

UNCORRECTED PROOF ISSUE

Wednesday 10 June 2015 - Estimates Committee B (Harriss)

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE B

Wednesday 10 June 2015

MEMBERS

Mrs Armitage
Mr Dean
Mr Finch
Mrs Taylor (Chair)
Mr Valentine

IN ATTENDANCE

Hon. Paul Harriss MP, Minister for Resources

Ministerial Office

Kim Creak, Chief of Staff
Andrew Lacey, Senior Adviser

Kim Evans, Secretary
Bob Rutherford, Deputy Secretary, Industry and Business Development
Alex Tay, Deputy Secretary, Policy and Strategy
Amanda Russell, General Manager, Corporate Services
Penny Wells, Director, Resource Policy
James Verrier, Assistant Director, Resource Policy
Brett Stewart, Director, Mineral Resources Tasmania
Tom Fisk, Chief Executive Officer, Private Forests Tasmania
Angus MacNeil, Acting Chief Forest Practices Officer, Forest Practices Authority

The committee met at 9.06 a.m.

DIVISION 9

(Department of State Growth)

Output group 4

Resources policy and regulatory services

CHAIR (Mrs Taylor) - Good morning, minister and staff, and members. We are looking forward to this day, minister. The honourable member for Apsley is not able to be with us today because, as you would expect, she needs to be at the funeral for Mayor Barry Jarvis and to be supporting her community. You will be pleased to hear she has passed on to the rest of us many questions to ask you. I know you would be sad if he had not, and you know of her interests in mineral resources and forestry. She sends her apologies for not being here in person, but she did give me a present for you. It is a Plantation Restoration in Tasmania networking report. She might have mentioned it to you but she thought that perhaps you have not read it and so she has given you a hard copy for your bedtime reading tonight.

Mr HARRISS - Thank you, Chair. At the outset, can I reflect on some reporting by some in the media which gives the impression that the Government is giving more money to Forestry Tasmania. That is simply not the case. We have made it very clear that Forestry Tasmania has to pay its own way and that, as everybody knows, there will be up to a \$30 million equity transfer to FT from TasNetworks on approximately 1 July. FT's current borrowings are less than \$30 million, so for there to have been the reporting overnight that FT will be getting more money from the Government is simply inaccurate. I want to make it very clear at the outset that it is not the case. Into the future, as I have said repeatedly, FT will need to stand on its own two feet. In order to do that, the Government has identified the sale of plantation assets to facilitate FT's operations over the next two years of transition. That said, I will make a short opening which might set some context for today's hearing.

The Government recognises the importance of the resources sector to our economy. You know that as of 1 July last year the new Department of State Growth was established with a clear direction to aggressively and actively pursue jobs, growth and opportunities for Tasmanians. The department works closely with businesses to address barriers to growth, reduce red tape, provide a skilled workforce, develop our creative and cultural industries and ensure efficient, cost-effective transport and logistics systems, amongst many other functions which the new department undertakes.

Part of that is that this state should never abandon its traditional industries. The state has been built on industries such as forestry, agriculture, aquaculture, mining, energy, tourism and manufacturing. It is incumbent upon this Government to send a message to investors that we are a state that wants to see increased mining and forestry activity. The state's forestry and mining industries are key economic drivers in Tasmania, and we will continue to invest in reducing red tape to stimulate the economy and create jobs in the broader sense.

As to forestry specifically, the Government's commitment to rebuild our forest industries has seen a revival of confidence, highlighted by new investment, new jobs and new export opportunities for the private forestry sector. Our legislation to rebuild the forest industry put an end to the lock-up of forest resources and devastation of the industry under the former Labor-Greens government. Everybody understands that we have enacted the strongest laws in the country to protect workers' rights, whilst ensuring the right to free speech and legitimate protest have been protected through that process.

We have also reversed the decision of the former government to pay regional sawmillers to lay off their workers, decommission their mills and shut up shop and walk away. Our commonsense amendments to the sawmill assistance program have secured the jobs of at least 50 workers, avoided downstream impacts on dozens more and saved almost \$2.5 million dollars of taxpayers' money in the process. We are well aware that there is much more to be done, and that there will be some difficult times before we are in a position to capture the full range of opportunities for growth in our forest industries. There are, however, a number of positive developments which provide confidence that we can revive the industry, despite the best efforts of some to completely shut the industry down.

As to private forestry, I mentioned a moment ago that in the private sector there are opportunities. The Tasmanian private forest estate covers more than 1 million hectares; about a quarter of that is in plantation, and the other three quarters are in native forest. Historically, the private forest estate has contributed as much as 60 per cent of the wood supply to Tasmania's wood products processing industries. This contribution is likely to increase as the hardwood plantation estate becomes fully productive into the future.

I would contend that the return of confidence under this Government has seen substantial new private investment, highlighted by the purchase by Forico of former Gunns plantations, and the subsequent investment of almost \$10 million at Hampshire to treble the company's production from the north-west. That is a significant effort and a significant expression of confidence as to that sector of the industry.

With that comes the increasing demand for further skills in the industry. There is a significant training need right now in the industry because of what is happening out there in the private sector in particular. The Government has been approached for assistance with the establishment of an industry-led career and training hub in Launceston. I see that as a really positive sign by the industry that there is the need to provide that extra career advancement. The Government will work with the industry proponents to ensure that we take advantage of all opportunities that the industry upswing presents.

I will not go into the detail of the forestry budget set out in the budget papers in terms of programs yet to be run; we can discuss that during the process of the hearing. There are some initiatives which were commenced in this current financial year, and which will be continued through the 2015-16 financial year. One of the significant ones of those is progressing the review of the Regional Forest Agreement with the Australian Government. We have provided half a million dollars over two years to facilitate that process and provided financial support to grow the private agriforestry sector, and again, we have provided \$1 million over four years to see that program achieved.

Can I reflect on some of the achievements in the mining sector of this portfolio over the past 12 months. Mineral Resources Tasmania provides an incredibly valuable service to the mining sector in the state. We have completed the Commonwealth National Disaster Mitigation Program that funded Tamar Valley and St Helens landslide projects. They are important to recognise and address those geo hazard matters around the state. These are now being used to contribute to the statewide landslide risk banding being completed by DPAC and to inform the development of landslip mitigation plans around the St Helens area.

There is also improved availability and accessibility of geo-science and other data. We can talk about lots of the initiatives and services provided by Mineral Resources as we go through the process. I will not go into too much detail, but let you know there has been an increased throughput of drill core in the hylogger facility of MRT. If you have not been to the core library at Mornington, I would encourage you to have a look and see what is available to the industry in the support that can be provided.

Commonwealth funding has enabled us to do the work and support exploration activities at Mt Lyell, notwithstanding the care and maintenance that they are currently on, and expand our information on the signature of major ore bodies at places like Mt Lyell, Renison Tin, Hellyer and Rosebery - significant exploration activities there. Members of this committee would be well aware of the 3D modelling of the state's geology that Mineral Resources has been doing and will continue to do, along with a range of mapping initiatives. You would be aware that last year the Government facilitated the TasInvest forum around the same time as the Chinese President's visit and there was a specific geo-science forum and also the Tasmanian Minerals and Energy Council has assisted in what it does, and quite regularly relies on input from Mineral Resources Tasmania.

There is a range of promotional activities that Mineral Resources Tasmania is involved in within Tasmania, nationally and internationally, and we can talk about those later. I will not go into details of specific projects, but members would be aware that last year the first new bauxite mine for over 30 years was developed in Australia and that is the one at ABx at Campbelltown. You can see the development from the highway, left as you go just out of Campbelltown. That is another expression of confidence in what is happening in the mining sector in Tasmania.

CHAIR - Thank you. We are dealing with Output group 4, Resources policy and regulatory services, 4.1 and 4.2, and thank you for dealing with both of those in your opening statement.

I note you have a reasonable amount of concentration on mineral resources and when you look at the funding provided in the forward Estimates, for next year and future years, there is a reasonable amount of funding. I must say that in the forestry policy and reform, 4.1, there is not the same increase or even maintenance of funding as you have had in the Budget this year. We have a lot of questions, minister, and we have less than three hours and all members will have questions. Let us start with 4.1 the forestry policy and reform.

You have alluded to a number of items and we in this House have all been keeping a close eye on what is happening and wanting information, and not receiving nearly as much information as we would have liked. We are presuming that there is activity happening behind the scenes that is not public, so this is our chance to ask you about that.

Forestry Tasmania might be a good place to start. You have done the review and there has been an outcome, so would you like to talk about how you see Forestry Tasmania sitting, tell us about the number of jobs that have gone, or what is left? We all know through the media that plantations have been sold, so you might like to tell us what stage that is at.

Mr HARRISS - I am sure everybody here understands the Parliament has an opportunity in December this year when I will be before a scrutiny committee dealing with the GBEs in my portfolio, being in this case Forestry Tasmania. This is not the place, with respect, to talk about Forestry Tasmania, its redundancy program, its repositioning on the back of the review, and the report provided to the Government by the steering committee after the review undertaken by Deloitte and the steering committee. There is a lot of detail still on the go and none of that will

be confirmed until the annual report time of Forestry Tasmania, and thereby the scrutiny in December this year. The scrutiny of Forestry Tasmania this year will rotate to the Legislative Council. Forestry Tasmania's scrutiny last year was in the House of Assembly.

Mr FINCH - If I want to talk about Andrew Wilkie's assertions in Federal Parliament that taxpayers have spent \$780 million since 1997 propping up Forestry Tasmania and it is now more than \$220 million in debt, you do not want to go down that path?

Mr HARRISS - It is not appropriate until we get to GBE scrutiny time when all the detail, chapter and verse and any allegations of people such as Mr Wilkie or anybody else - we hear constantly that the forest business has been propped up by subsidies. As I did in the Legislative Council, you can refute that any day you like but it is not appropriate for this hearing, for the Budget Estimates, for these line items of Government business to be in any detail whatsoever about Forestry Tasmania. It is not appropriate until we get to the annual reports and the scrutiny of that annual report in GBE Estimates.

Mr DEAN - What is Estimates about then, minister?

Mr HARRISS - Estimates is about the Budget that we operate with. We are not talking about Forestry Tasmania's budget and its operations. The Chair in her opening remarks suggested the committee is interested in having a look at the workforce changes at Forestry Tasmania.

Mr DEAN - This is the first time I have ever heard we are unable to ask questions on these departments of the minister responsible. I have never heard this before, and I have been here 12 years. I thought the Estimates process was about delving into Government business, the Budget and what it provides for, and what will happen as a result of it. Forestry Tasmania has seen a significant cut. For that significant cut to occur, Forestry Tasmania has to take certain courses of action. One is the dismissal of a number of its employees and I thought it was very much appropriate for this committee to ask questions along that line.

Mr HARRISS - I hear what you say. You have been here a number of years and this is the first time you have experienced this. Quite the contrary. I have been around for a little while as well and detailed examination of any Government business - at the moment you are focusing your mind on Forestry Tasmania - occurs at Government business scrutiny time in December every year.

CHAIR - You are right, minister, GBEs is where we examine in detail GBEs but when there is good news the minister is usually very willing to share that with us at Estimates. I think I hear you saying this is still a work in progress and you are not in a position to talk about those things until the annual report or until later in the year. Is that what you are saying?

Mr HARRISS - There is good news, as I have indicated in my opening remarks. The policy position of the Government has been clearly from day one that Forestry Tasmania's operational activities are not to be funded from the Budget, from the Consolidated Fund. That position is clear. Forestry Tasmania, through the last 12 months, has been authorised to debt fund its activities until the equity injection on 1 July next financial year.

CHAIR - Where is the equity injection coming from?

Mr HARRISS - That was made clear last year, from TasNetworks.

Mr VALENTINE - This is the extra \$10 million?

Mr HARRISS - No, again, Rob, you have said the extra \$10 million. There is no extra \$10 million.

Mr VALENTINE - It is a guarantee.

Mr HARRISS - No, it is not a guarantee.

Mr VALENTINE - Perhaps you can explain it.

Mr HARRISS - That is a process for the Government Business Enterprise Scrutiny Committees so that, quite properly and quite thoroughly, all matters to the operations of Forestry Tasmania are examined at government business scrutiny time in December.

Mr FINCH - I cannot quite believe what I am hearing about the fact you are not being - I have a raft of questions here on Forestry Tasmania about plantations, about that in-debt guarantee and these are out the window. Yet this is the big development that everybody is interested in. It is taxpayers and taxpayers' money that is involved here. You are asking us to hold off on our scrutiny until later on in the year. Tasmanians want to know what developments are taking place to secure the forest industry, to secure Forestry Tasmania. We have a raft of questions we want to ask about it and you are denying us that opportunity.

Mr HARRISS - Kerry, I am not denying anybody anything. I am just stating the fact, and that is the fact. The Chair a moment ago said I am quite right in indicating clearly that a detailed scrutiny of Forestry Tasmania is not appropriate for Budget Estimates. Budget Estimates is about what the department does, what the Government's budget allocations for these areas of my portfolio achieve and what they deliver. You have alluded to a raft of questions about plantation sales and what is happening to Forestry Tasmania into the future. That is for government business scrutiny later in the year.

Mr DEAN - Chair, may I suggest we ask the questions and see what answers we get, and see how we go?

CHAIR - I am looking at *Hansard* from last year where you certainly were willing to talk about Forestry Tasmania and the review that was going to happen, what was going to happen in the review and the fact that review would be delivered this financial year. I suppose that is why the committee has an interest in asking for some detail of the results of that review.

Mr DEAN - Your department, State Growth, is all about increasing jobs and so on. Certainly the position with forestry does not accord with that at all. My questions were going to be about that.

CHAIR - You talked about the privatisation, for instance, of the plantations. You said then, 'Yes, that could be happening. I will cast my mind in that direction. The Government will ...'.

We are really asking about the things you told us last year were going to happen. Please, can you talk about what has happened?

Mr HARRISS - As you have reflected, Chair, it was necessary, important and appropriate to indicate to the committee last year that a review of Forestry Tasmania would be undertaken. The review has been undertaken. The review has given the Government some guidance on where to go from here. We have made it very clear that Forestry Tasmania needs to stand on its own two feet - no more funding from the Consolidated Fund. Part of that review indicated that there is a valuable plantation asset which could be used in order for Forestry Tasmania to fund its operations over the next two years of the transition period. The Government has decided that Forestry Tasmania will continue to operate as a government business enterprise. There will be no change to the legislated requirements to make available a minimum of 137 000 cubic metres of high-quality sawlog each year and we will not create sovereign risk by overriding Forestry Tasmania's commercial and negotiated contracts. The existing financial support to industry for transport of southern residues to the north will be phased out in conjunction with the development of an industry-led southern residues solution.

There is a raft of work which Forestry Tasmania will be undertaking to achieve the positions for its business into the future as communicated to it by the Government.

I sense the frustration, but I am surprised that members think this is somewhat different to any other Budget Estimates session. I have never sat in a Budget Estimates session over 20 years in this place where a government business is in any way scrutinised at Budget Estimates. It does not happen.

CHAIR - With respect, minister, forestry is not just a government business. Forestry Tasmania, yes, but it is part of a whole larger - which has occupied the mind of this Government and this Parliament for years. For us not to ask about how progress is - I understand what you are saying, that there may be confidentiality issues, and that there may be incomplete things that are details about Forestry Tasmania only. Forestry is part of a bigger picture, and they are the bits we are asking about.

Mr DEAN - If we are not able to question the minister about these issues and it is in accordance with the Budget, we may as well pack up and go home - it is a waste of my time.

CHAIR - The difficulty is, there is only one line item of \$1.673 million this year, going down to \$1 069 million the following year and in forward Estimates. This is not Forestry Tasmania funding, this is forestry funding.

Mrs ARMITAGE - The minister mentioned the review, can I ask a question about the review?

CHAIR - Absolutely. We can ask questions and if the minister chooses to -

Mr HARRISS - It is not a matter of if I choose, it is if it is appropriate, given the scrutiny to occur later on in the year.

Mrs ARMITAGE - Minister, how about if I ask the question and you tell me if it is appropriate. You mentioned the review, implementing the outcome of the Forestry Tasmania review, including costs for the three-month public consultation period that has now commenced. Can you tell me what the estimated costs of the public consultation period will be?

CHAIR - Who funded that? Did you fund that or Forestry Tasmania?

Mr HARRISS - There is an allocation in the Budget for that process.

CHAIR - We can definitely ask about that, it is in the Budget.

Mrs ARMITAGE - What is the likely cost of the public consultation?

Mr HARRISS - Over the next two years, there is \$250 000 for the whole process of our Government's operation to move through the review process. The review process and Rosemary, you have mentioned the consultation which I have indicated I will be personally undertaking, has commenced.

Mrs ARMITAGE - It is a three-month public consultation period?

Mr HARRISS - I would hope we could conclude it in a bit less than that but the budget papers talk about a three-month consultation period.

Mrs ARMITAGE - When you say less than that, why would you want to give the public less time?

Mr HARRISS - The consultation process which I am undertaking is with industry and particularly Forestry Tasmania's customers, to determine from them the broadest range of feedback and indication from them as to the impact on their businesses with the changed process which the Government has indicated is necessary for Forestry Tasmania to stand on its own feet.

Mrs ARMITAGE - Would it not be better to give them the full three months?

Mr HARRISS - It may but this is a personal one-on-one meeting scheduled with me. There will be some who are not directly impacted or involved that the department will undertake that consultation on my behalf, but Forestry Tasmania's customers, across the broadest range, from contractors to saw millers, that is a personal one-on-one that I am undertaking.

Mrs ARMITAGE - Interstate or just for them ?

Mr HARRISS - There is some interstate component to that, yes.

CHAIR - And international.

Mr HARRISS - Not at this stage.

CHAIR - Are there not international customers for Forestry Tasmania?

Mr HARRISS - Forestry Tasmania will be exiting that commercial side of its business, so that will be a process to be phased out. We made that very clear, that Forestry Tasmania accepts that position.

Mr FINCH - The sale of Forestry Tasmania's hardwood plantations, can we go down that path, because I understand most are on Crown land but some were joint ventures with other land owners. What is to be sold? Trees, or trees and land?

Mr HARRISS - That has not been decided until Forestry Tasmania scopes out in very precise detail what might be possible. I could talk about thinned, pruned, unpruned, grown for pulp wood, grown for saw log but it is not appropriate that I talk about that detail. Forestry Tasmania is scoping out all of the process which might be necessary for it to fund its own operations with the sale or part sale. It would be entirely inappropriate for me to even speculate on what component might be sold, whether they can fund their operations through plantations grown entirely for pulp wood. Do not know until the work is done, and Forestry Tasmania goes through expressions of interest.

Mr FINCH - Do you have any interest in bids for the plantation from any company or group other than Forico?

Mr HARRISS - I am not involving myself in that process, and neither should I, because there is a probity measure. If there was any inquiry to my office it is immediately moved on. I do not know because Forestry Tasmania have not yet embarked upon the expression of interest process.

Mr FINCH - You would not be able to put a value on the plantation forest at this stage?

Mr HARRISS - No.

Mr FINCH - What they might realise.

Mr HARRISS - No, I cannot, and neither should I, because it is for Forestry Tasmania to go through their due diligence process over the next few months to work through that equation.

Mr DEAN - For Forestry Tasmania to be self sustaining, what does it have to recover? What is the amount of money we are looking at? It has to pay its debt. It then has to bring in sufficient money to run its operations, its organisation. What sort of money are you looking at, minister?

Mr HARRISS - Currently, Forestry Tasmania's borrowings are some \$30 million. That is why, projecting forward last year, on the best advice available to the Government, we made the decision that up to a \$30 million equity transfer was to be made available, rather than continuing the \$25 million per year minimum from the Consolidated Fund which denied other frontline services of the funding from the Consolidated Fund.

At the moment, Forestry Tasmania's borrowings are less than \$30 million. I think the Treasurer mentioned yesterday \$27.8 million or thereabouts. Do not quote me on that. I can check the figure for you. That is a matter for Forestry Tasmania, at the end of their financial year which is looming, and the annual reports which are published by 31 October, and then for thorough scrutiny later in the year. I cannot, and neither should I, speculate on where Forestry Tasmania will be on 30 June this year until their report is published in October.

Mr DEAN - You would have to know, with your briefings with Forestry Tasmania, what they will look like, what they are going to have to have by way of finance to exist in the future and provide the timber that is required under the contracts. Surely you, as the minister, would have to have a good understanding of where that is going?

Mr HARRISS - Forestry Tasmania, for its commercial operations, will no longer be funded from the Consolidated Fund. The former government, let us say around \$25 million a year which

you would have seen in the budget papers in the past. As to Forestry Tasmania's operations in the future, the business has to be structured in such a way that its operations, during the transition period for the next two years, whatever funding they need to run the business will be provided by the sale of some of the plantation asset. I cannot, neither should I, make a guess at what would be.

Mr DEAN - That is all right but for its ongoing functions Forestry Tasmania will be heavily reliant on the product that it sells, maintaining the contracts. Where does that look for Forestry Tasmania beyond the next year's period? Will they ever be able to provide sufficient product on the contracts that are now there, and maybe there might be other contracts, will they ever be able to be self-sustaining?

Mr HARRISS - I am confident they will be but the detail of answering that question cannot be provided until scrutiny, when we have in front of a committee the Chairman of Forestry Tasmania with me and the relevant finance people available to us. Entirely inappropriate to speculate on any of that until the outcome of this financial year is properly reported and, as Mr Evans has said, audited, by 31 October this year.

CHAIR - This reform implementation funding. It is the Government who is doing this and it is the Government and you who agreed in principle that transition and operating deficits would be funded in the short term by the sale of Forestry Tasmania's hardwood plantations and further cost reduction in Forestry Tasmania. That the Government would consult with industry regarding implementation of that decision. We understand the board of Forestry Tasmania will be responsible for managing that transition and I hear you say that there is work in progress which I am presuming you cannot answer at the moment because it is not completed.

My concern is that we asked questions last year and there was a process in place and the review was going to happen, and has now happened. It is minor money in a sense, \$250 000, but the principle of what is happening with Forestry Tasmania, which is the Government's concern and the Government is leading that. That is of interest to Estimates, I suppose. Among other things we want to know why you are not spending more money on this line item, not specifically on Forestry Tasmania. Definitely not.

Now, you said the focus for 2015-16 will be on industry consultation - a selection of a preferred composite operating model, undertake any expression of interest process for residue solutions, all those kinds of things. The plantation sale, due diligence and implementation, they are all matters of concern for you.

I understand you do not have all the answers now, and I understand that the internal workings of Forestry Tasmania are not for this thing. But can we have confidence that we are actually going to have any more answers by the time GBEs come at the end of the year?

Mr HARRISS - Yes, because the figures will be available to us and questions -

CHAIR - This current year's figures?

Mr HARRISS - Yes.

CHAIR - You possibly will not have finished the industry consultation. But we will have more information then?

Mr HARRISS - We will have concluded the industry consultation well and truly by the time GBE scrutiny arrives.

CHAIR - Okay. We will hold you to that.

Mrs ARMITAGE - Minister, in your ministerial statement about the review of Forestry Tasmania, you said the Government had resolved that FT will continue to operate as a GBE. What is the business case for keeping FT as a government enterprise, given that in your own media release you say in 2012-13 and 2013-14, two years after the signing of the Tas Forest Agreement, it took \$100 million out of the Tasmanian Budget? So we are still talking about the Budget. Took \$100 million out of the Budget over the last couple of years. Obviously you have got a business case. Are you able at this moment to tell us what your business case is for keeping Forestry as a GBE?

Mr HARRISS - The nearly \$100 million to which you refer, Rosemary, was money from the state Budget to Forestry Tasmania. Around \$25 million of that was that year-on-year subsidy, if you like, to provide the operations of Forestry Tasmania. There was no plan in place to retire that recurrent funding, no plan whatsoever. That is the policy difference between the former government and this Government.

Mrs ARMITAGE - Your plan is? You said there was no plan previously so -

Mr HARRISS - To put Forestry Tasmania onto a commercially sustainable footing into the future without a \$100 million over a two-year period, as was the case with the former government, and that Forestry Tasmania stands on its own two feet. That is the policy difference.

Mrs ARMITAGE - So you have a business case?

Mr HARRISS - We know that with a proper structure and a proper process -

Mrs ARMITAGE - But do you have one?

Mr HARRISS - Forestry Tasmania needs to work to that position of entirely standing on its own two feet.

Mrs ARMITAGE - I understand that. What I am asking you is, what is the business case? You actually have a business case? Your Government has a business case all for doing that?

Mr HARRISS - The Government has a clear position that no further funding will be provided to Forestry Tasmania from the Consolidated Fund.

Mr FINCH - TasNetworks is not on standby to shift more money over to Forestry Tasmania, to follow on from the \$30 million?

Mr HARRISS - Categorically, no.

Mrs ARMITAGE - Can you give more detail about the \$30 million equity transfer from TasNetworks?

UNCORRECTED PROOF ISSUE

Mr HARRISS - What sort of detail are you thinking about? Because again -

Mrs ARMITAGE - There was not a lot in your ministerial statement.

Mr HARRISS - Sorry?

Mrs ARMITAGE - There was not a lot of detail. As Kerry asked, will more be coming across?

Mr HARRISS - Yes. I am sure you understand that accounts for Forestry Tasmania's borrowings this financial year. The Treasurer herself authorised Forestry Tasmania during this financial year to debt-fund its operations.

Mrs ARMITAGE - Will we be continuing to rob Peter to pay Paul?

Mr HARRISS - I will come to that in a minute. As Forestry Tasmania had been propped up by the former government, around about \$100 million, a bit less, over a two-year period. We have made it clear that stops.

We knew with projections that they could need up to \$30 million to debt-fund their operation this financial year. Again, their current borrowings are less than \$30 million, so there is no detail around the \$30 million equity injection. It is just that TasNetworks will make up to \$30 million available if that is where Forestry Tasmania's borrowings are at the 30 June.

Mrs ARMITAGE - So that should not have to increase?

Mr HARRISS - No.

Mrs ARMITAGE - But we are, in other words, robbing Peter to pay Paul, if we need to?

Mr HARRISS - Sorry?

Mrs ARMITAGE - We are robbing Peter to pay Paul. We are taking from other areas?

Mr HARRISS - No, we have authorised Forestry Tasmania to borrow over this financial year to fund its operation, knowing that where it was heading was unsustainable drain on the Consolidated Fund to the detriment of other frontline services.

Mrs ARMITAGE - I accept when you say 'borrow', but normally when you borrow you pay back. Will they ever have the ability to pay the money back?

Mr HARRISS - They do not have to pay the money back.

Mrs ARMITAGE - I know, but that is what you say, you say 'borrow'.

Mr HARRISS - They are getting an equity injection, as has occurred -

Mr EVANS - Minister, part of the reason we are going through the process through Forestry Tasmania of properly scoping out the sale of plantation is to understand what sort of return we

might be able to get as a state in terms of the sale of plantations to help deal with that situation and put Forestry Tasmania onto a sustainable pathway.

Mrs ARMITAGE - My understanding is that the Government has a position rather than a business case?

CHAIR - Let us move on, Mr Finch.

Mr HARRISS - Just before you do, Chair, just to round that out, Rosemary was suggesting robbing Peter to pay Paul. Any government and former governments in this state have managed their government business portfolio. There have been equity injections to TasRail, there have been equity injections to other government businesses, equity transfers between government businesses. It is just the process of managing a portfolio of businesses.

Mrs ARMITAGE - Would there be any to the extent of Forestry Tasmania?

CHAIR - I think you have said no more after this year, is that correct?

Mrs ARMITAGE - We will ask that next year.

CHAIR - Indeed. Mr Finch you had a question.

Mr FINCH - I would like to get a progress report on Forestry Stewardship Certification? I want to just flesh this out to see how far the minister is able to inform us.

CHAIR - I did think we would get onto FSC, but I am not sure whether that is a slightly separate topic to Forestry Tasmania. Just there where people who still had questions to ask.

Mr FINCH - It is Forestry Tasmania which is trying to achieve FSC.

CHAIR - It is. All right, let us go onto FSC then.

Mr FINCH - Given the proposed change in status for Tasmania's World Heritage areas to allow logging, do you envisage that Forestry Tasmania attaining or holding accreditation if it logs in the World Heritage areas will be damaged, put on hold, not achieved? I suppose just Forestry Stewardship Certification - where are we with it for Forestry Tasmania?

Mr HARRISS - FSC certification is an entirely independent auditing process. SCS Global is the auditor conducting its assessment of Forestry Tasmania's capacity or achievements to be granted FSC accreditation or certification. The audit process, I think, concluded in about December last year and the auditor, Mr Rubes, has been considering all the detail which he assessed as to Forestry Tasmania's meeting the relevant standards.

He will make the report of his audit available to FSC International, which will then decide whether Forestry Tasmania gets FSC certification. Adam Beaumont, FSC's chief executive in Australia, was on the radio only a few weeks ago, suggesting it has never happened before that any organisation around the world has achieved FSC certification in the first cut. Forestry Tasmania is a large and complex business. We would be hopeful, as Forestry Tasmania would be hopeful, that it can achieve FSC certification in the first cut. But an independent process needs to

UNCORRECTED PROOF ISSUE

be undertaken. I am not sure whether Mr Rubeshas made any announcements in the last couple of weeks as to when he thinks it might be -

Mr TAY - We understand FT expects to receive the final report this month. We do not have an exact date but that is our latest understanding.

Mr FINCH - Have they received a draft report?

Mr HARRISS - It was a findings report back in January, which is part of the process for the auditor to identify conformances, non-conformances, major non-conformances. It is a standard process which identifies areas that any applicant needs to take account of. There might be some action which the applicant needs to put in place to address the findings of the auditor.

Mr FINCH - Can you share with us any corrective actions that have been recommended?

Mr HARRISS - No.

CHAIR - Did you see the draft report?

Mr HARRISS - No.

CHAIR - It was not made public?

Mr HARRISS - I do not think it was, but let me check that.

CHAIR - I had the same questions as Mr Finch. We knew the first audit was going to be done in about December. We understood there would then be something in response that would say FSC is meeting this or not meeting this, and this is what it might need to do. I have been anxiously awaiting the results of that. You are now telling us there is a final report, which must mean they have responded to the draft, and taken some actions. Mr Finch is absolutely right: we are waiting for some news.

Mr TAY - That process is an iterative process of engagement between the auditor and FT. As the minister has pointed out, it has a range of initial findings that FT can address. The final report, when it is released, is the one that will effectively outline the key steps going forward. Our understanding is FT is committed to releasing that publicly.

CHAIR - So the final report is not actually going to be necessarily the end of the process? The final report might say yes or no. If it says no, it will say no because of these reasons, and FT can still address those reasons? Or is that it?

Mr HARRISS - If we can get, at scrutiny time, the expert employee at Forestry Tasmania, Suzette Weeding, who has been working through this detailed process, to provide whatever information is necessary and appropriate in the public domain. We do not have that detail here because it is that independent process that is iterative. My understanding is that the auditors do not want the findings report public. It is a work in progress; it is for the organisation to be informed of matters it may be able to take account of, should take account of, before the final report is published.

UNCORRECTED PROOF ISSUE

Mr FINCH - Does the Government and do you as minister believe that the achievement of FSC certification is important for the future of Forestry Tasmania and the forestry industry in Tasmania as it moves into the future?

Mr HARRISS - We have made it clear constantly that the achievement of FSC certification is fundamentally important to the opportunities for market penetration of our forest products particularly into the international market. That is why there has been ongoing financial support from moneys negotiated through the TFA for Forestry Tasmania to continue to pursue it. There are some around this nation, other major forestry businesses, who do not see FSC as being important. They are quite happy with PEFC certification with the Australian Forestry Standard. This Government is in lockstep with Forestry Tasmania on the importance of FSC certification.

[10.00 a.m.]

Mr VALENTINE - You are seeking to comply with PEFC too, though, aren't you?

Mr HARRISS - Already do. Forestry Tasmania already has.

Mr VALENTINE - To continue to keep that up?

Mr HARRISS - Yes.

Mr VALENTINE - We were talking about the extra \$10 million - I was going to say guarantee - the letter of comfort. Can you give us an understanding as to exactly what happened yesterday with respect to that? You made a statement about no further money from the Consolidated Fund going into Forestry Tasmania. What are the machinations of this \$10-million letter of comfort that the Treasurer was talking about yesterday?

Mr HARRISS - Again, let me start by correcting the inaccurate reporting by some in the media that it was further funding to Forestry Tasmania.

Mr VALENTINE - I realise it is not, but if you can explain?

Mr HARRISS - The Treasurer made it very clear that if there were the need for working capital, that Forestry Tasmania would have the authority to call on TasCorp for the working capital - if. Now, I have no idea - neither do I need to have any idea until Forestry Tasmania reports on 30 June - about where the fluctuations might have been. At the current moment, its borrowings to run the business are less than \$30 million.

Mr VALENTINE - That would be a loan from TasCorp, not from the Consolidated Fund? Is that what you are saying?

Mr HARRISS - Correct. Again, Forestry Tasmania is authorised to debt-fund its business, but understanding clearly that the only equity injection to the business in the new financial year is \$30 million from TasNetworks.

Mr VALENTINE - Obviously the Government believes that Forestry can stand that level of debt. Is it assuming that it is the plantations that will be able to provide that comfort to the Government, to be able to give that assurance?

Mr HARRISS - Let me understand more what you mean - 'comfort to the Government'?

Mr VALENTINE - You do not just turn around and provide that capacity for them to borrow more money unless you feel that there is some way of being able to support it.

Mr HARRISS - It will not be debt-funding its business into the future. Through the next two-year transition period, it will be going through the due diligence process to sell the plantations to fund the operation of the business.

Mr VALENTINE - And hopefully pay back the debt?

Mr EVANS - And also reducing the size of the business. That is, as the minister said, work that is being done by Forestry Tasmania as we speak.

Mr VALENTINE - We can talk about that in December.

Mr EVANS - Yes. Quite rightfully, a number of things are happening here. It is examining selling plantations; it is looking at how it right-sizes the business for its new operating model. The minister is talking with stakeholders about the impacts of that model on their businesses. Over the next months we will come to a landing with Forestry Tasmania as to what the future looks like. In the meantime, the debt-funding will be utilised to ensure that the business can continue to operate while it is making those changes. That transition will take some time, as you will appreciate.

Mr VALENTINE - Thank you. I have other questions, but I am happy to come -

CHAIR - We have been going for an hour on Forestry Tasmania. There are two hours left. There are a lot of other things to go through. I am very happy, but let us keep the rest on Forestry Tasmania, and fairly quick if we could.

Mr FINCH - You would refute, minister, what I said in my opening question, in respect of what Andrew Wilkie claimed in Federal Parliament, that Forestry Tasmania is now more than \$220 million in debt. You would refute that figure?

Mr HARRISS - Absolutely. Forestry Tasmania's accounts will confirm that. Up to \$30 million equity transfer to Forestry Tasmania. It does not suggest anything like Mr Wilkie is suggesting - not the case.

Mr FINCH - Is he playing loose with the figures or does he have facts to back up what he is saying?

Mr HARRISS - I cannot answer for Mr Wilkie. You might have some further information as to how he has produced that information. There are all sorts of allegations over the years about Forestry Tasmania being subsidised. They are fallacious because various tranches of funding to Forestry Tasmania from governments of all persuasions have come about as a result of surrendered production forests on the back of agreements between Federal Liberal Governments and Federal Labor Governments, to lock up more productive land.

Those governments have provided funding to the forest industry in Tasmania, some of that to Forestry Tasmania, to embark on programs such as plantation development for sawlog because of

the surrendered production capacity in the native forests. It is not subsidy. They have been negotiated outcomes for new programs, new operations, to be developed.

Some, mischievously and constantly, call that a subsidy to Forestry Tasmania. It is not true.

Mr FINCH - In Federal Parliament Andrew Wilkie called for a Royal Commission. Do you think that would achieve anything?

Mr HARRISS - It is for Mr Wilkie to call. This Government does not support a Royal Commission. We have undertaken a thorough process of reviewing Forestry Tasmania's operations. We have made it very clear where the Forestry Tasmania business goes in the future, continuing as a Government Business Enterprise. Mr Wilkie has his reasons. I would not try to pretend to know where he is coming from. We do not support it. A Royal Commission is not necessary.

Mr VALENTINE - Do you see what is happening with Forestry Tasmania moving into a more transparent situation than it has been in the past? There has been a lot of statements made that things happen in secret. Would you suggest that this Government, in wanting to see what happens to Forestry Tasmania, will become more transparent?

Mr HARRISS - Like any corporate entity, the business has been transparent in the past. There are some who say - and I am reflecting on some of the things that Kerry has shared. Mr Wilkie has his view. People have those views. It cannot be true in the corporate world. There are auditing processes required.

Mr VALENTINE - If it is standing on its own two feet there is going to be less need for the movement of funds between governments.

Mr HARRISS - Because there has been a decision by previous governments to fund the operations of Forestry Tasmania from the Consolidated Fund, that is not a lack of transparency. Those numbers are there. People are well aware from the audited accounts where the money comes from and where it goes under any business in the corporate sector. Forestry Tasmania is no different.

This Government has a view that taking Forestry Tasmania from the Consolidated Fund operating model is an appropriate move. There will be continuing transparency, as there has to be.

Mr DEAN - The forestry industry is picking up, we have some chip plants opening up and the other one at Surrey Hills is being renovated. We have a number of contractors coming back into the business, so whose responsibility is it to ensure that those contractors who are coming back into this business of logging and transporting timber, meet all the requirements under the pay-outs that were previously made to those contract companies and organisations? Who does the due diligence to ensure these people who are coming back in are in accordance with the law?

Mr HARRISS - You are right. There are significant investments occurring in the private sector, the key among those is Forico and its purchase of Gunn's plantation asset and what they are doing at Surrey Hills, more commonly referred to as Hampshire. I have been to the site and had a look at what they are doing there with almost \$10 million of investment. That will provide opportunities for employment on the site but yes, harvesting and haulage contractor opportunities.

Forestry Tasmania is aware of contractors who took exit packages. They were programme run by Federal Government, two programs, with their contract exit opportunities. There were caveats around what such a business could do in terms of operating in the native forest sector in the future.

Those processes, and Tim might chip in please if there are parts that I am not covering, but the national government is aware of who exited, all of those are on the web and you can check that any time. As to compliance with the caveats as to how long they stay out from operating in the native forest sector but I am thinking, Kim, that for harvest and haulage contractors they could come into the plantation sector.

Mr DEAN - That is the question that is being asked - how it stops them becoming involved back into the plantation side of things and did it go far enough. It is too late now.

Mr TAY - It is important to recognise that there was a federally run program a few years ago and that was about exiting contractors, so all the auditing and requirements and the conditions are only known within the Commonwealth. It is with the Commonwealth's relevant agency to manage ongoing compliance with that. The state government's focus, and particularly under this current Government, has been around contractor assistance for remaining contractors to make sure that there is contractor supply to meet the requirements of wood supply to various customers.

The government has run a contractor assistance program which is still being completed so \$4 million is made available under that program. Applications for the program closed in January of this year. The department received 19 applications for funding under the program and as at 1 June this year, 10 applicants have received payment under the program, another four are currently considering grant deeds. Three applicants were deemed ineligible and another two applicants are still undergoing a program's eligibility assessment process. The basic features of that program is that the payments are based on annual contract authority with Forestry Tasmania and they are capped at \$350 000 per contractor.

To reflect the differing capital investment in businesses, payment rates vary for different types of harvesting operation, with contracts for cable and fully mechanised operations receiving a higher rate per tonne. Funding is only payable for debt owed to trade creditors and recognised financial institutions directly attributable to native forest harvesting operations. That has been the main focus under the state government program around contractor assistance which is about maintaining contracting capacity as opposed to the previous Commonwealth program of a number of years ago which was in the context of the TFA around 2011 - it was a few years ago.

CHAIR - Does that answer your question?

Mr DEAN - Not really. I need to digest that.

CHAIR - The question is really about people who have been paid out, whether it is by the federal or state government, whether they are able to take the money and still transition back into the industry - double-dipping, basically. They still have their jobs, have moved across and in the meantime have received an exit package.

Mr DEAN - All some have done is changed their names, changed their details, changed their directorships to their son's and so on. You know what has happened. Who is still responsible for

UNCORRECTED PROOF ISSUE

that due diligence to ensure those people coming back into the market do so in accordance with the payouts, the exit packages?

Mr VALENTINE - It was my understanding this Government managed the Federal Government money, didn't it?

Mr DEAN - I thought they managed the process.

Mr VALENTINE - I thought the state government managed the federal money that came through under the TFA in terms of the disbursement?

Mr TAY - Not the original contractor program. That was fully run by the federal department.

Mr VALENTINE - There were two major ones, the initial one and the next one the Government took and managed, did it not?

Mr TAY - That is why we have had various programs around contractors, sawmill buybacks and those sorts of programs. The ones that are the responsibility of the state, the state has delivered. There is the regional sawmillers program, for example.

Mr VALENTINE - But federal funding?

Mr TAY - Yes, some of those are backed by federal funding, that is right. A number of those were payments to the state of Tasmania, for the Tasmanian government to deliver programs. The program that has attracted the most criticism in terms of compliance was the originally run Commonwealth program.

Mr VALENTINE - Which the state government did not administer?

Mr TAY - No, we did not. I believe there was a Commonwealth Auditor-General's report into that, a whole parliamentary inquiry.

Mr VALENTINE - Thank you for clarifying.

Mrs ARMITAGE - Ivan was talking about restructuring and staffing, is that appropriate?

CHAIR - I would like to try to wrap up. Jobs and exit packages certainly are related.

Mrs ARMITAGE - The minister has mentioned in his ministerial statement that it is an unfortunate fact that if FT is to be put on a long-term sustainable footing it will need to be smaller and more efficient, increasingly focused on its core business. I understand that discussions will be held with staff. It has also been suggested some field workers have already been given finishing dates. It has further been suggested that perhaps management employees on high-level salaries will be carrying out lower-level salary work. My question is, if that is the case, what will their pay structure be? If there are management employees taking out some lower-level salary work, will they continue to be paid on their higher-level salaries or will their salary be commensurate with the work they will be doing?

Mr HARRISS - First, Rosemary -

Mrs ARMITAGE - You cannot answer it? What is it, minister, are you telling me do not ask a question unless you know the answer first?

Mr HARRISS - First, when you say it has been suggested a lot of things around staffing arrangements at FT, I am not going to deal with suggestions and what may be and what may not be.

Mrs ARMITAGE - Let us have a hypothetical. Can you tell me if Forestry Tasmania staff on higher management salaries are given lower-level work, will they be paid commensurate with the work they are doing or will they remain on the salaries they are getting now even though the work will be of a lower level? That is a simple hypothetical you could give me. You could say we will pay them commensurate with their work or no, we will pay them on their higher-level salary even though they will be doing lower-level work that someone else coming in at that position would be getting. That is an easy answer.

Mr HARRISS - You might think so.

Mrs ARMITAGE - I do think so. If you were to employ someone at the lower-level salary you would be paying them at that salary. I accept that some people may have contracts but your answer would be good.

Mr HARRISS - The final structure of the organisation - staffing numbers - to ensure that FT's ongoing obligations are met are a matter for the board of Forestry Tasmania.

Mrs ARMITAGE - I am not worried about the staffing numbers, I just want to know what they will be paid.

Mr HARRISS - I also said 'the organisational structure' as part of my answer. They are matters for the board and there is a proper industrial process of negotiation to be undertaken. That process has commenced. There have been meetings around the state, face-to-face meetings, with all of the FT staff. There are options available, people will consider those and it really is entirely inappropriate for me to even to start to guess what might happen because there are enterprise agreements, and components of those, to be complied with, and there are proper negotiations to be undertaken for FT and its board to determine what the organisational structure is so that the business is on a sustainable footing.

Mrs ARMITAGE - That is fine so I can understand that management employees could be carrying out lower-level work and getting their high salary. That is okay. It is a possibility.

Mr VALENTINE - It did not come from this man.

CHAIR - While we are on jobs, I want to look bigger at jobs - jobs in the industry altogether. Last year you said to us that it is a fact that employment in the industry fell from just under 7 000 in 2008 to just over 2 700 in November 2013. We have lost two out of three jobs.

Mr HARRISS - Yes.

CHAIR - You want to turn that around, this Government says it is about employment. Has the number risen? How are we doing?

Mr HARRISS - Those figures to which you refer -

CHAIR - I am not talking about FT.

Mr HARRISS - No, across the industry, that is right. That was a study which Jacki Schirmer undertook. There has not been an update by Jacki and she is the most authoritative source.

CHAIR - You are in charge of the industry, you are involved in the industry, you have been working on, for instance, changing some of the exit packages into transition packages or the transition packages are staying, at least 50 jobs you know of. We all know that for woodchips the markets have been better over the last year or so. I want to know how the jobs are going. Do you have a feel at least? If you do not have hard figures, do you have soft figures?

Mr HARRISS - One of the things I am pleased we embarked upon was to change the sawmiller exit program which was on foot when we came into Government. That would have seen 20 regional sawmills close down. We changed that and gave the opportunity to sawmillers who had signed up to a contract - which we could not have changed, they could have walked away and taken their entire payment. I am pleased we did change that to at least give them an opportunity to reconsider. Six of the 20 did reconsider and accessed half of the money which they were entitled to under a contract already to exit; rather, they decided to stay. Another six, rather than walk away, took an opportunity to have a small quantity across their saw, 100 cubic metres a year.

It does not sound much but I can tell you some stories of people out there who just wanted to cut residues from an adjoining sawmill into firesticks and that is the only business this 22-year-old kid knew. He was able to keep operating the mill, 100 cubic metres maximum, without special requests for more. There were six who stayed, six who took the 100 cubic metres and eight who were intent on taking their full exit package and going and sterilising their mill. That process has at least retained the jobs of about 50. There is a multiplier effect to that. New Forests coming into the market has clearly created work and its investment at Hampshire, almost \$10 million, is improving the work numbers there, both in operation at the site - I think there were 35 -

Mr DEAN - There were 150 new positions over the next 12 months.

Mr HARRISS - Sorry, just to round that out. Yes, 25 at the site and up to 125 in the bush. So there is expanding employment in the industry, and Forico is one of the keys among all of that. But just to go to the saw miller program, in case I have forgotten anything. Alex has just brought to my attention the fact, of course, that the sawmillers who did exit can still cut non-native such as plantations or imported.

CHAIR - So they have not necessarily closed down - those eight - or have they?

Mr HARRISS - Those eight as far, as I am aware -I have visited a few of them -

Mr TAY - It also means those the minister was talking about were allowed, I guess, a lower level of commercial processing. Those six have up to 100 cubic metres - they are obviously still in operation - and they also can do non-native forests sources as well.

Mr HARRISS - But only 100 cubic metres of native?

Mr FINCH - Minister, could you provide us with the names of those sawmills businesses?

Mr HARRISS - Certainly can. They are on the department's website, but we can certainly get those for you, Kerry, because they are publicly displayed anyway.

Mr DEAN - Just on that, the 100 cubic metres of native forest that they are able to mill, does that only include from Crown lands, or are they able to cut any quantity they want from private land? What is the position in regard to that?

Mr HARRISS - I am thinking that was all native, but we will clarify that.

Mr DEAN - If you would, because I have heard information to the contrary - that they able to source whatever they want to privately for cutting.

Mr HARRISS - We will get that to you before the end of the day.

CHAIR - That is a really good question because, why are you concerned with private forests - if a farmer wants to sell the saw logs on his own property to a local saw mill, why would that need to be part of the 100 cubic metres?

Mr DEAN - I have a question on the plantation. Forico is back into plantations. I think over the next 12 or 18 months, it will be planting another 6 000 to 9 000 ha of plantation. The position with timber is that we will need to increase production. If we are going to keep up with what is required, we are going to have to increase timber production by 50 per cent to 100 per cent over the next 30 years. That is what Forico is saying and New Forests is saying.

I think I know the answer to my next question, but do you know, minister, whether Forestry Tasmania will go back into plantations as well? It is selling off plantations, but if the plantations are required in the future, will that be left up to private organisations? The state will not have any part in that at all? Private organisations will required to carry out all the plantings and provide the resources needed moving forward? In actual fact, they have said timber will certainly surpass metal and concrete in buildings, and will become the major product moving forward, will outdo all of those others. The strength and everything.

Mr HARRISS - Because of the impact on the environment?

Mr DEAN - Yes.

Mr HARRISS - You said you probably know the answer. I might get you to give it to me and then I will share it with you.

Mr DEAN - You are required to provide it. I think I know what you are going to say.

[10.30 a.m.]

Mr HARRISS - First, with the sale of the plantations, the due diligence will be undertaken and it is highly likely that Forestry Tasmania will not be selling all the plantations to fund its operations. That is my assessment.

CHAIR - It is not required to sell its plantations?

Mr HARRISS - The only way it will be funding its operations into the future during a transition period is through the sale of some of the plantations, and it will need to go through that due diligence to decide which -

Mr EVANS - Some perhaps?

CHAIR - But it is not required by the Government to sell all its plantations to get out of plantations?

Mr HARRISS - That is right. But FT will not be embarking upon new plantation development. Once it has gone through the due diligence and determined what the profile of its plantations is, that will be well known come December. I would suspect it would need to know.

Mr DEAN - It seems to me to be a flawed process. If we know timber products are going to increase in sales by 50 per cent to 100 per cent over a reasonably short time - when you are looking ahead, 34 years is not that far away. I would have thought that Forestry Tasmania would have had some requirement to ensure the planning is done in such a way that we have the timber that will need to be available in due course. To leave it up to a private enterprise to do that, unless there is close negotiation with them, seems to be flawed, in my opinion.'

Mr HARRISS - Are you alluding to the sawlog profile into the future?

Mr DEAN - Both, sawlog and plantation timber. My next question was going to be about the pulp mill, but you have answered that one first.

Mr HARRISS - I am picturing a Forestry Tasmania graph which has been out for a long time showing native forests supplying 137 000 cubic metres. By about 2027, that native supply will drop down and will need to be supplemented by plantations that are being specifically grown for sawlog.

Mr DEAN - 137 000 cubic metres is a minimum, minister. It can be a lot more than that.

Mr HARRISS - That profile is known. Forestry Tasmania knows what the profile is. We could get that, but your suggestion that there is a flawed process -

Mr DEAN - I believe it is flawed in as much as we cannot leave it up to private enterprise alone to ensure the product is there and the plantations will be there to provide the timber that will be needed. I am saying it is incumbent on the Government or Forestry Tasmania, whatever the industry or organisation is, to ensure we have the product available.

Mr HARRISS - That will be thoroughly undertaken by Forestry Tasmania when it goes through the due diligence process as to what of its asset in the plantations it might sell. I can provide that at some stage. Forestry Tasmania knows what it has in plantation being grown for sawlog, plantation being grown specifically for pulpwood and that which is pruned, whether it is highly pruned or not. It knows exactly what trees it has in the ground and what classification they are. It knows what will be needed post-2027 to continue to supply 137 000 cubic metres, and it will take that into consideration in its due diligence process on what it sells.

UNCORRECTED PROOF ISSUE

Mr FINCH - Forico seems likely to save the Tasmanian eucalypt plantation industry. It has a good business plan, as Mr Dean has suggested. It wants to replant, it wants community engagement, and it wants community approval. Have they asked for or been given any state government financial help?

Mr HARRISS - They have not asked for any and neither have they been given any because that business is a debt-free business. It is a really exciting prospect in terms of contribution to the forest industry in Tasmania. Superannuation funds from around the world invest in what New Forests does because they are satisfied that investing in forests is a sound long-term investment opportunity, and that is surely good news in terms of confidence of the plantations in Tasmania as a long-term investment.

I met with New Forest's board and representatives from around Australia and around the world, only a few weeks ago in Launceston. They are very positive about their opportunities here in Tasmania, hence the board approving the restoration of the Hampshire site. If you get a chance to have a look at what was set up there for a native forest throughput and to see what they have done, spending almost \$10 million, it is an amazing eye-opener of an expression of confidence.

Mr FINCH - Yes, and what was done before to have it as a pulp mill site, so it is a wonderful location.

Mr HARRISS - It was a very valuable chipping facility in the north-west owned and operated by Gunns.

Mr FINCH - Given that the forestry industry's future at this stage is almost entirely plantation-driven, do you think that you will be wasting your time with your argument over native forests and ripping up the TFA and trying to expand logging into previously protected areas?

Mr HARRISS - No. The premise for your question and your statement that given that the future of the forest industry is in plantations is, in my judgement, a false premise, Kerry.

Mr FINCH - At this stage.

Mr HARRISS - No, not even at this stage because there is demand for our high-quality solid sawn products. At this stage we are making available a minimum of 137 000 cubic metres and it is being sold. There is demand from all around the world for that high-quality solid wood product from Tasmania.

Mr VALENTINE - That is outside of reserves, isn't it? They are not logging from within reserves.

Mr HARRISS - No, Forestry Tasmania is harvesting from the permanent timber production zone land which, as you will recall, was compressed and it would have been compressed by a further 400 000 hectares, but this Government is of a view that locking up more of our production capacity was inappropriate. You are all aware of what has happened with our legislation last year. There is demand and my judgement would suggest there will always be demand because this is pretty unique stuff that we grow in Tasmania.

Mr DEAN - In fact some of the mills are saying they cannot keep up with demand.

Mr FINCH - Minister, you are no doubt aware of a report on VicForests' native forest logging in Gippsland in eastern Victoria, which says it is losing up to \$5.5 million a year. VicForests itself says its East Gippsland business is not commercially viable. That is from *The Age* newspaper. How can you be sure that native forest logging in Tasmanian state forests can be made viable?

Mr HARRISS - I met with VicForests only a matter of weeks ago, likewise with the New South Wales Forestry Corporation. That which you have quoted is, I presume, a component of the business. I am not going to speculate on whether that is true or whether it is not.

Mr FINCH - It is in *The Age* newspaper.

Mr HARRISS - I indicated this morning that some media outlets get the message wrong. I do not know as to the veracity of that, what I do know is VicForests and the New South Wales Forestry Corporation, businesses like we run here, are very confident of their operations, not just the sustainability of them but the profitability of them.

Ivan mentioned earlier that the emerging acceptance of wood products to replace others which are not as environmentally friendly are emerging opportunities. The world is turning to the bioeconomy. The Chair knows from her overseas studies that there are not just emerging opportunities but very sound opportunities which have been in place for a long time elsewhere in the world.

Mr FINCH - One of the major outlets at this time for native forest logs, apart from some of the sawmills that you have mentioned, is Ta Ann. What guarantees have you had from Ta Ann about its long-term future in Tasmania?

Mr HARRISS - Ta Ann is certainly committed to what opportunities are here for them. You would be aware of the development of the plywood mill at Smithton so that they can value-add rather than ship out the peeled sheets for manufacture into plywood in Malaysia. They have expressed that confidence by what they are doing. They have made it very clear also that they will only take billets from the current PTPZ land. They have made their own company decision that, in the future, in the event that the Parliament provides access to the FPPF land, the 400 000 hectares, they will not be going there. They have made their own decisions about that because of the attacks on their markets, predominantly in Japan. But as confident as I can be in the sharing of the information which they do with us, I can only be confident that they see a future here in Tasmania.

Mr VALENTINE - In respect to the logging in native forests that is occurring at the moment, is there any desire to regenerate that forest back into native species, or are those areas going to be simply planted with eucalypts?

Mr HARRISS - Yes, regeneration.

Mr VALENTINE - So you get, over many years, the celery-top and your blackwood and whatever else? That is confirmed, that those native areas that are currently being logged, which are out of the production forest zones, are going to be allowed to regenerate with minor species, rather than just burning it off and putting eucalypt in?

Mr HARRISS - That is part of the forest practices process, in which - I am thinking it was 2010 when we drew a line - we cannot convert native forest to plantation. I think that was in 2010. Any native forest harvested by Forestry Tasmania has to be reforested with native. Post 2010, that decision was made.

[10.45 a.m.]

Mr VALENTINE - Is this done through aerial sowing, native seed collected elsewhere, or is it done through some natural process? Can you explain how that occurs? My concern is that with the native forests that are being logged and in those areas that are outside reserves, that if we want special species in the future for artisans and all sorts of reasons we have to actively make sure those special species can grow effectively. As soon as you disturb the canopy, a lot of eucalypts will take over and dominate, and you end up losing the native forest capacity well into the future.

Mr HARRISS - It is very important, as against the pursuit of FSC as well, the management of the forest estate by Forestry Tasmania. It is part of the consideration in the forest management. I have mentioned the 2010 date where conversion from native forest to plantation is not allowed. Provenance is gathered from the region about regrowth. I will get Penny Wells to provide some detail.

Ms WELLS - I probably cannot give you the full technical specifications of how each coupe is regenerated but it is undertaken to standards to regenerate back to the native forest. Local provenance seed is collected.

Mr VALENTINE - By Forestry Tasmania or by some contractor?

Mr HARRISS - Under their supervision and jurisdiction.

Ms WELLS - The objective is to restore the native forest, partly through natural regeneration. Some of the regeneration would be through natural process but it is augmented by eucalypt seed collected.

Mr VALENTINE - Do you know whether those areas are burnt first or is it not necessary for that sort of regeneration? It is stated that eucalypts need fire to regenerate. They can be planted manually, I suppose. With our native forests, is that a process that requires fire?

Mr HARRISS - We could talk about different treatments in different areas, whether it be aggregated retention or clear-fell burn and sow, and to get the management about that we would need to talk with Forestry Tasmania.

Mr VALENTINE - Perhaps I can keep some of those questions until December, minister.

Ms WELLS - Different silvicultural treatments depending on what forest type you are in and what part of the state. The dry forests require different treatments to the wetter forests.

Mr VALENTINE - It is an actively managed process and the opportunity for minor species to grow back is actively managed, and I suppose eucalypts reduce as a result in those spaces. Can you confirm that?

Ms WELLS - We could talk all day about the technical specifications and that level of detail is probably not appropriate here. They have different silvicultural treatments depending on the

UNCORRECTED PROOF ISSUE

type of forest, the region, and the objectives for that coupe in the longer term. Forestry Tasmania, for example, has some areas that have been zoned in the past for special species regimes and other coups are scheduled for a shorter rotation, 60 years for example.

Mr VALENTINE - Blackwood or whatever.

Ms WELLS - Blackwood in the north-west. It depends on the forest type and which part of the state you are in and the objective for management.

Mr VALENTINE - I was concerned for the long term future of the minor species.

Mr HARRISS - Rob, the Ministerial Advisory Council has a sub-committee specifically addressing its mind to the special species.

CHAIR - We might get on to that as a separate subject.

Mr HARRISS - Forestry Tasmania has already done work with the light detection laser technology which they have used to map all of their forest. They know what is in their forest in special species, in high quality saw timber.

Mr VALENTINE - The remaining question was with regard to the southern residues problem which currently exists. Do you want to do that later?

CHAIR - Are there any further questions on this particular issue?

Mr DEAN - Pulp mill?

CHAIR - Let us deal with the pulp mill before coffee.

Mr DEAN - It is wonderful news. Corda Mentha indicate they have a buyer. It may want to procure the pulp mill in the Tamar Valley. That is excellent news for me and the state.

Mr VALENTINE - A lot of people would disagree with you.

Mr DEAN - What is the Government's position there? What support can the Government give to anybody wanting to proceed with the development of a pulp mill in the Tamar Valley? It makes common sense to process downstream our product that could feed a pulp mill.

Mr HARRISS - I share your view that it is good news - whether things come to fruition - but it is important to note that people see the value of that pulp mill in Tasmania. It is no secret that there have been various analyses on the economic benefit to this state of the pulp mill. Over a 30 year period, we are talking about a \$10 billion bounce to the economy of this state. It is not insignificant. What can the Government do?

Mr DEAN - And what is the Government doing? That is what I want to know.

Mr HARRISS - KordaMentha is going through the due diligence process. They have a site, whether it is purchase the site, and there is interest in purchasing the site alone, and there is also interest in purchasing the site plus the permits, which would facilitate the construction of the pulp mill in that location. The Government, at the weekend, made it very clear that we will not be

UNCORRECTED PROOF ISSUE

providing financial support to the development of the pulp mill. That pulp mill needs to be a commercially viable proposition, just like Forico did not ask for, neither would they have received. That pulp mill needs to be a financially viable proposition, commercially agile development.

Mr DEAN - I take it the Government will be giving in-kind support, and demonstrating their confidence in the development of a pulp mill for the state.

Mr HARRISS - We have made it very clear that we support the pulp mill.

Mr EVANS - The Co-ordinator General has been in contact with KordaMentha and is talking to them about where they are in the process and my understanding from John Perry is that they expect to be in a position within the next few weeks to have a preferred bidder, and whether that involves the land and the site, or just the site, is still being worked through. John is talking with KordaMentha.

Mr DEAN - Thank you.

CHAIR - You mean the land and the license?

Mr EVANS - Yes.

CHAIR - Any other questions about the pulp mill?

Mr VALENTINE - It is in respect to the permits. What is the life of those permits? Do they run out at any particular time or not?

Mr EVANS - The pulp mill permits?

Mr VALENTINE - Yes.

Mr EVANS - Yes. I do not have the detail with me but legislation that went through the parliament a couple of years ago dealt with –

Mr VALENTINE - I can't recall whether it was finalised.

Mr DEAN - There was a bit of discussion on it.

CHAIR - Would you like that question on notice?

Mr VALENTINE - Yes, please.

The committee suspended from 10.55 a.m.to 11.14 a.m.

CHAIR - Welcome back. Minister, you have answers to a couple of the previous questions?

Mr HARRISS - The pulp mill permits expire in 2017. As to the sawmiller program, can we table a direct print from the department's website which sets out the adjustment programs and how

we ran them? Then there is the list of the 20 sawmillers and their quantitative payouts there as well.

Mr VALENTINE - Sorry, minister, what was the date in 2017?

Mr HARRISS - I think the end of August.

Mr EVANS - The anniversary of the extension, I would presume.

CHAIR - Thank you. If we could get onto a slightly different topic, let us talk about the RFA process, which last year at this table, you were going to do the five-year reviews that needed to be done. The last one was due in 2012. You were in the process of doing that and you were planning to complete that by December last year and then get started on the 2017 process. Could we have an update?

Mr HARRISS - I will get Penny Wells to give the details of that. Penny was intimately involved with the whole process. She would be aware that we have agreed with the Australian Government to embark upon that review. Then on the back of that, we have a rolling Regional Forest Agreement because we see the RFA as a really important part of the forest industry landscape so that there is that assessment as to being comprehensive, adequate and representative, and all that sits under the RFA with the body of work which was done back in the mid-1990s. Penny can give you detail of where we are at.

CHAIR - Thank you, both for the 2012 and the 2017 review.

Ms WELLS - We had this conversation last year. Our group in our agency has been working closely with a number of other agencies, the Forest Practices Authority, Private Forests Tasmania, DPIWE and Premier and Cabinet, and other parts of our agency in State Growth, to pool together the five-year review documents. They were released in April this year for public comment. There was a six-week public consultation period on those documents -

CHAIR - This is the 2012 one?

Ms WELLS - Yes, this is the delayed review. We went through a process before Christmas working with our Commonwealth colleagues to develop a scoping agreement which our minister and Senator Colbeck signed earlier this year, which just set up the governance arrangements and all the details about how the five-year review process would work and how that would then lead into the extension process.

That is part of the work that has happened since the hearings last year. The 2012 documentation is basically five years' worth of data that follows on from the first and the second reviews of the RFA. We had quite a discussion about whether we should try to take this review up to today -

CHAIR - We had that discussion last year, too, and we decided not to. That is fine.

Ms WELLS - It was decided that the people in the future would not thank us if we had a five-year review, five years and then eight years, and then three years so we all agreed to preserve the five-year data reporting framework, and we would catch up on the last few years when the next five-year review happens, scheduled for 2017. The documents have now been released.

UNCORRECTED PROOF ISSUE

There was a six-week consultation period which was due to close nearly two weeks ago, but a number of people contacted us and asked for additional time at the eleventh hour.

The minister and our federal colleagues agreed for a two-week extension on that public submission period which closes this Friday. The process from there is that we have an independent reviewer engaged as specified in the RFA document itself. The independent reviewer is Dr Glen Kile. I think we mentioned that last year.

CHAIR - You told us that last year as well.

Ms WELLS - Yes. He has now started his work. We have had some submissions in already and they are being fed through to Dr Kile. He has two or three months to prepare a report and during that process he will be going through the submissions. He will be liaising with the parties to the RFA agreement and he may well, if he has questions, follow up issues with individual stakeholders. Once he presents a report to the Government, the two governments respond to the report and it is through that process that we see the outcomes of the RFA review process feeding into the discussions about extending the RFA to make it into a 20-year rolling agreement.

CHAIR - Isn't it a 20-year rolling agreement now?

Ms WELLS - It is a 20-year agreement with an end date of 2017. It has five-year review processes built within it but it ends.

CHAIR - It ends that 2017.

Ms WELLS - That is right.

CHAIR - Minister, when do you expect this whole process to be finished? Last year you said that you hoped that the review document would be available for public comment before Christmas. Obviously that has blown out a bit by two or three months. Is this going to be finished before 2017 when the 2017 review is due? You are going to have to manage it within that last year, one presumes. You are not going to wait until the RFA runs out in 2017 before you start negotiating a new one, are you?

Mr HARRISS - As Penny has said, there was a consideration of whether we should just forget about the 2012, but in the interests of proper process and assessment we have decided to go with it. The short answer would be yes, it will be concluded before the 2017 review.

Ms WELLS - Long before.

CHAIR - You won't have it finished by the end of this year. It won't be concluded if you have three months for your independent reviewer and then it has to go to both parliaments.

Ms WELLS - We are certainly aiming to conclude it in 2016 and not let the process run through too close to the finish date in 2017.

CHAIR - Do you know what the finish date is in 2017? Is it the beginning of 2017, the end of 2017?

Ms WELLS - I think it is November.

CHAIR - I ask this in terms of certainty for all the bodies that are involved. The RFA of course manages a process which means that you do not have to do negotiations with the Federal Government over all sorts of individual issues. It is an encompassing document so it is really important for certainty for all those people who are involved in forestry processes to have that.

Mr HARRISS - That is why we have committed with the Federal Government to the on-rolling RFA. It is very important to the landscape of forest management.

CHAIR - This is going to get through before the next federal election, isn't it? When is the next federal election due?

Mr HARRISS - September next year.

CHAIR - That also has an impact. We know that at the end of election cycles there is always a hiatus when the government has its mind on other things, shall we say, than basic processes like RFAs, and then there is the election period and then there is the time when the new government settles in, even if it is the old government, all that kind of stuff. There is a bit of a time constraint here, is there not?

Mr HARRISS - Yes, there is. Whatever you are doing in a policy framework is exposed to government election cycles. September-ish next year, who knows? They could go early. They can push it past September by a few weeks. You just do not know that. We just get on and do the work which we have to do to get Tasmania properly positioned so that we can move ahead with our rolling program.

CHAIR - So you see that there is some need to get on with this.

Mr HARRISS - Very much so.

CHAIR - Good.

Mr HARRISS - Is there anything else, Penny, that you needed to round that out with?

Ms WELLS - It is probably worth adding that clearly we have already started informal conversations with our Commonwealth colleagues on this. We have started the process already. We will not have the report from the independent reviewer for a few months. However, the submissions are already coming in. From now on we will be seeing the views of the different stakeholders and taking those into account in the informal discussions we are having with the Commonwealth. We will be looking at the nature of the issues across both sides of the equation. We are expecting to have a draft revised RFA document by very early next year.

CHAIR - We cannot help but be involved in politics in all these processes. If my thinking is correct, I am presuming this RFA was originally signed with a Liberal Federal Government?

Mr HARRISS - Yes.

CHAIR - We have since then had quite a number of years of Labor and we are back to a Liberal Federal Government. Is the view of the RFA, as it stands, bi-partisan? This is a Liberal Government again, a Liberal Government that set it up with us in the first place, and it has been

carried on. If we are talking about renewing or extending it as a rolling program, does that have any impact?

Mr HARRISS - I cannot speak for a potential federal Labor government but we have the commitment from the current Federal Government that another 20-year RFA is entirely desirable. This is because of all that it does to give as much certainty as you can around many components of the forest industry. If there is a different policy position from a government of a different flavour, we would hope people can see the inherent value of what the RFA achieves.

CHAIR - Hence my question, that we have had a couple of reviews during the federal Labor government. There has not been any question of the RFA being discontinued during that time, it has rolled over.

Ms WELLS - It has been bi-partisan support to date. The RFAs are underpinned by federal and state legislation. We are pressing on with the extension of the RFA as an important tool for the industry. It is an incredibly important tool for articulating Tasmania's forest management system. It is the glue joining all the bits of our forest management system together and enables it to be recognised under the Commonwealth EPBC legislation. With those federal and state statutory underpinnings, we would expect bi-partisan support.

CHAIR - The agreement finishes in 2017, so it is not as though it is rolling on this time. Hence my point about the urgency of doing it while you can and perhaps involving shadow ministers or shadow departments. It would be good to know that a future government, whatever flavour it is, would continue to support that.

Mr HARRISS - Yes. We would like to think so.

CHAIR - That is a bit of advice on this issue.

Mr VALENTINE - The RFA has been in place for a long time. There have been changes to reserves and those sort of things. Does it cut across any of that? Is there any expected conflict between the current reserves we have and what the RFA may be seeking to do with them?

Mr HARRISS - The short answer would be no because of the comprehensive nature of the RFA and all that it does in providing that level of certainty for forest management. Given that it was established after a very vigorous process, the term I keep coming back to is the comprehensive adequate and representative nature of reserves which were acknowledged in the RFA. There is a whole body of assessment around the RFA and the fact that 95 per cent of Tasmania's high quality wilderness was in reserves and still is in reserves. We are talking about a comprehensive document which addresses the forest management. Penny is there anything in addition?

Mr VALENTINE - Do you understand what I am trying to get at? Since it came into play there has been a lot of areas put into world heritage and all those sorts of things.

Ms WELLS - What is important to know is the RFA is not just a static thing, it does not just describe something in a point in time. It has an adaptive management process inherently built within it and the five-year review process is an important part of that adaptive management framework.

UNCORRECTED PROOF ISSUE

Mr VALENTINE - It talks about classification of land as opposed to specific blocks?

Ms WELLS - The original RFA does have specific blocks in it but it talks about the system having been underpinned by having a reserve component, having management prescription through the forest practices system, having legislation, having threatened species management systems et cetera. All the things that sit under that do not stay the same. There are threatened species that come on and off the list. Reserves may change an area, forest practices system is a living breathing thing which changes over time. Technology and our science based knowledge changes and increases. Those things are built in to our forest management system.

The RFA provides the glue that sits around that, the framework, and we anticipate that the extended RFA will probably lose a lot of the original detail that was put in in 1997 because that was describing the full system at that time. A lot of the implementation tasks which have already been completed will not figure in the RFA. It will probably see a much simpler document and that is what we imagine. What it will preserve is that adaptive framework so the system can evolve over time as society's needs change.

Mr VALENTINE - The Forest Practices Code is written into in certain places or not?

Ms WELLS - That is part of the system.

Mr VALENTINE - It is part of the whole thing. The Forest Practices Code was going to be reviewed. Do we know where that is at?

Mr HARRISS - I will introduce Angus MacNeil, the Acting Chief Forest Practices Officer.

CHAIR - He has been sitting patiently all morning, so welcome, Angus, to the table.

Mr MacNEIL - Thank you. The Forest Practices Code is presently going through a process of amendment. The proposed amendments were advertised publicly a couple of months ago. After they have been through a process, which involved the Forest Practices Advisory Council and other major stakeholders, the board is in the process of considering a number of submissions that have come in response to the advertising of the proposed amendments.

The proposed amendments are principally the introduction of what is called a guiding policy into the code whose main purpose is to clarify the policy environment we believe we are currently working in as a result of all the changes in legislation over recent years. One of the issues that is included in the guiding policy is the duty of care with regard to permanent timber production zone land. What that means is to allow Forestry Tasmania to make decisions about the use of PTPZL for economic purposes more straightforward than it is at the moment.

Mr VALENTINE - That is what I wanted to know.

CHAIR - No other questions on that? We might go to another topic.

Mr FINCH - These questions were presented to me by the member for Apsley because of her inability to be with us today. She made these observations, which you might like to comment on, minister.

She says there are five lines for forestry on page 254, and one page for mining on page 255. Page 248 shows \$2.3 million for forestry, \$5.4 million for mining, and the notes relate to FTE savings budget strategies and redistribution of corporate costs. Her take on that is that the Government is walking away from both as any main drivers of the economy in Tasmania. Would you care to comment on that, minister?

Mr HARRISS - I am presuming you are referring to the reduction for the 2014-15 Budget of 2304, to 2015-16 down to 1659.

Mr FINCH - Not so much the detail, but the paucity of allocation and recognition of forestry and mining in the Budget.

CHAIR - We commented on this last year, that there were just two lines and two output bits. We would like to see more, if they are such big industries.

Mr HARRISS - I will ask Alex to start, then, if I need, I will comment on the policy development and advice provided by the department, by the unit, under the line item, the quality of it.

CHAIR - You addressed that quite well, the mining part anyway, in your opening statement. You went into quite some detail about it.

Mr TAYLOR - You are referring to the figures in table 10.2, is that correct?

Mr HARRISS - Yes, page 248.

Ms TAYLOR - This is budget support for the funding of the forest policy group that Penny mentioned in the department, so it has an FT account of eight, currently filled with seven people. Ostensibly, the funding that you see in the Budget is supporting predominantly staffing associated with the forest policy group within the department. The reason that the numbers are larger in some of the earlier years is because there are some one-off project funding and a couple of major things, one we have spoken about today, the RFA.

In last year's Budget the Government provided some funding for the RFA project. Some of that funding was in last year's Budget and this year, and some unspent money from last year has been rolled forward into the 2015-16 year, together with \$150 000 in this Budget for the department's work in Forestry Tasmania reforms, which you see in the key deliverables.

That is why the 2015-16 number is materially larger than in some of the out years. In 2016-17 there is another \$100 000 for the Forestry Tasmania review. After that, in the last two years of the out years, in 2017 and 2018-19, it is the underlying base funding for the forest policy unit within the department.

To summarise, the reason that there is a larger amount of funding earlier on is around a couple of major projects. The other thing is that, under the department's restructure, the forest policy area broadened out, and is transitioning into broadening out, to include broader resource policy advice, which is in relation to picking up mining policy responsibilities in addition to forestry. I had a conversation with the Director of Mines, his group and MRT, but it is a very small function. There is some things happening at MRT and there are reasons where in the department's restructure there are some synergies in putting that small policy of advisory role

from mining together with forestry because there are some very similar issues around land tenure, land use and environmental standards and those sorts of things.

Mr EVANS - What Alex has done is spell out how we are approaching forest policy, but since last year the Department of State Growth has been totally redesigned and support to the forest industry is broader than just the forest policy function. For example, we have now the Office of the Co-ordinator General that sits within the outputs of the agency, but is a separate organisation. I know, talking to John Perry, that he is actively involved in talking to a number of key businesses about development opportunities within the forest industry.

Likewise, in the new Industry and Business Growth Division, headed by Bob Rutherford, the Client Services group has a particular focus on forestry developments at the smaller scale. Whilst the member for Apsley has focused on one line in the Budget, more broadly across the organisation, forestry and mining, outside of the work of the forest policy group and MRT, does feature pretty heavily in terms of the overall integrated new department.

CHAIR - You have things like the Forest Practises Authority and Private Forests Tasmania and those kinds of things.

Mr EVANS - Which come under the grants and subsidies.

CHAIR - I understand you have money in various pockets, it is just we have to search for it. It looks as though you are doing nothing in forestry because you only have this as the only item that shows.

Mr EVANS - Which is the benefit of these committees. There are specific line items that are directly related to MRT, Forest Practises Authority, Private Forests Tasmania and the forest policy function, but more broadly across the agency, and it is a new agency, forestry and mining is a key focus, including within the Office of the Co-ordinator General.

CHAIR - Perhaps next year before Estimates we might ask you if you would like to pull together a document for us which shows where all the different bits are, so that we do not have to go searching through budget papers to find bits and do not have to ask you questions where it looks like you are not interested.

Mr HARRISS - Chair, you make a good point. There are points that I could go to about the ministerial advisory council funding, contract employment programs, special species studies and to the tune of \$18.4 million.

CHAIR - We cannot see that easily, that is what I am saying. You might take that on notice for next year, that in future we have a document, which says what the background scene is and where all the money is going because it looks like we are spending \$1 million.

Mr FINCH - Also, there is the southern residues significant problem with the build up and no export, port mills are in danger of closing because of the amount of residue. The Government appears to have walked away from a solution with the minister's statement that they will leave it to private enterprise to find a solution. Would you like to comment on that, minister? Is it fair to assume that it is not politically palatable to have an export facility at Macquarie Wharf. She says

she is not sure what ports are for if not to export. Does the Government consider that Hobart is a working port?

Mr HARRISS - To the first part, whether the Government is walking away from a solution to the major problem we have about residues - I have been criticised for using the word 'residues' rather than 'woodchips'; it is residues in the broadest sense - nothing could be further from the truth. The Government is not walking away from that. The Government has a view, in consultation with Forestry Tasmania, that with the innovation, the energy, the access to private capital and the like, the private sector has the capacity and, I might say, the interest to be involved through the expressions-of-interest process, which will be commencing soon, to be involved in the solution to that.

Bear in mind, that when Triabunna was developed many years ago, it was developed by people in the processing sector, the sawmilling sector, who saw this emerging opportunity with woodchip exports, but that there was not the export capacity from the south. From what I can recall, the private sector, through its own innovation, developed Triabunna. With Triabunna being taken out of the equation through all the processes that happened, the viability of the Southern Forest has been severely jeopardised. Hence, the contribution - call it a subsidy, if you wish - for south-north transport freight of about 300 000 tonnes, probably a little less, of forest residues that arising from sawmill activity. The processing residues is a different matter. The Government has the view that, through an expression of interest, the private sector has the capacity and the will to be involved in that opportunity.

As to Macquarie Wharf, I share Tania's view - it is a working port. However, there has also been some misreporting on the back of my ministerial statement where I said, 'A solution to the southern residues challenges needs to be found.' People said, 'You are walking away from woodchips.' Residues can be used, as they are around the world, for a whole range of downstream value-adding processes. It might not be that we need to export the whole of the residues from the south as woodchips. However, in the event there is a woodchip export capacity at Macquarie Wharf, we made it very clear there will not no woodchip pile on the wharf. The chipping will occur off-site, and there will be some small storage capacity undercover, no woodchip pile on the site. We need to get a solution to the value-adding, whether it be export or pellet production or biomass.

Before and after my announcement about this EOI, there has been significant interest. Again, my office stays right away from anything to do with people who want to come and talk about specifically their suggested solution to the residues problem from the south. The EOI will have that complete probity process, where it will be properly handled by Treasury and the Department of State Growth. That process will be informed by Forestry Tasmania because of its expertise, but it will not be leading the process.

Mr FINCH - I believe that subsidy for residues concludes at the end of June. Will that be reactivated or continued?

Mr HARRISS - The subsidy which was provided under the TFA concluded in October last year. So Forestry Tasmania has been funding that freight export south-north from their borrowings. So there is a hit to the bottom line in terms of Forestry's effort because, again, without getting the residues out of the south, the southern forest industry is not viable.

Mr FINCH - Will Forestry Tasmania maintain that subsidy until a solution is found?

Mr HARRISS - We have said that it needs to be phased out through a proper and considered process. I am trying to find the exact words from my ministerial statement.

CHAIR - Minister, I have a big argument, and always have had, with that subsidy, not because I think it was not necessary, but because it was only to Forestry Tasmania for its southern forests. Many private foresters have not had that subsidy available to them. We have forests all around the south and the middle of the island where foresters, and I am sure I have said this to you before, are not even harvesting because they have nothing to do with the residue because they cannot afford, personally, to ship it north.

If there were to be a subsidy, I believe it ought to be across the board. That is not the solution. The solution is a southern export facility, I guess, if there are going to be woodchip exports from this area.

Could you go into a bit more detail about this expressions of interest process? When is it likely to happen? Who is running it? When is it likely to conclude?

Mr HARRISS - The EOI will be conducted by Treasury and the Department of State Growth - this unit - and informed by Forestry Tasmania. We would hope to have advertisements in both local and national press by the end of June at the worst. That is when the process will be starting.

Your observation about the challenge to other than public native forest activity is spot on because you would not harvest any forest in the south without the mincemeat component having a market. That again highlights the real hit to the industry of Triabunna being taken out.

CHAIR - Yes, we know that but what we want is a solution, minister.

Mr HARRISS - The EOI is the solution.

Mr FINCH - Will the subsidy continue until the results of the EOI - the subsidy from the southern forest up to -

CHAIR - It is finished. It finished last October, and there is no subsidy any more.

Mr HARRISS - Forestry Tasmania has the subsidy.

CHAIR - Forestry Tasmania is funding it itself. It is funding its own operation; it is not a subsidy. It is funding the travel component in the same way as it funds its other operations, as I understand it

Mr HARRISS - Yes, but is that an economic proposition?

CHAIR - No, I do not think it is economic proposition. That is why I am saying we need a solution here. It is not a subsidy - nobody is subsidizing it - what is happening is that it is an extra cost to Forestry Tasmania.

Mr HARRISS - I am confirming what I said a moment ago, it needs to be phased out. That is why we need solutions for the southern residues, including private, whether they be plantations.

UNCORRECTED PROOF ISSUE

Forico, for instance, has what I would refer to as a stranded asset in the south-east of Tasmania. It purchased part of the Gunns estate - probably for not very much in the scheme of things - but unless there is an export facility for Forico's woodchips, it is are not going to harvest them. It would be subeconomic.

Mr DEAN - On the subsidy, it is to transport the residues to the north of the state. The trucks doing that are backloading radiata pine to the south of the state -

Mr HARRISS - Some of them.

Mr DEAN - Some of them. What is the position there? Was the subsidy simply to cover the trucks transporting to the north and then no load back? What is the position of the trucks backloading radiata pine? Is the subsidy less?

CHAIR - There is no subsidy anymore.

Mr DEAN - No, when it was operating and how it is currently being operated by Forestry Tasmania. It is subsidising it in a way.

CHAIR - This is extra cost. The subsidy was to make of the extra costs.

Mr DEAN - But they are paying for the private contractors who transport the timber to the north of the state. Some are not backloading and some are, so what is the position there, minister?

Mr HARRISS - And some goes by rail, some goes by road. It is the net effect, so it is only what the shortfall is in terms of the effort. With a backloading effort, it is factored in.

Mr VALENTINE - The stuff that goes by rail, is that just flitches? What format is it in?

Mr HARRISS - It all goes in the round and is chipped at Bell Bay.

Mr VALENTINE - That is the whole logs. We are talking about residue. Harvesting residues are 30 per cent of the tree, are they not? They are going by rail?

Mr HARRISS - No, there is a mix. Logs in the round go by road as well. The harvesting residues -

Mr VALENTINE - I am talking about residues, not logs in the round.

Mr HARRISS - But they are the residues from the sawlog you take out.

CHAIR - Are they chipped here?

Mr HARRISS - No. They are chipped at Bell Bay.

Mr VALENTINE - Are you talking about Ta Ann's veneer operation?

Ms WELLS - No, we are talking about harvesting residues - the branches and smaller logs are not sawlogs.

UNCORRECTED PROOF ISSUE

Mr HARRISS - They are all termed 'residue' as a process of the forest operation.

Mr FINCH - Can we get some idea, minister, of what that cost has been, and ongoing what that is costing Forestry Tasmania?

Mr HARRISS - It has been up to \$5 million a year - that was the TFA funding. We would have to get some figures for you about what it has been since Forestry Tasmania has been funding it.

Mr EVANS - We would need to take that on notice.

Mr FINCH - And probably projected until you get the expressions of interest sorted out and a solution, what that ongoing cost is to Forestry Tasmania.

Mr HARRISS - We will take it on notice and probably give it to you in December, if you like.

CHAIR - There is a bigger issue than that. Sawmills, for instance, are all getting huge piles of residue and woodchip because there is nowhere for it to go. We have seen in the past where Mr Kelly's sawmill exploded in the fire. Sawmills should not have that kind of stockpile. Other people are not cutting because they do not have a place for the residue. Do we have an estimated time when the expression of interest might finish?

Mr HARRISS - I am thinking about conversations to inform the process having been presented to Cabinet and agreed upon.

CHAIR - So you are going to advertise at the end of June but you do not yet Cabinet approval?

Mr HARRISS - No, in what the process will be and whether there are iterations of that, whether there are various stages. Let me take that on notice, if I can, Chair.

CHAIR - Do I need to urge you to get on with it?

Mr HARRISS - No, you do not because I understand the urgency of a resolution, just as I have understood that from the day we came into government.

CHAIR - Exactly, and we had this conversation last year more or less. The answer in the end was, 'We need to do a review of FT. So we will wait until that is finished before we start on the residue question. I sort of understand that but I do not understand why there are not processes that can happen concurrently, why everything has to be longitudinal. Time marches on. All these people are sitting here losing money as a result. The economy is suffering as a result. We are not rebuilding this forest industry that we keep talking about rebuilding.

Mr HARRISS - An industry and a reputation takes years to develop and a breath to destroy. Unfortunately, and quite tragically, that is what happened. The industry was decimated for a whole range of influence. That is one of the tragedies of this pillar industry to the state's economy. Part of that process to rebuilding, was Forestry Tasmania and TasPorts conducting an assessment of various port options in the south.

Mr DEAN - The opposition to it, and it seems to be minor opposition - the Greens' position - is the reason we are peddling water, rather than getting on with it?

Mr HARRISS - Be assured I will not be dodging around any Green criticism of the forest industry in appeasement because we have to find solutions to the substantial challenges we have to rebuild the industry. There are components of the industry which are growing. There is a challenge for us to rebuild. Public native forest effort. Growth might not mean more volume. It could embrace a range of things in regard to diversity.

Mr DEAN - That is good to hear. I would hate to think you would slow the process right down to a residue situation simply because of that opposition, which does not seem to be that great.

Mr HARRISS - I think you would quickly remind me if that was the case.

Mr VALENTINE - I have a couple of questions from the member of Apsley. She asks a question in relation to Dorset renewable industries in the north-east. Can the minister provide an update on the current situation with the redevelopment of the Ling Siding site, former French Pine/Auspine site?

Mr HARRISS - I am not aware of the detail, Rob, of the development of the site. I am aware that both Huon and Dorset have had projects they have wanted to advance with regard to biofuels possibilities.

Mr VALENTINE - She asks a question about that too so if you want to go with that, that is fine.

Mr HARRISS - It fits in with the Dorset Renewable Industry Project and the Ling Siding that has now been handed over to the DRI.

CHAIR - Federal money, they bought it for them, basically. They received that grant they had been applying for.

Mr EVANS - My understanding, minister, is that the federal funding has been received. They are cleaning up the site and getting it investment ready, so things are moving.

Mr HARRISS - I think there is an operator already in there with a transport effort.

Mr VALENTINE - The other question was the Tasmanian Energy Strategy, page 240 in the Budget. It has embedded in it the development of biofuels in the Huon and Dorset. I ask the minister for his comment on the future of this program in Dorset.

Mr HARRISS - That will be for those communities to develop. There has been a focus in the past by those two communities on biofuels but now winding that \$200 000 into the Tasmanian Energy Strategy and you will see the footnote on page 240 indicates that Huon and Dorset are now part of that strategy.

There has been some work that the department has been undertaking with regard to residues opportunities. While we have seen up to now the \$200 000 department of Industry and/ or local government, on a dollar for dollar basis, to build on the work of the biofuels which has already

been undertaking in Dorset and Huon. It could be that we move the focus from just biofuels to more the bioenergy opportunity rather than those two communities focusing on biofuels. That is the work which is being done by the department and David Herberg has been heading that work.

CHAIR - May we go to the Ministerial Advisory Council please. Update, the number of meetings, number of projects that they are working on, what projects they are working on. We were talking originally about some groups coming from, that working on specific projects. It has been how long since you set it up?

Mr HARRISS - August last year.

CHAIR - I was thinking it was pushing towards a year so we should have it in an annual report nearly.

Minister, I welcome the groups from Elizabeth College who have just come in.

Mr HARRISS - I am trying to count the number of meetings. I think we have had four and the fifth one is Friday of next week. There is a focus at the moment with the sub committee specifically addressing their mind to the special species management plan development, a really important component of the work. That has to be completed within three years from the time of the legislation.

At our third meeting we had a thorough brainstorming of how members of the committee saw the forest industry in the future, how it might look from their industry representative perspective.

CHAIR - I would love to see the minutes, minister.

Mr HARRISS - After that, the Treasurer and I decided upon the thorough review of Forestry Tasmania. So until the model for Forestry Tasmania in the future is finally decided, all of those aspirations are still part of the mix in informing me, and thereby the Government, where we take all of this. The review was plugged in at the end after that meeting so the members of the council were understanding that needed to cool for a little while the review of Forestry Tasmania gave us some more outline as to the future model.

You are aware of the make up of the Ministerial Advisory Council representative of the industry providing input as to the RFA review, part of the residues solution study, for all that embraces, not just export capacity off Macquarie Wharf. We have provided funding in the 2015-16 financial year of a bit over \$900 000 to facilitate the work of the Ministerial Advisory Council.

CHAIR - Where does that sit?

Mr TAY - That is funding from the TFA. It is carried forward.

Mr VALENTINE - Is it federal money?

Ms WELLS - It is a combination of what is remaining from the state and federal funding.

CHAIR - Again, can you see how we do not have information?

Mr HARRISS - I was going to mention that. Your point is well made.

CHAIR - It would be good if that was brought together for us next year so we have some idea.

Mr VALENTINE - We did spend a bit of time on these issues.

CHAIR - Yes, but I have not seen where there is funding for the MAC. Somewhere in the budget papers it is hidden but it would be helpful if we could have that.

Mr TAY - Chapter 3 Finance-General of the budget papers has a one-line item about the Tasmanian forestry agreement remaining funding.

Mr VALENTINE - What page?

Mr TAY - Page 51.

CHAIR - But it does not say what it is going to be spent on.

Mr TAY - No, but globally it gives you the picture, to your earlier question, I was making the point that it is all over, in different places, so I am just pointing this one out in particular.

CHAIR - Thank you.

Ms WELLS - On page 54 the notes with that indicate that it is for completing delivery of the Tasmanian administered programs, including the Ministerial Advisory Council, residues and special species studies and support for affected workers. It gives a broad overview but not the actual breakdown.

CHAIR - Good.

Mr HARRISS - I have covered the points that I wanted to mention.

CHAIR - I understand why you had to do the Forestry Tasmania review and how that was integral to a whole lot of stuff, including residues maybe. I cannot understand why the Ministerial Advisory Council might not at the same time though be looking at something like the development of biochar, which has nothing to do with Forestry Tasmania. There are other ways of developing the industry, which is what the advisory council was for, to give you advice.

Mr HARRISS - True and that work I alluded to a moment ago, there is a body of work which is on foot as to residues solutions within the department. That work will be presented to the MAC to then help progress some of those solutions. You are right, biochar is one.

CHAIR - It is just one little one, I know. There are, as you say, a whole range.

Mr HARRISS - That is one.

CHAIR - It is small.

Mr HARRISS - It is small-scale biomass. People keep talking about generation of electricity. It most likely would be thermal energy generation, not electricity. The renewable

energy credits are an important component of that to make any use of biomass for electricity, and there might be a gap in terms of thermal energy effort.

CHAIR - Are you lobbying the Federal Government on that issue? They seem to be hesitating about including native forest in the renewable energy credit.

Mr HARRISS - No, that passed the Federal Parliament maybe a week ago yesterday, or maybe two weeks ago.

CHAIR - The lower House?

Mr HARRISS - The lower House.

CHAIR - We have some Tasmanian senators though.

Mr HARRISS - I have not personally lobbied as to what they might support. We understand there is some solid support from unaligned senators for the legislation to pass. The renewable energy credits are an very important component to make viable the combustion of native forest residues for generation of energy, not necessarily electrical energy.

CHAIR - I am aware of a couple of industries, and you are aware of many more no doubt, that would say if those renewable energy credits were available to them they would change from the energy sources they are using now to using biomass.

Mr HARRISS - As compared to, in some cases, coal fire, which contributes in a major detrimental way to the environment.

We are talking about tens of millions of dollars of benefit to some of these industries to which you refer. There is significant interest.

CHAIR - This list that the MAC is working on, or departments are working on to inform the MAC, when are you likely to get some information and when are we likely to see something - we the general public, not just the Parliament?

Ms WELLS - As the minister has mentioned, there is a residues solutions project which is underway, which is federally funded. For stage 1 of that residues solutions project there is a report that is now available on our website. It has just recently come up onto our website. Stage 2 of that project is underway, which looks at the recommendations from stage 1 and is providing a more detailed modelling exercise on each of the four to six areas that the stage 1 report has indicated are worthy of -

CHAIR - That is quite separate from the expressions of interest for the southern wood residues -

Ms WELLS - Yes, it is a separate project although the outcomes from stage 1 and the work of stage 2 will be useful in informing the expressions of interest process. The stage 2 work has commenced and we are expecting a report from stage 2 about July this year.

CHAIR - Again, that will be publicly available, if this one is publicly available?

Ms WELLS - Yes.

CHAIR - Would you send us the link to that or get that report to us? I would like to see it.

So the ministerial advisory council is working well, is it?

Mr HARRISS - Yes. The input from members is most valuable and they, like me, are keen on getting outcomes. We have no choice and one of those most significant components is, as Penny has just mentioned, the residues study and all that is going on there. You would also be aware, from a recent announcement, that the Federal Government has provided funding to the University of Tasmania for - not so much a continuation but -

CHAIR - A new version.

Mr HARRISS - Yes, and the multiplier effect of that with industry contribution to the research effort. It recognises Tasmania's significant contribution over decades in research capacity to inform the forest industry around Australia.

CHAIR - It is really good news because we would have lost a lot of knowledge had that not been re-funded.

Mr HARRISS - It is. It was \$3.6 million from the Federal Government.

CHAIR - It was more wasn't it?

Ms WELLS - I think it is \$14 million altogether when you look at all the partnerships.

CHAIR - That secures that program for a number of years, I presume.

Ms WELLS - Five.

CHAIR - That is really good news. I have one last question on forestry and that is Private Forests Tasmania. I see that you have funded that. That has been funded again, it is continuing funding? I am very pleased to see that, minister, but could we have an update on what is happening with Private Forests Tasmania?

Mr FISK - PFT has needed to go through a considerable transformation over the last five or six years and we have largely achieved that. We have downsized considerably. Much of that really was driven by the need to ensure that we had a financially sustainable model that still delivered valuable services to private forest owners. I am very comfortable now that we have achieved that model and that we are financially sustainable. It is difficult in an organisation when you get round seven to eight people, scattered across the state, to make sure that you are really continuing to add some valuable services to the private forestry sector.

We have two major activities. One is looking to find and work with other people on the opportunities for the use of the private forest estate. You have to remember the private forest estate is comprised of a very significant plantation estate that is largely owned by the investment companies and the industrials. Then the non-industrial forest estate, which is largely the native forest estate, is owned by thousands and thousands of individuals. They are very different areas and very different challenges.

Certainly all the talk that we have had to date on residues is a significant challenge across the entire sector. It crossed tenure boundaries, obviously. We are putting a lot of work into working with others on looking for opportunities in that space. There are plenty of opportunities starting to come up. The expression of interest process will hopefully tease out some realistic opportunities where we can look to be adding value to that product within the state, even if we have some short-term solutions, where we have a place where we can export it.

The other major focus of PFT now is the expansion of the private forest estate. The reality is that the only place where we can further grow the estate is on cleared agricultural land. In that space we have the residues of the MIS era that we have to contend with, but we need to push through that. What we are really focusing on now is an agroforestry program that looks to the integration of more trees into the agricultural landscape. Rather than seeing plantations and wood lots as something that is quarantined on a particular part of a farm, often in the poorer areas of the property, we are looking at ways to encourage more farmers to integrate trees into their agricultural systems. There is a lot of anecdotal evidence around that that tells of the great value that trees sensibly and sensitively integrated into agriculture can add to agricultural production.

My belief is that the anecdotal evidence has not done a good enough job. There is still huge capacity or huge potential to have a greater forest estate that is going to feed into industry that can also add value to the agricultural programs.

Our agroforestry program - and we received some additional funding for that out of the 2050 agrivision project - is looking to quantify the actual dollar terms of the impact of trees that have already, on some case study properties, been integrated into agricultural systems, across a range of systems, whether it be irrigation or fat lambs or dairying, et cetera.

I am engaging with both the university and the CSIRO, because the information that we collect has to be transferable and has to be robust scientific information. We are working with both Professor Hunt at the university and Daniel Mendham at CSIRO, who both have great skills in this space.

CHAIR – And Sense-T?

Mr FISK - Things like Sense-T will have a role when we start looking at, for example, what the impact of shelter is on the distribution of irrigation water around pivot irrigators and so on. I am finalising the contract for that project now with the university, and that will be a three-year contract. We will have that signed and ready to be starting our project by 1 July. The major objective in that is, what I believe, we see then a win/win for agriculture and forestry. We have an enhancement of agricultural production, diversification of farm incomes and those sorts of things, but we also end up with an expanded forest estate.

Mr HARRISS - That is a \$350 000 appropriation to Private Forest Tasmania over the four years to work through that expanded production capacity of farms, as Tom has said.

Mr FISK - I believe that with a small organisation, if we operate at that level, with a small group of people who are really dedicated, we can touch the lives of a lot more people than just the old traditional extension models of one-on-one extension which is the way PFT operated in the early days.

CHAIR - Thank you. I know you have been largely responsible for the transformation of PFT. You have done a good job particularly as you have managed to persuade the Government they should continue to fund it under the new regime, because it can provide, as you say, great economic benefit to the state.

Thank you, minister, for that.

I have to ask you a question for the member for Apsley. Given the positive skyline at the Scamander project on the east coast which is undertaking restoration of former pine plantations, they were plantations that had been allowed to regenerate, will the minister and the Government consider other areas in Tasmania that could successfully undertake a project like this?

Mr HARRISS - I am aware of the work by Mr Dudley and I have spoken recently with the member for Apsley - last Thursday, I think it was. I understand a number of, may be some of this committee, have been to one of the sites -

CHAIR - Indeed.

Mr HARRISS - Mr Dudley has been involved in. He has a commendable view about forest management, of restoration and the like, but not just the Government but certainly Forestry Tasmania in its management of public native forests is well aware of the need to in a rigorous way best practice in terms of restoration, regeneration. The location to which you refer, on behalf of Tania, is not the only area of the state where people have a view and a commitment to higher yield from our forests. Forestry Tasmania is always looking at ways of maximising that.

CHAIR - Okay, you are talking about Forestry Tasmania as opposed to the Government. Was this a Forestry Tasmania project?

Mr HARRISS - No.

CHAIR - It was not funded by the Forestry Tasmania.

Mr HARRISS - No this was, I think, federally funded through natural resource management programs and Mr Dudley was able to secure funds.

CHAIR - He and his volunteers are doing a wonderful job.

Mr HARRISS - Yes.

CHAIR - Her question was: is the Government interested in this kind of project, and are you prepared to put your resources behind it? I think is what the question was.

Mr HARRISS - Always interested; limited resources.

CHAIR - Thank you.

4.2 Mineral resources -

CHAIR - Mrs Armitage would you like to start? It was the member for Apsley who had the front running on this and she is not here but has given us extensive questions.

Mrs ARMITAGE - I will go to my own question.

CHAIR - You can go to your own questions.

Mr HARRISS - Brett Stewart, Director of Mineral Resources Tasmania, is joining us at the table

Mrs ARMITAGE - An article in the *Advocate* on 3 June revealed that just \$4.5 million was spent in the March quarter on Tasmanian mineral exploration. This was the lowest amount spent for several years. What is the Government doing to sell Tasmania globally and nationally as a place for companies to do mineral exploration and mining development?

[12.30 p.m.]

Mr HARRISS - Let me first of all go to the report that you have referred to in the press. Exploration around the nation has seen a decline, not surprisingly because of the challenged commodity prices. I suspect members are pretty aware of the steep decline in the price for iron ore particularly coming off an amazing high back in about 2012 or 2013 of north of \$150 a tonne, to back in April this year around \$US47 a tonne. It rebounded a bit in the last few weeks to about \$64 a tonne. So there is a slight improvement. But on the back of that, not just in iron ore, but most, if not all metals, there has been a decline.

The exploration quantum has been falling around the nation. Notwithstanding that Tasmania has declined in concert with the rest of the nation, our share of the national effort has been holding up. In relative terms, Tasmania has still been - or those in the industry have still been - exercising quite some optimism about the possibilities for the future. There is that global national issue - our share. Brett, we could go to the other matters which Rosemary has questions on -

Mrs ARMITAGE - What is the Government doing? I notice that on 28 May in your statement you said, 'We are investing in promoting Tasmania nationally and internationally to prospective mineral exploration and mining companies through targeted strategic marketing.' I am wondering what you are actually doing.

Mr HARRISS - Yes. I did touch on a couple of those in my opening remarks about what happens onshore both in Tasmania and nationally. I will get Brett to talk about both the national effort and the international effort, because it is significant in terms of attracting investment to Tasmania.

Mr STEWART - Thanks, minister. There are actually two general components to what we do. The first one is essentially collecting new data and updating existing data. The minister has touched on some of the things that we have been doing along those lines with the 3D model, the continuation of mapping, updating our data and getting it onto the national portal.

Mrs ARMITAGE - Is that part of the Tiger data management system?

Mr STEWART - The Tiger system is our own system, but we are now working on integrating that with the national system, and also integrating that with the list. You would be aware of the developments with the list.

The other general component, once we have the general data and the updated data, is to promote. The minister has referred to a few things that we have done. Within the state we support the Tasmanian Mineral and Energy Council conference. We also attend other geoscientific gatherings within the state. We attend national conferences, including the major mining conference in Brisbane each year. We also attended a new conference in Melbourne last year in conjunction with Codes at the University of Tasmania. We worked very closely with Bruce Gemmell and his team down at Codes in jointly attending promotional events. We are a small jurisdiction, we have limited resources, so we team up to gain some efficiencies there.

We also attend a couple of international events each year, one in China and one in Canada. The Canadian one is the largest mining conference in the world. We attended that in February along with the Australian Minerals Group, which is essentially all of the state jurisdictions, plus the federal Geoscience Australia organisation. We team up and have a pavilion there, which is a really efficient way of doing it. We are continuing to collect the data, update the data and then promote it.

Mrs ARMITAGE - How long before you expect the investment will pick up to do with mining in the state, or mining development? Do we have any indication at all of improvement on the horizon?

Mr HARRISS - We have had. I mentioned ABX, the Australian bauxite project at Campbelltown - just to remind you, the first new bauxite mine in Australia for over 30 years. Not insignificant when you think about that being an effort out of Tasmania.

CHAIR - How big will that be, though? Is it a little mine?

Mr STEWART - Medium size.

Mr HARRISS - That company has identified other bauxite resources in the north. Once that project concludes -

Mr VALENTINE - In fact, the north-east, isn't it?

Mr HARRISS - then there is capacity to move to other areas. Yes.

CHAIR - Is it a significant resource or a small resource?

Mr STEWART - They hold eight or nine exploration licences as well as a mining lease. They are looking to progressively expand into the Fingal Valley, around the central north around the Westbury area, and also over in the Scottsdale area. It will be in several regions feeding into one stockpile and grading the resource that way. In terms of scale it is not a Mt Lyell or a Rosebery; it is a medium-sized mine. It is a fairly niche mine and a lot of the more recent developments in Tasmanian have been along those lines. Instead of having your huge long running mines they are more in your niche style.

CHAIR - Is there a good market for it?

Mr STEWART - Yes.

Mr HARRISS - Prices are good. That goes to Rosemary's question about the pick up of the industry.

Mrs ARMITAGE - And the west coast particularly as well?

Mr HARRISS - I only mention bauxite because that clearly indicates that there are peaks and troughs at the moment. The opportunity for bauxite is good. When the Avery Nickel Mine - and it is still under consideration for purchase by a Western Australian company. When they signed up to purchase that nickel prices were high. They have now declined a little. They will still proceed with the purchase, that is their intention, but when they will start operation is a matter for the marketplace to help them decide. That is the cyclical nature and the peaks and troughs of the industry.

We have on the horizon an iron ore project in the north-west of the state, which has significant potential and good quality ore to come out. Notwithstanding that, Copper Mines of Tasmania at Mt Lyell have been on care and maintenance since the middle of last year. They have been continuing in their exploration effort and have proved up significant ore bodies for that particular project.

Mrs ARMITAGE - The west coast is still struggling obviously?

Mr HARRISS - There are some challenges, but ditto with the gold mine, Unity Mining, at Henty. They have years and years of extra production out of that mine than anybody predicted some years ago. Again, they have just entered into a joint venture arrangement with a drilling company to provide capital into the company to continue the exploration effort with the likelihood of again proving up extra gold deposits in that. There are green shoots, but a lot of it attaches itself to the commodity prices.

Mrs ARMITAGE - They might need a bit of watering.

Mr HARRISS - There is plenty of that on the west coast. I do not know if Brett wanted to add anything.

Mr STEWART - The only point I would add is that with our statistics - our exploration expenditure statistics and our employment statistics - I think it is important to recognise that although it may be seen as though we are entering a trough, we are actually coming off a boom. The figures in both of those areas have dropped, but they have dropped to pre-boom levels. That is an important point to consider.

CHAIR - We were able to operate before boom.

Mr STEWART - Yes.

Mrs ARMITAGE - It was \$34.1 million in the previous year, and then \$40.8 million in the year before to the end of March 2013. We have dropped considerably now that we are at \$21.7 million.

Mr HARRISS - Is that the exploration effort?

UNCORRECTED PROOF ISSUE

Mr STEWART - Yes. If we look pre-2005, we are looking at figures of between \$4 million and \$12 million a year. We are still above that.

Mrs ARMITAGE - We have had good years, so obviously it is worse.

Mr HARRISS - Our percentage share of the national effort is holding above.

Mr DEAN - I have received advice that bauxite quality from the Campbell Town site is not good, and that markets at this stage are still questionable. Is that advice wrong? It came from a mining person. Are we aware of the quality of the bauxite, minister? Are the markets actually in place? As I understand it, a test shipment has not even been delivered at this stage.

Mr HARRISS - Brett monitors that. In terms of the application process for an exploration licence in a mining lease, any prospective company is required to prove its capital contribution and its likely markets. Brett, are you aware of anything in terms of quality of the bauxite, as Ivan mentioned?

Mr STEWART - I am certainly not aware of that issue.

Mr DEAN - All bauxite has iron in it. I was told that the bauxite from the Campbell Town mine was too high in iron.

Mr STEWART - As I said, I am not aware of any specific issues of that nature. We do keep in pretty close contact with them. I am not saying it is not the case, but we are not aware of any specific issues.

Mr DEAN - Minister, obviously the state is very confident here. As I understand it, some works have taken place at Conara on TasRail and also at the Bell Bay at the delivery end of where the bauxite is going to be shipped out. Is that right? Are we aware of whether those developments with TasRail have occurred? If that is so, one would have thought the state would be in a strong position at this stage to say whether the bauxite is good quality and whether there is a market?

Mr EVANS - That is a matter for TasRail. My understanding is that is the case. It has agreements to transport the product.

Mr DEAN - The bauxite. Where is it going to?

Mr EVANS - Bell Bay, I assume.

Mr DEAN - I know it is going to Bell Bay. Where is the buyer? Is it Queensland?

Mr STEWART - China.

CHAIR - Do you know that bauxite from northern Australia goes to Iceland, to its aluminium smelters? Amazing, is it not? That is where Iceland gets its bauxite from.

Mr DEAN - Is all of that confirmed? The markets? With the infrastructure obviously being developed and things happening, has there been confirmation that all that is in place?

UNCORRECTED PROOF ISSUE

Mr STEWART - As far as I am aware, there are no significant problems with the site and they are heading toward their first shipment. As I said before, it is a niche product. It is not your standard bulk-style bauxite deposit. There is a confidence in the market and the company is heading toward their first shipment.

Mr DEAN - I understand it is open-mined?

Mr STEWART - Yes. It is a very shallow, panel style mining where they are taking the top few metres off the surface and returning the affected area to paddock.

Mr VALENTINE - There are no environmental issues associated with that?

[12.45 p.m.]

Mr STEWART - Obviously there are management issues while the mine is operating that need to be managed effectively. That is done via the mining lease and permit conditions. It certainly does not have the same significant or long-term issues such as acid drainage and those types of issues that we see with other open-cut or underground mines.

Mr DEAN - What are the employment numbers going to be within that mine?

Mr STEWART - My understanding is it will be around 40 once they have all the areas up and running. At the moment, they would not be approaching that. Once they have the different regions up and running concurrently, it should be approximately 40.

Mr VALENTINE - My question is about movement of MRT to Burnie. Can you give us an update on progress there? Some believe it is taking a long time. Acknowledging it was a commitment over four years, it seems nothing has happened to progress the move yet.

Mr HARRISS - Rob is right. The Government's position was that over the four years of this Government, MRT, apart from the Core Library at Mornington because it is substantial component there -

Mr VALENTINE - It is massive, isn't it?

Mr HARRISS - Yes. It has a terrific library of core samples from all around Tasmania. We have indicated in the 365-day plan that the move will commence in the last quarter of this year. There are significant matters to be taken into account, not the least of which is people and proper negotiations and proper processes. That effort will commence in the last quarter of this year.

Mr VALENTINE - Has there been any staff resistance to move? Can you give us an idea of that?

Mr HARRISS - That is a process similar to Forestry Tasmania, with opportunities for relocation and all that sits around that. Nobody will be forced to move to Burnie. We have made that public in the past. The Government has a clear position that the relocation will occur because of the strategic location of Burnie to the mining effort in Tasmania.

Mr VALENTINE - Do you have a building there yet?

UNCORRECTED PROOF ISSUE

Mr HARRISS - State Growth has significant opportunities there. I will get Kim to talk about the building capacity we have in Burnie.

Mr EVANS - The department is reviewing all our accommodation following the design of the new agency and dealing with what has been a reasonably challenging budget position. It is public knowledge that we have reduced staffing significantly over the last 12 months. It makes good sense we look at our staffing more broadly across the agency. We already have significant presence on the north-west coast, and it is currently our plan to consolidate that presence within Burnie. We already have office accommodation in Burnie and, as part of the discussions to which the minister alluded with the staff about the relocation of MRT, we would be taking into account the accommodation that already exists and building a consolidated State Growth presence on the north-west.

We think it is really important from the perspective of all the regions - north-west and the north as well - that State Growth has a strong regional presence. That work is happening as we speak and it will be a factor in terms of the design of the relocation. We have to undertake considerable staff consultation and that will commence in the latter part of this year.

Mr VALENTINE - So that has not happened at this point?

Mr EVANS - There have been a number of conversations with the staff, but no concrete discussions around what will happen.

Mr VALENTINE - So you cannot tell us how many people cannot move, and whether they are going to be paid out?

Mr EVANS - Brett would have a good idea of individuals but it is not appropriate we talk about it here. It is not surprising in any workforce that there will be people who are not going to be keen to do that. They have personal arrangements with families, homes and schooling. We need to take those factors into account. They will affect whether staff will ultimately want to relocate or not. We have to think about that in the context of the broader business and making sure MRT's business continues to function and function well. We have some work to do, and that work will be undertaken in the second part of this year.

Mr VALENTINE - But you obviously cannot give me projected costs?

Mr EVANS - No, I do not want to speculate around that. We are working up options and we will be talking to staff. We will be having discussions with the Government around what moves and the pace at which it moves over the next six months, with a view to having commenced the relocation by the end of the year.

Mr VALENTINE - And whether they can be offered employment elsewhere perhaps?

Mr EVANS - Those will be factors, yes.

Mr DEAN - How many staff are involved?

Mr STEWART - We have approximately 42 staff. Some of those are attached to the Core Library and work there, and the policy states they will not be relocated.

Mr DEAN - The footnotes identify that the increase in money to mineral resources is to cover off, in the main, the transfer to Burnie. There is an indication there of the costs involved. If you look at the line item and the footnote on page 268, mineral resources, 2, it talks about a decrease. That is not true in the mineral resources situation. Mineral resources over the next four years will receive an increase, so I am not quite sure why that footnote relates to mineral resources.

Mr EVANS - If I can talk about the Budget, funding was allocated in last year's Budget across the forward Estimates consistent with the Government's election commitment. That has been augmented in this current financial year. It is not solely for staff relocations, but it is understood that, in order to move staff, there will be significant costs. The funding that has been provided will enable us to commence the relocation, accepting the full realisation of this election commitment is something that is to take place during the entire first term of the Government, bearing in the mind the comments the director has made about the Core Library and its associated staff.

Mr VALENTINE - Have you done a cost-benefit on moving the Core Library? It is a huge amount of work.

Mr EVANS - It has been decided not to move the Core Library.

Mr HARRISS - Can I go back to Ivan on that footnote, which footnote was it?

Mr DEAN - I am looking at page 2, which refers to a decrease and it relates to mineral resources as well. When you look at the line item for mineral resources, there is an increase overall. I think it drops off in the third year and then there is an increase again. There is also a footnote that refers to the increase for the movement to Burnie, to cover the cost of that move. There is a foot note here on that.

Mr EVANS - Can I cut to the chase. I have my manager of finance sitting behind me who has just informed me it was a mistake in the budget papers. It was to have been corrected but it was not. It was simply an error.

Mr DEAN - Thanks for that.

Mr VALENTINE - Adam Brooks' working group on the west coast, how is that tracking and is that something you keep an eye on because MRT are involved, are they not?

Mr HARRISS - There was a lot of work which Adam facilitated on the west coast on the back of Copper Mines of Tasmania going into care and maintenance, particularly that, and to look at, with community input and a small but hard-working committee, to identify the employment opportunities, the investment opportunities, on the west coast and that report and the projects which have flowed from that exercise, threw up some projects last year and most of those have been developed.

Mr EVANS - The working group has now wound up and its job was precisely as the minister has said. The range of projects that it identified and presented to Government, a number of which were funded, are now in the implementation phase. A number have been completed but others are still underway, including walking and cycling tracks which are being managed by the north-west

UNCORRECTED PROOF ISSUE

office in my agency with Parks, and other projects are ongoing, but we are keeping a very close oversight of all of the projects to make sure they are properly delivered.

Mr VALENTINE - The King Island Scheelite Mine - what is the status of that? There was some confirmatory drilling going on. Is that completed? And the Breakwater wall - is there any further advancement in that?

Mr HARRISS - If I can get Brett to address that point please.

Mr STEWART - The pit was successfully dewatered to the point where confirmatory drilling could take place. The company is now analysing those results and doing a piece of work on feasibility. There is no work towards the extension of the seawall. That is not part of the current mining plan. The mining plan has changed a few times since the first iteration which included a large extension to the sea wall and an extension to the open pit. That has been revised twice since then and it now does not include that extension. It is a much more conservative project, particularly in how much it would cost to implement. I think the initial project was over \$100 million to implement and the current one is around about \$30 million. The company is currently working through the data collected from that confirmatory drilling.

CHAIR - There is an issue about the port being able to facilitate the use of larger vessels which is not just for the mines.

Mr VALENTINE - Breakwater wall. Do we know anything about that?

CHAIR - Do you know anything about that? If not from the Scheelite Mine, from other users.

Mr HARRISS - I am reflecting on a committee that Ms Tania Rattray chaired in the Legislative Council a few years which looked at the three major islands. Transport to the islands and off.

CHAIR - The particular issue was that the shipping company that services King Island was saying it was going to go into larger vessels.

Mr HARRISS - That is correct

CHAIR - And that they would not be able to handle cattle off the island.

Mr HARRISS - I do not have any handle on that at all. I don't know whether Brett does. It would be in Rene Hiddings' area of TasPorts.

CHAIR - We would be very happy if you want to do that while we ask another question. If you can get that information, that would be good.

Mr FINCH - Minister, I want to talk about the Fingal Tier coal project, the CBM design. To what extent are you aware of the project and what involvement has there been, or anticipated to be?

Mr HARRISS - I have not had a recent update on that hard rock project. I am aware of it and some work which they were doing last year. Brett can give you the detail.

Mr STEWART - The project is in its initial stages of implementation. The company was granted a mining lease and a permit some time ago. They have commenced initial construction work, access roading, and initial construction work of the mine portal. It is fair to say that there is still significant work to do for that project to be fully operational in regard to further resource work and other associated works with rail and port infrastructure. Our involvement to date has been in supporting the exploration work, assessing and recommending that the minister grant the mining lease. We continue to work with the company through the implementation phase, but at the moment it is in its relatively initial stages.

Mr FINCH - TasRail would be the preferred method, or rail from the Fingal Valley through to Bell Bay, if it gets up?

Mr STEWART - That was the indication that the company put forward to us in their mine plan.

Mr FINCH - Thanks very much.

Mr VALENTINE - With respect to Shree royalty, how are they going? Have they started to pay back yet? Is it something you can tell us?

Mr HARRISS - You are aware that Shree is currently not operating?

Mr VALENTINE - Yes, I am. But there is a royalty, a backlog, they need to address apparently.

Mr STEWART - I have some notes here on Shree. Shree was granted a royalty deferral for a period of two years.

Mr VALENTINE - That amount was?

Mr STEWART - It was projected to be approximately \$1.8 million to \$2 million. Very early in the piece Shree had issues, not least of which being the heavy reduction in the iron ore price, resulting in them going into care and maintenance, and not operating. They produced a few shipments. Our understanding is that the current amount of royalty deferred is approximately \$78 000.

Mr VALENTINE - Did they have to pay that royalty up front before they mined, or is it the other way round?

Mr STEWART - The way a deferral works is that the Treasurer, in conjunction with minister, grants a deferral for royalty that will accrue for a period to be repaid over a subsequent period. In this case the initial period was two years, to be repaid over the following three years.

Mr VALENTINE - Those royalties vary, based on the rise and fall in company profit, profits of the business?

Mr STEWART - That is correct.

UNCORRECTED PROOF ISSUE

Mr VALENTINE - How do we establish the profits of the company in order to set that royalty? How do we, as a state government, come to a level? Let us face it, many companies can make their bottom line look pretty sick by the way they handle their accounting, and I am not suggesting Shree is doing that - I am not suggesting that at all. I am saying it is a difficult thing and you might like to explain that to us.

Mr STEWART - Under the legislation, the Mineral Resources Development Act, there are a set of regulations which outline in a very prescriptive way the way that royalty is to be levied and certain things can be included in what a company can claim as a cost against their bottom line. They are compelled to report that to us and we audit that.

We also have run some independent audits of the system.

Mr VALENTINE - That is not the AG?

Mr STEWART - No.

Mr VALENTINE - It is a third-party audit.

Mr STEWART - Correct. We also report those figures and work with Treasury along those lines as well. It is quite a prescriptive system; it is relatively complex. We do have a royalty and audit officer who looks after that pretty much solely and conducts audits of all of the major operators and some of the smaller ones as well.

Mr VALENTINE - Does the company pay for that audit or is the cost something that we bear?

Mr STEWART - We bear that. That is part of our operating costs.

Mr VALENTINE - In effect it comes off the top of the royalty, doesn't it?

Mr STEWART - Companies are also subject to fees; they pay rent and they pay other fees associated with maintaining their tenements. There is a fee component of our revenue and a royalty component.

Mr VALENTINE - There is a trust fund, isn't there, associated -

Mr HARRISS - Are you talking about rehabilitation?

Mr VALENTINE - Legacy issues and the trust fund, is that something that is -

Mr HARRISS - Security deposits?

Mr VALENTINE - Yes, is that something that we only have one fund of and companies pay into, or do you set one up for each company? How does that operate?

Mr STEWART - There is a dual system. There is a system whereby all current tenements have a security deposit levied against them and that is to be used to rehabilitate disturbance on that tenement should the holder default on their obligations.

UNCORRECTED PROOF ISSUE

We currently hold approximately \$55 million in a combination of cash and bank guarantees. Under the legislation they cannot be used for anything other than rehabilitation against those tenements.

Quite separate to that we have a rehabilitation of abandoned mines trust fund that is also set up under the legislation. We administer that. We have a committee that makes decisions on where that money is to be spent on abandoned and legacy sites across the state. The committee is drawn from expertise both within Government, Parks and Wildlife, EPA and outside of Government, FT is represented and we have the industry groups, the Tasmanian Minerals and Energy Council and the Concrete and Crush Aggregates Association [Cement Concrete and Aggregates Australia?]. That is a very successful program. It has been running since the early 1990s and has addressed a raft of environmental legacy issues across the state.

CHAIR - Where does the money for that trust fund come from?

Mr STEWART - That is part of our appropriation each year within our normal budget but there is a tangible link between royalty charged against companies which goes into consolidated revenue and funding that program.

Mr VALENTINE - In other words, the trust fund is really funded, indirectly, by the company.

Mr STEWART - A percentage of it, via consolidated revenue.

Mr VALENTINE - The funds from that can be used, can't they, by the minister for certain projects and things?

Mr STEWART - The governance structure is via the act by the committee; the minister does not have any direct involvement in how that money is spent. I guess, via me, he probably does. MRT administers that.

Mr VALENTINE - It always has to be on mining-related activity?

Mr HARRISS - Abandoned mine sites.

Mr VALENTINE - It cannot be used for other purposes.

Mr STEWART - We have a set of terms of reference which clearly outline where the money can be spent and where it cannot be. The committee is there to ensure that this takes place.

Mr VALENTINE - I am not suggesting the minister is, please understand that. I just wanted to understand what that was about.

Mr DEAN - Just a question on the tailings, minister, and you are probably are aware that the Labor Party in their response to the Budget have said that they will relax mining royalties on operations involving the mining of tailings. They see that as probably a position of cleaning up the environment. This question is being asked on request. Would your Government consider looking at that, considering that position inasmuch as the small miners engaged in mining the tailings are cleaning up the environment and that is a part of their position as well? Would your Government consider that, to help and assist these small miners who are making a good

contribution to the local areas as well? They employ people from the local areas and there is some input from them.

Mr HARRISS - I do not understand at all the thrust of the Opposition's announcement. I do not have any detail where their announcement was heading in terms of mining opportunities in the tailings. There are projects already on the west coast which, given an assessment of commerciality, will proceed. I am thinking of Rentails at Renison. The assessments will be made as to the viability of winning metals from the tailings. Again, I am struggling because I do not know exactly where the Opposition was pitching its announcement. I do not think there is any detail sitting around it, so I cannot really make any comparisons as to whether it is a good proposition or whether it is not.

Mr DEAN - The question comes from a small operator on the north-east coast who has been in mining tailings for a long time, who is saying that it would help and assist them to keep their operations running in the black, as it were, and they do employ people from the local area. Is it something that your Government might consider, knowing all of the facts?

Mr HARRISS - There are always opportunities for consideration of any industry sector support if it is appropriate. Again, it is not a matter that I, nor the Government, has turned our mind to because there are operations out there already underway. I would like to understand exactly where the Opposition was pitching their policy and how they think it might work.

Mr DEAN - I do not know, I have not looked at their policy. I do not know anything about their policy, it was just brought to my attention. It is something, if a submission were put to you, that you may consider. Mt Lyell was touched on, but what is the prospect of Mt Lyell reopening now? We spoke to the mayor very recently in Queenstown. There is a lot of activity there at the present time on site, at the mine. That mine is reopening hopefully later this year. Does the Government have an up-to-date position on where it was going and what might happen?

CHAIR - In the media, in the last couple of days it said that there has been a different section of the ore body discovered.

Mr HARRISS - Yes, and notwithstanding that they have been on care and maintenance since last year after the rock fall in the ventilation drive and the tragic deaths of three mining employees there in December and January of the year before, CMT have been continuing their exploration effort while on care and maintenance. Only last Thursday I met with one of their major international operators, one of their employees. The week before that I met with the Mayor, Phil Vickers, and Jared DeRoss, the mine manager. The department has had a number of meetings with CMT about what opportunities there may be in terms of royalty deferrals and other possible assistance to make it more attractive to get the mine up and running again and off care and maintenance. They have proved up, through their extensive exploration programs, significant prospects. Copper Mines of Tasmania/Vedanta - I should not speak for them - are encouraged by the ore bodies which they have discovered through the exploration process which they have been undertaking. The parent company, Vedanta, is very supportive of where the local assessments have been taking them.

Mr STEWART - Whilst there have been some very positive exploration results, I think it is important not to overstate the expectations, particularly for the locals. Essentially, it is a commercial decision for the company. It is positive news that the parent company has endorsed CMT to do a final feasibility review which they will be undertaking for the remainder of this year.

UNCORRECTED PROOF ISSUE

We have been doing some work directly with the company in terms of supporting their efforts and I think they should be acknowledged for doing a very good job at addressing a significant environmental legacy issue - potential future legacy issue, I should add - at the tailings dam. We supported them by giving them some additional time to do that rather than levying additional security deposit. We are also assisting them with some support for analysing their drill core with our HiLogger and we have accessed some federal funding to help with that.

There are a number of very positive things happening but I think we just need to be very measured in our approach to that.

Mr HARRISS - The only thing that I could add is going to a media statement by Vedanta on 4 May where they say their target is to start new development work by October-November with production operations commencing some 12 months after that. But, again, Jared DeRoss, the mine manager, expressed caution, as Brett has just done, about where it all takes it but they have that hope.

CHAIR - I think that finishes our questions.

Mr EVANS - I have some briefing notes for the Minister for Infrastructure. It does not really answer the question that you raised but it highlights that the minister has been in regular conversation with SeaRoad and the King Island Shipping Group and other prospective market participants. We are confident of working our way through that but it is a challenging situation and one that we are committed to resolve to ensure that there is no disruption to shipping on the island. It is critical.

CHAIR - Thank you very much. It has been quite a long morning.

Mr HARRISS - Thank you, Chair.

CHAIR - We thank all your staff for their cooperation.

Mr HARRISS - As always, we appreciate the opportunity to be scrutinised. It is part of the process, which is a good process introduced 20 years ago probably, rather than doing all of this in the Houses at the time. I am sure you will have seen the quality of people we have from the Forest Practices Authority with Angus MacNeil stepping into the breach and Tom Fisk with Private Forests, Kim Evans and his department and Brett Stewart in Mineral Resources.

CHAIR - You have had a bit of a turnover of staff. I am just looking at who you had here last year. You had Andrew Lacey and James Pirie.

Mr HARRISS - They were just ministerial hangers-on.

CHAIR - You had Kim and Bob and Gary Swain.

Mr HARRISS - High-quality people nonetheless. Thanks very much for the committee scrutiny.

CHAIR - I hope we have made you feel a little challenged.

UNCORRECTED PROOF ISSUE

The committee suspended from 1.20 p.m. to 2.06 p.m.