respect to TFA durability.

4.4 Carbon

Work has continued with CO2 Australia in exploring the feasibility of developing a Carbon Farming Initiative (CFI) methodology for native forests. The successful development of a methodology would result in the carbon in these forests having a realisable monetary value. Although perhaps not the only pathway through which native forests may become available for reservation for the purposes of carbon sequestration, the TFA is an immediate opportunity to implement such a process. The work is advancing at Departmental level but is not yet at the stage in which relevant Ministers have been briefed.

As required for the making of a Protection Order under the Bill, as currently drafted, the Minister for Energy and Resources has written to the Minister administering the *Carbon Credits (Carbon Farming Initiative) Act 2011* (Australian) in relation to whether, once reserved by virtue of this Bill, the land identified in the Protection Order will be able to be considered as part of a Carbon Farming project under the *Carbon Credits (Carbon Farming Initiative) Act 2011*. The Minister has received a response to this letter, which commits to the development of regulations to ensure that any reserves made under the Bill, if it is passed, will not fail the additionality test on that basis. This is a significant step forward. A copy of the letter is provided in Attachment 4.

4.5 Special Species Timber

The TFA specifically provides for an ongoing special species wood supply through identification of designated Permanent Specialty Craft and Timber Zones on State Forest, with a minimum wood supply level to be determined and legislated. The TFA identifies a process (clause 9) for identifying this yield (development of a special species management plan).

The Governments have agreed that the Australian Government will provide \$2 million, from the Economic Diversification Fund, to support the development and implementation of the special species plan.

The TFA details that the Signatories intent is that the plan determines new, ongoing supply, examines ways of maximising recovery, and examines associated supply issues such as utilisation standards, contractor training, log specifications and market demand. Officials from both Governments have had preliminary discussions and are actively considering options to put to the Signatories, Forestry Tasmania and representatives from the special species sector to allow them to carry out the work they have identified in the TFA.

It is intended that the Special Council, to be established under Part 4 of the Bill, will be responsible for providing advice to the Minister in relation to the review of the special timbers yield and preparation of the special timbers management plan.

The Signatories identify in the TFA about 38 000 hectares of land in the Specialty Craft and Timber Zones outside of the new reserves. These zones partly intersect with the existing Special Timbers Management Units identified in Forestry Tasmania's Sustainability Charter for State forests. At the time this

submission was prepared, representatives from the Signatories and Forestry Tasmania had entered discussions regarding Special Species resourcing.

Clause 8 of the Bill provides for Forestry Tasmania to amend, within the next 12 months, any Forest Management Plans prepared under the *Forestry Act 1920* where they are inconsistent with the TFA, including the special craft and timber zones provisions.

5. Industry Transition

5.1 High Quality Sawlog contract voluntary buyback

DIER is progressing the High Quality Sawlog contract voluntary buyback program, with expressions of interest sought and provided before the end of 2012. An amount of \$15 million has been allocated to this program. The expressions of interest are now being considered and negotiations are expected to commence shortly. It is envisaged that contracts can be concluded over the next month or two, though settlement of payments cannot occur until after the Bill has passed Parliament, as this is a condition of the Australian Government that is funding the program. However, negotiating the buy back program as soon as possible will help support the introduction of the minimum 137 000 cubic metre volume, as well as assisting timely rescheduling by Forestry Tasmania.

5.2 Regional Sawmillers Structural Adjustment Program

In support of clause 15 of the TFA, the Government intends to provide structural adjustment assistance to regional sawmillers, who wish to either exit the sector or try and secure more certain supply. An amount of \$10 million has now been committed to the regional sawmillers' structural adjustment program.

Negotiations are well advanced with the Tasmanian Sawmillers' Association (TSA) around the guidelines for the Regional Sawmillers' Structural Adjustment Program. The Government remains committed to releasing this program as soon as possible, so that, if the Bill is passed, then the funding will be able to be rolled out quickly to eligible applicants.

There are, however, a number of issues around funding and future sawlog supply which the TSA are seeking more certainty around before they are willing to finalise these negotiations.

Just prior to Christmas, the TSA Board asked the Government to give them time to call a public meeting of all interested Regional Sawmillers in January to discuss their proposals before finalising the guidelines. When final input has been received, the Government will move to release the guidelines as soon as possible.

5.3 Forestry Tasmania Rescheduling

The TFA, in clauses 10-12, refer to the need for rescheduling by Forestry Tasmania to redirect forest harvesting outside of the proposed reserves, as soon as possible. The harvesting rescheduling needs to take account of the sawlog buyback program, changed and renegotiated contracts for peeler wood, progress in resolving wood residue issues, practical and operational constraints and funding support from Governments. The Signatories recognise that some short-term logging of forest identified for reservation will be required to avoid the stand down of workers and contractors and closure of mills.

Since the TFA was signed, Forestry Tasmania has been working to plan for the implementation of this transition. Forestry Tasmania has developed a schedule of coupes required to be harvested within the proposed reserves to maintain supplies to industry, while access and plans for new coupes outside of the proposed reserves are developed. This schedule has been provided to the Signatories and both governments. The coupes on the schedule, when finalised, will be excluded from the proposed Conservation Agreement and Future Reserve Land under the Bill.

This schedule is based on the ongoing supply of high quality sawlogs and peeler logs to customers based on the levels envisaged under the TFA.

The State Government is supporting the implementation of the transition by providing up to \$15 million for the construction of new roads, planning and short term support for the transport of forest residues. Forestry Tasmania is immediately commencing construction of new roads to access alternative harvesting areas outside of the proposed reserves.

5.4 Residue Market Solutions

The utilisation of residues arising from harvesting and processing operations is a key component to improve the prospects of the Tasmanian forest industry and was recognised by the Signatories. The utilisation of residues arising from timber harvesting and processing is addressed in clauses 28 to 30 of the TFA.

The Signatories acknowledge that the harvest and processing of forest products, whether from native forests or plantations, will produce residues. They have agreed that economically viable and environmentally sustainable solutions to utilise both native forest and plantation residues arising from harvesting and processing operations should be developed and put in place.

The Government is open to the idea of giving the Signatories a role in resolving residue issues, as identified in the Agreement. This is forming part of the discussions the Minister for Energy and Resources is having in the creation of the Special Council.

The Government has been meeting with working groups in the North East and Huon Valleys to discuss the opportunities presented by biofuels, including ethanol and other bioenergy opportunities. An amount of \$60 000 has been allocated through the Department of Economic Development to assist with the examination of resource availability and quantification, logistics and materials

handling, and commercial issues allowing input into regional feasibility studies for these opportunities.

Resource identification for these bio-energy studies will examine the economics of using solid wood harvested explicitly as a resource together with forest and sawmill generated residues. A key issue to explore will be to confirm the likely size and availability of materials following the implementation of the new reserves, and the structural adjustment of the sawmilling industry.

Geographic Information System (GIS) modelling tools and databases containing locations and sizes of forest industry assets will form a key part of this work.

This work will be an input into the program identified by the Signatories.

6. Economic Transition

6.1 Social and Economic Analysis

A detailed socio-economic analysis is being undertaken by a consultant engaged by the Australian Government to examine the employment impacts of the industry restructure. This work is a vital input that will inform how several of the community and employee funding programs will be allocated and delivered. Questions on this work should be directed to the Australian Government.

The Australian Government has commissioned Dr Robert Smith to conduct the socio-economic work envisaged in Clause 9 of the TFA. It is understood that the Australian Government will have the work finalised in January 2013.

6.2 Tasmanian Forests Agreement Economic Diversification Funding

Funding and assistance for a range Economic Diversification projects has already taken place, consistent with the Tasmanian Economic Development Plan.

In February and April 2012, the Australian and Tasmanian Governments announced funding for ten projects to be funded in 2011-12 to support economic diversification in Tasmania. These projects will support diversification of the Tasmanian economy in the sectors of viticulture, agriculture, food processing, tourism and ecotourism, food research and plantation timber delivering significant benefits to local communities across the state. These sectors are consistent with those highlighted in the Tasmanian Government's Economic Development Plan.

Funding included:

- \$4.25 million to fund a new AgriTas Trade College at Smithton to provide education and training for those in the dairy industry, including in new and emerging dairy technologies;
- \$1.5 million for electrical upgrades along Harcus River Road to enable conversion of beef farms to high-value dairy production;
- \$3.9 million towards a freshwater dam near the D'Entrecasteaux Channel to enable to expansion of the aquaculture industry; and
- \$3.6 million for SenseT, a world-first data project combining environmental sensors, databases and computing power to give Tasmanian farmers a competitive edge and deliver benefits to other industry sectors.

A full list of the projects is provided in the table below.

Project	Payment
AgriTas Trade College	\$4.25m
Aquaculture Dam in the Huon	\$3.9m
SenseT	\$3.6m
Maria Island Jetty Upgrade & Ecotourism Feasibility	\$1.6m
Electrical Power Harcus River Road	\$1.5m
Wine Research, Development & Extension	\$0.4m
Soft Fruit Chilling Facility	\$0.3m
Walking & Ecotourism Track Feasibility Study	\$0.2m
Centre For Food Innovation Business Plan	\$0.15m
Tasmanian Regional Sawmills Scoping Study	\$0.076m

Attachments

- 1) CRC employment survey – Summary section
- 2) URS Market analysis
- 3) New Clause 10 and Future Reserve Land
- 4) Carbon letter