

DRAFT SECOND READING SPEECH

HON. GUY BARNETT MP

Forestry (Unlocking Production Forests) Bill 2017

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Madam Speaker,

I move that the Bill now be read a second time.

The Forestry (Unlocking Production Forests) Bill has been introduced by the Government in response to the ongoing challenges faced by the industry in Tasmania to secure adequate wood supplies from existing sources.

In the Ministerial Statement I delivered in this House on 26 October 2016, I stated that it is not about whether wood supply obligations are met – it is about how those obligations are met.

The Government has considered the advice provided by the Board of Forestry Tasmania and determined the need to act so as to increase the options available to industry, while remaining consistent with the Government's commitments with regard to ongoing funding support. The Government has made it clear that it does not support continued subsidies for commercial forestry operations.

One of the obvious alternatives is to bring forward access to the Future Potential Production Forest land – the wood bank set aside by Parliament in 2014 for future wood production.

Another alternative is to improve access to wood from private forests, with the intention of stimulating wood production, and increasing the total volume available to Tasmanian processors.

The Bill addresses both of these alternatives to provide a greater range of options for private sector access to additional resources and to facilitate growth in the forest industry in Tasmania.

Firstly, the Bill provides access to the Future Potential Production Forest land for forest harvesting, by bringing forward the date from when it is available for harvesting, to 1 July 2018.

Secondly, the Government will allow Forestry Tasmania to count wood sourced from outside of the permanent timber production zone land towards the statutory minimum aggregate quantity of eucalypt veneer logs and eucalypt sawlogs a year that Forestry Tasmania is required to make available to the industry.

This is so that the Tasmanian Government is still held to account for maintaining resource security, while, at the same time, removing one of the key market barriers to private sector involvement in the native forest sector.

Turning to specifics, the Bill amends a number of existing Acts, including the *Forestry (Rebuilding the Forest Industry) Act 2014* and the *Crown Lands Act 1976*.

The Bill converts the bulk of the land, described under *Forestry (Rebuilding the Forest Industry) Act 2014* as Future Potential Production Forest Land, to a new category of land, Production Forest Land.

The Production Forest Land does not include the 35 000 hectares of Future Potential Production Forest land located inside the boundary of the Tasmanian Wilderness World Heritage Area.

The Bill confirms that areas of Future Potential Production Forest land located within the Tasmanian Wilderness World Heritage Area will not be available for forest harvesting.

The Production Forest Land also excludes two areas of Future Potential Production Forest land located adjacent to the Three Capes Walking Track, which the Government had previously confirmed would not be available to harvest. These areas will remain Crown land.

In total, the Production Forest Land covers 356 039 hectares from the 392 000 hectares of Future Potential Production Forest Land.

The Minister for Resources will be the Portfolio Minister for Production Forest Land, responsible for decisions affecting that land.

The Bill will come into operation in two stages.

The first stage, which will commence on Royal Assent, will transfer responsibility for approval of special species timber harvesting on Future Potential Production Forest land to the Minister for Resources.

The second stage, which will commence on 1 July 2018, will convert Future Potential Production Forest land to Production Forest Land. The Production Forest Land will be managed as Portfolio Land, within the meaning of the *Crown Lands Act 1976*.

Under the *Crown Lands Act 1976*, the Minister for Resources will have powers to lease or licence Production Forest Land. However, Production Forest Land will not be able to be sold.

The *Crown Lands Act 1976* is amended to restrict the term of a lease for forestry purposes to 10 years. The Government is not privatising management of public lands. The Government is providing an opportunity to the private sector to manage Production Forest Land for the purposes of forest harvesting.

The Government considers that 10 years is a sufficient time for a private entity to undertake harvesting operations and complete regeneration of harvested sites. Ten years is also a sufficient length of time to enable land, held under a lease, to come under a private entity's forest management certification, prior to commencement of harvesting.

While the *Crown Lands Act 1976* provides a general power to make Portfolio Land available under a lease or licence, the Government intends that a lease of Production Forest Land for forest harvesting will only be granted following a publically advertised, competitive process.

In a manner similar to how the mining industry operates, forest industry proponents will be responsible for identifying the areas of Production Forest Land in which they are interested.

All forestry activity will be required to comply with relevant legal requirements, including the *Forest Practices Act 1985*. Any forest harvesting activity that occurs on Production Forest Land will be conducted in accordance with the Forest Practices Code administered by the Forest Practices Authority. The Forest Practices Code provides for an assessment of the full range of conservation values, including threatened species and threatened vegetation communities, before any harvesting activity may take place.

Specific requirements on harvesters will also be described in the legal instrument through which the harvest right is provided. The issues to be addressed in the legal instrument will include:

- Any requirement to hold an internationally recognised, third party forest management certification;
- Forest management and planning requirements, including reporting;
- Minimum activity levels to maintain the management right;
- Financial guarantees with regard to meeting regeneration obligations;
- Management of third party interests in the area under private management (including commercial activities and recreational access);
- Liability for, and ownership of, roads; and
- Obligations of the manager with regard to fire protection.

In setting the terms and conditions of a lease or licence for forest harvesting, the Minister will also be required to take into consideration the Special Species Management Plan, and the impact on any areas of land identified in that Plan as being available for special species timber harvesting.

The existing *Forestry (Rebuilding the Forest Industry) Act* contains an important exception to the prohibition on forest harvesting, that is, to enable limited harvesting of special species timbers.

This exception is limited in scope. Special species timber harvesting is limited by the Act to selective harvesting, meaning the harvesting of single trees or small groups of trees.

The Bill will not affect the timeline under the *Forestry (Rebuilding the Forest Industry) Act 2014*, which allows for a person to apply for approval to undertake special species timber harvesting no earlier than three years from the commencement of the Act.

The Bill will, however, make the Minister for Resources the responsible Minister for the purposes of assessing and approving any application to undertake special species timber harvesting.

The Act provides for the development of a special species management plan, which needs to be in place prior to the responsible Minister approving any harvesting operations on the Future Potential Production Forest Land. Work is progressing on the Management Plan, with the support of the special timbers industry, and I expect a draft of that plan to be released for public consultation in the next few months. A final plan is expected to be in place by October this year, as required under the existing legislation.

From 1 July 2018, the specific provisions allowing for special species timber harvesting will be merged into the broader provisions allowing forest harvesting to occur on Production Forest Land.

Proposals to harvest special species timbers, on a limited scale, will continue to be addressed on a case by case basis. It is expected that small scale harvesting of special species timbers, that does not require responsibility for forest management to be vested with the harvester, will be permitted under a licence issued in accordance with the *Crown Lands Act 1976*.

The Minister for Resources will be required to also take into consideration the special species management plan, in setting terms and conditions of a licence, as for any other forest harvesting.

Currently, Forestry Tasmania, as the Forest Manager of permanent timber production zone land, is required to make available to industry each year a minimum aggregate quantity of 137 000m³ of eucalypt veneer logs and eucalypt sawlogs from the permanent timber production zone land.

The Bill will allow the Forest Manager to count wood sourced from within, and outside of, the permanent timber production zone land towards the minimum aggregate quantity of 137 000m³.

The Government is concerned that the current requirement has constrained Forestry Tasmania's ability to act commercially, particularly in light of the Forestry Tasmania Board's advice to Government with regard to the actual volume of sawlogs that can be recovered from permanent timber production zone land commercially, under current market conditions.

There is no question that Forestry Tasmania has demonstrated the capacity of the permanent timber production zone land to produce at least 137 000m³ of high quality sawlogs a year, for the next 90 years. This was most recently confirmed in the assessment of *Sustainable high quality eucalypt sawlog supply from Tasmania's Permanent Timber Production Zone land* conducted by Forestry Tasmania in March 2014. That work was the subject of independent audit by Dr Mark Burgman and Dr Andrew Robinson. This work is done every five years, in accordance with Tasmania's commitments under the Regional Forest Agreement.

The Bill does not, in any way, impact on Tasmania's obligations under the Regional Forest Agreement with regard to sustainable yield from public forests. Nor does it impact on Forestry Tasmania's obligations, as forest manager, to continue to demonstrate that the volume of wood harvested from permanent timber production zone land, is sustainable.

However, it is important to note that the assessment of sustainable yield from permanent timber production zone land, conducted in 2014, provided that 'these yield predictions are generated from biologically-based forest estate modelling of productive capacity, and do not imply supply based on economic criteria.'

Section 16 of the *Forest Management Act 2014* is not, however, primarily concerned with biological sustainability of supply. It is a requirement on the forest manager to make available a minimum aggregate quantity of wood to the industry, on an ongoing basis. That is, this legislated requirement was included by the Parliament for the purposes of resource security for the forest industry.

In contrast to Forestry Tasmania's analysis of sustainable yield, the statutory minimum aggregate quantity brings with it an inevitable question of supply based on economic criteria. The Forest Manager may be able to make the wood available from the permanent timber production zone land, but can processors afford to meet the costs of supplying that wood?

The Forestry Tasmania Board's advice, from 29 September 2016, confirms that in current market conditions and under the current wood supply strategy, Forestry Tasmania could provide 96 000m³ of sawlogs a year in a commercial manner from permanent timber production zone land for the contract period to 2027. The remaining wood volume can be delivered to customers if Forestry Tasmania (and, by extension, the Government) are prepared to cover the difference between purchase price of the wood and cost of production.

Forestry Tasmania holds long term contracts with local processors for the supply of high quality sawlogs, as well as peeler logs for rotary veneer. These contracts run until 2027.

Forestry Tasmania's obligations to supply wood to individual customers are ultimately determined by those contracts. The contracts, once entered into, exist independent of the statutory obligation to make sawlogs available. Forestry Tasmania has no obligation to supply wood to customers, other than in accordance with those contracts. However, there can be no question that the statutory requirement to make a minimum aggregate quantity available to industry from the permanent timber production zone land is the critical influence on how Forestry Tasmania operates, the products it makes available from the forests it manages and to whom it sells those products.

The Government has said on multiple occasions that it will not take any action that requires Forestry Tasmania to act in breach of its existing contracts. But clearly something has to change.

The Government could simply wait, and hope that market conditions improve such that the economics of supply and demand once again reach equilibrium. However, there is very little correlation in price or demand between the local sawlog market, and international residues markets. While markets for sawn timber products may remain strong, Forestry Tasmania continues to also be heavily exposed to fluctuations in international wood fibre markets. The Government considers that the sharing of financial risk between the wood supplier and customer should primarily be a contractual matter. No business should be compelled, by statute, to structure its business, or operate in a manner, that is detrimental to its financial health.

To ensure better alignment between the obligations of the forest manager and commercial realities, the Government could propose to reduce the minimum aggregate quantity to be made available from permanent timber production zone land.

This change would then leave the contracts between Forestry Tasmania and its customers as the key driver for the volumes of wood to be supplied from the permanent timber production zone land, up to the maximum sustainable yield that can be supplied from that land. This option has merit, and in other industries, would be considered an obvious step towards addressing market disparities in supply and demand.

The Government has carefully considered this option, but has rejected it. The guarantee of a minimum volume of sawlogs has particular importance to an industry that has seen its access to resource continuously eroded over a period of 20 years, most recently in 2013, when the minimum aggregate quantity was reduced from 300 000m³ a year to 137 000m³.

The Government has, instead, put forward an amendment that is sensitive to the needs of industry for certainty over future resource availability, while providing greater capacity for Forestry Tasmania, as forest manager, to comply with its statutory requirements without acting to its financial detriment.

The Bill will allow Forestry Tasmania to meet its statutory obligations with wood drawn not only from the permanent timber production zone land, but also from other land tenures.

This amendment will, in turn, give Forestry Tasmania greater operational flexibility, firstly, in determining from where wood is to be made available, and secondly, how it meets its contractual supply obligations.

The change does not have any effect on the calculation of sustainable yield from permanent timber production zone land. Nor is there any expectation, or requirement, that Forestry Tasmania takes over management control of any other land tenures. In fact, the Bill is explicit in

excluding Forestry Tasmania from management control of Production Forest Land, other than the small number of coupes described in Schedule 2. The amendment is concerned with the source of wood supply, not management control of the land from which the wood is sourced. For that reason, the Bill is explicit in referring only to the forest manager's capacity to acquire logs from sources outside of the permanent timber production zone land.

How this capacity is exercised will ultimately be a matter for the Board of Forestry Tasmania. The Bill does not compel Forestry Tasmania to act in any particular manner. Undoubtedly, the capacity will be exercised by Forestry Tasmania cognisant of its general statutory obligations as a Government Business Enterprise and as the forest manager of permanent timber production zone land, the needs of its customers, as well as any obligations under any forest management certification it may hold.

The amendment will, however, provide greater flexibility and increase the options available to Forestry Tasmania to source wood at commercial rates of return. It is, in effect, the removal of yet another barrier and contributes to red tape reduction. By providing an alternative path to market, Forestry Tasmania may also be able to facilitate increased production from private forests, in circumstances where market uncertainty has inhibited land owners from re-entering timber markets. Such an increase from private land will be an important factor in growing the forest industries in Tasmania.

The Bill removes the exchange and conversion mechanisms, currently provided under the *Forestry (Rebuilding the Forest Industry) Act 2014*, through which land can move between the categories of Future Potential Production Forest land and permanent timber production zone land.

The Bill instead allows for the existing mechanisms for transfer of Crown land into and out of the permanent timber production zone land, under the *Forest Management Act 2013*, to apply to Production Forest Land.

As is clear from the prohibition on Forestry Tasmania undertaking harvesting on Production Forest Land, the Government does not intend that any area of Production Forest Land becomes the responsibility of Forestry Tasmania for the purposes of forest harvesting.

However, the process of implementing a workable boundary between permanent timber production zone land and neighbouring Crown tenures is ongoing. It is possible that, in the future, small areas of permanent timber production zone land and Production Forest Land may need to be transferred to enable a final, enforceable boundary to be implemented.

The Bill provides for this eventuality by allowing for the transfer of Crown land, including Production Forest Land, to permanent timber production zone land, including for the purpose of a land boundary adjustment.

The Order through which such an adjustment would be made is a disallowable instrument and must be tabled for approval by both Houses of Parliament.

The Bill amends the *Forest Practices Regulations 2007* by omitting the regulation that requires any forest harvesting operation on future potential production forest land to be conducted under a certified forest practices plan.

This requirement was introduced under the *Forestry (Rebuilding the Forest Industry) Act 2014*, as part of the suite of conditions that were provided to enable special species timber harvesting to occur on Future Potential Production Forest land. The amendment reflected the unique status

of the Future Potential Production Forest land, where all other forms of timber harvesting were prohibited. The requirement effectively ruled out any of the exemptions currently provided under the *Forest Practices Regulations 2007*, thereby putting extra constraints on special species harvesting in Future Potential Production Forest land, compared with forest harvesting on other land tenures.

In making Production Forest Land available for all forest harvesting, the specific provision for certified forest practices plan on Future Potential Production Forest land is redundant.

Certified forest practices plans will be required for harvesting on Production Forest Land on exactly the same terms as any other land tenure and will apply equally to special species harvesting and other forms of forest harvesting.

The Bill does not change the general availability of the Production Forest Land for indigenous use, nor for other activities such as recreational and commercial uses, including hunting, fishing and four wheel driving. I intend that the management of Production Forest Land will maintain access for these activities into the future.

In creating a management right over Production Forest Land for the purposes of forest harvesting, consideration will be given to any other commercial activities on that land. This is a matter that will have to be addressed based on the specific circumstances at the time of the application.

Where a management right for forest harvesting on Production Forest Land provides exclusivity of possession (such as a Crown lease), public access will be the responsibility of the forest harvester for the period of that lease.

The instrument granting the management right will place specific requirements on the forest manager to facilitate third party access. However, this will always need to be subject to operational requirements to ensure public safety.

The forest industry has endured a challenging business environment for many years. Historic decisions on land tenure have constrained the availability of wood from public land, while market conditions continue to inhibit supply of wood from private land.

The Government's responsibility is to maximise the potential wood resource available from public land, while respecting existing land tenures and the importance of Tasmania's public land reserve estate. The Government also has a role in facilitating access to resource, and in this respect, Forestry Tasmania can play an important role.

The Government has consistently expressed its position that it wishes to see forest industry growth led by the private sector. By making Production Forest Land available to the private sector, the Government is acting consistently with this position. The Government also recognises that markets will determine the ultimate demand for Tasmania's wood resources across all tenures. The Government is simply acting as a facilitator, and is assisting in removing unnecessary barriers.

The Government will set a high bar for parties seeking to manage Production Forest Land, and will not water down Tasmania's best practice forest management system. The Government fully expects that any parties interested in accessing wood from Production Forest Land will also act in a manner consistent with market expectations for wood supply.

This Bill fulfils a key obligation of the Government in facilitating access to wood resources on public land, and enabling the forest industry to take responsibility for decisions over future wood supply. In doing so, the Government is not simply acting on the basis of current market conditions, but ensuring that the forest industry of the future can grow, confident in the security of the wood resource available to it on a commercial basis.

I commend this Bill to the House.