

UNCORRECTED PROOF ISSUE

Friday 9 December 2016 - House of Assembly - Government Businesses Scrutiny Committee - Forestry Tasmania

HOUSE OF ASSEMBLY

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE

Friday 9 December 2016

MEMBERS

Mr Shelton (Chair)
Mrs Rylah (Deputy Chair)
Mr Bacon
Mr Green
Mr Jaensch
Ms Woodruff

SUBSTITUTE MEMBERS

Ms Dawkins
Mr Llewellyn
Ms O'Connor

Hon. Guy Barnett MP, Minister for Resources

Ministerial Office

Mr Adrian Lacey, Chief of Staff

Forestry Tasmania

Mr Rob de Fégely, Chairman

Mr Steve Whiteley, Chief Executive Officer

Mr Chris Brookwell, Executive General Manager, Corporate Services

The committee resumed at 2 p.m.

CHAIR (Mr Shelton) - Welcome. We are here for three hours to scrutinise Forestry Tasmania.

Mr BARNETT - We have seen some very positive developments for our renewable, sustainable forest industries in response to the Government's pro-forestry policies. Confidence is up, investment is up, production is up, exports are up and more importantly jobs are up. It is a far

cry from the scene of devastation left behind by those opposite after the total failure of the job-destroying Tasmanian Forest Agreement.

Mr LLEWELLYN - You're inviting a very nasty committee meeting if you keep that up.

Ms O'CONNOR - It's inevitable - the same boring pap we hear in Parliament.

Mr BARNETT - This morning I was delighted to be part of the next step in ensuring our growth trajectory, the launch of the southern export terminal joint venture between TasPorts and Qube. The new terminal will directly address one of the remaining legacy issues of the previous government; the loss of market access resulting from the sale and deliberate destruction of the Triabunna Mill. Today's announcement will unlock the potential in Tasmania's southern forests and it will create jobs in regional Tasmania. It provides a clear path forward for the industry and will help undo the damage done in the past.

It will also provide opportunities for private tree growers who suffered severely under the previous government. There will be not a woodchip pile on the port. The joint venture will complement the EOI process to address southern forest residues and I am confident the export facilities will be well utilised by a number of exporters working in the forest sector. The feedback today confirms this view.

Hobart has a history of log and timber exports. The height of any log stack in the terminal will be no more than 8 metres, which is half the height of the existing port facilities. The impact on traffic will be minimal. It is expected up to two additional trucks will access the port each hour, coming in equal numbers from the Derwent Valley and the south. A curfew will be in place on log trucks at the port during the morning and afternoon traffic peaks.

The southern export terminal will directly create 25 jobs on the wharf, in addition to jobs created on the farms, in the bush, transport and other related services. We've had an announcement today of some 50 jobs with respect to one particular project, Pure Forests and Neville Smith Forest Products.

The terminal will be aiming for incremental growth of up to 300 000 tonnes of export logs, not high quality sawlogs, in the first year of operation. It is vital, particularly for private forest growers in the south who were abandoned previously in what has been a stranded asset since the Triabunna debacle in 2010-11. Thanks to the Government, they have new hope and new opportunity to take their wood to market and the prospect of earning a commercial return on their investment.

However, the upside is only part of the story. I have made no secret of the difficulties facing Forestry Tasmania, and consequently facing the industry as a whole. The advice from the board, which I tabled in the House, is clear. Forestry Tasmania is still losing money and will continue to do so for as far into the future as the board is able to forecast. That is because the previous Labor-Greens forest deal locked up a lot of the best commercial forest and pushed FT into higher cost margin country. The result is a broken business model.

Ms O'CONNOR - As it has been for decades.

Mr BARNETT - There are three options, as I have said previously. The Greens option to shut down the native forest industry -

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Mr GREEN - Chair, I don't mind a normal sort of introduction, but he has read an entire press release, he has read it out in Parliament several times, we have limited time, and this minister is wasting it.

CHAIR - I am sorry, Mr Green, you feel that way, but there is always an opportunity for the minister to give an introductory statement. It has only gone for three minutes, to this point.

Ms O'CONNOR - But, Chair, tedious repetition. We have heard this ad nauseam.

CHAIR - We could have concluded already if we were not now debating whether we continue. I am going to allow the minister to conclude his introductory statement and let us move to some questions.

Mr BARNETT - Thanks very much, Chair. The members around this table know about the three options. They know very clearly what they are.

At the heart of the problem is the board's advice that more than a quarter of its high quality sawlog production costs more to produce than will be recovered at current prices. It is costing money and the bill ends up with the taxpayer. Without action, the board is warning us taxpayer's exposure could run to as much as \$24 million a year over the life of the current contracts. The total potential exposure is somewhere between \$200 million and \$250 million that would have to be funded at the expense of frontline service and cannot be allowed to happen. Between \$200 million and \$250 million over the life of those contracts over the next 10 years.

We need to find lower cost sources of supply. The board has recommended we take a whole-of-state approach and the Government has agreed. This includes private forest estate and the future potential production forest, set aside by this Parliament as a wood bank for such an eventuality. Under the Government's plan, the legislative requirement to make available 137 000 cubic metres of high quality each year will be retained. It will ensure resource security for processors by retaining in public ownership hardwood plantations managed by FT for sawlog production. We will sell the hardwood pulp plantations on a long-term forestry right basis to retire Forestry Tasmania debt and help fund the business' transition to a sustainable business.

We will remove the requirement that legislative minimum high quality sawlog supply must be supplied through the permanent timber production zone. This will create a greater opportunity for private forest growers to contribute. We will introduce legislation to bring forward access to the dedicated public forest wood bank for Future Potential Production Forest land for harvesting by the private sector and increasing the availability of resource to the industry. We will restructure and rename Forestry Tasmania to reflect the new commercial realities.

The Government's aim is to deliver resource, financial and job security for the industry. This will be underpinned by a shared commitment to ensuring future viability of the public production forest manager. This will include the Government accepting it needs to pay for community services and non-commercial aspects of the business, and industry accepting it is going to have to pay more for wood and Forestry Tasmania contributing through restructuring and further efficiencies.

In conclusion, this is a fair approach and shares the load. It is not going to be easy but alternatives offered by Labor and the Greens are a recipe for disaster. They have learned nothing and have nothing to offer. We must and will proceed with it and we cannot afford to fail.

Mr de FEGELY - The board and I have great confidence in the future of a sustainable forest industry in Tasmania based on the ongoing, careful management and utilisation of a wonderful renewable resource. We welcome the Government's announcement, which will ensure Forestry Tasmania's successor, Sustainable Timber Tasmania, will continue to play an important and positive role in growing and supplying quality wood products from the natural and planted forests on which most of the Tasmanian forest industry depends.

I highlight some of the key achievements of Forestry Tasmania over the past year. I will focus on three things; safety, wood production and financial performance. I take this opportunity to provide a brief update on the sale of the Tahune AirWalk, the plantation sale process and our progress towards FSC certification.

Safety is always the first initiative of FT and the board. I am very pleased to note as a result on concerted efforts of our management team, staff and contractors, Forestry Tasmania achieved a major turnaround in its safety performance compared to a disappointing and unacceptable performance in 2014-15. In 2014-15 Forestry Tasmania experienced 10 lost time injuries and a lost time injury frequency rate of 19.61, the highest it had been since 1999-2000.

In contrast FT achieved its best safety performance during 2015-16, with only lost time injury, a lost time injury frequency rate of 2.41, an achievement of all nine of our safety performance targets. This is a fantastic result. The significant and very welcome turnaround in safety performance is the result of the implementation of a new safety strategy and increased focus on safety across the business and the efforts of our employees in proactively identifying and mitigating risks. However, we are not resting. There are inherent risks associated with working in the forest and we are therefore committed to continuing our focus on improving safety with everything we do, as we want all our people to go home safely to their families at the end of each working day.

In terms of wood production I am pleased to note that our total production of wood products increased in 2015-16 despite a range of significant challenges thrown at us by the weather. These challenges included the extensive bushfires over the 2015-16 summer, which burnt over 50 000 hectares of permanent timber production zone land, including a number of coops that were scheduled for harvesting. In addition to dealing with the disruptions caused by relocating operations to other areas I am proud that Forestry Tasmania staff and contractors contributed over 46 000 hours to fighting bushfires during the season. This is a very significant but sometimes under appreciated contribution to the state's fire fighting efforts.

After the fires we then faced significant disruptions as a result of extensive damage to the large network of roads, bridges and culverts across the permanent timber production zone land caused by the heavy rainfall and flooding in June. The work to assess and repair this damage commenced immediately after the floods subsided and continues to be a major task for Forestry Tasmania in conjunction with the flood recovery taskforce.

Despite these challenges the professionalism and commitment of our employees and contractors resulted in Forestry Tasmania's total production of forest products increasing to 1.47 million tonnes in 2015-16. This included a 7000-cubic-metre increase in the production of high quality saw logs to over 127 000 cubic metres and an 18 000-tonne increase in peel logs.

In terms of financial performance, in addition to our pleasing safety and production results we also made significant progress in further improving our financial performance with a \$4.2 million increase in domestic and export revenue and \$9.7 million in cost reductions. These improvements

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build on the significant gains made in 2014-15. As a result we ended 2015-16 with only \$9.5 million in net borrowings compared to \$25.4 million in 2014-15. Unfortunately these improvements were obscured by two very large accounting revaluations relating to our -

Mr GREEN - Chair, I do not want to be rude, but seriously -

CHAIR - I will allow the chairman to complete his introductory statement.

Mr GREEN - We may as well sit back all day then. It is just ridiculous.

CHAIR - We are here for three hours and I think it is appropriate when we are looking at the annual report of FT and we have a new chairman at the table.

Mr de FEGELY - Unfortunately these improvements were obscured by two very large accounting revaluations relating to our RBF defined benefits superannuation liability and the value of our forests. While these revaluations have little relationship with our operating performance they had a \$106 million impact on our reported total comprehensive result. If these revaluations were excluded I note that Forestry Tasmania's income actually improved by over \$8 million.

We recognise that we still have further work to do to achieve financial sustainability but the board is confident that we are progressing in the right direction. We continue to focus on reducing costs and increasing revenue, including by negotiated increased prices with our saw log customers. We are focusing on our core business, which includes exiting our previous tourism operations. We are working on the private sector to implement southern residue solutions and we are preparing for the sale of our pulp wood hardwood plantations.

In terms of certification we are continuing to work towards FSC certification and are making good progress and responding to the issues identified by the auditors in their initial report, including ceasing clear felling of coops containing more than 25 per cent mapped old growth and providing increased protection for swift parrot habitat. This important work continues and we are hopeful that we will be able to close out all of the issues raised by the auditors in the first half of 2017.

The recent announcement that Forestry Tasmania has received FSC controlled wood certification is an important step towards achieving full forest management certification and is a great endorsement of the management practices and systems that we have in place for our plantation estate.

I mentioned the sale of the Tahune AirWalk. In relation to exiting our tourism operation I am pleased to advise today that Forestry Tasmania has now signed a sale of business agreement for the Tahune AirWalk, including leasing of the land and associated facilities. Settlement is expected on 16 December 2016. Forestry Tasmania is selling Tahune AirWalk because it is no longer consistent with our focus on our core business of growing trees, managing land and selling wood. I should stress Forestry Tasmania and the Government remain strongly supportive of tourism in general and the Tahune AirWalk in particular. We are therefore pleased the private operator has taken on the business as a going concern and we want to see it thrive and grow. We expect the new operator will commence next Friday, 16 December, ready for the busy summer season. In the meantime Forestry Tasmania will continue to operate the facility through until midnight Thursday, 15 December. It is important to note Forestry Tasmania is selling the business and leasing the facilities not the land or fixed assets. These will continue to be owned by Forestry Tasmania. While

staffing decisions will obviously be a matter for the new business owner, Forestry Tasmania is hopeful the new owner will decide to retain the majority of the current staff.

The plantation sale process is part of the minister's announcement regarding Forestry Tasmania's new operating model. He advised the Government had agreed Forestry Tasmania should pursue the sale of about 30 000 hectares of our pulpwood plantations. The Government has requested Forestry Tasmania take responsibility for managing the sale process for these plantations with support, as necessary, from appropriately experienced sale advisers.

I am pleased to advise that Forestry Tasmania has formally commenced this process and we will be releasing an initial flyer to provide potential customers with an overview of the plantation estate and an outline of the sale process. Initial expressions of interest are expected by mid January 2017.

Following assessment of these expressions of interest we expect an information memorandum will be made available to selected interested parties in early February, with indicative bids in early March followed by a due diligence period for selected bidders and final offers in May 2017. The intention is to conclude this process before the end of the current financial year so the proceeds can be used to repay debt that Forestry Tasmania will have generated during its current transition process.

In closing, I would like to acknowledge and thank all of Forestry Tasmania's employees for their ongoing professionalism and commitment in delivering these good results through a period of significant change. I would also like to thank our contractors, customers and stakeholders for working very constructively with us over the past year. Lastly, I thank the minister and the Government for their strong support of the forestry industry in Tasmania and for their commitment to maintaining a strong public production forest management. While there is much work to be done in the year ahead as we work with the Government to implement our new model, it is an exciting time as we transition to financial sustainability and a new name, Sustainable Timber Tasmania.

Mr GREEN - That will have to go down as a record - 20 minutes for the introduction. We have heard it all before. Minister, yesterday you put out a press release about the Qube arrangements on the Hobart wharf. Can you tell the committee the length of time that contract will continue for?

Mr BARNETT - The joint venture?

Mr GREEN - Yes.

Mr BARNETT - The joint venture is a five-year arrangement with the two parties.

Mr GREEN - So the pathway forward for the forestry industry is a five-year one?

Mr BARNETT - We have a long-term plan for growth for the forest industry. It is a plan we are very dedicated to across Tasmania. The decision with respect to the question relates in particular to southern Tasmania because it was landlocked since the 2010-11 Triabunna debacle. This decision certainly will assist in providing further value, support and growth of the forest sector in southern Tasmania.

Mr GREEN - Yes, but my question is, does it come to an end in five years' time?

Mr BARNETT - The answer to that question is that it will be decided nearer the time in terms of the five-year arrangement and it will be reviewed at the time.

Mr GREEN - So the editorial in the *Mercury* newspaper today says the Government is very specific this is a temporary solution. They were wrong; is that incorrect?

Mr BARNETT - Making it very clear, we have a plan for the forest sector which is to grow the forest industry.

Mr GREEN - I am asking you about this contract.

Mr BARNETT - The contract is very clear. It says it is a five-year contract and it has been well received. You would be aware, in fact, of third-party endorsements for the joint venture arrangement to provide growth, development and jobs particularly in regional parts of Tasmania. That is very encouraging indeed. It is a five-year arrangement which will be reviewed in due course.

Mr GREEN - So it can continue past the five years?

Mr BARNETT - It is a five-year arrangement that will be reviewed in due course.

Mr GREEN - So it is not a temporary solution?

Mr BARNETT - That is a matter for the parties. There are two parties.

Mr GREEN - No, you are the minister and I am asking you. You have said a lot about the long-term future. Now I am asking you a very specific question about this contract, this five years you have confirmed. What can happen beyond that five years in terms of exports from Macquarie Point?

Mr BARNETT - All things are possible. In terms of the future, we have plans for growth for the forest sector and jobs in regional Tasmania. We are coming off the back of clearly a devastation of the forest industry, with two out of every three jobs lost under your regime, as you would be well aware of.

Ms O'CONNOR - It started back in 2006 if you look at the data.

Mr LLEWELLYN - Does the contract have options to continue into the future?

Mr BARNETT - I am advised that it is a five-year agreement. It is a joint venture arrangement and what will happen between the parties in due course will be reviewed at the time by those parties. Let me make one thing very clear. We have a long-term plan for the forest sector across the state. It is a plan for increased investment, increased export and increased growth in the forest sector across the board. This plan has already benefited the forest sector, particularly regional Tasmania. Exports are up, investments are up, jobs are up and confidence is up as a result of the majority Liberal Government and the policies we have. We are heading in the right direction and that is the answer to the question.

Mr JAENSCH - On a point of order, as you are aware, this committee has recently examined TasPorts and had its shareholder minister here who had a series of questions on this which were

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legitimate because TasPorts was a party to the deal that was talked about. This is a hearing for scrutiny of the Forestry Tasmania GBE and its finances in 2015-16.

Ms O'CONNOR - You are kidding. When we asked Mr Hidding questions he said to refer them to Mr Barnett. Were you not paying attention? It's like something out of an Orwell novel.

CHAIR - Order. We are here to investigate the activities, performance, practices and the economic management of FT, but traditionally there has been a lot of lenience shown on the direction in the questioning so I will allow it, considering it is part of Forestry's future, as the minister indicated. I am happy to take those questions, but realising that we are here to discuss FT.

Mr GREEN - Mr de Fégely, does the five-year contract include options for the future?

Mr BARNETT - Chair, if I could interpose for one moment, all questions are through the minister.

Mr GREEN - No they're not.

Mr BARNETT - I am happy to refer to the chair of FT as appropriate.

CHAIR - As a point of clarification, minister, the committee can ask the minister or the Chair specific questions but as to the chair of the GBE, they should be operational questions and not political.

Mr GREEN - This is an operational question, specifically about the operation of the harvest and what is going to be exported from the Hobart wharf. The minister announced yesterday there is a new operation in play with an interface with Forestry Tasmania. Forestry Tasmania would be aware of the arrangements that have been entered into and I want to know from the chair whether or not there are potential extensions to the contract.

CHAIR - It is around whether the question is relevant to Forestry Tasmania or to the minister as far as the policy direction goes. In that respect I will allow the minister to intervene and clarify some points whenever he needs to.

Mr BARNETT - I am happy to try to answer these questions for you but this Government is not party to the agreement. There are two parties, TasPorts and the other party, and they have formed a joint venture. It is a five-year arrangement. With respect to your question about long-term arrangements, we had an EOI process, which you would be fully aware of - it's on the public record - the first part of that expression of interest -

Mr GREEN - Who had it?

Mr BARNETT - The state Government.

Mr GREEN - And who else? Who scrutinised that EOI process?

Ms O'CONNOR - FT.

Mr BARNETT - Yes.

Mr GREEN - We are back to where we started.

Mr BARNETT - I am trying to assist you -

Mr GREEN - You're trying to dodge the question. I am asking the chairman, which is my legitimate right, if the contract extends past five years.

Mr BARNETT - I will finish answering the question. It is a five-year arrangement. With respect to a long-term arrangement, we have had an EOI process and we have dealt with the first stage - the short term. We are now looking at the middle- to long-term arrangements for the south of the state. There is a range of options including port options, value-adding options, in the south. The Coordinator-General is responsible for those medium and longer-term arrangements. I hope that helps.

Mr GREEN - Chairman, is there an extension?

Mr de FEGELY - I will defer to my CEO who has operational responsibility.

Mr WHITELEY - There was an EOI process run by the state government. Forestry Tasmania was offered some term sheets out of that. We have since concluded some contracts, which have been announced, that are for five years. They don't have a provision for extension but, under our normal contracts, have a provision for the parties to discuss potential further extension at the time. Each of the contracts we have executed are for a five-year period from 1 July 2016.

Mr GREEN - So would it be fair to say this contract is not a long-term solution for the southern residues or the plantation resource here?

Mr WHITELEY - In the relationship between the parties who purchase wood from us, we provide no say in the means by which they export, what they do with the logs and those sorts of things. It is entirely up to those parties to deal with TasPorts, so we have no direct involvement or visibility over those other contracts.

Mr GREEN - I am asking about the long-term solution. You are talking about five years.

Mr BARNETT - FT is not a party to the agreement.

Ms O'CONNOR - We're asking if you're going to turn the Port of Hobart into a permanent native forest export facility.

Mr GREEN - The EOI process has got us to this point. You said it yourself - 'short-term long-term solution'.

Mr BARNETT - That is the EOI process.

Mr GREEN - This is the short term then, the five years - end of story?

Mr BARNETT - The EOI process has concluded, announcements have been made, and two parties have been selected. It is on the public record. The CEO has confirmed that, as have I. There are two parties involved - Majestic Timbers and Les Walkden Enterprises.

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Mr GREEN - Is Majestic Timbers still going to be exporting their material in containers, as you put forward in the first place?

Mr BARNETT - The advice I provided previously in Parliament, I think in answer to Ms O'Connor, is the same advice I can share today. Majestic Timbers has arrangements with FT, as the CEO has indicated.

Mr GREEN - And in containers?

Mr BARNETT - That is a matter for them, but that's the advice I received previously. I have not been advised otherwise.

Mr de FEGELY - We have a wood supply agreement so we understand their business model. They have suggested it is around containers but they have a right to purchase wood for five years. The means by which they choose to export is not a matter for Forestry Tasmania.

Mr GREEN - On that basis, with the EOI process you would have had to believe the project was sustainable, wouldn't you?

Mr de FEGELY - It was assessed by the Government.

Mr GREEN - It was assessed by the Government and FT. Did you have an understanding the freight subsidy was part of the overall package for the export of this material in containers?

Mr de FEGELY - That is widely known.

Mr GREEN - What's the answer to the question?

Mr de FEGELY - The proponents were assessed by the Government.

Mr GREEN - Yes, but what's the answer to the question? Is there a freight subsidy associated with containerised material?

Mr BARNETT - When you say 'freight subsidy', what subsidy are you talking about?

Mr GREEN - The TFS.

Mr BARNETT - The TFS applies to any relevant products under the TFES. It is a commonwealth-operated regime. You know how it operates.

Mr GREEN - Yes, I do, but I am asking whether that was built in to the EOI process and assessed by you, the Government, as to whether this was going to be a viable concern going forward.

Mr BARNETT - That is a matter for the proponent.

Ms O'CONNOR - No, it was in the terms of reference with the expressions of interest that it be financially viable.

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Mr BARNETT - If you are suggesting in any way, shape or form that a company or business in Tasmania should not receive a freight subsidy under the TFES, then please advise this committee, because if you did I would be condemning it in the strongest possible terms.

Ms O'CONNOR - It's the only way the business case stacks up, minister.

Mr GREEN - How does the material export it to its destination then, minister? I am asking you a very specific question. You have looked at the EOI process; you are intimately across it. The material goes into the containers here on Hobart port. Where does it go to from there?

Mr BARNETT - There is a two-part answer to your question. The first part has been answered by the CEO already. They have a five-year agreement with Forestry Tasmania to supply the timber. The second part of the answer to your question is that any entity that wishes to export product from Tasmania and receive the Tasmanian Freight Equalisation Service support and is eligible for that support, is entitled to that support. Any politician or any member of the public who suggests a business, company or individual should not be eligible to such a subsidy should be condemned.

Ms O'CONNOR - The subsidy's worth more than the product.

Mr BARNETT - You are calling into question and undermining the Tasmanian Freight Equalisation Service and that is a very serious concern.

Mr GREEN - It is not serious at all. I am going to ask you the same question again and I want you to answer it this time. No dodging around it will get away from the fact that you either don't know what you're talking about or you have led us down the garden path.

Mr BARNETT - Try the question.

Mr GREEN - When the material is loaded here at Hobart, where does it go to from there? Does it go directly to its destination or does it go to another port in Australia?

Mr BARNETT - My understanding is the destination is Asia or South-East Asia.

Mr GREEN - If it goes directly to South-East Asia, does it attract the freight equalisation subsidy?

Mr BARNETT - That is a matter for them.

Mr GREEN - It is not a matter for them.

Ms O'CONNOR - This is unbelievable!

Mr BARNETT - It is a matter for the them and a matter for the TFES and the eligibility. If they are eligible they are and if they are not, they're not.

CHAIR - Mr Green, you questioned the Minister for Infrastructure this morning who said that the TFES was his responsibility and he gave an answer on that. Now you are asking the Minister for Resources.

Mr GREEN - What was the answer, Chair?

CHAIR - It is on *Hansard*.

Ms O'CONNOR - His answer was to talk to the Minister for Resources.

CHAIR - That is not what I recall.

Ms O'CONNOR - Your GBE entered into the contract with Majestic Timbers. Minister, can you explain to the committee where the timber that will be exported through the beautiful Port of Hobart will be drawn from? How much of it will be plantation timber and how much of it will come out the future reserve forests?

Mr BARNETT - I am not aware of any future reserve forests that you are referring to. Can you be more specific with respect to future reserve forests because that is a made-up name and if you want to be more specific, please use the correct title passed by the Parliament of Tasmania?

Ms O'CONNOR - You know exactly what I am talking about. I will not use a title that was imposed on people by your Government because you are arch-propagandists. We are talking about the 357 000 hectares which is subject to a moratorium.

Mr BARNETT - Say the word.

Ms O'CONNOR - I will not be told to use a word which is offensive. There are 357 000 hectares of forest that were verified as being of high conservation value set aside to go into reserves which your Government says it will bring forward logging for to 1 July 2018. Can you confirm that it is timber from those forests that will be exported through the Port of Hobart under this deal you have announced?

Mr BARNETT - The member is referring to the future potential production forest. It is production forest. It is a wood bank and the member is fully aware of that and refuses to use the correct name. That title was created by this Parliament; it passed through the House of Assembly and the Legislative Council and it is an act of Parliament. That is the name of the forest to which the member is referring. Having said that, the member is also aware that our proposal is to bring forward from April 2020 to 1 July 2018 access to that future potential production forest. Prior to that, the answer is no in terms of access to timber and harvesting that, apart from the special species management plan, which is going through due process and will be completed in and around October next year.

Ms O'CONNOR - The correct term for that is actually rainforest logging. In relation to the 357 000 hectares, did Forestry Tasmania, at any point before you made your ministerial announcement, request to access those forests?

Mr BARNETT - The advice from Forestry Tasmania was very clear; it has been tabled in the Parliament and is on the public record. I wanted to release that, as did Treasurer Peter Gutwein, and we did so. It is on the basis of making sure that advice is disclosed. It made it very clear that Forestry Tasmania's business model is broken and we needed to put it onto a sustainable footing. It also made clear that going forward they could not make it sustainable unless one of the options was to cut back by one-quarter the amount of harvesting that was done, and that would impact on some 700 jobs in rural and regional Tasmania in particular.

Ms O'CONNOR - But you must confirm, minister, that Forestry Tasmania has not sought access to those forests.

CHAIR - Order. Ms O'Connor, please. I will move on if you continue to interject.

Ms O'CONNOR - I have asked two questions, Mr Green got to ask about 20, so just hold off.

Mr BARNETT - One-quarter of the trees being harvested were uneconomic, unfinancial. One option was to cut back harvesting the sawlogs available. That would have an impact on an estimated 700 Tasmanian jobs, particularly in regional areas. We rejected that option. We stood by the legislative requirement of 137 000 cubic metres to make it available to the processors around Tasmania. The Forestry Tasmania advice was very clear that rather than just looking at the permanent timber production zone land, there was merit in looking at the entire forest estate. We have responded to that advice and have made our decision very clear.

Ms O'CONNOR - Minister, you must confirm that at no point did Forestry Tasmania or the board approach you and seek to access the high-conservation-value forest. In fact, the letter from the board does not seek to access those high-conservation-value forests at all. Can you acknowledge that this is indeed only a political move? While you're looking through your notes, do you have any third-party endorsement other than Neville Smith's for your plan to go into the HCV forests?

Mr BARNETT - I made this clear in the Parliament in answer to Ms O'Connor and she has asked the same question again today.

Ms O'CONNOR - Because you don't give a straight answer.

Mr BARNETT - The advice is very clear that the board needed to look at the entire forest estate and we have done that.

Ms O'CONNOR - The advice does not seek to go into the HCV forests.

Mr BARNETT - It makes it very clear that is required to look at the entire forest estate, so bringing in the private sector to provide growth, development and jobs as a result of the Government's policies going forward would be one of the responses. The private sector will have an increased role to play.

Ms O'CONNOR - Sorry, that is only three questions, Chair. I ask for one more question on this line of questioning, please, because it was half an hour before the Greens had any questions.

CHAIR - That is all right, but I need to keep the ratios somewhere around where they should be. You ask a number of questions in the one go, I might add.

Ms O'CONNOR - Because otherwise I get ripped off at the table.

CHAIR - Your allocation is half of Labor's and at the moment, if you ask this question, it has been more than half of Labor's.

Ms O'CONNOR - It has not been more than half of Labor's.

CHAIR - It certainly will be after this question.

Ms O'CONNOR - The FT board letter included as part of a long-term strategy the recommendation:

That the Government reviews the appropriateness of the legislative requirement to make the 137 000 cubic metres available from public forests noting that a whole of the state management regime could, with legislative amendment, allow private wood to be sourced and utilised to meet the 137 000 cubic metres.

Minister, is that still Forestry Tasmania's preferred position? Is it based on a cost-benefit analysis?

Mr BARNETT - Thank you to the member for reading the advice and referring specifically to the advice of the board because it answers the member's first question, the need to look at the whole of the forest estate including the private sector. That is why, in our view and in our response, we support the further involvement of the private sector to deliver on those legislative requirements to the sawmillers and processors around Tasmania.

Ms O'CONNOR - I do not think you have answered that question, but I will be back.

Mrs RYLAH - Further to the line of questioning we have had in regard to the Future Potential Production Forest, which will become available for harvesting from June 2018, can you explain to the committee how the harvesting program might work?

Mr BARNETT - Yes, and I thank the member for her question and her strong support over a long period of time for the forest sector. In terms of how it can work, we have made that clear. It is a policy position of the Government that from 1 July 2018 the production forest will be made available. We are bringing it forward by two years. Only Forestry Tasmania may commercially harvest this area of land in future. In terms of PTPZ land, the Government's policy position is an extension of its existing commitment to increase opportunities for the private sector.

Private forest managers successfully manage about 900 000 hectares of native forest around Tasmania. This is good news, to know we are heavily forested. The Chair speaks about the importance of this. We are one of three regions in the world, second to Russia and Canada, in high forest area per capita and it is something we can all be very proud of. It is estimated for every one tree harvested in Tasmania, three are planted.

The opportunity for private management will not apply to the 35 000 hectares in the World Heritage area. The FPPF land is also known to contain valuable special species timber resources. The Special Species Timber Management Plan will be open to public consultation in the first half of next year. By October next year, hopefully, that special species management plan will be in place so that timber will be available in that production forest area.

In terms of intent and intended use of production land, it will continue to be managed under the Crown Lands Act 1976. The Government is considering alternative models, through which a management right might be awarded for commercial harvesting. I can provide further details, if need be. The Crown Land Services will be responsible for administering the issue of any interest in the land and the compliance with the terms of the instrument, including collection of fees and royalties. The Government will retain ultimate responsibility for ensuring the requirements of the

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regional forest agreement, including the requirements relating to sustainable yield of eucalypt sawlog from public land and to make sure they are met.

Any forest manager seeking access to production forest land will be subject to the forest practices system and the Forest Practices Authority, so the high quality management regime is in place and remains in place. The similar and same terms and conditions apply in production forests as applies in the PTPZ land or forestry land, so those conditions are consistent.

The Government has also stated a forest manager will be required to seek independent third party forest management certification in their own right or engage a group certification scheme provider to ensure issues of sustainable yield and the reasonable expectations of the community are met.

The Government is considering those options to implement this objective and it may be through a statutory or an administrative mechanism, subject to parliamentary approval next year. This is important and I want to emphasise this. The production forest land will in future be known as production forest land to reflect this intended use.

Mr GREEN - You said you would give an answer to the question. Given the whole premise of the change and strategy based on the board's report, I will add one point for your own edification with respect to this, minister.

Mr BARNETT - I am always willing to learn.

Mr GREEN - On 27 October last year, Paul Harriss, your predecessor, said, 'Today I was pleased to advise the Parliament Forestry Tasmania is well on the way to delivering a sustainable bottom-line on its commercial operations'. He was misleading the Parliament and misleading the people of Tasmania, weighed against what you have said.

Mr BARNETT - This is a question about the financials for Forestry Tasmania?

Mr GREEN - I am saying that is what he said on 27 October last year.

Mr BARNETT - Is it anything to do with the production of forest land, or related -

Mr GREEN - Okay, you may act confused. The whole premise of your change, working to provide for the permanent production forests and forest in the 400 000 hectares that will potentially be harvested as a result of the change, was all premised on ensuring Forestry Tasmania is financial sustainable. Is that correct?

Mr BARNETT - In terms of the production forest and our policies into the future it is a key part of it. Forestry Tasmania should be sustainable and that is our intention from 1 July next year.

Mr GREEN - So, Crown Land is going to collect funds, you said, and royalties from those timbers harvested from the area outside the permanent production forest zone? Is that correct?

Mr BARNETT - The exact details with respect to the framework of the legislation or any administrative arrangements will be finalised in the first half of next year. It is subject to parliamentary approval and due process in the parliamentary process.

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Mr GREEN - If this was all about making Forestry Tasmania sustainable, is it fair to assume those funds will be diverted to Forestry Tasmania to ensure their financial sustainability?

Mr BARNETT - That is a decision to be made in due course.

Mr GREEN - Minister, we talked earlier about the arrangement being entered into. Some people are a little confused. Qube has announced a wood yard as part of their new contract proposal. Majestic Timbers had put forward an earlier proposal, which containerised their materials to be exported overseas. One wonders why they would do that now, under the circumstances.

I want you to confirm, either the Chair or yourself - because you did participate in the process - whether a subsidy was built into Majestic's arrangements bid through the expressions of interest process? Was it built in?

Mr BARNETT - I am not Majestic Timbers, so I cannot answer that question. In answer to the TFES arrangements, you asked where it goes and I said into South-East Asia or Asia. I think you would be aware in going direct, straight off to Asia, my understanding is it is not applicable in the TFES.

Ms O'CONNOR - You could have said that earlier and confessed they are going to gouge the Freight Equalisation Scheme.

Mr BARNETT - You know the scheme as well as anybody. Why would you ask the question?

Mr GREEN - Minister, I will tell you why. You have been asked this question on a number of occasions -

Ms O'CONNOR - You have dodged it half a dozen times.

Mr GREEN - You have been asked the very same question. We are expected to believe -

Mr JAENSCH - If you knew, why did you assert it was going to apply?

Mr GREEN - Because there is an important nuance here. Somebody is going to go to the trouble of racking timber and pushing it into a container and then taking those whole logs away in a container, at \$750 per container, and expect that to work, when you have a competitor with a log yard in Burnie or any other place where they can put it straight into the hold of the ship and it's comparable. The whole point of the exercise, I assumed from your non-answers in the past, was because you have been so strident about making sure they can get access to the freight subsidy, is that they were going to get it. Are they or not?

Mr BARNETT - That is a matter for them whether they wish to apply for it. If they are eligible, they are entitled to it. If they are not, they're not - and it should apply to any business in Tasmania. We shouldn't be discriminated as to who is entitled to the TEFS in Tasmania. Any suggestion of undermining it, unlike the member on your right, because that is what the member has done publicly in the past.

Mr GREEN - I am saying they are entitled to it, and I am not arguing that at all. I just want you to allow me to understand whether Swire, the company that is going to export this material,

whether under those circumstances they are going to get it. The answer you have just given is no, so is that right?

Mr BARNETT - If it goes direct internationally from Hobart, no entity is entitled under the TFES rules and eligibility terms and conditions, as far as I am aware, whether it is forestry, minerals or salmon, whatever it is.

Mr GREEN - I am not arguing that. It is what you have built up in the perception around this export from Hobart port, and worrying about whether the log heaps are going to be eight metres, no woodchip pile, putting logs into containers. I am trying to get at whether the business case was built around a subsidy?

Ms O'Connor - Of course it is.

Mr BARNETT - That is a matter for them. It was scrutinised by the Coordinator-General and they have an arrangement with FT. The only thing I would add to perhaps assist is that Mr Weedon said publicly to me this morning, and privately and publicly, that the containers and the logs in containers often go to China and then up the Yangtze River. They get to a port and then they can be taken further up and further downstream for processing and value-adding. There might be peeler arrangements, such as Ta Ann with the veneers. That may be one benefit of having a container.

Mr GREEN - Chairman, was it built in? You know; you scrutinised the process. I don't want to know the actual figures, but was the subsidy built into the expression of interest?

Mr de FEGELY - The assessment was made by the Treasury department on behalf of the Government. That was the process that was announced, the Government led that. Forestry Tasmania had no part of that, until we received the recommendation.

Mr GREEN - Was it built in then?

Mr BARNETT - They put forward a proposal and it has gone through due processes and been accepted. What is important to us is that the arrangement with FT is satisfactory. It has gone through due process, it has been assessed and reviewed. We are pleased with the outcome because in terms of further taxpayers' money this will assist the FT bottom line. I am more than happy to have any further comment on that. If this EOI process did not occur, the timber would either to stay in the ground or continue north. There would be taxpayer-funding support to get it to the north. This improves FT's bottom line. We are cleaning up the mess left for this Government.

Mr LLEWELLYN - I want to talk about the TasPort's Qube arrangement. What percentage or what is the volume of timber that will be utilised through that particular process, both from the point of view of round logs.

Mr BARNETT - So, which process. The EOI?

Mr LLEWELLYN - No, the TasPorts Qube arrangements that you have which includes Majestic but I understand Majestic is round log only. What I am seeking to find out is how much saw log residue might go through that particular process.

Mr BARNETT - I am happy for the CEO to try to respond.

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Mr WHITELEY - In the south, the ratio of saw logs to other products is about one to seven native forests. Of the seven there is about two of those. One to two to five is about the ratio. The two goes to Ta Ann. For every hundred thousand cubic metres of saw log, there would be about half a million tonnes of residues. That is the structural relationship and it will rise and fall based on the domestic processes and their demands.

Residues rise and fall. It is in the range of around 300 000 to maybe 450 000 tonnes per year. Some of the southern wood gets directly carted up to Bell Bay. It is from the Central Highlands and those sorts of places. It can be carted direct even though it is part of the southern region.

Mr LLEWELLYN - Under the contract arrangements set up between TasPorts and including Majestic, how much residue would there be?

Mr WHITELEY - As publicly announced, two contracts that have been let coming out of the EOI. Les Walkden has purchased a right for up to 150 and Majestic has purchased a right of up to 180 000 tonnes per year.

Ms O'CONNOR - So are they take or pay?

Mr WHITELEY - Yes. I have answered that question before. It is 80 per cent take or pay.

Mr LLEWELLYN - That is all sawlog residue you are talking about.

Mr WHITELEY - That is correct.

Mr BARNETT - The EOI process was reviewed by Treasury, to clarify that. I am not Treasury, but that is who reviewed it and they made that assessment.

Mr WHITELEY - Passed the results too.

Mr GREEN - We will never get to find out.

Mr BARNETT - You can ask the Treasurer.

CHAIR - Order. Too many people are speaking. As I have mentioned before, Hansard cannot identify what is being said and by whom if we are speaking over the top of each other.

Ms O'CONNOR - To assist you Minister, by our calculation, the total Commonwealth subsidy to both Walkden and Majestic Timbers be in the order of \$17 million per annum.

Mr BARNETT - Where do you get that information.

Ms O'CONNOR - That is 150 000 tonnes plus 180 000 tonnes per container at \$700 each.

Mr WHITELEY - They are in bulk.

Ms O'CONNOR - They are in bulk. The total subsidy to Majestic is about \$9.3 million.

CHAIR - Ms O'Connor do you have question or I will move on to Mr Jaensch?

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Ms O'CONNOR - Minister, what is the Government planning, if you are prepared to flag it with us, in the legislative amendment, to allow private wood to be used to meet FTs current contractual wood supply obligations? Would it be in the nature of a subcontract or would FT no longer be the responsible entity?

Mr BARNETT - Now that we have clarified and corrected the record with regard to the first question regarding Les Walkden Enterprises

Ms O'CONNOR - I apologise to Mr Walkden but I do not apologise to Majestic Timbers because they will be gouging the taxpayer for \$9.3 million a year.

Mr JAENSCH - You want to be sure about that.

Ms O'CONNOR - If it is not true, then they can come and see me.

CHAIR - Order. There has been a question put to the minister, please.

Mr BARNETT - There have been two questions put. In terms of the first question, Ms O'Connor has previously expressed a view in terms of the inappropriateness or the wrong approach to Majestic Timber receiving TFES. I reject that. If they are entitled to it and are eligible for it then they should be receiving it like any other entity or business. Please, any Tasmanian politician, any person, we do not want to be undermining the confidence and support of the TFES.

Mr GREEN - I'm not.

Ms O'CONNOR - It's actually the unsustainable publicly funded native forest logging industry.

Mr BARNETT - My concern is that the member for Denison is doing that.

Ms O'CONNOR - This is a really important question about the legislative arrangements for FT's current contracts.

Mr BARNETT - Regarding the future potential production forests, from 1 July 2018 Forestry Tasmania will not be involved in the assessment review and harvesting of timber on production forests. I just want to make that very clear. That will be made available to the private sector under terms and conditions that will be consistent with those harvesting arrangements that occur on the permanent timber production zoned land, or Forestry land. The same terms and conditions apply but Forestry Tasmania will not be involved with harvesting operations and the management of that land. That land is owned and managed by Crown Lands under the Crown Lands Act, as I indicated earlier in response to Mrs Rylah's question.

Ms O'CONNOR - Will Crown Lands be the contract manager?

Mr BARNETT - The terms and conditions of the legislation will be worked up in the first half of next year and brought to Parliament as soon as that is completed.

Ms O'CONNOR - If, as the Government intends, legislation is enacted for some of FT's current contractual supply obligations to be met from the 357 000 hectares of high-conservation-value carbon-rich forests, would similar amendments be made and with whom would the

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contractual obligations reside? Will they be relinquished in whole or in part by Forestry Tasmania? Off the back of your previous answer, would it be then Crown Land Services that would manage those contracts?

Mr BARNETT - I attempted to answer this, and I did to a large extent, thanks to Mrs Rylah's question earlier about the harvesting arrangements under the FPPF arrangements from 1 July 2018. The terms of harvesting arrangements and management of that land, there will need to be amendments to the Crown Lands Act. It is owned by the Government and Crown Lands.

Ms O'CONNOR - It's owned by the people of Tasmania.

Mr BARNETT - Correct; we can agree on that. To make it very clear, Forestry Tasmania will not be involved in any way, shape or form with the management and harvesting of that timber. That will be a matter for the private sector. Those terms and conditions will be made publicly available in due course and I look forward to doing that. I obviously look forward to as much support as possible from members of parliament around this table and elsewhere for that legislation to be supported.

Ms O'CONNOR - Don't look to us. I want to unpack this a little bit. You are not saying that there will be changes to FT's current contracts - is that right?

Mr BARNETT - The legislative requirements set out in legislation for 137 000 cubic metres of sawlog, because we have a forest industry -

Mr LLEWELLYN - And 157 000 metres of -

Mr BARNETT - No, the legislation is for 137 000 cubic metres of sawlog to processors in Tasmania, but in addition contractual arrangements providing 157 000 cubic metres of peelers will be abided by. We intend to abide by those arrangements in legislation and in contract.

Mr LLEWELLYN - How can you allow private property to be included in what is a contractual arrangement with FT?

CHAIR - The minister had not concluded his answer and you are jumping in on him again.

Ms O'CONNOR - It is quite a precise question so I am very interested in your answer.

Mr BARNETT - Do you want to defer to Mr Llewellyn?

Ms O'CONNOR - Well, he will probably say the same thing you do, but you're the minister. He had his go at trashing the forests and threatening species.

Mr BARNETT - He did, did he?

Ms O'CONNOR - Yes, he did.

Mr BARNETT - He has always had the right heart and the right intent, in my view, and I admire that.

Ms O'CONNOR - Yes, I know he is one of you. This is a supply chain question, basically. How does the Government intend to use the wood from the 357 000 hectares in part to meet FT's contracts, some of which will be in place for another 10 years? This is all in the context of Forestry Tasmania's bid for Forest Stewardship Council certification, so we are just trying to untangle the contractual arrangements here because we don't believe it is possible to inoculate FT from the FSC implications of this. We are curious to hear, and if Mr Whiteley wants to answer, that would be great.

Mr BARNETT - I am so pleased the member has asked a question about FSC. In the past, over many years, she supported the objective of gaining FSC certification and at this stage I have not heard any note of congratulations to Forestry Tasmania on gaining FSC for controlled wood certification for their plantation estate. Congratulations to FT on their efforts and their ongoing efforts to gain FSC certification over their forest estate.

The manager for Forest Stewardship Council certification in Australia has indicated publicly, and was reported in the *Mercury* and no doubt the member for Denison noted that and perhaps was disappointed by his statement, that FT would have no involvement in the harvesting and management of the production forest land, would not impact and would not impede on FT's ability to gain FSC certification.

Ms O'CONNOR - As I pointed out to Mr Beaumont, he has not seen the legislation so it was foolish of him to step in so early.

Mr BARNETT - That is a criticism of Mr Beaumont.

Ms O'CONNOR - I have put it in writing and I am happy to show you the letter.

Mr BARNETT - Please table the letter; we would like to see it.

Ms O'CONNOR - I am very happy to table the letter, no problems about that at all.

Mr JAENSCH - Minister, I turn to the annual report and the chair's reference in his opening comments to an improvement in FT's operating position but at the same time a bottom line loss of \$67 million. Could you explain to the committee how you are reporting a loss of that size and yet claiming an improvement in financial position?

Mr BARNETT - Chair, we are tabling a chart which is available in the annual report called the waterfall chart, and the chair is referring to that chart.

Mr de FEGELY - The essence of this chart is to show where we made gains and where we lost those gains. You can see vividly on the right-hand side where the two major losses occurred. First in the forest revaluation, how the forests were valued, we dropped \$58.8 million. As a change from where we were last year, as a rule of thumb, when you are valuing a forest, a 10 per cent change in log price will impact through the value of the estate, somewhere between 15 per cent and 30 per cent. It is a massive impact. It is one of the reasons why you see very few publicly listed companies with forests on their balance sheet because of the volatility you get when you do this. It is independently valued and we can't control that because it is the view of a valuer. Unfortunately, that is the value they came back with.

Mr JAENSCH - Is that based on some market signal at a point in time?

Mr de FEGELY - It is their independent opinion at the end of the year. We have used JW Sewall from the United States - internationally renowned forest valuers. They have done Hancock in Victoria and others at different times. They took a view that predominantly the major change in their view was the future price for pruned sawlogs, which at this stage is a forecast. It is very difficult to line up with anything else there is in the world. They took a view about that. We had a major impact there and our RBF liability was the other thing. Correct me if I am wrong, Chris, it was a change in the discount rate they were using that was the main thing. There was a change in the discount rate.

Mr GREEN - It is no longer your responsibility.

Mr de FEGELY - It is at the moment, in this annual report.

Mr BARNETT - Chris, did you want to add to that?

Mr GREEN - No, I don't think so. That was a very good summary, by the Chair.

Mr BARNETT - It is a waterfall chart.

Mr BROOKWELL - Putting aside the two red files on the right-hand side of the charts, the other green bars reflect improvement in the underlying performance. We have the improvement in revenue of \$4.2 million and the reduction of costs in terms of employees and operating costs, a total of about \$9.7 million. Offset by a couple of other things, the increasing costs of the fire fighting season, which was quite extreme. It is reflected in the improved cash performance of the organisation, which you can see improves operating cash flows on page 100 by about \$5 million.

Mr GREEN - I did not pick up whether it was answered completely or not. The question specifically about whether FT asked to go into the 400 000 hectares, a yes or no answer would be good.

Mr BARNETT - Mr Green, you have been around a long time. You know you cannot request, or if you do request yes or no answers, it is a matter for the minister how the minister responds. So I will answer the question. It is 375 000 hectares, not 400 000. You are referring to land that includes World Heritage listed property. Let us make it clear we have no intention of harvesting timber in Tasmanian Wilderness World Heritage Area.

Mr GREEN - I did not ask you that.

Mr BARNETT - You mentioned 400 000 hectares, so I will clarify for the record so those reading *Hansard* or watching know we are not talking about 400 000 hectares. It is 357 000 hectares.

Mr GREEN - Chair, did you request of the current Government access to that forest?

Mr de FEGELY - Our advice is clear, Mr Green. I am happy to read it:

Forestry Tasmania's overriding objectives must be the performance functions to manage and control all permanent timber production zone land and to undertake

forest operations on PTPZ land, for the purpose of selling forest products and exercise its powers as to be a successful business.

We raised a series of points at that point. Then we make the comment -

The legislative requirement to make available 137 000 of HQSL sawlogs - high quality saw logs - per annum must be met from PTPZ land. The board considers the Government should consider reviewing the appropriateness of the legislative requirement to make 137 000 cubic metres available, and as part of this process consider allowing wood from private sources to contribute towards the legislative threshold.

Mr GREEN - The minister was very careful. He said, I could see his mouth moving to say he really wanted to make me understand exactly what we were talking about here, the area is 357 000 hectares. Did Forestry Tasmania, at any stage in that correspondence or another piece of correspondence, request access to the 357 000 hectares?

Mr de FEGELY - FPPF is not mentioned in our letter.

Mr GREEN - Minister, you might be able to answer this. If not, I am sure your counterparts can. How much harvestable timber is within that 357 000 hectares? How many hectares are potentially available for harvest?

Mr BARNETT - We have a very strict management practice in Tasmania and, with respect to the timber harvested, it must satisfy the Forest Practices Authority. It is clear the strict management practices operating in Tasmania will ensure only those credible and satisfy the terms and conditions of the timber harvesting plan, under the terms and conditions of the Forest Practices Authority, will be harvested.

Mr GREEN - How much area is that, out of the 357 000? Is there any correspondence within the organisation to allow you to understand what that area is?

Mr BARNETT - I am happy to pass to the chief executive officer to attempt to answer it because this decision has only recently been made. The ministerial statement is 43 days old -

Mr GREEN - He has been involved. He understands this area intimately. It was managed by Forestry Tasmania in the past. We all know the area we are talking about.

Mr BARNETT - Do you agree it is production forest and a most of it is regrowth forest?

Mr GREEN - Let us see how the CEO answers the question. I have asked you a specific question and you cannot answer it. I want to know how many hectares there are -

Mr BARNETT - I would like you to answer it.

Mr GREEN - There is no doubt some regrowth forest is in there. How much is there?

Mr BARNETT - Much of it is regrowth forest. I do not have the specific hectares.

Ms O'CONNOR - That is garbage. You haven't looked at the maps.

Mr GREEN - You have passed it to the CEO, let us ask him to answer it. How many hectares within the 357 000 hectares is potentially harvestable?

Mr WHITELEY - We do not have a current view, but prior to it being transferred we had a zoning system beforehand. We picked up areas under the RFA and informal reserves. Because the area contributed sustainable yield we had gone through the normal process of calculating that. Some years ago we had a view, under that structure, but I cannot give you a precise number around then. It is a number of years ago now.

Mr GREEN - I put it to you it was around 31 000 to 33 000 hectares.

Mr WHITELEY - I think it may have been in the order of 50 000 hectares at that time. Since that time, in terms of the Forestry Tasmania estate, we have been working on a number of other things in relation to FSC certification. We do not have a contemporary view of that land.

Mr GREEN - It is unlikely to go up.

Mr WHITELEY - Five years ago it may have been in the order of 50 000 hectares.

Mr GREEN - So 50 000 hectares at a maximum out of the 357 000 hectares is potentially available for harvesting?

Mr WHITELEY - For comparative purposes, noting of the 800 000 that Forestry Tasmania manages less than half is available. Various things led to various zoning and those sorts of things. In order of magnitude on that land five years ago, it may have been in the order of 50 000 for eucalypt. In addition to that there were areas identified as special timbers.

Mr GREEN - Special timbers.

Mr WHITELEY - That is correct. Additional areas - there may be something in the order of 20 000 or 30 000 hectares. I would need to check that if people are after a more accurate view of five years ago.

Mr GREEN - If you could, please. Minister, we will take that on notice.

Mr Llewellyn asked you a specific question, by interjection, which you did not answer properly. There are two parts to the question I want to ask you. You have said you are using, as the criteria for the sweeping changes you are making to Forestry Tasmania, sacking many people and selling off our plantation resources -

Mr BARNETT - Not as many as you. You sacked 200.

Mr GREEN - Oh, I am sorry.

Mr BARNETT - Two hundred at Forestry Tasmania.

CHAIR - Order.

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Mr GREEN - We thought we had it to a point where you could not cut it any more, otherwise it would be completely unsustainable. If you think you can cut it by more than that, it is over to you. You have made a lot of the fact you cannot productively harvest 25 per cent of the forest available to you?

Mr BARNETT - Yes.

Mr GREEN - I want to understand how that impacts -

Mr BARNETT - Sustainably and commercially.

Mr GREEN - Yes, commercially. I want to understand how that impacts on FSC certification? Whether it makes it possible under those circumstances - you have made so many public statements about this - and whether any harvesting of those trees under FSC certification possible in the future? You said part of the reason you have to put Forestry Tasmania on a sustainable footing and involve private providers et cetera is because 25 per cent of the forest is not commercially viable. Is that correct?

Mr BARNETT - You have summarised it fairly.

Mr GREEN - Okay. Does that have an impact on the ability to obtain FSC certification? Further, Mr Llewellyn asked you a very specific question about the contractual arrangements for 157 000 cubic meters of peelers. Mr Llewellyn quite rightly pointed out -

Mr BARNETT - That was by interjection. I thought it was an observation but if you want to put it as a question I am happy to try to answer it. What was the second question?

Mr LLEWELLYN - How does a contract arrangement with FT which contracts 137 000 cubic metres of high-value timber and 157 000 cubic metres of peeler log allow private wood to be included in the equation, as you have indicated it may well be to get to those figures?

Mr BARNETT - As to how this will impact on FFC certification, I would have to pass to Steven to respond. I want to congratulate FT on its progress to date with FSC certification for the controlled plantation and for its objective going forward.

Mr GREEN - The minister has told us what has driven the Government is the fact that 25 per cent of the forests you have at hand are uncommercial and you can't harvest them commercially and make a profit out of them. Given that is the case, does that have an effect on your ability to get FSC certification?

Mr WHITELEY - No. A couple of the key elements for FSC are about sustainability - sustainable yield - and that is important. One of the decisions the Government has made is to continue to recognise the plantation and natural forest estate as both contributing over the long term to sustainability. That is the issue with sustainability.

Mr LLEWELLYN - But economic sustainability is also a criteria.

Ms WHITE - That's right, but sustainable yield is long term, it is done over 90 years.

Mr GREEN - Either he is right -

Mr BARNETT - Let him answer the question.

Mr GREEN - You are doing a good job of answering except you're shooting him completely to pieces. He has run an argument that on a long-term basis you can't harvest these sustainably.

CHAIR - Order, Mr Green.

Mr WHITELEY - Perhaps if I can continue. Separating the sustainable yield, it is over a long term and making sure those products that meet a specification for Tasmanian businesses to purchase are available sustainably. That is what a sustainable yield is and what the 137 000 cubic metres is all about. It underpins resource security. Separate to that, there are markets and other costs of production. That is the difference between the two. We do a five-yearly review to make sure there is a sustainable yield, so the underpinning for the industry exists. As to the advice to the Government, under the current pricing prior to some increases we are currently negotiating with some of our customers and some of the costs, that is not correct. As a matter of detail, it does not include the assistance being provided for cable harvesting at present. There are some higher cost operations that are effectively subsidised and the one-quarter includes those.

Mr GREEN - So they are still being subsidised?

Mr WHITELEY - Yes. At present there is a continuation of some of those programs. We looked at the long-term view about stripping that out and if that weren't to exist what would the result be. The answer is that at current prices and direct costs -

Mr GREEN - So the short answer is it won't affect FSC certification?

Mr WHITELEY - That's correct.

Ms O'CONNOR - Are you 100 per cent certain of that?

Mr WHITELEY - I am talking about the operations of the PTPZ land. I can only speak for FT and the way it operates on PTPZ land. I am not commenting about any other decision.

Mr LLEWELLYN - What about the private land?

Mr WHITELEY - At the moment it has been picked up in previous scrutinies the degree to which Forestry Tasmania acquires private wood to meet our contracts. We have done that marginally. That is partly to assist private growers. Sometimes it is because a farm is next door to our land and it's all those sorts of things that are practical. It's been one of those things we have done on a small scale over the years and inconsistently. What has been recognised is there is opportunity to -

Mr LLEWELLYN - In other words, you as Forestry Tasmania will purchase timber from private owners and then include them in the contracts.

Mr WHITELEY - It is not sustainable yield; it is very clearly land owned and managed by Forestry Tasmania. In terms of the practical supply of wood, from time to time we have purchased or introduced private wood through our contracts to customers, but on a pretty small scale.

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Mr LLEWELLYN - That explains it a bit.

Ms O'CONNOR - The minister failed to answer the question about how timber grown on private land will help FT to meet its contractual obligations and sawlog quota. Can you flag how this might be made to happen in a legislative sense so that the timber from private land could be used to help FT meet its contracts? Can you explain why that might not impact on FSC certification as well if the wood is coming off unsustainably harvested lands?

Mr BARNETT - We stand by the legislative requirement to provide 137 000 cubic metres of sawlog to processors in Tasmania. It is in legislation and we have no intention of changing the sawlog requirement to be provided. There was an option, as a result of the board's advice, to cut that back to around 96 000 cubic metres but it was estimated some 700 jobs would have been lost around primarily regional Tasmania -

Ms O'CONNOR - Minister, this is the third time you have avoided the question.

CHAIR - He is still answering the question, Ms O'Connor.

Ms O'CONNOR - No, that is information on the public record. This is the third time he has been given an opportunity to answer the question and he hasn't.

CHAIR - Well, you put the question to the minister, Ms O'Connor. You know the rules. You put the question and the minister answers. If you don't like the answer or wish for more clarification you can ask another question. I will allow the minister to finish.

Mr BARNETT - That was one of the options we did not accept. We will stand by that 137 000. In terms of accessing resource going forward, we are planning legislation to bring forward access to the future potential production forest by nearly two years to 1 July 2018. That is the plan. That resource will complement what is available on the PTPZ land and make it available to the processors as required.

Ms O'CONNOR - Minister, just for the record, that is the third time you have failed to answer the question about how private land will be part of the mix to help FT meet its contractual obligations.

Mr BARNETT - I disagree.

CHAIR - Ms O'Connor, do you have another question?

Ms O'CONNOR - Here is an opportunity to explain.

Mr BARNETT - I've answered your question three times.

Ms O'CONNOR - You haven't. If the Government is planning to use any part of the 357 000 hectares to contribute to FT's contracts - that is the 137 000 cubic metres - that wood will enter Forestry Tasmania's supply chain. Do you accept, given that you have said you support Forestry Tasmania's bid for FSC certification, that this will be incompatible and threaten FT's prospects of achieving or maintaining FSC certification? How do you expect us to believe it is possible to inoculate Forestry Tasmania from the FSC implications of opening up the high-conservation-value

forests and allowing that timber to enter the supply chain and become part of FT's contractual obligations?

Mr BARNETT - This is part of the Greens strategy to try to move the goalposts with FT gaining FSC certification in any way, shape or form.

Ms O'CONNOR - Really? How is that so? It is a really straight question.

Mr BARNETT - You have timely tabled a letter to Mr Adam Beaumont, CEO of the Forest Stewardship Council in Australia, calling into question the view expressed by him publicly as reported in the *Mercury* newspaper that the Government's plans would not impede FT's ability to gain FSC certification for its forest management.

Ms O'CONNOR - Perhaps you could explain how you remove that land and those trees from FT's supply chain?

Mr BARNETT - Just to make it very clear, this is part of the Greens strategy to change the goalposts. It is consistent with former Senator Christine Milne saying and doing the same thing and condemning Western Australian efforts to gain FSC when they did it some years ago. This is happening again. They are trying to move the goalposts.

Ms O'CONNOR - Could you please explain to the committee how it is possible to disentangle this? How do you take timber from the 357 000 hectares and insert it into the supply chain which FT oversees and not expect Forestry Tasmania to cop it from FSC?

Mr BARNETT - The answer to the question is that you have not seen the legislation. You know very well from the answers I have already provided today and put on the public record, that we will be working through the process, preparing the terms and conditions upon which the private sector will have access to production forests from 1 July 2018. You know very well I have said that. I have put it on the public record. I stand by it again today and we can have these further discussions and debates when that legislation is in the Parliament. You are making allegations today which are unfounded and unfair.

Ms O'CONNOR - No. It is an obvious conclusion to draw.

CHAIR - Order. Last question.

Ms O'CONNOR - I will take this up with you later, Chair, but I counted about 25 questions to Labor. I have asked three.

CHAIR - Ms O'Connor, you have made my point very clearly there.

Ms O'CONNOR - Minister, the Government has said it will quarantine FT's FSC certification bid by allowing the private sector to log the high conservation value forests. While this is an admission that logging these forests is non-FSC compliant, it is important to note that Tasmania's biggest private logging companies, such as SFM, are already FSC certified and therefore they would risk their FSC certifications or aspirations for FSC certification by being involved in logging on this land. Have you approached SFM about logging the 357 000 hectares. Have they approached you or any other private company that currently has FSC certification?

Mr BARNETT - Clearly the Greens have a plan to try to oppose or try to impede Forestry Tasmania's ability to gain FSC certification over its forest management. That is a great disappointment. You should be congratulating and saying encouraging things to Forestry Tasmania for the work that they have undertaken and the progress to date. What you are doing now in your mini-speech in the attack on FT and the Government for its efforts to gain FSC certification. Mr Chair, I reject that allegation and it is unfounded.

Mrs RYLAH - We heard in Parliament that one of the key elements of making FT sustainable is the sale of the hardwood pulp plantations, in order to fund the transition and to build the new business as Sustainable Timber Tasmania. Could you please detail for the committee what is intended to be sold, who will be responsible for the process, how and on what timetable it will proceed, and what will happen with the funds raised by the sale.

Mr BARNETT - Thank you, Mrs Rylah, that is an excellent question. It is a real live issue right now and I thank you for it. There are some 57 000 hectares of hardwood plantation estate on the PTPZ land. The proposed sale of at least some of that is to fund FT's operations to pay down debt transition to the new sustainable business, Sustainable Timber Tasmania, from 1 July next year.

FT's hardwood plantation estate consists of various ages and grades of plantation forest, with around 20 000 hectares managed for sawlog production post 2027. The board advised that the commercial solution would be the full sale of all the Forestry Tasmania's hardwood plantations to maximise the proceeds.

We took the option to provide the sale of the pulp wood plantations and that is proceeding. We have committed to retaining the high quality sawlog, pruned and thinned and unthinned and pruned. That is 20 000 hectares. In addition there will be 6000 hectares of freehold land containing 3000 hectares of hardwood plantations that will be retained. There will be the retention of plantation seed orchards and genetic intellectual property. Pursuant of the sale of approximately 30 000 hectares of largely unpruned and unthinned hardwood plantation as a long-term forestry right. I emphasise that it is in the order of 99 years. We are not selling the land, we are selling the forestry right.

Forestry Tasmania has been asked to take responsibility for the sale. In terms of the timing, perhaps the chair can speak to that. Expressions of interest will be sought and be submitted by 15 January next year. An information memorandum will be made available. Indicative bids will be due by early March 2017. Due diligence for selected bidders is expected to commence in mid March and final under-conditional offers due in mid May, with the conclusion and a wrap-up by mid next year.

Mr de FEGELY - We are in the process of sending a flier out for expressions of interest. It is not finished yet, Mr Green, but it is very close. It is going through final editing. This will go out to a mailing list of about 70 to 80 interested funds who have shown an interest in the past to investing in forestry assets around the world. That will be the first stage of the process and that will close in January for people who are interested in participating in the process in Tasmania.

Mr LLEWELLYN - I hope the photos of some of the plantations are on there.

Mr de FEGELY - There are some unpruned in this because of the structure of putting of blocks together. There will be some pruned.

Mr GREEN - There will be some pruned. I thought you just said there will no pruned?

Mr de FEGELY- It is in the way in which we put the blocks together, there would be some. Otherwise we cannot fragment it. We think there will be good market attraction for this. It is a three-part process. We will have an expression of interest and we will then start an expression of interest in full stage one, non-binding bids. That process will commence in early February with an aim to finish towards the end of March. The minister has already outline the final process to be completed before the end of the financial year. The process is alive and running and we expect to move that process forward next week.

Mr GREEN - Last financial year Forestry Tasmania provided \$580 000 to subsidise transport of 26 115 tons of sawmill residue to the northern part of Tasmania. Can you confirm you have written to sawmills this week, advising them the subsidy will not extend beyond 1 July next year? How do you expect sawmills to sustain the cost of an increase in log prices together with higher cost associated with getting their residues north?

Mr BARNETT - I can confirm that advice and that letter that you have referred to and that the subsidy will not continue past 30 June next year. The reason for that is that this Government want to put Forestry Tasmania and Sustainable Timber Tasmania, from 1 July next year onto a sustainable footing. We are very committed to that as opposed to the Labor policy of injecting \$100 million over four years into Forestry Tasmania, which is on the public record. We want it to be sustainable, so taxpayers' money can be used for nurses, teachers, police, and for frontline services as required.

Mr GREEN - This is an important question. It goes to sovereign risk and investment via those sawmillers. Are you aware your predecessor, Mr Harriss, also wrote to sawmillers reassuring them the subsidy would continue for as long as the southern residue problem remained? Mr Harriss, the former minister, in this Government.

Mr BARNETT - The Government's position is clear. We want to put Forestry Tasmania on a sustainable footing and that will happen from 1 July next year. We cannot continue to provide those subsidies. It will need to be put on a commercial footing. This initiative is one way to achieve that. There are many other initiatives being undertaken by Forestry Tasmania, for which I thank them, to put them on a sustainable footing.

Mr GREEN - This is one occasion Ms O'Connor is not interjecting. She knows what you are saying is that you are going to put these sawmills out of business.

CHAIR - Is that a statement, Mr Green. Do you have a question?

Mr GREEN - I am looking at your face to see whether I am correct or not. You might smile about it but the upshot is you have a comparison going on with Victoria in the cost of material being delivered to these sawmills. Now you are telling them there is no subsidy north for their material. You have confirmed this with me today. We have established quite clearly the solution that you provided for at Macquarie wharf, for example, is not a long-term solution and the southern residues problem is not over. Am I correct in saying that?

Mr BARNETT - No, you are not correct. You have made an unfounded allegation. The announcement today is very positive. A range of key players has endorsed it. I am very thankful

for the feedback and support we have received. It has welcomed range of key stakeholders, which will provide further encouragement for growth, for more jobs, in the south of Tasmania. There was an announcement today of 50 new jobs in regional and rural southern Tasmania, with another 25 jobs on the port. This is good news. This will provide further investment growth and jobs in the forest sector, particularly in southern Tasmania. You say okay, but this is in stark contrast to the allegation you are making.

Mr GREEN - Have you spoken with the sawmills about your letter? Have you had a chat to them?

Mr BARNETT - I have had feedback from the industry today with respect to the announcement. It has been very positive.

Mr GREEN - From the sawmills?

Mr BARNETT - From the industry, from a range of industry players.

Mr GREEN - From Terry Edwards?

Mr BARNETT - FIAT have put out a media release welcoming today's announcement. I have read the media release.

Mr GREEN - I have too. That is good, but I am talking specifically about the sawmills.

Mr BARNETT - I am pleased they have welcomed it and they are so positive about it. Please acknowledge it. It would be good.

Mr GREEN - I spoke to Terry Edwards on the phone today. I acknowledge he is supportive. I am worried about the length of time and how tricky you are.

Mr BARNETT - But do you support it?

Mr GREEN - Yes, I do.

Mr BARNETT - Do you welcome it?

Mr GREEN - Yes, I do. I am worried about the sawmills and yourself and the chair having this absurd view we are on an equal footing with Victoria, for example, when it comes to harvesting. I want to ask you a question, minister, about the plantation resource you plan on selling that you have no mandate for because you did not tell the Tasmanian people you were going to do this, leading up to the election. Minister, do you have any idea - and I read in the paper yesterday you probably have some idea of this - what the sale price for the Gunns plantation resource was per hectare? How much was it?

Ms O'CONNOR - Do you want to declare your conflict of interest now?

Mr BARNETT - What are you talking about?

Mr GREEN - I am talking about Forico's purchase of significant amount of Gunns plantations. How much they paid per hectare for that?

Mr BARNETT - I do not have that information with me.

Mr GREEN - Does anyone along the table have a crude view? How much did they pay per hectare for the plantation resources from Gunns?

Mr BARNETT - Which and when?

Mrs RYLAH - Surely it is a matter for the receiver.

Mr GREEN - I am asking -

Mr BARNETT - Why are you asking the Government when it is a matter for Forico and the receiver?

Mr GREEN - I am asking the Government because I am trying to get an idea of the fair value for the 30 000 hectares of plantation you plan to sell?

Mr BARNETT - Why didn't you ask the question rather than beating around the bush?

Mr GREEN - I'm asking you what Gunns - what it was worth.

Mr BARNETT - It's beating around the bush. Why would you expect the Government to provide an estimate of the value, which could prejudice the best interests of Tasmania and the public interest and the taxpayer's interests.

Mr GREEN - I asked you a very specific question as to whether you had any knowledge of what Gunns -

Mr BARNETT - I answered the question.

CHAIR - Order.

Mr BARNETT - Clearly, I would like the opportunity to answer the question of the fair estimate of the value of the plantation state to be put up for sale as a forestry right, without selling the land. There is no way that I will jeopardise or prejudice the public or the taxpayers' interest and provide a figure.

Mr GREEN - I didn't ask you that.

Mr BARNETT - We want the highest figure possible. You have asked me a question, I want to answer the question. We want the highest price possible.

Mr GREEN - See if you can nod to this.

Mr BARNETT - We want the highest price possible the market will pay to obtain the best return for the taxpayer possible and that is where we are going. We want the market to determine the answer.

Mr GREEN - Did Gunns receive \$6600 per hectare for their plantation resource?

Mr JAENSCH - Don't answer.

Mr GREEN - I am not asking you.

Mrs RYLAH - Point of order, Chair. This is a hearing into this year's financial statements of Forestry Tasmania. I can see no relevance of that question to this year's financial returns of Forestry Tasmania. I argue you are all out of order.

CHAIR - I agree with the point of order that we are not investigating that. If you have another way of -

Mr LLEWELLYN - On the point of order. I think it does have relevance because the value already obtained by an operator within the industry for plantation forestry is germane to how much Forestry Tasmania and the Government is likely to receive for the sale of this asset we are talking about right here and now.

CHAIR - On the point of order, if a member had some information to the committee they wanted to offer, they could do so around a figure. I understand the Gunns sale was land and/or and I understand that Forestry Tasmania has rights only.

Mr LLEWELLYN - I'm going to live another 99 years to make sure it is.

CHAIR - From that point of view, if a member had information to assist the committee they could put it, rather than ask a question I have to rule out of order because it is not dealing with the operation of Forestry Tasmania.

Mr GREEN - Can I put it to you this way? If Gunns achieved \$6600 per hectare for their plantation resource, would you agree anything under this amount would result in a poor outcome for Tasmania?

Mr BARNETT - I would like to pass to the chairman of Forestry Tasmania to respond. He is well credentialed and experienced and can respond. I make the point Mrs Rylah made earlier, you have to be comparing apples with apples, not apples with oranges.

Mr GREEN - So 99 years is not forever.

Mr BARNETT - Let's hear from someone who is well credentialed.

Mr GREEN - We'll be looking at the lid by the time this 99 years, it is effectively for sale and you know it.

CHAIR - Order.

Mr de FÉGELY - The Gunns sale included processing assets. Trying to compare it with this is very difficult.

Mr GREEN - You are saying the processing -

Mr BARNETT - Mr Chair, please allow the Chairman to respond.

Mr de FEGELY - Included in export operations at Bell Bay and Burnie, so there were a range of things that went into that sale not in what we are proposing purely as trees and access to land on a 99 year forestry right. It is a different sale. Trying to do comparisons between sales is very, very difficult. Forest valuers try to do it, but they are never done, because it is very difficult to find exactly the same forest with the same age class.

Mr GREEN - That's why I was trying to look at the dots there.

Mr de FEGELY - No, that won't help you. Trying to do a direct comparison is a very dangerous thing, as forest value is concerned.

Mr GREEN - It's very dangerous for the Government.

Mr de FEGELY - It's dangerous for anyone to do it, because it is very difficult to find comparative sales of exactly the same forest type, age class, condition, distance to market, and with the same assets included.

Mr BARNETT - We want the highest price possible. That is the answer.

Ms O'CONNOR - The board's letter to you; has there been a formal response to the board to this correspondence? Have you written back to the board, minister?

Mr BARNETT - As to the board's letter of 29 September, we haven't written back but we have had ongoing discussions, deliberations and meetings and so on.

Ms O'CONNOR - The board's letter says:

The board has an obligation to government to perform its legislated duties, which include acting in a manner which is in the best interests of Forestry Tasmania. This therefore cannot include recommending to government an approach that would continue what is effectively an industry subsidy embedded within the Forestry Tasmania operating model.

Do you acknowledge there is an industry subsidy embedded in the operating model? It goes on:

This unacknowledged subsidy is recognised as neither industry nor Forestry Tasmania will be able to transition to a sustainable position.

What is Forestry Tasmania's estimate of this unrecognised embedded industry subsidy to the state? Is there an analysis or estimate of what that subsidy equates to in dollars and cents? That would partly be what Mr Whiteley was talking about before, which is the cable logging subsidy. Some of the subsidies that are embedded are in contracts that extend out for the next 10 years.

Mr BARNETT - Substantial amounts of taxpayer money over a long time has been injected into Forestry Tasmania, and that is acknowledged. Our objective is to turn it into a sustainable government business enterprise in two divisions from 1 July next year: a production forest division and a land management division.

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Ms O'CONNOR - We heard that in the ministerial statement. The question is specific to the level of subsidy embedded in the annual report that we know exists there that enables FT to function. Is there some analysis of the residual subsidies?

Mr BARNETT - We had a question earlier on the financials and the answer was provided by the CEO and the financial manager. You didn't seem to have any interest in that answer at the time but we are happy to go through it again.

Ms O'CONNOR - Don't verbal me, minister.

Mr BARNETT - You weren't responding to the question from Mr Jaensch, but we are happy to go through that.

Ms O'CONNOR - Funny that, when your colleagues ask questions most of us tend to tune out. Most of them come straight out of the propaganda handbook.

CHAIR - Ms O'Connor, please. The minister hasn't got anywhere near answering the question or had his time yet and you keep interjecting on him. Until you stop, I cannot expect the minister to get around to answering the question.

Mr BARNETT - If the member looks at the annual report she will see the \$67 million figure for the loss for the last financial year. That has been explained by the chair in his opening remarks and in an answer earlier. The CEO has provided some detail but I am happy to ask him to provide further detail.

Mr WHITELEY - The Government responded to our letter in a letter to myself on 21 November.

Ms O'CONNOR - That clears that up. Presumably Mr Barnett's signature wasn't on that letter?

Mr WHITELEY - It would have been, but we receive quite a deal of correspondence, so my apologies.

Ms O'CONNOR - It wasn't you who said the minister hadn't responded; it was the minister who said he hadn't responded. He had responded to the board but couldn't even remember he had.

Mr BARNETT - Yes, so what are you seeking?

Ms O'CONNOR - The truth would be nice. I am also seeking the level of subsidy that still exists as embedded in FT's operating model.

Mr BARNETT - It is a very broad question.

Ms O'CONNOR - It certainly is not. It is a very specific question, minister, and you know it. This is a repeat of previous performances by previous governments. You know there is subsidy embedded because you board reminds you and the facts are clear. I have asked the question four times now and have not received an answer. For the *Hansard* record, the last time I asked the question a moment ago there were 10 seconds of silence at the table. Are you confirming, minister, that you are not prepared to tell a parliamentary scrutiny committee what the level of subsidy is,

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whether it be commonwealth or state, that is currently embedded in Forestry Tasmania's operating model?

Mr BARNETT - The answer to your question is no. I am not going to accept the basis of your question.

Ms O'CONNOR - What part of it don't you accept?

Mr BARNETT - You have been reading from the board's advice of 29 September; you have made a reference to that. I am happy for the chairman or the CEO to refer to that and speak to it but you need to be more particular. You need to be specific -

Ms O'CONNOR - More particular? You're insulting me.

Mr BARNETT - You are asking how much are the subsidies in Forestry Tasmania. We have referred to -

Ms O'CONNOR - How much more particular can I be than to ask how much taxpayer funding and special subsidies, for example, for cable logging -

Mr BARNETT - It is all set out in the financial report.

Ms O'CONNOR - So is every dollar in the financial report a subsidy?

Mr BARNETT - It is detailed in the financial report in terms of the finances for Forestry Tasmania. It is very clear.

Ms O'CONNOR - But you cannot see the subsidies there, which the board acknowledges are hidden.

Mr BARNETT - It is very clear. If you want to go through the financial report we have our financial manager here, the CEO and the chair.

Ms O'CONNOR - Perhaps you could ask the financial manager to answer what is a very straightforward question. We are talking about public money here that your board tells you is embedded in the operating model, yet at a parliamentary scrutiny committee hearing you won't go anywhere near the detail of this question, which tells us you do not want to be honest about how much public subsidy still underwrites native forest logging in Tasmania.

Mr BARNETT - Chair, let us make it very clear. This is part of the Greens' effort to characterise or mischaracterise Forestry Tasmania -

Ms O'CONNOR - No, this is a GBE scrutiny hearing. Mr Barnett, you are wilfully avoiding the question. You are being dishonest. You think it is your money and you can lie to people about the subsidies -

CHAIR - Ms O'Connor, please.

Mr BARNETT - You are mischaracterising Forestry Tasmania. You have done it before and you will do it again. You talk about the subsidies from the federal and state governments to Forestry

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Tasmania in terms of the forest industry. You keep saying the forest industry is subsidised. You have put on the public record many times this same allegation which is unfounded and not true.

Ms O'CONNOR - You're being completely dishonest. Mr Whiteley has just put his hand up.

CHAIR - Order, if you are going to continue down this path I will move on. Mr Whiteley.

Mr WHITELEY - I will provide a statement of facts, if you like. I am not accepting 'subsidy' but I will provide you a list of payments that were made.

Ms O'CONNOR - By commonwealth or state governments?

Mr WHITELEY - Yes, that's right.

Ms O'CONNOR - Thank you very much.

Mr WHITELEY - In government funding - this is last year's accounts - we received \$8.9 million which was the cost of firefighting for the year so it was a reimbursement in a very bad fire year. We provided services to the state and it was beyond our normal provision of services so we were reimbursed those costs. We are part of the statewide fuel reduction burning program so we receive payments under that to contribute to statewide -

Ms O'CONNOR - That's not a subsidy.

Mr WHITELEY - No, I said I would give you a list of payments -

Mr BARNETT - You can call it a subsidy, we call it government support. That is why you mischaracterise it and you do it all the time.

Mr WHITELEY - I will just give you the facts and you can label them.

Ms O'CONNOR - Thanks, Mr Whiteley, I am appreciating the conversation and frankness.

Mr WHITELEY - For fire preparedness - effectively our ability to go firefighting along with the other agencies such as the TFS and Parks - we receive support of \$2 million per year. These are in the budget papers.

Mr BARNETT - That is right.

Mr WHITELEY - As is the CSO of \$2.6 million. They are quite specific things under the ministerial charter for things that have been deemed to meet the state's CSO criteria, so they are [inaudible] pass through which Forestry Tasmania administers. As we mentioned before we receive assistance transitional funding which is associated with cable harvesting of \$4.8 million per year.

Ms O'CONNOR - When does that expire?

Mr BROOKWELL - It finishes in July 2018.

Mr WHITELEY - There was a program related to the plantations. That was four years at \$2 million per year. In the year we are talking about we received a payment of \$2 million to thin

the plantations. They were Government payments. That is the extent of the Government payments. All of those things totalled \$22.3 million. That is recorded in our accounts. These are Government payments, some of which run for a period. Traditionally, things like fire preparedness and CSO don't; they simply come under the budget forward estimates. Fire reduction program likewise, and fire fighting is a one-off, probably. Every so often there will be large fires and we are reimbursed for our contribution.

Mr JAENSCH - Minister, I join you in congratulating Forestry Tasmania for obtaining FSC certification for its controlled wood component. I invite FT to comment on that process and what we have learned from it and then to comment on the process moving towards FSC certification for forest management and matters identified by the auditor that need to be addressed.

Mr BARNETT - Perhaps if I can introduce it and then pass over to the chair to explain FSC forest management. An audit report was released by FT in March 2016. That showed that there was conformance with greater than 90 per cent of the indicators required by FSC for forest management certification. That is a pretty significant result, in fact a little bit more than 90 per cent. That result given to FT was assessed against more than 200 separate indicators, so it is a very complex and challenging task and it has taken a long time. It is definitely on track, as the chair indicated in the opening remarks, heading towards a further audit report next year.

Mr WHITELEY - As indicated and has been acknowledged we are making good progress. We have had the audit results this year. That has clarified where we were with our work. That has given us a solid foundation to continue to work towards closing out some of the issues that were raised by the auditor.

We have been pleased to take the next step associated with the controlled wood plantations but we understand the main aim is to have as much of our forest sustained as possible under full forest management certification.

There were some key issues raised around clear felling of old growth. As we indicated this year we have phased that out. We had some work in progress where we'd roaded some areas and those sorts of things, but based on the advice that that would not conform with FSC standard, we have phased out the clear felling of old growth.

The other one that is significant for the state, which has been picked up by FSCs, relates to threatened species. One of the topical ones has been swift parrots. It was raised specifically at the time.

There were a number of things within our management planning that we needed to work on. That particularly related to more expert engagements. We are working towards talking with species experts to bring a greater recognition of science in our management plan for threatened species.

In conjunction with that, there is a lot of work being done within the state on particular things like the swift parrot. So we will need to wait for some of the state processes and then we will pick those up and feed those into our FSC certification process.

Mr JAENSCH - Is there some collaboration with ANU?

Mr WHITELEY - That is a good example of the way we approach these things. With the swift parrot, we are doing work at the state level with the Forest Practices Authority and also with DPIPW, but picking up on species experts we have gone to ANU.

Mr LLEWELLYN - What are you doing with the starlings?

Mr WHITELEY - We will come to that later. It is about getting some expert advice and engagement and collaboration around things which are a strategic issue for the state. While FT will ultimately need this for our FSC, we are very keen to base all our management on science and to collaborate with other partners. There are some experts at ANU who require data for their models. We have extensive coverage of the forests with LiDAR. We are making our data sets, our knowledge, our sample plots, extensive aerial photographer and those things available to the researchers at ANU and the other species experts, to inform their models. As they run their models they can come out and do field testing. What we aim to do through the collaboration is build on the best available data to come up with a management plan that meets the needs of the species and assist FT, with certification and also to confidently be able to conduct forest operations consistent with the standards required.

Mr JAENSCH - What have you needed to do in relation to this matter of ceasing the harvesting of old growth? How have you needed to define that to satisfy the criteria. What is the definition of no old growth in that context?

Mr WHITELEY - There was extensive work done some years ago of mapping old growth and it is a matter of the scale and location and also sensitivity around those things. Some areas of old growth are rare and they are protected. Other areas are in small patches. We have set some rules around harvesting. At a coupe level we have made sure none of our harvesting contains more than 25 per cent of the area, at a maximum. Most areas contain relatively small amounts to meet a balance of social, economic and environmental needs.

The committee suspended from 4.07 p.m. to 4.11 p.m.

Mr BARNETT - Chair, I would like to apologise to the committee for an incorrect answer I gave earlier about a letter from the chair. I responded by the ministerial statement and then that was confirmed in a letter back to the chair on 21 November.

Mr LLEWELLYN - I want to return to a more global aspect and refer to the letter again that the chairman wrote that has been quoted today and the emphasis that has been made on the non-commercial returns currently made from our native forests and plantations and projected work there. Isn't it a fact that the value of forest products can only be resolved and commercial returns obtained by the sale of the whole forest product, which involves the complete sale of residues as well as plantation timbers, particularly from the native forest harvesting area? I have several follow-ups to that question.

Mr BARNETT - Our forests are very valuable. We are amongst the highest forested areas across the globe, and the question talked about a global factor. We want to add value wherever possible to our timber in Tasmania. We are very proud of the industry and getting a good return on funds invested and a sustainable approach going forward. Our response has been following three

key values: having resource security, job security and financial security, and that is what we are trying to abide by. In terms of the value of the timber, I might pass to the chair to be more specific.

Mr de FEGELY - Thanks for the question, Mr Llewellyn. In one of my first meetings with the chairman of FIAT not long after I was appointed, we discussed wood prices and I think both of us are in agreement that we want to see a significant increase in the value of wood between both growers and processors. If we're going to grow something for 80 or 90 years we want to see some real value for that product. The thrust of the comments in our letter are really around getting the value of wood products up because of all their inherent environmental values. There are arguments about where they come from in terms of natural forest and planted forest, but getting that value up to me is a critically important aspect of what we should be doing as managers.

Mr LLEWELLYN - You have misunderstood me in a sense. It is good to get the values up but the elephant in the room is the issue of being able to sell the resource in the first instance. When I say sell the resource I don't mean just the sawlogs that come out of the resource but the residues as well. If we can achieve that, surely that is an objective.

Mr de FEGELY - Absolutely. We want to sell everything we harvest and for the highest price possible for all products where we can. At the moment the export market is providing an opportunity for us in different forms in selling product and that has improved significantly over the last three years for opportunities into the export market. We would dearly love to see more value-adding here in Tasmania and we would like to see projects come forward for people to look at so we need to put research into those so we can create higher value.

Mr LLEWELLYN - Coming from that then - and this goes to a couple of questions I asked the minister in Parliament - doesn't it mean that in order to obtain appropriate returns from our forest harvesting, and I might be stating the obvious, Forest Stewardship Council certification for forest products, particularly those from residues, needs to be obtained? It is an absolute priority.

Mr de FEGELY - It is what we are working towards, obviously. We have Australian Forestry Standard certification which is accredited under the PFC, so we have one form and we are obviously trying to get both which gives us flexibility in whichever market we want to go to. That is what we are working towards.

Mr LLEWELLYN - Given success with FSC certification and the consequential return of profitability that is derived from being able to sell all or most of your product, is it not a fact that the 137 000 cubic metres of sawlog and 157 000 cubic metres of peeler logs is possible without the need for some of the other ancillary solutions the minister has given? ,

Mr BARNETT - What are you referring to?

Mr LLEWELLYN - I am referring to both having to purchase private forest and having to have private forest operators purchase timber within the projected future wood bank, as you call it.

Mr BARNETT - Future potential production forest.

Mr LLEWELLYN - That is the question I am asking.

Mr de FEGELY - I think maybe I will pass to our CEO in respect of ultimately where we go to. Philosophically you need to try to have the best market for all products you sell. It is very hard just to run on purely sawlog sales or peeler sales.

Mr LLEWELLYN - I am providing another option. The minister has provided three options but there is a fourth option of succeeding in going where we need to with regard to FSC certification and being able to fully utilise the resource we have as well as get better value for it. I see no reason under those circumstances why we could not honour our commitments and our contracts with regard to sawlogs and peeler logs.

Mr BARNETT - The current option you have, Mr Llewellyn, is \$25 million a year over four years, so a \$100 million taxpayer investment into FT. That is on the record and you have not dispelled it or disagreed with it today or in the past. If you do, you should disclose that to the committee and publicly. Secondly, backing up the chair's point, we want to get the best possible return on the timber and that is all parts of the timber. FT are heading down that track and are doing a very good job in terms of progressing.

Mr WHITELEY - I think you started with the letter to the board. There is a reference there to comparative analysis of some other jurisdictions. As it notes, it is across all products and you picked that up, so it is not just simply about one product. I guess my view would be rather than consider that proposition of growing value as an option, I think it is a necessity. I think it underpins. There are various other things that have been proposed by the Government. From FT's point of view we are managers of the PTPZ land and our comments relate to the way we manage that and the way we service our contracts with all of our customers. Clearly it will assist us and our customers if we and then they can increase the value of the products coming out of Tasmania.

Mr LLEWELLYN - Perhaps I shouldn't make this comment, but it was a statement and request I made of Forestry Tasmania in 2010. It predates a fair bit of this, and that is Forest Stewardship Council dual certification.

Mr de FEGELY - It is now widely recognised it has potential to grow that.

Ms DAWKINS - I have some questions around Lapoinya. Can you let me know if the logging operation has completely finalised in Lapoinya?

Mr WHITELEY - Yes.

Ms DAWKINS - Has re-seeding commenced?

Mr WHITELEY - No. Last year, because of seasonal constraints, we had significant discussion with the community over the life, before and during the operation, and there was a request around the way the area was to be regenerated, with which we agreed. Before we could implement that it turned from very dry to very wet. We will go back this autumn and seek to carry out the same plan.

Ms DAWKINS - Are you able to finalise figures on Lapoinya if you haven't completed the last part of the plan, or are you able to estimate fairly clearly how much it is going to cost for the last stage?

Mr WHITELEY - What we would normally do is simply - and this comes back to the heart of the discussion around commerciality, what we do over the life of any work we do is - look at costs and revenues. We have partially completed this and we would normally do a review of some type after have been able to hand back the area, because it has young forest regrowing. It is the cycle we work our way through. We plan it, we carry out the works and then we make sure we regenerate the forest so we are conducting a sustainable system. We understand the various costs and revenues and also the volume produced that creates the real value-add within the community by providing product to businesses in the north-west and other places.

Ms DAWKINS - The process was hailed as a great success. Are you able to let me know how much money was made for FT during that process?

Mr WHITELEY - We do hundreds of operations each year, so the way we conduct our operations is as annual programs.

Ms DAWKINS - So you can't detail one particular job?

Mr WHITELEY - We don't do that, but we made some statements. Our analysis indicated it would return a positive cash return to us and it will be the case. As to specifically quantifying that -

Ms DAWKINS - Roughly how much would it have made?

Mr WHITELEY - I don't have those figures and we don't tend to view those.

Ms DAWKINS - You know it was a financial success for the company in a way other coupes haven't been?

Mr WHITELEY - No, that's incorrect. We run a view of how we run all our operations. We are well aware of the contribution they make economically, as far as Forestry Tasmania budgets, in both revenue and expense. We track those through and it assists local operational managers to report any changes they may identify along the way. In this particular case we identified an area high yielding in products for the domestic market. That is where the value was. It wasn't in the fall-down residue product. It met or exceeded our expectations in its value and also the revenue received.

Ms DAWKINS - Can you offer a breakdown of what product was taken out of Lapoinya, roughly?

Mr WHITELEY - I expect we would be able to look through our records and do that. We publish a plan each year where there is an expectation. It is recorded in a forest practices plan, what is anticipated, and we could do a review to look at what volume was recovered from that area.

Ms DAWKINS - How do I obtain that review?

Mr WHITELEY - We could chase it down somewhere for you.

Mr BARNETT - I can take that on notice.

Mrs RYLAH - I would like to turn one of the opening comments from the chairman of FT. He said there were three foci for the business; safety, wood production and financial performance. FT's safety performance is outstanding in a very high risk and dangerous industry. In contrast, I note there were three forestry deaths in New Zealand in one month - March this year - and WorkSafe New Zealand reported 27 forestry deaths over the past six years. Can you provide the committee with more information on the measures taken by FT to turn around last year's disappointing safety report and achieve this year's outstanding result?

Mr BARNETT - As the minister responsible workplace safety, I am proud to be sitting here with FT today. In the last 12 months we have seen a very good result in lost time injuries and workplace safety compared to the previous year. You have made references to overseas and other places. Workplace safety has been, and needs to be in future, a top priority for FT. It is one of those very important primary industries. I know the chairman and FT have the same objective.

Mr de FEGELY - When I arrived I was appointed to the board of FT, one of the first meetings I went to was occupational health and safety, where they reported this. I was astounded at that record. I had not seen a lost time injury frequency ratio as low in any of the forest operations I had been working in. The guys had done a phenomenal job in bringing it down, particularly from where they were the previous year.

I have had a little bit of time in the forest with our staff and they do a fantastic job. They are very safety conscious. They understand it. They are at a point of what I regard as their unconscious awareness of ensuring safety procedures are followed. Our contractors are getting there but it is taking time. I am sure our CEO can add a more colour and movement about what they have done to ensure that has happened over time. This does not happen instantly. It is a process of training and continual reinforcing. Last Friday, the minister and I met with the contractors in Perth in the north-east, to discuss safety. We spent a whole morning and the contractors turned up for that. They are aware of it as well.

There are reasons those accidents occur in New Zealand. I like to think with our procedures, safety training and the consistency of people who work for us over time tend to be stronger. There are a lot of contractors and short-term people working in New Zealand who do not have the same skills. I have to be careful about saying that but, on average, in my humble opinion, our guys are more skilled at managing that.

Mr WHITELEY - It is a good summary. We have had some specific programs but the culture, all the way from the board down, is one of the things that has benefited. With Rob coming in there has been some other experience, from having worked with the Forest Board and those things. It is helpful to get some fresh eyes across things.

We engage the board and the management team. Recently we have been out and we have things such as safety walks. We ask managers out to walk the walk with various people, in the job they need to do, to understand how they go about it. We put systems in place, we have registers in place and there are a lot of things in systems. We want to make sure we are supporting people all the way through.

We have taken a couple of initiatives that have been beneficial this year. They are trying to develop into preventative areas. We are encouraging people to make observations in the work they do rather than only report incidents, encouraging people to think about it all the way through and it flows through to health and wellbeing programs. There is no one thing we do, but it is one of those

things we give priority and we keep working on it all the way through with our employees and contractors.

Mr LLEWELLYN - I will come to some of these smaller issues in corporate arrangements and changes, particularly coming from the ministerial statement. When will the next round of job losses begin and conclude? There is a statement of another reduction of 34 staff to occur within Forestry Tasmania. What areas will be targeted for job losses in the next round of cuts within the organisation? We note senior executive salaries cost \$1.5 million last year. Will management be targeted for job losses? Forestry Tasmania has gone from a workforce of 550 people to less than 200. I suppose that explains the lost-time accidents as well.

CHAIR - Mr Llewellyn, you are doing a Ms O'Connor and adding about five questions to one. We might give the minister the opportunity to answer some of them.

Mr BARNETT - I can begin and then I will pass over to the CEO. I note, on reflection, when your leader and former minister was responsible for Forestry Tasmania, he was responsible for 200 job losses at the organisation, not to mention two out of every three jobs within the industry.

In terms of the ministerial statement it makes it clear it is up to 35 jobs. It is in the context of cost reduction. Steps are being made to ensure costs are minimised wherever possible. Income is increased wherever possible. We have seen this demonstrated in the sawlog negotiations, particularly over the next two to five years. You are bringing the income up and the costs down. I wanted to say as an up-front comment it needs to be seen in the context of reducing costs wherever possible. I will pass to the chairman or the CEO to add more specific detail on timing and arrangements.

Mr WHITELEY - I will try to characterise some things for you that will hopefully answer those questions to the extent possible. We are going to talk to staff next week around a range of things, so I would prefer not to pre-empt that explicitly.

To answer the question around the approach to restructuring, it will be a vertical slice. As you have suggested it needs to be all the way from the senior management team down. So there will not be targeting of a particular part of the business. It is about restructuring. We have had a look at the statement, the purpose for Forestry Tasmania and it is about making sure we have the resources to meet that. There are a number of things. Over the last five or six years we have not invested in some of our systems and we are looking to be more efficient. That will inevitably mean some of our back-office functions we can do more efficiently by re-engineering them.

In terms of some of the work in the field, nothing was picked up last year. As we are now effectively holding plantations that are mid-rotation and we are not running plantation pruning and planting programs at the moment, it will affect some people in those areas. There is no one particular area targeted and it will be a vertical slice through the organisation.

As the minister mentioned, it is about restructuring to be fit for purpose. It is not a target. The 35 mentioned in the ministerial statement was a characterisation and it had 'up to' in front of it. It was trying to qualify the extent to which employees may be impacted through the necessary restructure we will go through.

Mr LLEWELLYN - Is it going to be extended to the board? The board cost \$413 000 last year. Do you intend to restructure the board in that process?

Mr BARNETT - With respect to all parts of Forestry Tasmania, the board, senior management and the entire organisation we have to ensure it goes onto a sustainable footing. We have made it clear in the ministerial statement. I have said it countless times that it must be sustainable from 1 July next year. I don't want to under-estimate the extent of the challenge faced at FT in meeting their commitment to be sustainable. For too long the taxpayers have been supporting it, to an inappropriate degree.

There are two ways the Government will be stepping in. We have commissioned an audit of the roads by Infrastructure Tasmania. I think it is around 14 000 kilometres of roads. Let me answer that is the first part and the report is due in March next year. The Government will respond to that report. Where there are roads provided and supported by FT for tourism purposes, for public benefit, for community service support -

Mr LLEWELLYN - I was going to ask a question about CSOs later on.

Mr BARNETT - All right. I am touching on it now to some degree and that report will come in March. We will respond to that. I want to make it very clear the Government intends to provide support to FT to cover those costs of those roads that do need to be covered by the taxpayer. The taxpayer and the public are benefiting in that regard. If it is not used for production forest, why shouldn't taxpayers cover those costs?

The second is with respect to superannuation liability and that commitment is set out in the ministerial statement for some \$5 million a year, starting from 1 January 2017. There are steps that will be taken. They are being taken but it is a whole of FT approach.

Mr LLEWELLYN - You did not answer the question about the board but we will leave that one for the time being. Are there any intentions to reassess Forestry Tasmania's office building?

Mr WHITELEY - Yes.

Mr LLEWELLYN - Can you expand on the answer?

Mr WHITELEY - Across all of the things we do, we are looking to make things as efficient as we can. We would like to not have unnecessary pressure on staff when we can carry other things related to buildings and those sorts of things. I am not sure whether you have visited our office, which we are rattling around in it at the moment. It is no longer fit for purpose. It has been a great building but it is not meeting our current or future needs. As with any process, under the terms of our arrangements for leasing properties around the state, we will seek to make sure we have appropriate premises.

Mr LLEWELLYN - I have always recognised the professionalism of FT staff, particularly those who relate to and are trained in firefighting activities, which are so important. Can you give an indication that matter and the number of fire fighters within the organisation, can we guarantee there is enough to meet the requirements of FT in any round of staff cuts made?

Mr WHITELEY - We went through this thought process prior to further staff reductions we had around 18 months ago. I agree with your proposition. We need to maintain the skill set to contribute to the state's fire fighting and fuel reduction efforts now. In any reduction, this is front of mind to us. We were significantly tested during the last season. We tried to engage with some

of the other people we have contracts with to do other work in the forest. The solution we run is a combination of the skills we have with our employees. We have unearthed some very good skills in some of the contractors we use as well. People work side-by-side and including within our vehicles so we can rotate through. I agree we need to make sure we maintain that capability from the staff.

Mr BARNETT - It is a really good question. The contribution FT has made to the recent fires earlier this year is incredible. It is unprecedented. I wanted to put on the record my serious thanks to FT and all of the people involved. The cost to FT was just over \$11 million. FT contributed 46 600 working hours to firefighting efforts during the season. Sadly and disappointingly, 51 bushfires have burned approximately over 50 000 hectares in forestry land. It has a detrimental affect in a range of areas. In terms of fire fighting effort, this past 12 months has been outstanding.

Ms WOODRUFF - Minister, the unsustainable logging by Forestry Tasmania of swift parrot habitat is seriously jeopardising the survival of that bird and this has been well described now for over a year. I have a couple of questions about the moratorium the previous minister put in place on Bruny Island. Regarding the coupes that were slated to be logged there, where has Forestry Tasmania gone to fill those contracts? Which other specific coupes have been logged in place of those ones?

Mr BARNETT - When you say in place of those ones, do you mean Bruny? Where are you talking about?

Ms WOODRUFF - There were coupes on Bruny that were to be logged. Where else did Forestry Tasmania go to fulfil those contracts that would have been filled if those coupes had been logged? Which other coupes were harvested instead? What are you going to do about converting that into a ban on logging on Bruny Island, because it is clearly a Mecca for bird lovers and it is a great source of tourism to the island, not to mention the birds?

Mr BARNETT - Let me respond to a range of questions and I will then pass over in terms of the details of Bruny Island. The Government and FT support efforts to maintain appropriate support and protection for the swift parrot. I note the IUCN has recently lifted the swift parrot on their red list from endangered to critically endangered. While the sugar glider predation is the major threat, habitat loss and alteration are also thought to be contributing to the decline. That is noted, but FT is committed to protecting threatened species and recognises that some swift parrot habitat coincides with some areas of public production forest.

I want to address the question on Bruny Island and then I will pass over to the CEO. FT is aware of the recent modelling predicting an extremely rapid decline in swift parrot numbers due to nest predation by sugar gliders and that sugar gliders are not present on Bruny Island. In recognition of those unique circumstances on Bruny Island the Government, in consultation with FT, decided to take the precautionary approach. Forestry Tasmania believes this is the appropriate response to the recent evidence and will not schedule any further harvesting on Bruny Island, pending the completion of an evidence-based strategic species management plan for the conservation of swift parrot habitat in Tasmania.

Ms WOODRUFF - When is that going to happen?

Mr BARNETT - I will conclude that and then I will pass it to Steve for operational matters. The decision will have no immediate impact on FT's operations or on the supply of high quality

saw logs and peeler billets to Tasmanian industry. This is in the context of the Federal Government's national review that is taking place. I will pass to Steve to provide more detail on the operational matters.

Mr WHITELEY - I am not sure if you were in the room before when there was a bit of talk about the collaborate work we are doing with ANU and DPIPWE and the Forest Practices Authority.

Mr LLEWELLYN - You did not mention starlings.

Mr WHITELEY - There is a process going on around the management plan identifying habitat, where it is in the landscape as well as appropriate management. There is some work being done there collaboratively. We are contributing because we hold significant data sets on the land that we manage.

Ms WOODRUFF - What is the time frame for that?

Mr WHITELEY - Through the state it is being run through DPIPWE so we are not the lead agency. We are simply partnering in that so I am not aware of their timetable, but I understand to date the projected work they are doing on modelling and those sorts of things is progressing well.

Ms WOODRUFF - With the ANU?

Mr WHITELEY - Yes and DPIPWE.

Ms WOODRUFF - As part of the national recovery plan?

Mr WHITELEY - Yes. The species experts from ANU are working with state agencies and then FT are contributing data and field testing and various things that they are looking at. In terms of the question you asked about,

Ms WOODRUFF - The other coupes.

Mr WHITELEY - We update our three-year wood production plan annually. We do an annual update, so through the course of that within the southern region catchment for our southern customers we will simply allocate a collection of coupes or a combination of coupes that meet the market demand that we have for that period. The answer to that is Bruny Island is part of the southern region, it is part of the catchment for our southern customers and we have a number of other places in there that are within economic distance to supply those and we review that plan annually.

Ms WOODRUFF - You do not have any coupes that you went on to that you can identify?

Mr WHITELEY - Not a one-for-one. We don't think about one-for-one where we move from one to one other specific place. We run a program of coupes. The wood supply for the mix of customers in any one year comes from a range of coupes that are harvested during the course of that year.

Ms WOODRUFF - Would you be looking at ceasing logging in areas that are identified as breeding or a nesting habitat or feeding habitat?

Mr WHITELEY - We have approached the operational plan in a couple of ways. On Bruny Island there is no scheduling at all for a period. In other areas where there has been -

Ms WOODRUFF - How long is that period?

Mr WHITELEY - Indefinite.

Ms WOODRUFF - Pending this outcome?

Mr WHITELEY - That's right, we are just waiting until we get the science done, so it is pending that. We don't have a date other than we need the outcome.

Mr BARNETT - It has to be based on evidence, based on science. It is a strategic species management plan. It is in consultation with the Commonwealth as well, because this is a Commonwealth arrangement and that is important.

Mr WHITELEY - The other thing we are doing from a practical point of view is where we are already aware from expert advice that some areas are hotspots or are a high density breeding habitat, we are seeking not to schedule those areas. Our scheduling plan is being informed by some of the work that is going on in the meantime.

Ms WOODRUFF - What about the permanent timber production zone, are you looking at carbon emissions abatement and the possibility of income earned in another way where there might be swift parrot habitat in those areas?

Mr WHITELEY - Pretty good segue.

Ms WOODRUFF - It is to do with the bird, I suppose, and the bird is around Tasmania and a large amount of hectares which are slated to be potentially logged contain the same sort of habitat. Are you looking at other ways of earning money such as carbon emissions abatement?

Mr WHITELEY - The purpose of a three-year wood production plan is simply to provide the wood required under our commercial contracts with our customers. In this particular instance, with the swift parrot particularly, we have a practical approach by seeking not to schedule those coupes that experts have already identified as being most highly prospective. In all of our scheduling, while we have to meet commercial objectives, we also have a very strong environmental and social focus while we conduct the operations.

Mr JAENSCH - The forest management practices that you have are based on science, which is continually evolving. Could you please update us on what activities FT has pursued in 2015-16 to promote forest science and to improve management practices? If you could a reference in that to the work that you are doing to protect old growth and giant trees as part of forest management practices?

Mr WHITELEY - We have a strong science program. As I have indicated our land management and our production is underpinned by science. We recognise there are issues that we need to work on in identifying special values, so giant trees are one of those. Part of what we have done is use innovative technology to cut down on the field surveys that we used to have to do.

LiDAR is one of the technologies that we now use. It is very reliable. It is finding things that even expert searches have not found at the past.

Our science programs are driven to deliver innovation around the way we need to manage the forest. As for harvesting old growth, we have been running various research programs for some time. The special timbers industry requires the best quality special timbers, which will come from older trees. Part of what we need to do over time is develop systems that both manage the conservation values of forests from which that harvesting takes place whilst still enabling Tasmania to be at the forefront of providing those timbers.

Mr JAENSCH - I understand that as a statement of principle, but are there particular activities that are referred to that have taken place in the reporting period?

Mr WHITELEY - In relation to old-growth forest, a lot of the work we have done is in various harvesting-type trials around the place to look at new ways of harvesting. Part of what has driven us through our FSC process is also getting some other expert advice coming in. Whilst we have run a very strong science program, part of what we have moved to in recent years more is to engage with a broader range of experts who come in and contribute. That is both nationally and internationally. Part of what we are looking to do is broaden the stakeholder input into those things and it has been sharpened by the requirements under FSC to very actively engage with stakeholders. In the past where we have had experts we have probably relied on those in-house. Whilst that is helpful, it is not going to inform us about a broader range of views, so we have actively sought other views across a whole range of harvesting that we need to carry out.

Mr LLEWELLYN - I have a question about Sustainable Timber Tasmania. Where did the name come from? Has an external consultant been engaged for rebranding Forestry Tasmania, given the change in name? If so, what is the cost of that rebranding? I also want to ask some questions about the CSO.

Mr BARNETT - As to the name, the timber in Tasmania is sustainable and renewable and is something of which we can be very proud. Tasmania has a brand in and of itself and, as a result of that and consultation with a range of people internally and generally, it was consummated and agreed and the name included in the ministerial statement - Sustainable Timber Tasmania.

Mr LLEWELLYN - Did you make the decision?

Mr BARNETT - The Government made the decision and had the full support of all members of the Government. I had the privilege of delivering the ministerial statement.

Mr LLEWELLYN - What about the rebranding?

Mr de FEGELY - We have a transition plan and rebranding will be part of that process to develop our logo and assist us with how we present the new business. It has been relatively well received by the staff and, in my humble opinion, they seem to be comfortable they have a direction to head in now, understanding that we will work to a two-division model. That gives them some clarity about our future, which I think is important. Because it is a big shift for us, we will develop a new branding and a new image.

Mr LLEWELLYN - And the consultancy aspects of that?

Mr de FEGELY - I can't give you a number on that at the moment because we've only just initiated it.

Mr WHITELEY - It's very early days so I can't give you a number on that.

Mr BARNETT - It's only been 43 days since the ministerial statement was delivered so you are very alert to these matters, Mr Llewellyn, but we will have to come back to you in due course.

Mr LLEWELLYN - The other issue is on the adequacy of the community service obligation component paid out of Consolidated Revenue. I have had a lot of experience with organisations and community service organisations. One example is the Inland Fisheries Service, which I think provides a lot of very good scientific work which would otherwise have to be done by other staff. I don't think that has been adequately looked after as far as resources for many years. It is my worry the Government will not provide adequate recompense for community service obligations that Sustainable Timber Tasmania may provide in the future. I would like to know what the minister, the board and staff have done to ensure that is appropriately reflected in requests from Treasury and that Treasury is positive about the issue, particularly given the statements that have been made by the Treasurer in the past about not subsidising Forestry Tasmania anymore.

Mr BARNETT - Perhaps I can answer that, Mr Llewellyn, and thank you for your interest and empathy and support for the work of Forestry Tasmania and the importance of the CSO. That is appreciated. I want to put on record my thanks to the Treasurer as a stakeholder minister and someone I have worked very closely with in respect to the ministerial statement, and his office. It has been terrifically well received. Likewise, thanks to my office for the work they have undertaken, and FT. Treasury and the Treasurer have been very supportive of our direction and the move to a sustainable business from 1 July next year is strongly supported by the Treasurer and all of the Government.

With respect to the CSO, I will be very specific in terms of what it has provided for. There are half a dozen items here I will mention. The CSO payment is for maintaining agreed road for public and firefighting access; managing agreed sites for public recreation; identifying, managing and harvesting special species timber; providing agreed forest education activities, which is something I am very supportive of and am very encouraged by; providing agreed non-commercial tourism activities; and facilitating forest research activities in the Warra long-term ecological research site. I had a briefing from them yesterday. It is a terrific effort and a lot of people are not even aware of the wonderful work they are doing. Again, watch this space. I think there will be a lot more to see there and I am very encouraged by the work they are undertaking.

Mr LLEWELLYN - Have you been down to have a look at that?

Mr BARNETT - No, I was hoping to go yesterday but there was a weather event which precluded my visit. The scientists and other representatives from the Warra came to my office and I had a briefing in the office. I am looking forward to that.

The basis for the CSO payment in 2015-16 was determined with Treasury using a combination of actual costs and apportionments for the respective activities. This information is being utilised and further developed for 2016-17 to enable a contract to be agreed with Treasury. It will be considered and worked through. It is very important we get that right and get the balance right.

UNCORRECTED PROOF ISSUE

In terms of government funding, which was mischaracterised by the member for Denison as a subsidy, that was outlined by the CEO in terms of firefighting, fuel reduction, fire preparedness, the CSO, cable harvesting, harvest funding and plantation funding. That adds up to \$22.3 million for the last 12 months.

Ms WOODRUFF - Chair, I was next. I was in line and the Government has just had a Dorothy Dixer.

CHAIR - There is no 'I was next'. I am responsible for delegating and going through the roster and issuing who speaks next.

Ms WOODRUFF - Point of order, Chair. The Standing Orders give one question to each of the Greens and the Government and two questions to the Opposition. Mr Jaensch has just had a question and I had my hand up. In the dying moments of the committee you clearly do not want to have another scrutinising question of this GBE.

CHAIR - If you would allow the Chair to respond to your point of order, Ms O'Connor earlier on in the session indicated she had trouble counting the number of questions that were put. The Greens have well and truly had more than their allotment for today and the Liberals have had nowhere near theirs. Mrs Rylah has had her hand up for the last 10 minutes. In your interjection you have managed to soak up, as has happened on a number of occasions, another minute of the time. It is time to conclude.

Mr BARNETT - I thank the chairman of Forestry Tasmania. It is his first GBE hearing today, likewise for myself on this side of the table, and likewise I thank Steve and Chris and all the team at Forestry Tasmania.

The committee adjourned at 5.01 p.m.