

# UNCORRECTED PROOF ISSUE

**Thursday 5 December 2019 - Legislative Council - Government Businesses Scrutiny Committee A - Sustainable Timber Tasmania**

## LEGISLATIVE COUNCIL

### GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

**Thursday 5 December 2019**

#### MEMBERS

Mr Finch  
Ms Forrest (Chair)  
Mr Gaffney (Deputy Chair)  
Ms Lovell  
Mr Valentine  
Ms Webb

#### IN ATTENDANCE

**Hon. Guy Barnett MP**, Minister for Resources

#### Ministerial Office

**Mr Ashley Bastock**, Chief of Staff  
**Mr Ben Waining**, Senior Adviser

#### Sustainable Timber Tasmania

**Mr Rob de Fégely**, Chairman  
**Mr Steve Whiteley**, Chief Executive Officer  
**Mr Chris Brookwell**, General Manager, Corporate Services

**The Committee met at 9 a.m.**

**CHAIR** (Ms Forrest) - Welcome minister and your team.

Just by way of a few requests to start with. As you know this committee hearing is being broadcast and we will go from 9 a.m. to 10.45 a.m. with this session. I ask you to be conscious of using your microphones, which means leaning forward when you are speaking, not sitting back. It makes it difficult for Hansard and difficult for some of the members to hear. As with all committee processes, this is a public and open hearing. The transcript will be transcribed and published with

our report. If there is anything of a confidential nature that you believe requires confidentiality which you wish to discuss with the committee, you can make that request and explain your reasons for such a request and the committee will then close the room and consider that request. Otherwise it is all public. I just make those points at the outset.

Minister, we only have a fairly short time for the scrutiny of Sustainable Timber Tasmania. I invite you to make a brief opening statement if you wish and then we will go to questions.

**Mr BARNETT** - Thanks very much, Madam Chair, and thanks for the opportunity of presenting today regarding Sustainable Timber Tasmania. On my right is the Chair, Rob de Fégely; and on my left is Steve Whiteley, who is the CEO of Sustainable Timber Tasmania, and Chris Brookwell, who is its Chief Financial Officer.

It is a real pleasure and honour to be here as Minister for Resources and representing the forestry sector, which is certainly a resilient sector. I have said many times that wood is good - it is recyclable, it is sustainable and it is renewable. It is the ultimate renewable and I am proud of this industry. It is a natural advantage to Tasmania and working forests create jobs - 5700 direct and indirect jobs in the sector. In terms of confidence, there has been a rebuilding. Confidence is up, production is up and exports are up.

We are pleased with where we are at in terms of the financial performance. The last 12 months were very encouraging. It is the second time in 10 years that they have delivered a profit. We will hear more about that, no doubt, during the course of the discussions. Certainly, it is sustainable and we are pleased with the sustainable position of Sustainable Timber Tasmania. It has been hard-won, though; it has been a challenge and they have met the challenge.

In overall terms, we are leading the country in terms of many of our initiatives. We have the Tasmanian Wood Encouragement Policy, which we are very proud of. Tasmania is the first state in Australia to introduce that with a regional forest agreement which is a rolling 20-year agreement and, of course, the National Institute for Forest Products Innovation - NIFPI - grant which, in terms of research and development, is very encouraging and in which STT played a key role. It also played a key role in the network, which is an umbrella body representing all parts of the industry to promote better education and awareness and to promote the industry more generally.

A highlight has been the memorandum of understanding - MOU - in recent months with the Tasmanian Beekeepers' Association and the Australian Honey Bee Industry Council - AHBIC - at a national level. It is a nation-leading agreement between our Sustainable Timber Tasmania and those entities that provides ongoing protection and access to leatherwood trees on our public production forest land. I am pleased about that.

Finally, the bushfires. It was tough; the fires certainly had an impact. I am pleased to say that there was a huge effort and response by Sustainable Timber Tasmania. Again, it responded to that and put in a massive effort working with the Tasmania Parks and Wildlife Service. Our firefighting services worked to protect, preserve and support not just our working forests but all those in need in and around Tasmania from the bushfires in January and February earlier this year. A big thanks to them for that and, of course, it had an impact on our production forests as well and we can respond to any queries in that regard.

Thanks for the opportunity. I will pass to the Chair to make some opening remarks and leave it there.

**Mr de FÉGELY** - If I may make some opening remarks about our year which hopefully will be helpful for committee members, and discuss some of the highlights we have gone through. This may be useful for members' understanding of STT business - what we are challenged by, and where our opportunities are, and, hopefully, helpful for their questions as well.

The 2018-19 financial reporting period has been another successful year for Sustainable Timber Tasmania. We returned a profit and we are paying a \$15 million special dividend for that year, and the board has recommended a \$2 million dividend to the Government as a result of this year.

We have supplied 53 Tasmanian businesses with 1.5 million tons of wood despite the challenges of extensive bushfires earlier this year. This included more than 116 cubic metres of high-quality sawlogs delivered to Tasmanian processing companies and 9700 cubic metres of special species timber.

Our sales were \$150 million-worth of forest products, which is up \$5 million in comparison with the previous year and is due to improved pricing which has helped to deliver a profitable year for the business.

Our total comprehensive income was \$34.9 million with an underlying result of \$11.8 million, an improvement of \$5.8 million on the previous year. These results are a continuation of the profitable year we had in 2017-18 and a further step in the right direction towards financial sustainability.

To achieve this, despite the immense challenges of the bushfires earlier this year, I am really pleased to report on the robustness of our business, our staff and our contractors, which has been a fantastic effort by everyone involved.

As you are aware, in 2019 more than 200 000 hectares of the state was directly impacted by bushfires, including about 40 000 hectares of Permanent Timber Production Zone land - PTPZ. We contributed over 66 300 hours of firefighting activities, and I thank the entire team for their considerable and sustained effort in protecting our communities and assets. I cannot value their efforts highly enough; they did a fantastic job.

Our employees then did a fantastic job of getting our contractors who were impacted by the bushfires back to work within a fortnight and maintaining wood supply to our customers during the firefighting and fire recovery efforts. The business is committed to our staff and contractors going home safe and well every day. It is the highest priority on the board's agenda. The Safety Moments and the safety report are always our first report.

It is very pleasing that in 2018 we were independently recognised as an employer of choice and there was only one lost-time injury for the staff. Safety for our contractors continues to be a challenge and an area of focus for the board and the whole staff. Any injury is one too many and the safety of our operations and our people remains our highest priority.

All the native forest areas we harvest are regrown for the future. In 2018-19 we planned and established over 4700 hectares for regrowing and sowed 225 million seeds. We have also maintained over 4100 kilometres of roads for forest operations and provide access to PTPZ land for multiple use.

The business has continued its commitment to continuous improvement with its management systems and we have maintained our responsible wood forest management certification, safety and environmental system certification and our controlled wood Forest Stewardship Council - FSC - certification for our plantations.

In May 2019, we were audited against the new FSC National Forest Stewardship Standard of Australia. We have recently been presented with a draft report from the auditors that identifies nonconformances that will need to be addressed for Sustainable Timber Tasmania to obtain certification.

Once the report is finalised, we will consider all the findings closely, identify existing components within our forest management system that address the issues and how best to communicate them, identify any gaps within our forest management system and consider what changes may be required.

Finally, I acknowledge and thank the board, the management and all of STT's employees and contractors for their effort in delivering these results. I specifically thank Dr Christine Mucha for six-and-a-half years on the board. Christine made a fantastic contribution as a director. We will miss her input and her mentorship. She went above and beyond in many instances during her time on the board when the business was going through difficult times and she showed great leadership in that respect.

I would also like to thank Dr Lyndall Bull who also stepped off the board this year because she was appointed to a United Nations position at FIA in Rome. I would like to thank both those members in particular, and thank you, Madam Chair, for the opportunity to make these remarks.

**CHAIR** - I might lead with a question around the financial sustainability. One of the things that assisted in your position, which enabled you to pay the dividend - minister, this one is probably one for the chairman - is the revaluation of the forests of the biological asset of the forests, which saw a significant increase. I would like you to explain further how the revaluation occurred. I know it is a complex arrangement and that a significant number of trees were lost in the fires. I am interested to understand that. Also, the derecognition of the Tasmanian Community Forest Agreement - TCFA - grants - that is a paper entry, I understand that - but it also lifted the profit area. I would also be interested to know how much we received for the sale of the plantations used to pay off the debt.

**Mr BARNETT** - Thanks very much for the question. I think we have a few questions there. That is okay, no issues at all. If the Chairman would kick off and the CEO would like to respond as well.

**Mr de FÉGELY** - There are a couple around up there, in particular how the valuation is run. It is a natural asset so the value can change quite easily. We have an independent valuer who values our forests every year and that will relate to - because we work in the export market - their view of price, the discount rate and future value because they are looking on a perpetual basis - it can change. It is a function we have to manage.

**CHAIR** - It is a paper change; it doesn't actually increase the money in the bank or the ability to pay dividends. The question is about the financial sustainability and the future of Sustainable

Timber Tasmania on that basis. If we are relying on paper entries to fix the bottom line, it is not really a sustainable model. I am interested in how it works - I think you understand the question.

**Mr de FÉGELY** - You need to look at our underlying performance, and that is an important point I made earlier. I will hand over to the CEO and the CFO to provide some more details.

**Mr WHITELEY** - Let's start with the core question: really, we look at underlying earnings. You would have received the recent report about all the GBEs from the Auditor-General which provides the view of underlying earnings. We have two things that are non-cash which affect our statutory reporting: one is the valuation you have picked up, and the other is the defined benefits liability. Both of those changed as reported this year - the RBF liability was a negative and our liability increased. The net effect of the forest valuation increased. The valuers noted effectively an increase - there were two sides of the ledger. The increase was largely due to increased pricing, particularly in the international markets. That was significantly driven by the exchange rate, compared to what we had previously forecast.

As you mentioned, fires are certainly a negative impact, along with some increases in production costs, which were the main things that were offsetting, but overall there continued to be an increase in the value of the forest. As you pointed out, it is a non-cash oddity that doesn't help us pay a dividend. Really, that was reflected in the valuation but in fact we did better, as we reported within our statements. We have some targets that we look to meet each year with underlying profit and we exceeded those, principally because of a buoyant export market due to -

**CHAIR** - It is interesting - on the export market, minister, you commented that it has increased, but on page 39 of the annual report, when you look at types of goods and services, under the sale of forest products, there is nothing for other countries; Australia is where it all seemed to happen. I am interested in where the export is.

**Mr WHITELEY** - That is where it ultimately goes, but we sell the wood largely locally.

**CHAIR** - But there is nothing for other countries; it is a zero along the bottom there.

**Mr WHITELEY** - We don't sell direct. For example, we sell to companies like Artec, which then onsell it.

**CHAIR** - How do you get the benefit of the exchange rate then?

**Mr WHITELEY** - Because our pricing is linked to the international price. Our sawmilling customers have a pretty stable pricing mechanism that is guided more by Australian housing market and it doesn't vary much. Some of our contracts are linked to export prices rather than being a fixed stumpage price.

**CHAIR** - Minister, does that basically mean we are reliant on a good exchange rate for the underlying financial profitability of Sustainable Timber Tasmania?

**Mr BARNETT** - What it means is that we need to manage it carefully. It means that the exchange rate is important to the ongoing sustainability and profitability, but that is only one of many factors in ensuring it's sustainable. We went through a very challenging process a few years ago when we had the restructure. That work was undertaken and some difficult decisions were made. I am very grateful for the work that was done to get it into a sustainable position. As I say,

this is the second time in 10 years we have actually made a profit and that is really encouraging because we want it to be sustainable. Yes, an exchange rate was one of the factors that is very important and where we are at the moment. Steve and the team have taken advantage of that to deliver good results for STT.

Chairman, did you want to add to that?

**Mr de FÉGELY** - No, I think you summarised it quite well.

**Mr WHITELEY** - Perhaps if I can continue, it's a forward-looking question about sustainability. Really, the commentary is about what happened last year and that was what happened.

Really, our business strategy is to try to get further domestic processing. To the extent we can, we would like it to benefit the state, but also to reduce effectively the risk of fluctuation in the international markets at present, until we get further investments. There are various proponents looking at projects locally and we are very supportive of those.

**CHAIR** - We might come back to that in a short time if we can.

**Mr VALENTINE** - With respect to the revaluation, when the valuer does that task, do they take into account the desirability of the product? How much does the FSC certification, for instance, impact on the valuation of our forests?

**Mr BARNETT** - That is best answered by the CEO. It is a market-based mechanism. As the Chairman said, that valuation is assessed every year, but the CEO can outline the answer.

**Mr WHITELEY** - The valuer forms their own view about those things, but because we do an annual revaluation, those things wouldn't be anticipated, but the valuation would reflect them, should that occur.

**Mr VALENTINE** - So they don't look at acceptability of product when they do the valuation?

**Mr WHITELEY** - One of the things they do is apply a discount rate which looks at risk, so they consider all sorts of things in terms of the operating and marketing environments, those sorts of things.

Effectively the method they use is a discounted cashflow. The discount rate they use is quite important in the result we get each year.

**CHAIR** - A very small change can make a big difference.

**Mr WHITELEY** - It can, that's right. It's their interpretation of those things, Rob. Part of that is that they look at those things and they reflect the risk in the discount rate. Effectively their method is a discounted cashflow, which is based on actuals now, not anticipating future gains.

**Mr VALENTINE** - Thanks for that.

**CHAIR** - I'll just take us back. I was interested in the derecognition of revenue received in advance and how something like that can be derecognised. I would like you to explain that and whether Sustainable Timber Tasmania -

**Mr BARNETT** - What page is that?

**CHAIR** - That is in your statement of comprehensive income, page 31. I think there is a note somewhere. I'm interested in whether STT was required to complete its side of the bargain. This is the money that came from the TFA, as I understand it.

**Mr BARNETT** - Chris Brookwell is the financial officer; we might see if he can assist us.

**Mr BROOKWELL** - That derecognition occurred in the financial year 2018, not the financial year 2019. It was triggered by the plantation sale. Forestry Tasmania, as it was then, received money quite a long time ago to do a lot of things. The plantation sale essentially liquidated the residue of the estate, which meant we couldn't fulfil any more of the qualifying expenditure requirements under the grant, so we were able to derecognise it.

**CHAIR** - We had already received the money, though, in order to do things to value-add, but we sold the timber so we could no longer value-add. Is that what you are telling me?

**Mr BROOKWELL** - Correct.

**Mr VALENTINE** - Does the money go back?

**CHAIR** - Coming back to the question, Mike, you wanted to ask a question about what we actually got for the plantation, didn't you? What did we actually get for the plantations, and how much did it cost to establish and grow those plantations to the point before we sold them? We are looking at the total cost and the amount made. We got money to do stuff from the TFA, with these plantations, and then we sold them to pay off the debt. That's why we are in the position we are in now that's not so bad. It was pretty bad before.

**Mr BARNETT** - Yes. On the plantations, the chair has already made some comments. There was a 90-year forestry right. In late 2016, 29 000 hectares of hardwood was offered for sale. It was on the open market; it was nationally and internationally promoted; and the board did a lot of work and used consultants. Then Reliance Forest Fibre - RFF - and Global Forest Partners paid the \$60.7 million.

We were very pleased with the outcome in August 2017. Global Forest Partners and its international forest investment advisory firm - I am also advised they have another 150 000 hectares around Australia, so it is not a one-off for them - are very familiar with this sort of thing and Reliance Forest Fibre has established a locally based management and operations team. There are people on the ground in Tasmania to do the work.

I might leave it there and perhaps the chair could add to that.

**Mr de FÉGELY** - They also have an export facility at Bell Bay so it would appear they are here for the long term. It is a good thing for the state that we have new forest or Forico, Reliance and ourselves, so there are number of growers working in the state now. This has been a very positive outcome.

We have retained 26 000 hectares of our pruned and thinned estate for future sawlog production, which was the ultimate aim from what we wanted. The sale of the surplus plantations allowed us to improve our balance sheet and get us back into the trading position we are in today.

**CHAIR** - What were the costs of establishing and maintaining those plantations prior to the sale? Do we know that? You can say we received \$60.5 million, but how much did it cost to get to that point?

**Mr BARNETT** - It is best for the CEO to respond to this. It has obviously taken place over a long time. I will see if the CEO would like to address that.

**CHAIR** - What was the profit? We know how much we got for them, but that is not profit.

**Mr WHITELEY** - There is no simple answer because we had a mixed estate. The mixed estate was of areas where we had completed a pruning and thinning regime. When the TFA was put in place, the research had only just been done, so we are still trialling it. Within the budget an anticipated fall of around 40 per cent was factored into the program.

We plant 100 hectares; of that, we expect we would be able to successfully select suitable areas to prune and thin of about 60 hectares, so that is part of the mix. The other part was that we had a lease arrangement with Gunns, so some of the trees were established by another party on our land and a settlement was reached in lieu of money owed.

It is a quite complex mix about where we spent the money. The important thing is that the 26 000 hectares we retained is the core estate set up under the purpose of the TFA. That is what is delivering the solid wood regime. A lot of the other plantation sold was not treated in that way and therefore was not part of our core business.

Effectively a sale paid the debt, but effectively it was a forward sale of pulpwood in terms of our business.

**CHAIR** - You cannot tell the committee how much those plantations sold - not the Gunns-MIS ones - the ones that Forestry at the time owned, how much that cost. You cannot give us the profit margin on that sale - you can only give us the figure that we have?

**Mr WHITELEY** - It was quite variable. We had a program view at the time; some areas were on farmland and some were on converted native forest. They have quite a variable set of cost structures.

**Mr VALENTINE** - Plantations on private farmland?

**Mr WHITELEY** - We purchased the land at the time. We had a program; a target was set by the TFA and we were unable to establish plantations at the rates solely by harvesting native forest and putting plantation in. That was supplemented by some purchase of land.

It is quite a complex mix across that. That is a good question, but the important one is the estate we retained was the core estate set out under the purpose of the TFA.

**Mr BARNETT** - Chris Brookwell, would you like to add to that?



**CHAIR** - Yes, it looked like he wanted to say something, minister.

**Mr BROOKWELL** - Again in FY 18, we received \$60 million which was in the cash flow statement. In terms of the profit and loss accounts, the estate was valued at the end of the year and the estate we sold was essentially wrapped up in the movement. The revaluation in last year went up by \$26 million so we had reduced trees, but again improved pricing.

**CHAIR** - Because of the nature of the timber you still have?

**Mr BROOKWELL** - Yes, which is how the profitability was reflected.

**Mr GAFFNEY** - It says 40 000 hectares was lost in the fires. How do you go in and manage that now? You clear it; you replant. How long does it take for the trees to mature? Fire is a risk factor now; this is not going to be the only fire you will have over the next so many years. How do you as a sustainable timber industry manage the potential impact of fire as a risk factor on your product?

**Mr de FÉGELY** - Thank you. First, the fire is not even in its impact on the forests. Some parts of forests were heavily burnt, others mildly burnt, some unburnt, but they may still all be in the area regarded as impacted.

We then take some time to see how the forest responds to the fire itself. That is not an instant thing; it takes over about five to six months for us to work out whether it is going to respond - is the stocking up to a healthy level or do we have to intervene and stock? Some of the very younger areas - less than 10 years regeneration - which we believe was heavily burnt, we have resown with aerial seed. We have done some salvage harvesting with that and we have done some trials. Because the charcoal caused by the fire impacts it and becomes a contaminate in some of our products, we have to think about whether that will have an immediate impact. That charcoal will dissipate over time as the trees grow, rain washes it off and it reduces with time.

We do a mixture of treatments. Maybe I can ask the CEO to provide some background. He has brought some photographs for you to illustrate this, because it is quite hard to describe in words. Suffice to say there is a mixed impact. Generally speaking, we will be able to recover from it long-term, but we have to make some short-term arrangements in terms of supply.

**Mr GAFFNEY** - And risk mitigation for future?

**Mr de FÉGELY** - Very good question. I have taken the minister out and suggested a number of things we would like to do a mixture of both. Continue with our hazard reduction burning, but also some mechanical intervention, where we do some thinning. This is what I would refer as Crown Fire Free Zones, where we remove some of the understorey to ensure we do not have ladder fuels which create the crown fires. We create a break along various strategic regions like major roads where we think we may have to fight a fire in the future. We put in an area of low fuel so we can ensure we have a good break safe for firefighters to work from, but also if a fire is crowning further down in the forest, it will hit this break and drop to the ground and our firefighters can then attack it.

**Mr GAFFNEY** - He has not answered the first question.

**Mr BARNETT** - The other part of the question.

**Mr de FÉGELY** - Yes, it will show some photos on the various treatments for the burnt forest.

**Mr WHITELEY** - Coming back to your question, about 40 000 hectares of our land was impacted across three fires. As the chair said, the impact was quite variable. Huon was the major impact. About 12 3000 hectares were impacted.

**CHAIR** - The region of Huon as opposed to the timber?

**Mr WHITELEY** - No, not the species of Huon, the region of Huon. The production area south of Hobart was most impacted. The fire went through about 12 300 hectares. As the chair said, it is quite variable. I have some things which show that where the fire went through some of the larger trees have not been killed. They are reshooting. A lot of the forest there will recover. In terms of your question about what does it mean for sustainable supply, we think with some of these areas we might need to wait 10 or 15 years for them to recover. That is not a loss. Because there is charcoal there and we want the health of the forest to retain, we have to manage the forest product and carbon and biodiversity and water - a whole lot of things there. We have done some small trials within some Eucalyptus regnans areas where the trees were been killed by the fire.

The question about salvage is that we don't anticipate a significant salvage program. At the moment, we are looking at how we can protect soil and water values, so it really is an experiment as opposed to a program. We are also putting some of those logs into sawmills and into other processes so the customer can understand what we see on the outside, which is black bark, has affected the wood properties.

We know from other areas in the state, particularly the east coast and the north that have more frequent fires, that the forests recover. Our approach at the moment is that we need to keep on monitoring, but we expect that at the moment our default position will be that we simply need to leave much of the forest for 10 or 15 years. It will then be suitable, but the forest health is our primary concern at this stage.

As the Chair mentioned, there were some younger areas where there wasn't adequate seed, so we sowed that. That is quite different from what happens in the reserves where, because we've got seed stocks, we are able to actively manage those areas and make sure we've got healthy forest cover. Some other places, if it is in a more passively managed state, the area is left to recover by itself, whether it's got seed or not.

**Ms LOVELL** - Minister, you've spoken about the impact of the fires and the amount of forest that was damaged and we spoke about finances, broadly. Has there been an assessment of the cost impact of that damage specifically related to the bushfires?

**Mr BARNETT** - Thank you for the question; it is a good question. As the Chair indicated in his opening remarks, 40 000 hectares is a lot of land and it is about 5 per cent of the total hectares of production forest. As the Chair has indicated, it has impacted the forest in different ways and, as the CEO has indicated, they will regrow. This will happen. Some seeding has been dealt with and managed in different ways.

Yes, the forest is still there and, in terms of the harvesting plan, the CEO can outline how that will be changed to respond to the fires. Fires regularly happen in our forests, consistently every

summer, and we need to adjust to this. This was a significant fire, in January-February, and 40 000 hectares is a lot of Sustainable Timber Tasmania PTPZ land.

I emphasise the fantastic 66 000 hours of time that STT and its people put in to combat the fires. Congratulations and well done on protecting your land, Tasmania's land and our community. I will see if the CEO would like to add to the question about the viability of STT and the financial side of it.

**Mr WHITELEY** - Long term, it has been picked up and reflected by our independent valuer, so a long-term impact has been recognised. Practically, in the short term, we prepare a three-year wood production plan each year. The plan we have produced is to schedule around the burnt areas so, in terms of the current contractors and businesses, effectively it is business as usual in the short term. In the Huon, as we've indicated, there are burned areas that will probably take 10 or 15 years to recover. That will make scheduling difficult in the medium term until we allow that help. That is something we will need to have a look at.

Short term is okay. Around a quarter of the productive area in the Huon is impacted in some way by the fires and that may well lead to that not able to effectively contribute to the contracts up to 2027. That is something we need to look at. As we learn a little more, we will discuss that with our customers.

**Ms LOVELL** - Are you anticipating difficulty in fulfilling contracts in the medium term? I understand you managed to fulfil your obligations in the short term.

**Mr WHITELEY** - We have a broad view of where the resource is statewide. We calculate sustainable yields across the state and update that each five years. The last one was done in 2017. We will do another one in 2022 and that is where we will bring some of these things in together.

**Ms LOVELL** - Are you expecting there will be sufficient resource across the state to meet those obligations?

**Mr WHITELEY** - We are at this stage, yes, from what we can see.

**Mr BARNETT** - I will add that STT, TasNetworks and the Government did a lot to get Southwood back on track, which is Neville Smith Forest products and Ta Ann and, likewise, TasNetworks went above and beyond to reconnect the electricity infrastructure.

We can respond in terms of the Tahune Airwalk that was impacted in those bushfires. I went down there a few weeks ago with the Chair, CEO and the team and caught up with Ken Stronach. Recovery is taking place there and there is an expectation that Tahune will reopen by the end of January, and we are looking forward to that. We are doing everything we can to get that business back on track but it will be done in a rehabilitated and refreshed way, focusing on education and awareness and the way that forests can respond to bushfires. I alert the committee to the hard work that has been done, particularly on the Tahune Airwalk as well as more generally.

**CHAIR** - Is Ta Ann operating again in the south? What is the time frame for that?

**Mr BARNETT** - No, not yet. Ta Ann has some work to do. We met with them a few weeks ago. They have some plans in place and that is a matter for Ta Ann. We are doing everything we

can to assist them in reopening as soon as possible. I am not sure if the CEO would like to add to that.

**Mr WHITELEY** - Their boiler was damaged. They had residue from when they round up logs and they need to be able to dispose of that. One of the things they are working through is that in the absence of a boiler, they need some other mechanism to dispose of their green waste.

**Mr FINCH** - Minister, there was a call recently for a full-scale review of the dysfunctional structure governing bushfire protection management and control in Tasmania. Would you care to comment on that?

**Mr BARNETT** - Yes, absolutely, happy to. Mark Shelton, the responsible minister, is doing a great job in that regard. The Government's position is very clear because we have had the Australasian Fire and Emergency Service Authorities Council review, which you would be familiar with. The Government is very supportive of implementing those recommendations made in the AFAC review in collaboration with the Tasmania Fire Service, STT and the Parks and Wildlife Service; across government. Team Tasmania, as I like to call it. Those recommendations are being supported and implemented in the short term, medium term and in the longer term as well. We have the full support of our fire agencies and we thank them for the work they do. They are well trained, capable, well-resourced and ready to respond to the bushfire season we are facing.

**Mr FINCH** - Experienced with 66 000 hours under their belts.

**Mr BARNETT** - That is right, an amazing 66 000 hours under the belt for the last season, during those bushfires in January and February. It is a fantastic outcome, supporting production forests and our committee. Over 200 000 hectares were burnt in total across different parts of the state. I spent a lot of time in the Central Highlands, the Derwent Valley and down in the Huon as well. I visited with TasNetworks and helped progressed the work to get Southwood back on track with that transmission line that was damaged big time. TasNetworks spent quite a bit of money to get that back on track so that Southwood could restart and get those jobs going again in the Huon and in those regional areas.

**Mr VALENTINE** - The 200 000 you were talking about is total Tasmanian forest, that is not -

**Mr BARNETT** - Across the state. Those three main areas - Central Highlands, the Derwent Valley north of Modena and down the Huon; 210 000 hectares in those three main areas, and 40 000 hectares of production forests were impacted in different ways, as outlined by the Chair and the CEO.

**Ms LOVELL** - Minister, further to the AFAC review you mentioned and in relation to the management of the fires in the previous season, the AFAC review reported there was a perception that a meeting of minds around the prioritisation of different responses was required, specifically production timber compared to residential areas or Parks and Wildlife areas. It noted that at least a perception of that was a matter of concern. What steps have been taken to ensure that perception doesn't continue into the upcoming fire season, and that people can, particularly STT staff and people who are trained to respond, have confidence that the decisions will be made, or in how those decisions are made, around priority?

**Mr BARNETT** - Thank you for the question. I am not the minister for Police, Fire and Emergency Management and I have every confidence in Mark Shelton. I am the Minister for

## UNCORRECTED PROOF ISSUE

Resources and, with respect to STT, we've have had 90 staff and some 120 contractors involved in fighting those fires. They do work in cooperation with the Parks and Wildlife Service and the Tasmania Fire Service. Steve has, through his people, a very good, cooperative relationship. The capability and the resources are there and they are working together.

In terms of the AFAC review, the Government's position is that it has been received. It's taken on very positively and we have every intention of implementing the recommendations in collaboration with the fire service, in which we have confidence. Would the CEO like add to that?

**Mr WHITELEY** - I think your observations are correct, there have been concerns and they were picked up in submissions and in the review itself. One of the recommendations was to review in some respects the interagency protocol and I understand that Mr Shelton and the TFS will be providing an update on that shortly.

**Ms LOVELL** - How many STT staff are trained to fight fires now?

**Mr BARNETT** - As I said, 90 staff were involved in the recent fires and 120 contractors. I might see if the CEO would like to add to that.

**Mr WHITELEY** - Fire is very important to us. One of the things that we do as a corporate goal is to have at least 70 per cent of our staff trained and equipped to provide various roles in fires, including frontline firefighting. Coming into this fire season we have 90 people of our 150 establishments trained and ready and there are some more because we've got some new employees and people going through accreditation programs. At least another 10 will be signed off in the near future. We maintain a commitment to providing specific skills. We have particular skills in forest firefighting to complement some of the remote firefighting the Parks and Wildlife crews do, and some of the urban interface work the TFS does. Part of what we are looking to do is to make sure we have an integrated skill set across the agency.

We also use contractors for a lot of our work, so a lot of the restructure was to not have employees do some of the work, and contractors, so I have around another 100 employees of contractors that we look to provide diverse employment for and they contribute significantly to the fire effort as well.

**Mr BARNETT** - We are also sending and have sent our firefighters to New South Wales. I am not sure exactly how many but we have made a contribution there. Across all agencies, including STT.

**Ms LOVELL** - Further on that, how does that figure 90 out of 150 and the target of 70 per cent compare to the last five years?

**Mr WHITELEY** - It has certainly changed in terms of our numbers but we probably took the number of people we had for granted, previously. Now we have simply made a deliberate corporate decision. There is a corporate commitment across the whole organisation, rather than just in the field centres. We know there are good skills across all of our people and they can contribute to the fire effort, not just the front line, but some of the other planning that supports services as well. Part of the target we have set is to recognise what we are probably already doing but also to set a cultural target.

**Ms WEBB** - On that 70 per cent, when do you expect to have that achieved?

**Mr WHITELEY** - We have, as reported in the annual report.

**Ms WEBB** - Of your current staffing?

**Mr WHITELEY** - Yes. That was post-restructure. It was one of those things we were concerned about, to maintain our capability, so it is about maintaining the internal culture as well as supplementing that with skilled contractors.

**CHAIR** - You mentioned in the opening comments about safety being terribly important for the industry. We know it is an inherently dangerous industry. You said that staff had a very good safety record but I am hearing repeatedly that you use a lot of contractors. What is the safety record for the contractors that you use?

**Mr WHITELEY** - Within fire, very good. We put, again, because it is a hazardous environment, whether it is our staff or contractors and across the agencies as well, we have dedicated people with a focus on safety when people are firefighting but also patrolling and that sort of thing.

**CHAIR** - What about forestry operations?

**Mr WHITELEY** - The examples that the Chair referred to were our harvesting hubs and transport contractors, so that is the pool we are really quite concerned about. It is a different set of contractors, so the contractors we are referring to in firefighting tend to be our other people, what we call 'silvicultural contractors', who do a lot of our land management works.

**CHAIR** - What is the safety record for those people?

**Mr WHITELEY** - Very good.

**CHAIR** - What about the people harvesting and carting?

**Mr WHITELEY** - The people we are concerned about are in harvest and transport.

**CHAIR** - What is the safety record there? Do you have those figures?

**Mr WHITELEY** - We have reported those figures.

**Mr de FÉGELY** - Our long-time injury frequency, as we reported, is 29, which is too high.

**CHAIR** - Lost time?

**Mr de FÉGELY** - Yes, lost time injury. Sorry, did I say long time? My apologies. We hope not, and there is medical, which is MTIFR. This has been a real challenge. The board is very concerned about it and it is a combination of age, skills, equipment and the type of forest we are working in. We have had discussions with both our minister and the Treasurer about how we try to address this problem. We have changed the management within STT to give a direct report for the General Manager of Operations, Greg Hickey, who is looking after operations. He has had a lot of experience in training in safety. It is a nationwide thing that we are all looking to do.

We think the solution comes down to training and some re-equipping contractors with more modern equipment. I don't want to talk too much about the past but, essentially, this is probably a problem that has been around for a decade or more. Contractors haven't really had enough money or the industry hasn't been viable enough for them to upgrade the equipment as we would have liked. There is now new equipment in other states. They are working towards positions where there are no forestry workers working on the ground, they are all working in protective cabins. We still have manual falling in Tasmania. Whether we can move away from all of that is still a work in progress but we are looking to improve skills.

Recruiting people into the industry is not simple. There are other, more attractive jobs for people. We are trying to make it more attractive because of the complexity of managing this equipment. They are multi-million dollar machines. It takes upwards of a year to two years to train machine operators, whereas you can put somebody in the bush who is just working on the landing without a lot of training at all. This is a statewide approach we are taking. I am going to ask the CEO to add to this, because we have been working with the other sectors in the industry and the plantations as well to try to find what we think is a workable solution.

**CHAIR** - We have the figures. I am interested in the actual comparative figures of the lost-time injuries.

**Mr de FÉGELY** - Yes, the figure of 29.

**CHAIR** - There were 29 lost-time injuries in the last 12 months.

**Mr de FÉGELY** - That is the last 12 months.

**Mr WHITELEY** - No, that is a frequency rate - LTIFR, so that is per million manhours worked.

**CHAIR** - Are you able to provide it on notice?

**Mr WHITELEY** - I can give it to you now.

**CHAIR** - Over the last five years?

**Mr WHITELEY** - No, not last five years? Can I just give you the year we are reporting on? This is what is really concerning. In the last two years there has really been an increase. That is our concern. Before that, we were running staff and contractors comparably. They were not quite the same but there has been a significant increase in incidents related to harvest and transport the last couple of years, particularly. There were 16 lost-time incidents for our contractors, 13 of those occurred in forest harvesting and three related to transport. That is the mix. Ten involved chainsaw use.

**CHAIR** - Do they wear all the right gear?

**Mr WHITELEY** - Yes, these were various things but, again, this is very concerning to us. As the Chair indicated, part of that is to remove people from a risky environment to the extent that we can. We have different means. There is a lot of mechanical work. As we are moving towards plantation wood and younger forests, it provides opportunities to change the way our production systems work. That is a transition we are structurally in, but this is very concerning to us now.

Part of what we are doing is training but one of the things that we have done in recent months is a bit of a cultural reset. It is about awareness, looking at teams. You may have heard from other businesses there are various programs. The one that we and others use is SafetyCircle. We have had that for our staff for a long time now. We are looking to roll that out across our contractors and really personalise it for the guys in crews so they have the same attitude where they can have permission to call each other out, to talk to their boss about things that they see are unsafe.

**CHAIR** - Do you think that is changing the culture?

**Mr WHITELEY** - It has started to. We are getting good initial feedback. We are only in early days with that but the feedback we have had so far is very positive. In other words, they are getting engaged with it and we and their principals are listening.

If we have an ambition to get everybody home safe, we all need to live it and we need to do what we can across our contractors as well as our staff.

**CHAIR** - I will send you a note about providing the last five years figures on that.

**Mr VALENTINE** - I note on page 88 of your report you have 29.1; you were talking about 16 or something.

**Mr WHITELEY** - No, these are incidents: 16 is the number of incidents. That is a frequency rate. That is for per hour.

**Mr VALENTINE** - Yes, I remember you explaining before. Okay.

**Mr WHITELEY** - That is right, that is per million.

**Mr VALENTINE** - So, 3.69 as opposed to 29.1 is a pretty big difference, isn't it?

**Mr WHITELEY** - Yes, and that is awful. That is something that is completely unacceptable.

**Ms LOVELL** - This is probably a fairly brief question. If we could go back to Tahune. You were talking about Tahune opening by the end of January. It was just a couple of months ago in September, they were saying they expected to be open by the end of the year. Are you aware of the reason for the delay?

**Mr BARNETT** - I can provide an overview response. I went there a month or so ago with the Chair, the CEO and other members. We caught up with Ken Stronach. They are doing everything they can to be open as soon as possible, with the tourist season not so far away.

A lot of work has been done, I can assure you. I have had a good look and inspected it. You can see the massive amount of work done with support of not just STT but also a lot of contractors and other workers. The rehabilitation is happening. It is going to be refreshed. It will be provided in a different and new format. We are excited about that. I think it will be terrific and we are really looking forward to promoting it.

I think Steve might want to add to that.



**Mr WHITELEY** - Here is a recent image to get a feel for what the site looks like now.

**CHAIR** - A different experience to previously, isn't it?

**Mr WHITELEY** - Yes. We set in place a program with the ambition of opening by about the end of the year and clearly that is subject to the people working on the ground safely. That has been pushed back by a few weeks. We weren't sure about windy weather and those sorts of things.

The process they are using is having to put scaffolding on the airwalk and then effectively covering it and repainting it, and replacing, I think there are 9000 bolts they are replacing across the whole of the structure. They are replacing all the cables and those sorts of things.

We mapped out a program with the service providers and if we don't have delays, we will get it done by around mid-December. Clearly, there have been some delays with the windy weather.

We don't have a date other than to say we have made good progress other than the weather disruptions and we are looking to open as soon as possible.

**Mr FINCH** - A general question if you wouldn't mind, minister. I have had some concerns about the name change for quite some time. Forestry Tasmania implied a stress on forest management for more than commercial gain. Sustainable Timber Tasmania suggests that Tasmanian forests are only about producing timber. I am not entirely convinced about the sustainability element either.

Can you give me some idea about these reservations I have. First, are you managing Tasmanian forests as forests or as a commercial wood resource? Second, can you convince me about the sustainability element?

**Mr BARNETT** - Yes, thank you for the question. This was thought about very carefully a number of years ago prior to the restructure. That restructure was then announced and implemented over a period of time and there has been a lot of hard work. Certainly, a lot of work is to be done.

They continued with a lot of their work and reshaped and restructured in terms of governance arrangements and culture. We are talking about culture now around safety and how important that is so I want to stress likewise on behalf of the Government that safety is a top priority. I have been in close contact with the chair and the CEO about the work they are doing on that.

**CHAIR** - Can we focus back to the question?

**Mr BARNETT** - I wanted to put that on the record. Sustainability is absolutely a priority in terms of the financial but also the resource and the environment. Sustainable forest is very important as is sustainable timber.

For the second time in 10 years, on the financial side, it is a very good result. I am very pleased with that and we hope that the sustainability will continue going forward, in a financial sense. In terms of a resource sense, and in how we manage our forests, we talk about timber communities and timber workers -

**CHAIR** - Can we focus on the question? Kerry, can you please repeat the question?

**Mr FINCH** - Do you have that overall responsibility for Tasmania's forests or are you only looking at it as a timber resource, the way you deal with your mindset as far as the forest resource is concerned?

**Mr BARNETT** - Sustainable Timber Tasmania is responsible for some 800-odd thousand hectares of Tasmania. That is their responsibility. From STT and the board's point of view, and I am happy for the chair to respond, it is absolutely managing all those forests, every single tree, to ensure it is sustainable.

I have said wood is good. It needs to be sustainable and renewable, and we do that. Likewise, it is best practice, not only in Australia but in the world, and we have best practice forest management practices here in Tasmania, implemented by Sustainable Timber Tasmania.

We are very pleased with the name change and the feedback. You get different views from time to time, but we are pleased with the progress that has been made.

**Mr de FÉGELY** - Our focus is on all our forest estate, not only those production areas. Roughly speaking, about half is our productive estate and the other half we manage for other multiple uses, particularly conservation, which is very high on our agenda.

The work that STT has done in wedge-tailed eagles, for instance, has been first class and we are trying to use some modern technology to improve how we manage those. We have a MOU with the beekeepers, as the minister has mentioned, and we have an MOU in tourism and bikes from the Blue Derby. We were there the other day - fabulous integration of recreation and forest management, right beside a harvesting coupe. We can integrate all those things.

Our division with the restructure, with the name, is based around two divisions. One, we were given a very clear mandate to ensure that we were financially sustainable, so we keep our wood products division as a clear division within the business. Then we have a land management division, which is really around conservation and land management. All our stakeholder relationships are there as well.

Our whole certification process under responsible wood and Forest Stewardship Council relates to how we relate with the community in terms of conservation, all the other values of the forest as well as producing timber. Absolutely, we are very focused on the forest as a whole and take a holistic management approach to it.

**Mr FINCH** - If I might continue with some reduction in figures, comparing the 2017-18 and 2018-19 annual reports, there are reductions. For example, the amount of land prepared for regrowth, reduces from 6700 hectares to 4700 hectares so there is a reduction according to two reports in the amount of sawlog supply from 129 000 cubic metres to 116 000 cubic metres. I wouldn't mind having an idea of what is behind that reduction.

Similarly, a drop in the two financial years in the amount of specialty timbers supplied, from 10 000 to 9700 cubic metres. On that score, was there less demand for specialty timbers or is the resource under pressure?

**Mr de FÉGELY** - There was a demand factor driven, particularly for high-quality sawlogs and how we work with our customers. They are quite comfortable with that level we produce, so 116 000. The customers were under a bit of pressure and asked us to slow-up at one point, so we

did not take it any higher than that, but that was by agreement with them, particularly our sawlog customers.

**CHAIR** - Which customers were they?

**Mr de FÉGELY** - Our main high-quality sawlog customers, so Neville Smith and the fires. The fires did have an impact. In terms of special species, I will let the CEO talk about that. It is slightly more complex.

Our area that we regrow will vary depending on productivity of different coupes. We may get a higher volume and a higher yield so we will have less area to regenerate. I would expect that to vary year by year. It depends on what we see that the year we have got in hand as to how we can go about whether we can get to regenerate every coupe actually on time, but at this stage, as far as the board is concerned, we are quite comfortable that we are up to date.

**Mr FINCH** - Others may want to drill down on specialty timbers, but that 116 000 cubic metres of sawlogs supplied in 2018-19, what quantity was exported as sawlogs and not processed in Tasmania?

**Mr WHITELEY** - Zero.

**Mr de FÉGELY** - It was all delivered to our local customers.

**Mr WHITELEY** - If I can add to that - really the drop there was because of the bushfire in the Huon that affected the Neville Smith business. That was the principal concern in terms of our customer demand. They simply could not operate their mill.

**CHAIR** - On that point - I will come back to you shortly, Kerry - there are a couple of areas I want to go to. With the domestic peeler billets, Ta Ann were taken out of action and still is in the south.

**Mr BARNETT** - In the south, not the north.

**CHAIR** - No, I know they are still working there. There were 140 000 tonnes of peeler billets. and their contract is 150 000. Is this entirely the fact it was the bushfire? The Smithton plant in the north could not ramp up?

**Mr WHITELEY** - It is too costly to cart logs from the south so they used to cart some of the processed material to Smithton. It is very expensive to cart that quality of log all the way up to Smithton.

**CHAIR** - It is going to take a little while too, because if you are relying on southern trees to go to the southern Ta Ann facility, is that going to present ongoing challenges?

**Mr WHITELEY** - No, two parts to that question. In the interim we are continuing to segregate that grade of log. Currently it is being exported. That is principally around the contractors' business in terms of the segregation. The contractors are out there delivering sawlog. We want them to continue to deliver the other solid wood product, which is the tarn peeler billet. In the south those logs are currently being sold to log exporters. That is really to maintain supply chain continuity for

the contractors, but also to enable a rapid restart for Ta Ann when they are ready so, effectively the system.

**CHAIR** - You are keeping the contractors going.

**Mr WHITELEY** - Keeping the contractors rolling. We only have short-term arrangements with exporters so, as soon as Ta Ann tells us they can take the logs again, we can immediately and do not have to ramp up our production again. We have effectively scaled it down somewhat because we do not want to be exporting logs unnecessarily, but have maintained that capability for them to resume operations.

**CHAIR** - Are there any penalties on either side for not delivering or not taking the contracted volumes.

**Mr WHITELEY** - No, not under these circumstances.

**CHAIR** - I want to go to one other area and then come back to others again. It was mentioned by your minister in the opening comments around FSC certification. It might have been the CEO was talking about it. Someone was. The Chairman was.

You talked about there was nonconformities or there was noncompliance. Can you take us through where we are at, what those areas are and what you expect in terms of timeframes to deal with this?

**Mr de FÉGELY** - We have just had an update yesterday so I will ask the CEO.

**Mr WHITELEY** - We have had some questions recently and sought some advice from the auditor. We have published their response on our website in mid-October that outline what process they need to go through.

Because there is a new Australian Standard, it is one of the first audits under the new Australian FSC standard. Prior to that there wasn't an Australian Standard, so what they have said to us is they are taking some effort to make sure there is a particular interpretation of the new standard.

Where we are at now - as the Chair indicated - part of their process they indicated in this letter was to provide the document to us for fact checking. It is not a matter of negotiating anything, it is simply that they have not accurately recorded certain things.

By virtue of seeing the report in that stage, we understand there are some nonconformances to the standard which would mean until we close out those nonconformances we will not be certified. We now need to wait to receive the reports which indicates precisely what we need to close out so we are aware of the broad area.

**CHAIR** - In broad areas then what are these areas of nonconformance?

**Mr WHITELEY** - The broad areas remain around old growth and treatment species and their management. It is significantly improved from the last audit so, we have taken significant steps. Because there is a new standard, there are some matters in there that need to be interpreted so, again that is the broad categorisation. We are not certain yet exactly what we are required to do. Some things may be simply providing some more evidence of something we are doing.

**CHAIR** - The update you received yesterday?

**Mr WHITELEY** - No, we have had it for a few weeks.

**CHAIR** - Is that the one you've published on the website?

**Mr WHITELEY** - No. In October we had not received anything when we were being asked some questions, so we simply sought advice from the auditor as to what they expected their process to be and that is laid out. That is available on our website if anybody would like to refer to that.

The first step is to provide us with a report to make sure the facts are correct. Correctly quoting various things, not doing things.

**CHAIR** - You are saying the letter received it is not identifying the areas of noncompliance?

**Mr WHITELEY** - No, the letter is about process, what to expect. They have talked about the steps we need to go through and particularly making reference to a new standard which is also included; because it is a new standard, they are going to get some independent experts to review their report before they submit it to us.

**CHAIR** - Minister, can you provide us with a document that outlines in broad terms the areas of nonconformance?

**Mr WHITELEY** - Not at this stage.

**Mr BARNETT** - The CEO has responded to that. To clarify, you are expecting it in the not too distant future? When would you expect that?

**Mr WHITELEY** - As we have understood from this process, they simply need to run a process, which is what they are.

**Mr BARNETT** - They are looking to receiving that from the auditors and have had the audit earlier in the year, and we still do not have a final audit report. I will seek clarification and information from STT.

**Mr de FÉGELY** - If I can clarify what happens - the process the audit went through over the period of two weeks; they had a verbal debrief at the end and outlined a number of nonconformances, but they say you cannot rely on this verbal debrief. They outlined two main nonconformances around threatened species and old growth retention, as mentioned by the CEO.

We have been waiting to see in detail what those are. We do not have them as they have not been sent to us yet. We are continuing to work a little blindly around this to try to say 'Well, what do we think? What can we do?' We asked for some indication of timing and received a letter from the auditors to say they were working on it and would let us know in due course. The board at the moment has not had any formal advice around this. All we have is the verbal advice of the auditors post the audit.

**CHAIR** - The written advice outlining the nonconformance areas would be published and made public?

**Mr WHITELEY** - Well, last time, but we have not put it to the board yet. We have not received anything and they have not considered it.

**CHAIR** - No, no, but is there an intention to make that public about what areas with more detail around it, particularly the two areas you mentioned, Steve, but also there could be others. You said there are other minor areas potentially.

**Mr de FÉGELY** - There could be, who knows? We will not know until we actually see it. We are obviously trying to be proactive and manage for what we think is coming.

**CHAIR** - The question is: when you receive the advice will that be made public?

**Mr de FÉGELY** - I believe the board would have as very open position around it. I do not see why we would not, but I do not want to predict what the board will say because I am just one of a number. I am only the chair. It has not been put to us.

**Mr BARNETT** - Are we still on FSC because I would like to add something? Sustainable Timber Tasmania is operating in a best practice management and already has third party certification through the Australian Forestry Standard. In addition, they have what is called PEFC.

**CHAIR** - We understand that, minister.

**Mr BARNETT** - Well, no, it is important. I do not want a misconception. They are already certified through PEFC and through Australian Forestry Standard, it is a third party certification. PEFC is in fact the world's largest certification system. So that already occurs.

Second, and finally and very briefly, the Government supports their objectives to be FSC certified.

**CHAIR** - It has been a commitment of Government to seek FSC and why the question is around that. We know you have already got PEFC.

**Mr BARNETT** - No, I am just making it clear. They already have the third party certification. Regarding FSC, the Government supports the objectives of the board to obtain certification for FSC.

**CHAIR** - That is why we are asking about that. Thank you.

**Ms LOVELL** - Understanding you are waiting on that final report and are not clear on a time frame for that, but given that you have had some verbal advice around the areas of nonconformance, have you put any thought to or had any advice around how long you expect it will take to address those areas if that is all that comes out of the report?

**Mr de FÉGELY** - I would have to ask the CEO. Until we see it it is difficult. An obvious threatened species would be the swift parrot and there is a statewide process under parliament to address that. We are doing everything we can at the moment to work and ensure we look after the swift parrot in every way possible. How that will be treated by the auditors and FSC we don't know at the moment. We can go so far but after that we will have to wait until we are informed.

**Ms LOVELL** - Minister, are you expecting that the reopening of any of the 356 hectares of future potential production forest will impact obtaining FSC certification?

**Mr BARNETT** - I don't expect so.

**Mr FINCH** - Just one observation: if you go into Bunnings, there is wooden furniture from Vietnam with a brass plate saying their wood comes from Vietnamese forests that have Forest Stewardship Council certification. If the Vietnamese industry can obtain certification, I am just really frustrated that it is taking so long to prove this circumstance in Tasmania.

**Mr BARNETT** - Yes, very clearly, Sustainable Timber Tasmania already has FSC certification for its plantation estate for controlled wood; this is for the native forest estate. We have the two parts: you have the plantation controlled wood and then the native forest estate. The wood that you are referring to in Bunnings, I suspect is probably from plantation estates in Vietnam, if that were the case.

**Mr de FÉGELY** - Highly likely to come from plantations.

**Mr FINCH** - But then the report this year notes that 616 hectares of old growth forest was partially harvested and 51 hectares was clearfelled. I had the impression that clearfelling of old growth forest ended some years ago, but I am obviously wrong. That clearfelling is occurring. What will happen to the old growth forest area that has been clearfelled?

**Mr WHITELEY** - Again, through our processes, we no longer clearfell what we call coupes containing old growth, in other words, significant areas of old growth. Because our forests are quite diverse, we end up with small pockets of old growth within other areas that are otherwise regrowth. The sum of many small patches makes up 51 hectares across the 4000 or 5000 hectares that we harvest. These are very small areas in the context of the reservation of old growth across the state.

**Mr FINCH** - Victoria has been specific in ending old growth forest harvesting and we are continuing to harvest them.

**Mr BARNETT** - They have, but it was a disastrous decision for the forest industry in Victoria - an absolute nightmare putting hundreds and thousands of workers on the unemployment scrapheap using taxpayers' money.

**Mr FINCH** - Yes, and the Victorian Government's policy is to end native forest logging by 2030 so you would include that in the same disaster?

**Mr BARNETT** - Absolutely, which is what we don't do here because we manage it in a world-class, best-practice way. We have no intention of doing what Victoria is doing. In fact, they are kowtowing to the Greens and inner cities like Melbourne. The policy you are referring to of the Victorian Labor Government is exactly the policy of the Greens in Tasmania, which is to close our native forest harvesting industry in Tasmania. It would be a disaster; it would throw thousands of rural and regional Tasmanians out of work. This is exactly what happened under the former Labor-Greens government with the lock-ups and closing down of our forest industry where two out of three forestry jobs were lost. We went to the elections on two occasions; we got a mandate, we said 'No more lock-ups, rebuild the forest industry'. We have done that, we are delivering; there is a lot more work to do and we are on track.

## UNCORRECTED PROOF ISSUE

**Mr VALENTINE** - With regard to FSC and the Australian Standard that is coming into play, can you tell me what the difference is between the standard that used to exist and the Australian Standard? You have mentioned native forest harvesting - it might be around that. Is that because there are very few native forests in other areas of the world that have to be taken into account when it comes to getting FSC certification? Why do we have an Australian standard? Can you give me that explanation?

**Mr WHITELEY** - If you want a more complete answer, I will invite Suzette Weeding to come to the table if that's important to the committee.

**Mr VALENTINE** - I'd certainly like to understand it.

**CHAIR** - We have only 15 minutes so we might come back if we have time to get more details, or we can take that on notice perhaps to provide us with more detail on the Australian Standard and the differences.

**Mr WHITELEY** - I think that we can arrange way of providing that advice.

**Mr VALENTINE** - I would really like to understand why there is a need for an Australian standard and what the differences are between it and the general FSC standard?

**Mr GAFFNEY** - A quick question minister because I realise we need to get onto the special species and other assets.

You opened the door there for the question. The Environmental Defenders Office's Nicole Sommer, who is the principal lawyer and CEO of that office has said in one of their newsletters -

In 2020, Tasmania faces momentous challenges including the opening up of more than 350 000 hectares -

I think Sarah Lovell alluded to 356 000 hectares -

- of high conservation value old growth native forests to new logging with the end of the forest moratorium.

I am wondering if someone would like to make a comment about the accuracy of that statement and what will it mean. It worries me a little bit too, with the timing of the protest laws and the moratorium finishing in 2020, whether there is a connection between the laws that are being discussed and that moratorium finishing and managing that challenge.

**Mr BARNETT** - Absolutely, and I can respond to that question. I thank you for the question. It is inaccurate.

**Mr GAFFNEY** - The statement here?

**Mr BARNETT** - Yes, it is inaccurate, because it is consistent with the view of the Greens, which is inaccurate and they keep referring to the 356 000 hectares as conservation forest. It is not. It is a wood bank. It has been passed through parliament by our Government and we took it to the election.



The previous government, under the TFA, wanted to lock up that amount of land. The Tasmanian people accepted the view of the Hodgman Liberal Government not to lock it up and they said 'No more lock-ups'. We tore up the Tasmanian Forest Agreement, which caused massive job losses in the industry. We have put in place measures to rebuild the industry.

One of those measures is to ensure that 356 000 hectares was not locked up, but was in fact put into what is called 'a wood bank' - future potential production forest. That's exactly what it is. It's a wood bank, and it must be managed in best-practice management.

In due course, if a commercial forester wanted to put forward an application to do some timber harvesting in that area, it would have to go through all the due process in terms of being certified, getting a forest practices plan, a harvesting plan, meet the environmental requirements, meet the planning requirements, meet all the forestry requirements, jump through all those hoops that we do. We manage Tasmania's forests and our productive forests in a very best practice way.

I refute the views of EDO, which are consistent with the views of the Greens. This area is a wood bank. That is my summary, but I am happy to answer any other questions.

**Mr GAFFNEY** - No, that's fine. It says 'high conservation value old growth native forests'. Regardless of what colour anybody is, all Tasmanians have the right to an opinion regarding the management of the reserves and forests.

**Mr BARNETT** - They do have the right to share an opinion.

**Mr GAFFNEY** - They do, that is right.

**Mr BARNETT** - I have the right to respond to that and say that opinion is wrong because it has been through the parliament. The views of the Tasmanian people have been very well expressed that we don't want that area locked up. The Tasmanian people said 'No' to that, 'No more lock-ups'. That was attempted to be locked up under the previous Labor-Greens government.

We are a majority Liberal Government, we support jobs and support sustainable management of our timber industry.

**Mr GAFFNEY** - To the defence of Nicole Sommer, all she said is that it is opening up more than 350 000 hectares.

**CHAIR** - Potentially.

**Mr GAFFNEY** - Potentially, that is what she is saying, and that's a challenge to the organisation.

**Mr BARNETT** - She has characterised it as high-value conservation forest and we have characterised it as a wood bank. It has been through the parliament accordingly and the Tasmanian people support our position. They voted for us. They said no more lock-ups, they don't want that area locked up.

**Mr GAFFNEY** - I don't think she has mentioned lock-up at all.

**Mr BARNETT** - Well, she has characterised it accordingly.

**CHAIR** - What's the process then for making that timber available?

**Mr BARNETT** - It would be pursuant to the Forestry (Rebuilding the Forest Industry) Act 2014 and 8 April 2020 next year is the date on which an application would have to be made for having access to that timber and production forest. It would still have to be approved by both Houses of the Tasmanian Parliament. There is a process in place; all the rules are there. They have to go through due process, whether it is -

**CHAIR** - So the minister makes the application?

**Mr BARNETT** - No, it's like a regulation, so an order would be tabled in both Houses of parliament. It's like a disallowable instrument so it would have to seek the approval of both Houses of parliament before that proceeded. There are measures in place for special timber harvesting as well, in advance of that. Likewise, there are 'exchange provisions', with which you can exchange part of that area for other parts of Tasmania whether it be, for example, Bruny Island. Those applications need to come forward and they need to be considered in accordance with the terms and conditions and responded to accordingly.

**Mr FINCH** - On the subject of specialty timbers you referred to, why are the volumes of non-blackwood special species logs for milling so low for the 2018-19 year?

**Mr BARNETT** - Thank you for the question and I will get the CEO to respond. We are very supportive of the specialty timber sector. We have done a lot to help support and to develop it and we are rock solidly behind it. This beautiful table is specialty timber. It is absolutely fantastic. It is one of the things we do really well in Tasmania -

**CHAIR** - Why is it low, minister? We only have a few minutes left. Yes, we know what it is.

**Mr BARNETT** - Anybody watching may not be aware that this is Tasmanian specialty timber and we are proud of the sector. On the details, let's ask the CEO to respond.

**Mr WHITELEY** - In very broad terms, there is probably no significant difference. In answer to your question about distinction between blackwood and other special timbers, blackwood largely comes from blackwood swamps up in the north-west. It is an area that can be managed for sustainable blackwood production. Most of the other special timbers come from mature forests, old growth forests, if you like, which we are progressively phasing out of in terms of operations, consistent with your question earlier. To the extent that special timbers continue to be supplied, there will need to be a program of more active targeting of special timbers in mature forest areas.

We have forecast that in our currently published three-year plan. We have put a contingency in place; should there be market demand from our customers, we have means of pursuing that wood. As yet, the relatively stable production hasn't led to any specific requests.

**Mr FINCH** - Evidence that has come to our committee is that there is a shortfall of special species timber required by the industry. Is that a fair comment?

**Mr BARNETT** - I will ask the CEO to respond. This Government is working with Hydro Tasmania in terms of Hydrowood at Arthur-Pieman. The University of Tasmania has recently released a report on the opportunities there and we are very committed to pursuing these

opportunities and grasping that opportunity with both hands. Hydrowood is working, they go down, they harvest the timber underwater, pull it back up and that is specialty -

**CHAIR** - That is predominantly Huon pine.

**Mr BARNETT** - No, it is a mix. It can be Huon pine, blackwood, myrtle as well, but it can be Tasmanian oak, interestingly, because it has been submerged. They are getting good value for money in Melbourne and Sydney for that timber. You can talk to Andrew Morgan from Hydrowood at any stage. I am now working with Hydro Tasmania and we are looking at other lakes. I know Hydro are coming here later this morning, so you can talk to them about it. Those lakes, in terms of harvesting that specialty timber, that is another opportunity. It is what we do well in Tassie and we are trying to make the most of it.

**Mr GAFFNEY** - What quantities are they taking out of the dams?

**Mr BARNETT** - A good question. I do not have the specifics because that is a private company. I have been down there, I have been on the barge and they harvest underwater. They pull it back onto the barge and they sell it into Melbourne and Sydney. They are making a go of it and it has been happening for a number of years.

**Mr GAFFNEY** - That is fine. If you're looking at presenting specialty timbers throughout Tasmania, whether it comes from the forest or from a dam, shouldn't you know the quantities coming out? I hate to say it but you could flood the market with the wood that is coming from the dam. I would think that that would be something that you would know because it is part of your brief. Why wouldn't you understand the quality and quantity of the wood coming out of Tasmanian dams, which is another storage bank?

**Mr BARNETT** - That's a private sector company having a go, creating jobs and using our timber industry accordingly. I will see if the CEO would like to respond in terms of those figures.

**Mr GAFFNEY** - What royalties are the Tasmanian Government, or whoever it is, getting from that process? The wood is there -

**CHAIR** - I might add one question in terms of the response. How much is being paid in royalties and to whom? Is the wood that's taken out by Hydrowood, Andrew Morgan, counted in the quota or the amount of timber allocated for the special species timber sector?

**Mr WHITELEY** - The short answer is no. Just to distinguish, we've got terrestrial wood, they've got hydrowood. There are some different wood properties there, so they've looked to differentiate their product and put it into different markets. They sell a lot of their wood interstate, whereas we principally support the local domestic processing industry.

**CHAIR** - On that point, minister, Hydrowood is irrelevant to the questions Kerry has been asking about meeting the obligations to supply the special species timber sector in Tasmania and the question about the reduced supply. How much are they are paying in royalties, before we go to that?

**Mr BARNETT** - That's a matter for Hydro Tasmania.

**CHAIR** - I'll ask you then. Hydro gets the money, the royalties.

**Mr BARNETT** - They own the lake.

**Mr FINCH** - On the special species timber industry, you might need to take these questions on notice. What was the cost of STT's CSO obligation for special species in 2018-19 and can that be broken down into costs for -

- (a) identifying special species timber activities;
- (b) managing special species timber activities;
- (c) harvesting special species timber activities; and
- (d) the management of the Huon pine stockpile?

**Mr BARNETT** - I can answer the first part of your question, then I'll go to Steve. We have \$2 million for hazard reduction burns; \$2 million for bushfire preparation and, on top of that, the CSO, which has been \$12 million in the past and is now \$10 million this financial year. The \$12 million covers a range of things in terms of roads, tourism, multiple use assets and supporting -

**CHAIR** - The \$10 million or the \$12 million?

**Mr BARNETT** - It was \$12 million in the previous financial year and \$10 million this year. It covers community support, tourism, forest education activities and recreational activities, and the Chair talked about some of those before. As to the second part of your question, I will pass to the CEO.

**Mr WHITELEY** - The breakdown; at a high level, we receive \$12 million for the year. We spent \$13.6 million across the range of land management activities that we received some support from the Government for.

**CHAIR** - Some additional CSO funding, not out of your operating money?

**Mr WHITELEY** - In terms of the provision of the CSO, which is the \$12 million we are reporting on in the annual report that we're referring to so. We have the breakdown for that. We spent, within our business, within our land management division, \$13.6 million doing the range of things that we receive assistance from the Government to do. It was \$12 million, now dropping back to \$10 million. That's providing some context.

In terms of order of magnitude in your question, 7 per cent of the expenditure was related to special timbers management, including improving forest values and protecting the forest. Some of that relates to the Huon pine stockpile that you mentioned and those sorts of things. It doesn't relate to harvesting, so it's very clear, the Government's been very clear, we have a forest product division and there's no cross-subsidisation for forest production. The difference there is we're assisted to salvage and stockpile Huon pine, largely out of Macquarie Harbour. A flood will come down and we need to accumulate wood there, but when it comes to land management it is completely separate from our forest products division.

**CHAIR** - CSOs do not fund the harvesting of special species timber.

**Mr WHITELEY** - Correct.

**Mr FINCH** - I didn't get a positive sense from the special species timber people about what you're saying.

**Mr WHITELEY** - I think there's a misconception there that, prior to the current Government's policy, there was an implication that some of those funds, which were delivered differently, were for the that purpose. Under the current Government it has been very clear. Part of the policy position is that no subsidies are provided for forest products and that includes special timbers.

**Mr VALENTINE** - With respect to regeneration, where you've gone into native forest and you've harvested, are you regenerating with special species? Can you explain very briefly how much land is being regenerated into special species and what the path of that is going forward?

**Mr WHITELEY** - Each year when we prepare our three-year plan, we recognise particular parts of the forest as being mixed forest. They have a eucalypt overstorey and an understorey of the special species.

**Mr VALENTINE** - You have areas that don't have eucalypt that you are going into as well according to your - the cool temperate rainforest with no significant eucalypt or acacia species. There is something in the order of 62 hectares of PTPZ land and 19 hectares was in production.

**Mr WHITELEY** - It is a bit like the question we were asked before about old growth. There are small patches of these that accumulate in that way so it is not an area that we're targeting. It is simply because of the mosaic within the forest. That is how we operate.

Regarding your question about sustainability of various components, clearly there is an area that is not eucalypt-dominated and we have a series of special timbers management units that have been set up, again as a long-term resource. It is explained in the special timbers management plan that has been prepared across the whole of the state. It also makes reference to areas that are managed on Permanent Timber Production Zone land.

I have long-term areas for special timbers production and that includes the blackwood swamps, the Huon pine salvage as well as some rainforest areas up in the north-west. We don't currently operate those. Effectively we are relying at the moment, largely, on mixed forest.

Some of those areas were designated to be managed on a long rotation so we simply provide sufficient time for the range of species to recover. In other words, a 200-year rotation for those areas. If we harvest those now, there is normally natural seed. We have done some research around that. The species will come back. The management method there is to allow them to grow for a long period.

**Mr VALENTINE** - What species are you talking about there? Myrtle?

**Mr WHITELEY** - They tend to be myrtle, sassafras.

**Mr VALENTINE** - Blackwood but not Huon, obviously.

**Mr WHITELEY** - No, not Huon. That is purely salvaged. Myrtle and sassafras are the ones that 200 years is about right. Celery top pine, as we know, is slower grown - something between 200 and 400 years is more what the boat builders and others look to.

## UNCORRECTED PROOF ISSUE

**CHAIR** - We will wrap it up now. I am sure we could go on for much longer with a range of other questions. We thank you, minister, and your team from Sustainable Timber Tasmania. We will have a break and you will be back.

Thank you all.

**Committee suspended at 10.33 a.m.**