

UNCORRECTED PROOF ISSUE

Friday 8 December 2017 - Legislative Council - Government Businesses Scrutiny Committee B - Sustainable Timber Tasmania

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Friday 8 December 2017

MEMBERS

Ms Armitage
Mr Dean
Mr Finch
Ms Rattray (Chair)
Ms Siejka
Mr Valentine
Mr Willie

Hon. Guy Barnett MP, Minister for Resources

Ministerial Office

Mr Jim Dunham, Chief of Staff

Mr Adrian Lacey, Senior Adviser

Sustainable Timber Tasmania

Mr Rob de Fégely, Chairman

Mr Steve Whiteley, Chief Executive Officer

Mr Chris Brookwell, General Manager, Corporate Services

The Committee met at 9 a.m.

CHAIR (Ms Rattray) - Welcome, everyone, to the hearing today. As always, we like to provide an opportunity for the minister to make a brief overview.

Mr BARNETT - I have a very short opening statement, as does the Chairman. I appreciate the opportunity to speak to the committee. We are here to discuss the final year of operations of Forestry Tasmania, now Sustainable Timber Tasmania. I will hand over to the Chairman shortly to expand on the board's perspective.

From the Government's perspective, 2016-17 was a very substantial year of progress. The Government and STT have made very substantial changes, which take effect in the current financial year and therefore aren't reflected in the 2016-17 annual report. This includes, through a restructure, renewed commercial focus and the sale of the plantation forestry rights. There is progress on a number of fronts: significant increase in revenue, beginning the transition to achieving appropriate commercial returns for our valuable forest fibre; a reduction in the ongoing cost of operations, once you allow for the once-off costs associated with the transition; and a hefty advance towards the Government's commitment to return the forestry business to a sustainable footing with the bottom line improving by \$41 million compared to the previous year.

The annual report shows the Government's decision to restructure the business has been justified, with STT to deliver a financial improvement of \$7.5 million per year, and some \$30 million over a four-year period. The report also confirms the plantation sale of \$60.7 million was well above the amount required to pay off all debt and transition costs. That means the restructured STT begins with a clean sheet and strong prospects. In addition, because of the sale, the Government has been able to directly invest an extra \$15 million into our health system. We have made very real progress and I am confident there will be better times ahead.

Mr de FÉGELY - I want to give short overview of our year to 30 June this year. I will touch very briefly on a number of topics and give a quick overview. This last year, up to 30 June, there was a significant level of change. I put on the public record the great effort the staff within Forestry Tasmania put in over the last year, not only to keep the operations moving but also to go through a significant period of restructure. The CEO, CFO, the general management team and all staff should be congratulated on the work they did.

We always start off on safety. Our safety record this year of an LTIFR - lost time injury frequency rate - of eight is not where we wanted it to be. It was slightly higher than in the year before when we were around about two, but much better than the year before, which was around 19. It was a little disappointing. The board takes safety very seriously. We start every board meeting with a safety moment and the first key report before finance and production is safety.

In our production year we managed to keep volumes running fairly much at the same level, around 1.43 million; high-quality sawlogs were about 117 000.

There was a period of slow demand from saw mills around this time last year, and then they picked up demand in the early part of this year, and we managed to meet demand from all our customers bar one, where we made up the volume difference in lower-quality saw logs. In that respect, generally it was a pretty solid year. In special species we sold about 8500 or 8600 cubic metres, of which around 80 per cent was blackwood from the swamps in the north-west.

We are concentrating very carefully on managing habitat for the swift parrot. That is a very important issue. We try at all times to avoid sensitive coupes and sensitive areas. However, where that is not possible and we have to go into areas that are sensitive, we do extensive planning to ensure we have as best as we can our management around all those particular issues in relation to particular species. We manage for a number of those.

We continue to work with the Tasmanian Forest Practices Authority, DPIPWE, the ANU and other researchers and UTAS, where appropriate, to ensure we do the best we can in managing the environment.

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The board is still very committed to certification. We are still pushing forward with our aims to get Forest Stewardship Council certification. We will aim to bring the auditors back next year. We were hoping to have them back this year, but they are changing the standard to a new Australian Standard. That will not be done until about now, December. We will go under the new Australian FSC standard next year. We retained our Australian Forestry Standard this year, and we also have the FSC controlled wood standard for our plantations. That was a good result.

Financially, we showed a loss of -\$24.1 million. A lot of that was to do with revaluation of assets and forests - we can talk about that in more detail - and issues in relation to our liabilities for the defined benefits. The Tasmanian Audit Office showed we had an underlying loss of \$13.8 million, which was an improvement on the year before, which was about a negative of \$17.2 million.

As the minister mentioned, we have, over the year, worked through savings of around \$7 million, which we will bring to bear over the coming years. We will see substantial savings in our operational costs. Our net borrowings at the end of the year were about \$26.1 million, and they have all been repaid now following the plantation sale. We have repaid all our debt.

Through the year we restructured Forestry Tasmania into Sustainable Timber Tasmania. There were a number of projects running at that time to achieve that restructure. We had new contracts for southern residues. We increased our prices for sawlogs. We looked at the whole organisational restructure and have moved into a two-division structure - a land management division and our wood products division.

We moved several offices to save funding. We changed the head office from Melville Street to Bathurst Street. Our southern region office is now at Lampton Avenue in Glenorchy, and there is a smaller office for our staff in New Norfolk, and some changes in the north.

It has been a busy year in many respects. We sold the Tahune Airwalk, or at least the licence for that business.

I mentioned we transferred the defined benefits liability. This was for our former employees to the government, and of course the hardwood plantation sale.

In closing, there are two things I would like to touch on. We have already started this year with a significant fire at St Helens, but I am pleased to say that we have around 200 trained staff and a number of contractors working for us to maintain our firefighting capacity for this coming fire season. Second, I acknowledge again the work the staff have done to keep everything running well and safely over the last financial year, and achieved the result that we did get, plus go through a major restructure.

CHAIR - Thank you very much, we appreciate that. Members will address our questions to the minister and then the answers will come as the minister sees fit. I invite Mr Dean to commence the questions.

Mr DEAN - My first question is a general one, and you have partly gone through it. The average punter out there cannot understand how Sustainable Timber Tasmania, with the valuable resource it has and manages, continues to run at this loss year in, year out. How and what can you do to satisfy the average person that things will change? We get this rhetoric time and time again, so how can you get that positive message through to these people that there will be changes?

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Mr BARNETT - Through you, Chair, thanks for the question, Mr Dean. It is an excellent question and a very fair one and it has been around for some time.

We have bitten the bullet in my ministerial statement in October last year. I said that enough is enough. With the full support of the Government, a full scope of measures have put place to ensure that Sustainable Timber Tasmania, formerly Forestry Tasmania, now gets onto a sustainable footing.

You are right. There has been loss-making year in, year out, year in, year out. That is not good enough. We had a policy coming into government to rebuild the forest industry. That has been occurring. You have seen the exports, the production, the income. Obviously confidence is up - and I am sure we all agree on that - but there is still a lot more work to do.

The ministerial statement put in place the restructure, operational reductions in expenses and increased income. As a result we are now moving on this trajectory to a sustainable footing going forward.

In the past, under previous governments the lockups were massive and constrained the amount of timber available. If you have more timber available for harvesting in a sustainable way in accordance with our Forest Practices Authority and an independent objective approach and it is done sustainability, of course you can make more money. If you have less, it makes it very hard.

We have been constrained big time. Going back to the TFA deal in 2013, an agreement was in place. They said they could make 137 000 cubic metres of high-quality sawlog. That has never been met since 2013. The question is: did they know at the time that it would never be met? That is one of the concerns that remains for me, as minister, and for the Government. We have made some very tough decisions. It hasn't been easy but we are now heading in the right direction.

Mr DEAN - A further question if I may, Madam Chair, what is the real value of wood? What is the importance of wood and the demand for wood, both at national and international levels? What changes are there in the market moving forward? What are the opportunities for us in Tasmania?

Mr BARNETT - That is an excellent question. I will start it off and then I might hand it to the chair who is very well accomplished in this space in terms of the value of wood.

The board's advice in September last year made it very clear that we weren't getting value for our wood in Tasmania. It needed to increase. As a result, we have made that decision through STT. They have been making those arrangements with sawmillers and others. They are getting more for their wood and that will continue over time.

There was a comparison with the mainland - Victoria, New South Wales and other mainland states - between what we are getting for our wood here in Tasmania. We are now on a trajectory to increase the value of wood to get a market price that delivers a sustainable future for our forestry business in Tasmania.

Rob de Fégely as chairman is very well placed to respond to some of those questions.

Mr de FÉGELY - Thank you, minister, and thank you for the question. It is one I grapple with every day, having worked in the industry for around 37 years, understanding the value of wood and the transition in Australia generally, as to where we are going with wood products.

It is very, very hard for anyone to live a day without using a wood product somewhere, somehow. All of us, on an aggregate basis, use about 800 kilos, not quite a tonne, of wood every year. It is the same the world over.

The issue is that the supply is not even around the world and demand is increasing. What we have seen is a big change from the mid-2000s, where the main international demand was in Europe and North America; this has now switched to Asia.

In the early 2000s industrial wood demand globally was around about 1.8 billion cubic metres. Remember we harvest about 1.4 million; we were a very small producer. That demand has shifted to Asia. Asia's demand was something like about 400 million in the early 2000s. I expect it will get to - this is our best forecast and it is always a little difficult - somewhere around - a billion cubic metres around 2020-25. That is a 60 per cent increase in demand. What is driving that is population and economic growth. If you look at the world and the economies as to how they are growing, if you look at the top 10 economies in the world, six of the economies that are growing the strongest are in Asia. The top three are India, China and Indonesia, which are the top growing countries in the world. They are all short of wood. The outlook for us, I think, is very strong.

There are two ways of looking at wood demand. One is the commodity market, which is where pine and our woodchips go into; they tend to be high volume, low value products. The second is the high-value market. That is exactly what this table is pushing for. This is a locally produced product. I am not wrong, minister, I think this might be hydro wood.

CHAIR - This is a hydro wood product, is my understanding.

Mr BARNETT - Beautiful Tasmanian speciality timber.

CHAIR - Next door there is a pine.

Mr BARNETT - But beautiful Tasmanian specialty timber, both of them and we are proud of it.

Mr de FÉGELY - One of the long-term aims for us is to make that definition between the commodity products and the high-value boutique products, particularly the products that come from our natural forests.

I was looking at some data in relation to teak. I am sure you are familiar with teak, which is a tropical plantation hardwood and probably the prime hardwood sold around the world. India is the biggest market for teak. Logs sold into the Indian market on a C&F basis - that is, cost insurance and freight - range between \$US370 a cubic metre to \$US600 a cubic metre in log form.

You do not have to do a lot of maths to work out that that is a high-value product. I would love to see Tasmanian timbers get to those sorts of prices. I think with the branding Tasmania has - you have done a fantastic job in pitching the natural beauty, the naturalness of products in

Tasmania, whether it be organic farm production, fine wine, whisky, a whole range of products - timber fits really neatly into that.

Do many tourists come to Hobart and catch the MONA ferry? They all go past the Macq01 Hotel, which is clad in cypress pine. That is not a species that grows in Tasmania. That timber came from south-east Queensland, produced by a family sawmilling company called Hurfords in northern New South Wales. But it is a naturally durable timber. We need to take those natural features of either appearance or durability and some special factors, particularly things like Tassie oak, which was used as a commodity house-framing product, and put it into the boutique market. I think there is a great opportunity for both demand and movement in volume and price. Where that will end up, I am not game to pitch at the moment, Mr Dean, but I think we have a good chance.

Mr DEAN - If we follow that, what is the value of the Tasmanian brand to the demand and sale of our wood? How important is that when you compare that with our food, our berries, our fruits and so on, minister?

Mr BARNETT - I think it fits beautifully with the Tasmanian brand of clean, green and fresh, whether it be specialty timber, or, as Rob said, Tassie oak and our native timber. The Tassie brand is working really well. It is happening in terms of tourism and the benefits, and in production and our productive activities going right through to the salmon and our salmon industry. It all fits beautifully: agriculture, forestry, fishing, farming and the whole range of different fruits and vegetables.

I think Rob might have some extra to say about it. It is consistent with the Tassie brand. It is looking good. The prospects are positive in terms of getting more value for our product. That's what we need to be doing.

Mr de FÉGELY - One thing that always strikes me when I come to Tasmania is Tasmania grows trees really well. It is a really competitive advantage for this state. Other states can do it well and they do different things, but if you are an astute observer of forest quality, condition and size, you can say trees do really well in Tasmania. It is a competitive advantage with generally good logistics, particularly in the north. Access to markets and things are good.

The branding is a function of selling both the quality of the products being produced, but also the naturalness of those products, particularly from natural forests. Given the way in which the forests are managed with the world-class Tasmanian Forest Practices Authority, which has stood the test of time. Their conference in Hobart two weeks ago celebrated 30 years. Other states would be very envious of having something like that, which gives you the comfort of knowing there is an independent arbiter and policeman. That also helps the marketplace to be able to say things are being done well in Tasmania, so when sell your brand you can say, 'By the way, we do all these things to ensure things are being done really well'. Ultimately that bodes you well. You have done it for a long time and not a flash in the pan. There is a mood, particularly in Europe, now towards natural production.

Plantations have issues; they are monocultures. It is too simplistic to say plantations versus natural forests. That definition is not as distinct in the marketplace. In the north-east of Tasmania I could show you a plantation nearly 30 years old and it will look more or less exactly the same as a natural forest. Over time they become the same.

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CHAIR - Probably in my backyard. Minister, you indicated in a response to Mr Dean that Sustainable Timber is going to receive more revenue from its sawlogs. Can I have some understanding of what impact that is going to have on sawmilling in the state and how are the sawmillers expected to cover the increased cost where we have contracts in place where they will not have an increase in price? The sawlog industry and sawmillers are going to subsidise those very nice contracts in place with others. Can I have some understanding around that?

Mr BARNETT - Of course. The first point is that I am backing the chair's comment that wood is good, sustainable, renewable, recyclable and that we grow trees really well in Tassie.

In terms of increased revenue, we have a \$7.5-million benefit based on the restructure from 1 July this year for the next four years. That is a \$30-million turnaround. This has come about by two areas - reduced operational costs, which the CEO can speak more about, and increased income.

In the area of increased income, that is through mutually agreeable arrangements between STT, sawmillers and those who are paying for the wood. That has come about over time and in accordance with their contractual obligations. I might ask the CEO to outline in more detail how that works.

Mr WHITELEY - In terms of what we have done, there are five yearly reviews in place for many of our customers, some are at slightly different times, but periodically.

CHAIR - With those major contracts?

Mr WHITELEY - Yes.

CHAIR - There are?

Mr WHITELEY - The contracts themselves run until 2027. Some time ago, the contracts were aligned and most of our major contracts run to 2027. Within each of those contracts, there are periodic price reviews. Many of those are five-yearly. Some are not exactly five-yearly. We had a five-yearly review or a periodic review process, so people had been simply having CPI increases for the preceding period. There had been a period when the millers needed to consolidate. There were some issues in the market they needed to deal with. That was around resetting for the next five years. The millers have worked with us to look at how to increase those prices, and we have agreed to a progressive escalation during that period rather than a big shock right up front, which can happen when reviews are only periodically. We have worked with them. We need to increase our revenue and they are working on their markets. We have talked to them recently about some of the things they are working on. They are transitioning out of some traditional products and actively looking at new products.

In their own way each major customer is innovating. While paying any more for a product is clearly a challenge, we have sought to work with our customers to progressively implement that increase, combined with them doing some work on market and product development.

The current feedback is they are actively getting out there and looking at innovative new products, and are very keen to capture more of the Tasmania brand. Following up from the previous question, it is going to be very important to their and our collective success to have the customers attribute the value of these special products being produced.

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They are experts in selecting and milling the timber. Rather than just thinking about their traditional products, they are putting more energy into looking at other ways of meeting different customers and attracting more value back into their businesses.

CHAIR - Minister, we can be assured everyone who takes resource from Sustainable Timber Tasmania, effectively the people of Tasmania, is paying a fair and reasonable price. My concern is that it not lands with one particular group?

Mr BARNETT - That is a fair question. The answer is yes, it is fair and reasonable and is moving to market, based on the advice of the board since last September, which was a public document. I think you all saw it indicated we were not quite where we needed to be. Rather making it all happen in one day, we have wisely worked with Sustainable Timber Tasmania and key stakeholders to move towards increased income over a period of time so it can be mutually agreeable and they can work together.

The Government is backing the industry with a growth strategy and has worked with the Ministerial Advisory Council on Forestry. The strategy been developed by the advisory council and reported to government; we have responded and agreed.

We are agreeing and backing the strategy with \$4 million in this last budget, and the industry are very pleased. It is their strategy. That target is to double the value of our timber products to 2036. We are all on board. It is the industry's and our target. We support it. I think we can do better, but that is the target.

The growth strategy has a whole range of ingredients and I am happy to respond to that. It includes promotional, advertising and marketing for working for the industry. It talks about an umbrella body to help promote and support the industry. We are on board to support these measures.

Mr DEAN - A follow-up to the chair's question. Have the occurring reviews of some long-term contracts in place seen an increase in the contracted prices? If they have seen an increase, what has been the increase from the time first put in place until now? What is the percentage increase? Our product has gone up tremendously in value.

Mr BARNETT - Excellent question. I do not know the back part personally, but I will pass to the CEO. The answer is yes, these contracts are in place till 2026-27. We are all on board in terms of the major sawmillers. Those agreements, those five-year reviews have been taking place. Those negotiations and discussions have been had with the STT. Perhaps the CEO could add.

Mr WHITELEY - I cannot give you a precise percentage answer, but during the past five-year period, effectively there were no real increases in price. It was simply tracking CPI, tracking inflation. During that period, the price of the wood did not increase. However, through this process there have been some real increases in price.

Mr DEAN - They might prefer to take the question on notice, because I would like to know what the percentage increase has been from the times these contracts were first put into place to now. What has been the percentage increase -

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Mr WHITELEY - We may need to deal with that as commercial-in-confidence, but I am happy to take that question on notice.

CHAIR - The committee is happy to accept that information in confidence.

Mr DEAN - I can't see where it is commercial-in-confidence because all the question asks for is the percentage increase. We are not asking for what it was; we simply want to know when it was first put in place until now - if there has been a 20 per cent increase or a 30 per cent increase, or 10 or none. There is nothing commercial-in-confidence in that.

Mr BARNETT - I will ask STT to look at that. There are contracts in place and we can't breach commercial confidentiality with the contracts, but this is more of a bigger picture look at where we were some years ago.

Mr WHITELEY - We can take that on notice, but we would need the caveat against our contracts to make sure we don't breach the contract.

Mr FINCH - I want to get some clarification on the reference Steve made to the product going to millers. Is that hardwood or specialty timbers? What sort of wood and throughput are we talking about there?

Mr BARNETT - I will pass it to the CEO. We are talking about eucalypt hardwood -

Mr FINCH - Exclusively?

Mr BARNETT - For the major sawmillers.

Mr WHITELEY - The conversation we have just had was around eucalypt, but prior to that time we'd gone through a similar process for our other special timbers, particularly blackwood from the blackwood swamps, which is the volume product. We have had a couple of structural reviews. One has been around blackwood pricing, and that was some time ago; the one we have just discussed was around eucalypt sawlog pricing. Perhaps just to pre-empt the next question, there will be a review next year around the peeler logs. We have a series of price reviews under our contracts that we work through progressively during the life of the contracts.

Mr FINCH - Can I get a snapshot of who those contracts and millers are? Who would be the big contractors, the medium contractors and the smaller contractors?

Mr WHITELEY - Perhaps just a characterisation around the state. The big contract holders in the north-west are Britton Timbers and Ta Ann. Coming across the coast we have Specialty Veneers at Camdale. In the north-east we have Barbers, Morgan and ARTEC Australia with a different range of products. There are a number of smaller mills as well, but these are the major mills. Coming into the south there is Torenus Timber, McKay Timber, Porta Mouldings and Neville Smith Forest Products and Ta Ann's southern business. That is not exclusive but it characterises the major businesses for which we hold long-term contracts.

Mr FINCH - And the medium-level timber contracts?

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Mr WHITELEY - They are significant businesses and we have a number of smaller mills we also supply. As indicated in our report, we have about 50 customers. We service large, medium and small size.

Mr WILLIE - I want to move to the asset sale of the plantations and the Australian Accounting Standard exemption, which relates to assessing the value in wholesale exemptions. The Auditor-General has described that move as unusual. In fact he said -

... the process ... should only be used in rare circumstances where changes to the reporting framework are necessary in order to present more reliable information to users.

What was the justification for that exemption? Wouldn't it be in the public interest for that accounting standard to remain in place?

Mr BARNETT - The member referred to the asset sale, and I want to confirm on the public record that is not the case. It is the sale of a forestry right. We are not selling the assets; we are selling the trees on a 99-year lease. It is a 99-year forestry right, so that is a mistaken belief.

Mr WILLIE - You can dress it up however you like.

Mr BARNETT - I am just clarifying because that part of your question was based on a false premise and we cannot allow that information to be left on the public record.

In terms of the price, the pre-sale advice on similar sales in Tasmania and Australia indicated a range of \$1500 to \$2000 paid per hectare for the first rotation hardwood plantation estates and the result we have achieved is at the upper end of that. We are very pleased with the sale price of in excess of \$60 million.

As to the comments about the Australian Accounting Standards, I will pass that to the CEO and/or the CFO.

Mr BROOKWELL - The exemption was provided by a Treasurer's instruction. The motive for it was to preserve confidentiality around the asset being sold as part of the plantation sale while we are finalising the financial report. We wanted to avoid a set of circumstances where we published the value of the asset being held out for sale through the forestry right process in the annual report. That was the motive.

In terms of the impact, the Treasurer's instructions are something we have to comply with. The Auditor-General did not qualify his report; he provided an emphasis of matter that draws attention to the fact we had the exemption. In terms of the impact of that, we did not change the basis of measurement in the accounts. All we did was change the disclosure. The value of the plantation estate was properly measured but disclosed within the rest of the estate.

Mr WILLIE - What was the total value of the plantation before sale?

Mr BARNETT - The advice we received, based on the expert advice and the pre-sale advice that is exactly what I have put on the public record, in the Parliament and again this morning, was that it ranged from between \$1500 and \$2000 per hectare. We have achieved towards the top end of that pre-sale advice.

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Mr WILLIE - You previously said the sale would be concluded in October. Has that concluded and what was the final price?

Mr BARNETT - The final price is what I have said publicly. It is in excess of \$60 million. It has concluded.

CHAIR - \$60.7 million - is that it, firm?

Mr BARNETT - That is the figure and that is what I have said publicly. That has been known in the Parliament and elsewhere over a long time. There are no issues there. It has concluded, it is settled and we are very pleased with the outcome. It has paid down the debt, which was in my October ministerial statement in which I made it very clear the key objective was to pay down the debt and the transitional costs of the restructure. It has done more than that. In addition, we have been able to announce a \$15-million investment in health from our forestry asset, and it goes back to Mr Dean's first question. This is the first time in my memory that this has ever occurred - that is, reinvesting money in health.

Under the Labor policy of \$25 million per year, it was continuing to subsidise the industry and that is what we do not want to do. We want to put it onto a sustainable footing.

Mr WILLIE - You would have to renegotiate the contracts to avoid those subsidies. Is that what you are going to do?

Mr BARNETT - We have made decisions to put it onto a sustainable footing. The first question today was an excellent question one from Mr Dean. It has been making losses, year in, year out, with the support of the previous government. We made it very clear we are not continuing to invest \$25 million a year over four years, which is \$100 million that should be going to health, education and police. We are not doing that anymore. It is on a sustainable footing. The hard decisions have been made. As a result of lockups in the past, sadly it was very difficult to access the wood. We need that access to wood and that remains an issue.

Mr WILLIE - You would have to renegotiate those contracts to remove the subsidies, minister. I will go back to the sale price and the divvy that up - \$26 million went to retiring the debt, \$6.2 million to the changeover to Sustainable Timber Tasmania -

CHAIR - Transition costs.

Mr WILLIE - Yes, \$15 million to health. Where did the remainder go?

Mr BARNETT - The first part of the question from Mr Willie is not accurate. It is suggesting we have to renegotiate the -

CHAIR - I think that was a statement, not a question.

Mr BARNETT - I am responding the statement. We have made it very clear that we are getting increased income under our restructure and we are reducing the expenses. It is a \$7.5-million turnaround per year benefit to the budget bottom line. That is a \$30-million benefit over a four-year period. The Labor policy is \$25 million per year going forward over four years. That is \$100 million going out of health, education and elsewhere into forestry.

Mr WILLIE - What we would call the super liability? That is a subsidy - moving that into the government accounts.

Mr BARNETT - I am more than happy to answer that question on superannuation.

Mr WILLIE - If we can address the first question I asked: which is the balance?

CHAIR - The balance of the \$60.7 million and then we will go to the next question.

Mr BARNETT - In terms of the use of that money, I ask the CFO to respond.

Mr BROOKWELL - We have received \$60.7 million on 6 October so we retired the debt with TASCORP fully on that date; that was \$11 million. We invested the balance of those funds with TASCORP in part and with our banker, the Commonwealth Bank. We invested \$12.5 million with TASCORP in a term deposit. We have \$9.8 million with TASCORP at call and we have a term deposit with CBA, which \$27.5 million. All the funds received for the plantation sale were used to retire the debt and invest with those two institutions.

Ms SIEJKA - Minister, I would like a breakdown of what the health money will be spent on? The money that is being transferred to health.

Mr BARNETT - Thank you very much for the question.

CHAIR - Can we make it fairly brief? It is not necessarily relating to this particular area.

Mr BARNETT - Thank you, I will be as brief as possible, Chair. I thank the member - this is the first question from the member; for the record, I personally congratulate the member on her election.

Ms SIEJKA - Thank you, minister.

Mr BARNETT - Thank for your first question. It is an absolute pleasure to respond to the question because it highlights that this is the first time in my memory, and I think the memory of many others around this table, that the Government, through its forestry business, has been able to reinvest in Health.

CHAIR - With all due respect, we sold an asset, minister. That is the only reason we have any money.

Mr BARNETT - It has done exactly what we asked it to do and that was in accordance with our ministerial statement, which was to pay down the debt, pay the transitional costs. The \$15 million for health, ultimately, is a decision for the health minister and for the Government.

Ms SIEJKA - Minister, do you expect STT to record a loss in the current financial year?

Mr BARNETT - Thank you for the question; it is an excellent one. It is based on the fact that in past years it hasn't made a profit; it has had ongoing losses. As a result of our Government's actions, and the ministerial statement last year, acting on the advice of the board that it needs to be put on sustainable footing, that is exactly what we are doing. The restructure

has delivered a \$30-million turnaround over the next four years. In terms of the work going forward, there are valuation arrangements in place. [It is too early to tell exactly where we will end up at 30 June next year. We are looking at the 2016-17 financial year in these discussions today. I am certainly remaining confident and looking forward to working with STT to get a future that is sustainable for this business.

Mr FINCH - Minister, you are painting a pretty warm picture about the future. Most of my question are about the past.

Mr BARNETT - That is fine.

Mr FINCH - I don't want to delve too much into that because I think Sustainable Timber Tasmania has to move forward and look to the future.

Some of the figures we are talking about this morning are about government support for Forestry Tasmania through to Sustainable Timber Tasmania. Explain to me a little about the liabilities for superannuation being supported by Treasury. Is that figure moving across to Treasury to ease pressure on the books of Sustainable Timber Tasmania?

Mr BARNETT - Thanks for the question. It is a little similar to the question from Mr Willie earlier about the superannuation so I will deal with them both together.

The fact is, yes, formerly Forestry Tasmania was a very large organisation. Under the previous government when Mr Green was the minister, it halved in size. It was at one time over 700 and then it went down to half that size under on his watch. Under us, it has reduced further. It is consistent with the ministerial statement of some 35 employees or thereabouts during that time.

As a result of the reduction in numbers, rather than leaving the liability with a much smaller organisation, the Government made the decision, rightly and properly - totally with the full support of myself as minister and the STT and in consultation with the Treasurer - to ensure that that liability going forward is shared by the Government rather than STT. STT is now a lean, and becoming leaner, organisation that is sustainable, able to do its job, increase revenues and reduce costs to get it onto a sustainable footing. That is our objective. We have made that decision to help them do that.

In terms of the exact detail, I will pass to Mr Brookwell on the superannuation liability.

Mr BROOKWELL - The superannuation liability was transferred to the Government in two tranches. The first tranche dealt with all former employees of Forestry Tasmania and Sustainable Timber Tasmania. We got to the stage, as the minister identifies, that we had a lot of legacy in terms of the obligations for former employees. We had a situation last year where we had sponsoring obligations for several hundred pensioners and former employees. We only had 180 current employees so we were paying more pensioners than we had staff.

On 31 December this year just gone, the obligation for the pensioners was transferred to the Government. That amounted to an equity contribution to Sustainable Timber of approximately \$90 million and the obligations for approximately 180 pensioners whom we were paying at the time, and in excess of 300 former employees whose benefits had not crystallised. Those obligations were transferred to the Government. The impact of that was our net assets increased

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by \$90 million and Sustainable Timber Tasmania was obviated of the need to pay approximately \$2.5 million during FY17.

The second component of the ministerial statement was about the Government assuming responsibility for the RBF benefits for those impacted by the restructure. The same process in terms of transfer to the Government occurred June 2017. That amounted to approximately \$23 million.

In summary, Sustainable Timber Tasmania now has a balance sheet with net assets in excess of \$100 million. The residual liability for RBF is \$20 million so we still have sponsoring obligations for approximately 40 members of staff who are current employees. In FY16 Sustainable Timber Tasmania had to pay over \$9.5 million in RBF liabilities. That reduced approximately \$2 million in FY17. We would expect it to be lower again in FY18, which sets the organisation up to be sustainable.

Mr FINCH - Minister, could I be forgiven for thinking that government support for Sustainable Timber Tasmania still continues? We have had those huge losses in the past. A figure mentioned recently was that since 2004, \$1 billion has been lost by the operations. Yet here we still see government support to help Sustainable Timber Tasmania to get on a solid footing for the future.

Mr BARNETT - We made this decision in the ministerial statement in October last year as to the direction we wanted to go. We wanted to put it onto a sustainable footing. We are achieving that with the transition that has taken place. From 1 July, it is now under Sustainable Timber Tasmania. We made those decisions during this past 12 months. Those decisions have been made. We have set it up for the future. In terms of superannuation liability those quotes in my ministerial statement are very clear. It needs to be a sustainable, lean and mean machine. It is unfair the liabilities of the past be put onto the organisation. Let me just make it clear what I said in the quote -

Various cost pressures are embedded in the Forestry Tasmania business model which don't relate to the future cost of supply. This includes the defined benefit superannuation liability for past employees, the maintenance of multiple use roads -

and that's another area -

across a very large and dispersed road network, and the management of land not used for the purposes of production activity.

We have put this in place and covers the CFO, which you may want to ask about. A lot of public benefits in the past have been provided by the former FT, now Sustainable Timber Tasmania, whether it be superannuation, roads that have benefited tourists, recreational activities and transition for restructure. It has been included in the budget and we want it to be sustainable.

CHAIR - Can I get some clarification around the total redundancy cost of \$1.66 million? Is that included in the \$6 million transition cost? Or is it extra? Can I have some clarification minister?

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Mr BARNETT - Yes, thank you. We have had to make some tough decisions. It was not easy. The ministerial statement laid it out very clearly, put a lot of thought and work in it based on the advice of the board in September and based on our advice. That has now come to fruition. I would ask the CEO or CFO to add.

Mr BROOKWELL - The \$1.7 million of rounded redundancy costs are a component of the transition cost.

CHAIR - Of the \$6 million?

Mr BROOKWELL - So \$5.1 million in the PNL, \$6.2 million total.

CHAIR - Is any of the component part of the \$113.3 million in the superannuation liability? Is any of the component included?

Mr BROOKWELL - No, those are separate.

CHAIR - That is a separate component. Thank you. A question in regard to the giving away of Tahune Airwalk. It cost \$4 million to build, minister. You indicated you have given a licence for \$640 000. How does that work?

Mr BARNETT - Yes, thank you for the question. You have made a very good point and referred to the licence. The fact is there was a lease. The CEO mentioned earlier in evidence today, it is actually not the sale of the land and assets, it is sale of the business. The business has a lease with Sustainable Timber Tasmania over the land and over the assets. Perhaps if the CEO might be able to respond in further detail. I am disappointed there has been a misunderstanding in the public arena. The CEO will outline those arrangements.

CHAIR - I would be interested to know how much of that \$645 000 is the stock component and how much is the actual business arrangement?

Mr WHITELEY - I will start and then hand over to Chris for some detail. We have obviously been very proud, and still are, of the Tahune business. It delivers revenue for us; it tells a story and underpins a lot of the tourism in the Huon. It was a response to the Government's statement about focusing on our core business.

In response, we set up a competitive sale process. That is structured around not a sale of the asset, but a 10-year lease. It has an annual lease payment to us, which is more or less equivalent to the net revenue we were receiving each year through running the business ourselves. That is an ongoing income stream we have during that period.

To make it a competitive process, we asked people to bid on the right to run the business and pay us that annual payment. The amount you referred to was the bid price in a competitive process to take on the business. We have not sold the asset and have a 10-year lease. We receive an annual income more or less equivalent to the net income we received prior to running it. This enables us to still have a relationship with Tahune, but to have a focused, private sector operator capable of thinking about growth. We were at a phase we were not focusing on growing a tourism business and it did not fit our core business.

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In terms of the benefit to the state and the Huon community and having a private sector operator, it is a win, win for us. If you would like a breakdown to the costs, Chris can offer that to you.

It is a win, win in terms of what we are doing, although it is something we have been very proud to be associated with.

CHAIR - What liability or responsibility does Sustainable Timber Tasmania have in regard to its maintenance? If you have leased and are getting a return, will the maintenance component of the facility end up taking all?

Mr FERGUSON - Those details are set out in the lease agreement with some commercial in confidence. There is clearly an understanding we want to preserve, support and protect the interest. This was not core business for Sustainable Timber Tasmania and the reason we made the decision, as the CEO confirmed. Do you want to provide any further detail?

Mr WHITELEY - We retain the underlying risk, which is the long-term risk of holding some built assets. The operator has maintenance responsibilities day to day. I will not go into detail but is a shared responsibility. It has not increased the current risk.

CHAIR - If one of the ropes breaks, the operator will fix it.

Mr DEAN - Has Sustainable Timber Tasmania any position on further leases of any of their assets, properties or sales of properties at this time?

Mr WHITELEY - We have set our direction in the October ministerial statement. We have worked very hard with STT over the last 12 months. They have done work on the restructure and the internal transition arrangements. All those have now been paid and sorted. I will let the CEO respond at a higher level. We cannot go into any commercial-in-confidence arrangements.

Mr WHITELEY - The two significant tourism assets were Hollybank Treetops and Tahune and they have been dealt with.

Mr DEAN - There is nothing else on the agenda at this stage?

Mr WHITELEY - We do not have any other tourism assets of that type. They are our key tourism assets. We have recreation sites and will continue to manage those.

Mr FINCH - Minister, I was interested to hear about the FSC Australian Standard and would like to hear more. Given STT achieving FSC, is government policy and FSC widely accepted as a necessary step in Sustainable Timber Tasmania achieving market success, particularly in those six out of 10 countries where demand is growing? Does the removal of FPPF land from the Tasmania Reserve Estate present a risk to achieving FSC certification? With those couple of points, can we get a picture of where we are with FSC?

Mr BARNETT - Thank you. The chair touched on this in his opening remarks. The Government has a position of supporting STT objectives to obtain FFC certification over its controlled wood and plantation estate. Despite the protestations from the Greens and perhaps a few others, to say it would never happen, it occurred in the last 12 months. I congratulate STT on their success. They continue to work towards gaining FFC over the remainder of their estate.

Mr BARNETT - gaining FSC over the remainder of their estate.

As the chair outlined, there was a plan for this occur this month, but that has now been put off until early next year. We support STT's objectives. It has been working hard on it. I want to make the point that it requires time and effort. There is a level of cost involved in gaining FSC. With respect to the Future Potential Production Forest land, our legislation, which was not successful in the upper House, was designed in such a way as not to put at risk the FSC certification. I think that covers the key parts of your question, unless you want to talk more about the FSC.

Mr FINCH - I am just looking at the big picture of this FSC. The future of SST resonates so strongly with the taxpayers. It seems that demand is growing in the markets you talked about, but is there that demand for FSC to be applied to the timber they might require in the future?

Mr BARNETT - The Tasmania brand is important. Having high-quality product is important, but there are different types of certification. FSC is a very important certification process. As the STT officers at the table will confirm, there is a whole range of certifications under the Australian Standards. There are international standards. Forest Stewardship Council certification is a key one of those. This is an objective it has, which the Government supports.

Mr de FÉGELY - There has probably been a big divergence between FSC and the Programme for the Endorsement of Forest Certification system, of which AFS is part of. There are two global forest certification systems.

CHAIR - We have learnt a lot about that over the years.

Mr de FÉGELY - The PEFC is a program for endorsement of forest certification, which was essentially an industry-developed system. The Forest Stewardship Council was developed from the World Wildlife Fund. In the early 1990s, certification started to become a reality. Of the high-value markets I talked about before, two in particular have very strong connections to FSC: Japan and Germany. China is somewhat indifferent - it doesn't push FSC. A number of these markets are now saying, 'If you've got AFS or FSC...' They are ambivalent.

As a process of evolution of certification, the markets have become much more aligned, not necessarily dogmatic in relation to one or the other. Japan is still quite strong towards FSC. Our view is that we would dearly like to have both. We are working very hard to do that. We believe we are capable of achieving certification under both systems. It is a double up but it appeals to certain sectors of the market. We want to be able to sell our product in as wide a market as possible, so having to access to all markets and having both certification systems is good discipline for our forest management. We are hopeful we will get there. We will know more next year when the new standard is out and how we will stand up for that.

Mr FINCH - With the hoops Forestry Tasmania, and now STT, has had to go through, how much further do we have to go to prove this so we are clear that we have the certification we need and we can compete in the markets requiring the high-quality wood?

Mr BARNETT - We are already competing and competing well in those markets. We will continue to do so with or without FSC. It takes you to a new market once FSC is achieved in due course. It provides more options. There is a range of independent objectives, AFS and PEFC in

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particular. Sustainable Timber Tasmania is already certified. It has a range of certifications, which assists it in marketing its products. This adds new opportunities but it does take time. There is a lot of effort and a lot of internal work done by the officers of STT. It costs to do that and that is an ongoing effort which remains in place.

Mr FINCH - Have you been able to put a timeline on when we might have that signed off and complying with the requirements?

Mr BARNETT - They put in a huge amount of effort. The audit report in March 2016 was the first major one. Major effort was put in. They did very well against the 200 separate indicators at that time. The auditors identified nine key issues where further action was required. That work has been ongoing and we can respond to that in further detail if required.

The advice I have received is that they would be seeking an audit in the first half of 2018.

Mr DEAN - You or the chairman said that there was a cost in relation to FSC. What has been the cost to date? What is the likely cost going to be to achieve full FSC requirement? Obviously there is an ongoing cost to the industry in maintaining it. Are any countries currently declining our product because we do not have FSC in place at present?

CHAIR - We are all sitting down so we are ready for the cost.

Mr BARNETT - We appreciate the question.

There is a range of questions there and certainly FT received funding of \$1.5 million towards the cost of achieving FSC in 2013-14; \$1.2 million in that financial year and then \$300 000 in 2014-15 to assist with that. That funding was provided by the state Government as part of the TFA agreement. STT has continued to meet the additional costs as part of its internal budget since that time. That is the past years. Since then STT has been absorbing those costs going forward and, that is something we will continue to monitor very carefully.

In terms of the FSC and the various markets, it depends on the time of year. It goes up and down. It depends on market forces. The CEO might wish to add to that in terms of a high level response.

Mr DEAN - And other businesses that will purchase once we have achieved FSC?

Mr WHITELEY - A lot of the costs were upfront costs. We had to get a lot of external advice. That was not part of our skill set at that time. We looked to get various experts in.

As indicated by the minister, when we had the first audit around 90 per cent of the criteria set were met. We succeeded in doing that. There were a number of identified areas we needed to do further work on. That is effectively being done internally, so not a high additional marginal cost. The ongoing costs are really around when the auditors come in periodically. Normally what will happen - and it happens now under our current certification - is what are called 'surveillance audits'. The auditors come back in, in the case of our current certification, each nine months. They want to look at seasonal things and look around the state to make sure they have a good view.

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There is an ongoing cost in the third party audit process. The rest of it is really our own forest management system so that is embedded in part of the way we run our costs.

In terms of the question: are we limited in market? That is a third party question for us. Within the Australian market, I would say no. Selling within the Australian market broadly as long as the wood is certified rather than a particular certification that broadly meets the market.

As the chairman mentioned previously, there are some customers in Japan that our customers would need to deal with but a lot of our demand is coming from China at the moment. That tends to be either one or the other of the certification schemes that meets their needs at present.

A lot of what we have seen in the market over time is when there is more supply than demand our customers get more picky in doing things. When the demand is high, as long as it meets a standard, sometimes we see that even some of the customers fall away from requiring certification at that stage. It is all about markets and our customers. As the chairman said, part of the benefit we want to offer is that if we have dual certification, it breaks down any of those real or perceived barriers, particularly to our customers and their ability to market and generate value.

CHAIR - Do the Japanese still pay a premium? They have always paid over and above what anyone else have paid. Do they still do that if you meet their requirements?

Mr BARNETT - That is a good question. I don't know the exact answer to that. Premium is paid for certain products depending on the market. Sustainable Timber Tasmania being a GBE, it is really its customers that are best able to answer that question, and they are the sawmillers in the state and those who are selling into the international market. As the chairman knows, China is on the march and very much growing its demand.

CHAIR - I need to talk to my friend Scott Arnold at ARTEC then and find out what is happening in the Japanese market - is that right? Probably.

Mr WILLIE - Can you please explain the status of transport subsidy?

Mr BARNETT - Which transport subsidy are you talking about?

Mr WILLIE - The residue transport to the north.

Mr BARNETT - On the southern residues?

Mr WILLIE - Yes.

Mr BARNETT - Yes, I am happy to do that. The southern residues subsidy came about because of the Triabunna trashing and killing off that opportunity to export product out of the Triabunna port under the previous government, sadly.

Mr WILLIE - That is not entirely true. We didn't trash the Triabunna mill.

Mr BARNETT - If you have asked the question, I will attempt to answer the question.

The Government's priority is to clean up the mess that we have and to help rebuild the forest industry. That is our objective and we have certainly have gone a huge way towards doing that.

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You can see confidence is back in the industry, you can see jobs have increased, exports are up, production is up, income is up. We are very pleased, but there is still a long way to go. Specifically, the southern residues and that transport subsidy concluded on 30 June this past 12 months, 2017.

I made a public statement on 1 September to say there would be transitional grants for those sawmillers who were relevant. A total of \$620 000 will be made available to three sawmills to assist them to develop new uses or markets for their sawmill residues, which will ultimately put an end to the need for ongoing government assistance.

This is in the context of the success of the Wood and Fibre Processing Innovation Program, a government program to offer similar grants to various sawmills - and not just sawmills, also other businesses - to encourage wood and wood fibre innovation. That was over \$1 million - \$1.25 million - that delivered a \$7-million return to the state on those investments. That is where we are up to.

Mr FINCH - We had mention yesterday in some of our briefings about Bruny Island and the resource there and also the threat to endangered species. Could you give us some knowledge of the circumstances with the resource on Bruny Island as of now?

Mr BARNETT - Yes, I can, and thanks for the question, a very important question, particularly to the people of Bruny Island and also the swift parrot.

My predecessor Paul Harriss announced a moratorium would be put in place on harvesting of timber on Bruny Island. That moratorium was announced under his stewardship and continues to be in place while they are doing research and work with - I think - the University of Canberra, looking at measures that can be put in place to protect the swift parrot. Sugar gliders are an issue. That moratorium is in place on Bruny Island. There are those on Bruny Island who would like to restart forestry operations, but we can't allow that. The Forest Practices Authority is in place giving independent, objective assessment and the Government takes its advice. It is an independent, objective arbiter, so we've taken that advice. We need to ensure the swift parrot and any endangered or critically endangered species are protected - that's our objective. We are working with the Commonwealth to achieve that. Further work and research is being undertaken that hasn't been completed. When it is, we will review that report and its recommendations in terms of what we can do to continue to support and protect any endangered species and also support a sustainable future for our forest industry.

Mr FINCH - Any suggestions, minister, as to when that moratorium might be lifted because the research has been completed and the knowledge is there of how to deal with the swift parrot?

Mr BARNETT - No, unfortunately, there is no indication as to any possible time. What is important is the protection of those endangered species and that work is critically important to that. That work is ongoing. The federal and state governments are working cooperatively. STT is aware of this, as are others. This is a very important body of work and I have no time frame at this stage, but it could take a good deal of time.

Mr FINCH - You suggest that people there would like to see harvesting recommence. Do you have people there who don't want to see the harvesting recommence?

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Mr BARNETT - Yes, there would be a range of views. I've been over there and I've met with the relevant community group and other people on Bruny Island. It is an important part and a beautiful part of Tasmania. You have a difference of opinions that are expressed from time to time. I take that on board to get that feedback, but I've outlined the position - it is very clear: the moratorium is in place and it will remain until further notice.

Mr FINCH - You are still positive and determined about the fact that harvesting will return to Bruny Island?

Mr BARNETT - No, I'm not positive about that at this stage because of the work that has to be done. I have to say that the work has to be done. There is a moratorium in place. I would expect it to continue until that further work is done and completed, and we have to then review that work and look at its recommendations. At this stage, that might take a good deal of time, because the federal and state governments need to make a lot of assessments and consider the pros and the cons. It is a difficult situation to be in. That is where we are at.

CHAIR - Minister, you talked about the swift parrot and its habitat. I want to talk a little bit about tourism operations and particularly another species in the north-east called mountain bike riders. They have become very prevalent, I can assure you. You talked about having conversations with communities about their expectations of forest harvesting or harvesting of particular areas. I can cite the Derby environment because I know it so well, but I'm sure there are other areas in the state that also need a bit of ring-fencing about potential tourism operations that are coming on and are important to small communities.

I am particularly interested in what conversations or how you are going to have those conversations with communities. Most of them don't want to see a no-go zone completely, but they also want some flexibility around where the harvesting takes place to protect those tourism operations. Can you tell me how that is progressing or if it is at all?

Mr BARNETT - I can, it's an excellent question, and Madam Chair, you are the one -

CHAIR - You are probably a mountain bike rider yourself.

Mr BARNETT - You have mentioned the word 'bike' so I have to respond accordingly. Of course, you are totally all over Blue Derby; it is part of your patch, and I know you are proud of Blue Derby and that part of the world and forestry as well.

CHAIR - I have got a big patch, minister. I am proud of it all.

Mr BARNETT - It seems that it might have grown a little bit bigger more recently. First of all, Sustainable Timber Tasmania, formerly Forestry Tasmania, is a key supporter of the Blue Derby. It was a sponsor of the world Enduro mountain bike competition. That is fantastic, but for the work and support of formerly Forestry Tasmania, now STT, the full extent and the ability to maximise the benefits of Blue Derby could not be achieved.

We are delighted that STT has worked hand in glove with the tourism industry, the local community and the local council. Both mayors, Mick Tucker and also the Dorset mayor, are very supportive of forestry and STT and the work it has done. I have been up there, consulted with the local community, met with the local mayors and the councils, and we are all at one in the support and benefits of the Blue Derby to the local community, and thankful for Forestry and the work it

has done to help make it happen. In fact, some of the Blue Derby track goes through land owned by Sustainable Timber Tasmania.

CHAIR - That had been harvested in the past.

Mr BARNETT - We are talking about production land that has been harvested, and some of the other land that Forestry has as well. That is the first point. You then asked how it works together. There is a heads of agreement and understanding between the tourism industry and the forestry industry. That was renegotiated and re-announced just some months ago.

I thank both industries for working together so that wherever there is a major tourist attraction, perhaps in a forestry area, they will get a mutually agreeable outcome. It confirms the Government's policy that productive industry - in this case forestry - can work together with tourism. They can go together.

Sadly, there is one political party that disagrees with that and says that they can't go together. We believe that they can go together and they do go together. There have been countless examples of where they work together. The Blue Derby is an excellent example of that. Going forward, we are very confident that industry can work with tourism to get mutually agreeable outcomes.

CHAIR - There will be harvesting in and around some of those areas in the future, but under a mutually agreed protocol agreement with the community and the industry. Is that what I am getting from your answer?

Mr BARNETT - There is an agreement in place between the Tourism Industry Council Tasmania and the various forest industry stakeholders. They work closely with Sustainable Timber Tasmania; I might ask Steve to comment on this in a minute. It is really good. It is positive that they work together, and as a government we want them to. This is part of our policy. They work together and they can produce jobs, growth and development. I will give you an example: Maydena Bike Park is another one. I am very supportive of it. It is in my patch, as you know, up in the Derwent Valley. I have been up there and worked with Simon French. This is going to be terrific for Tasmania. We want Tasmania to be a biking Mecca. It is already heading that way. As you know, I love my road bike and I was there on opening day on the Blue Derby on my mountain bike. It was exhilarating. I only came off two times and I didn't break any bones. It was great fun. I encourage young people and others as well to really enjoy it and get out there. It is one of Tasmania's strengths. We want to use it for our benefit, to benefit and grow jobs, for sustainable development, tourism and our beautiful wild parts of Tasmania. Perhaps would the CEO respond a bit further on those arrangements?

Mr WHITELEY - I am happy to just - are you happy with that?

CHAIR - I was just particularly interested in how those communications were going to take place because if we are going to have a sustainable timber industry and we have a sustainable tourism industry, there has to be an ability to work together to get outcomes that suit everybody. It will not suit everybody but most people. That is probably the thing.

As an aside, I know why some of the sale of Forestry Tasmania's plantations went into the Health department. Every time I go to the hotels there is someone there with a broken arm who

has come off their mountain bike. A guy came from Sydney last week. He was in the Branhholm pub, he'd been on his bike for only an hour and he had a broken arm.

Mr BARNETT - Sorry to hear that.

CHAIR - I think it's just the nature of mountain biking.

Mr Dean, I know you want to head to specialty species timber. It's something this committee and the Legislative Council has an interest in because we know its value for Tasmania.

Mr DEAN - It is an ongoing concern and I want to ask a couple of questions. In the second reading speech in the upper House on the 2014 forestry bill, the Government made a commitment to the special timber sector that Forestry Tasmania would provide the sector with 500 cubic metres per annum of each of the non-blackwood species timber for three years following enactment of that legislation. That has not occurred. We have heard that as a result businesses are struggling to obtain timber and prices have clearly skyrocketed. It is hurting the ST sector. Can the Government provide an explanation for why these volumes have not been supplied?

Also, Forestry Tasmania's 2016 resource assessment of the PTPZ land showed that outside coupe areas more than 1 million cubic metres of special timber sawlog were identified. Can Sustainable Timber Tasmania explain to why special timber demand is not being met given this significant resource in the PTPZ? Is the reluctance to harvest special timbers in these areas a restriction imposed by Forestry Tasmania's bid for FSC certification, or are they simply choosing not to harvest in these areas? It is a real concern for the specialty timbers sector. It is magic timber and the products we get from it - we are sitting at one of them today. What is happening in this area?

Mr BARNETT - I totally agree that specialty timbers is an iconic part of the Tasmanian timber industry. It is part of the Tasmanian brand and that is why we are so proud of it and support it. This table, as you have indicated, and the other committee room tables - I am so pleased this has been able to occur - has come from under the water at Lake Pieman and produced such fine timber in the table before us. There is also boat building, fine crafts, timber crafts and a whole range across the board. They are sought after and are becoming more sought after around Australia and the world.

We are so proud of it we worked with the industry to put in place a special timber management plan. That went out for public consultation and feedback, and has been promulgated and is now in place. Under that management plan, there is a whole lot of rigmarole because it is based on the previous government's current arrangements for accessing specialty timber. Under our bill we wanted to make it easier to streamline the process, remove the red tape and make it very easy to access specialty timber. That was not successful, but nevertheless the special species management plan is in place. For further detail on the requirements and work with STT, I will pass to the CEO.

Mr WHITELEY - Is there any specific question, Mr Dean?

Mr DEAN - The 500 cubic metres per annum that was promised and was said would occur of non-blackwood special timbers has not been met. Specialty timber operators are currently

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struggling to get the stock they need and it is affecting their businesses. Why are these volumes not being supplied, as was required?

Mr BARNETT - I don't have the actual quote for you from the *Hansard*, but whether that related to the bill passing - if the bill had passed, you would have the access to the wood bank.

Mr DEAN - This was the second reading speech of the 2014 forestry bill where it said that would occur.

Mr BARNETT - We will just check that.

Mr WHITELEY - We have been working with the industry. Over the last couple of years we have refreshed our contracts with our special timbers customers. That is the entity we deal with. We are well aware within the supply chain. We consult with other people as well, including the end users, whether they are craftspeople, guitar makers or boat builders. A huge community relies on timber to underpin their businesses and their brand. We are well aware of that.

The people we deal with are the people who purchase logs from us. We do that in two ways. One is via contracts with a couple of major businesses in the north-west. We also have the ability to distribute our island specialty timbers in the south. We have had some discussion around this. As the minister mentioned, some recent work has been done on a special timbers management plan. I think that will be part of the instrument that will help us move forward.

There are some gaps in the supply chain. You are quite correct; a number of people are frustrated in that they are not able access particular timbers. In our role, our part of the supply chain is the people who want to buy logs from us.

To the extent that there is other land, which had been picked as being uncertain while we are going through the consultation process around preparation for the special timbers management plan, we do have some land. There is an indication within the plan that there are substantial special timber resources that can be made available over a very long period - timbers that are valued. We now need to set up the supply chain that enables the end customers, which I think you are referring to.

As far as our customers go, they would wish to continue to get access to reliable volumes of special timbers. In some cases they will need to have more to do with engaging contractors, beyond the contractors we engage. This is part of the Government's forest policy in opening up access to private sector more fully to be engaged in the supply chain. We need to make that practical so that it can end up at a point where it is working towards satisfying the needs you correctly identified.

Mr DEAN - Minister, in relation to the 500 cubic metres of specialty timbers, other than blackwood, it has been said that currently in log form that amount is not being provided to the timber millers. What can we say to the specialty timber users who require this product for their businesses? How can they be confident they will be able to get the timber they need to continue their businesses?

Mr BARNETT - Excellent question, thank you very much. We can tell them that the lockups under the previous Labor-Greens government was biggest stuff up facing the forest

industry in the past and going forward. It has caused no end of pain for specialty timber and our forest industry generally.

Mr DEAN - That is not going to help the special timber workers now, minister. How can they be confident they are going to get the product they need to continue their businesses?

CHAIR - The Parliament passed that.

Mr BARNETT - They were very pleased to support further access to the wood bank. They supported that legislation. I am delighted they did because they know they would get access to more wood. The wood bank gives access to more wood. Wood is good, sustainable, renewable and recyclable. The stuff-ups, in terms of the lockups, caused no end of pain, with two out of three jobs lost. It was a disaster. We have been cleaning up the mess. We have rebuilt the industry and continue to rebuild it. It is an ongoing work.

On your question, we have a special species management plan in place. That took a lot of time and effort, working with the special species sector, Andrew Denman, in particular. He is on the ministerial advisory council. I appreciate his advice and his feedback. I am very thankful for it. The ministerial advisory council has given advice to this Government; we have responded to it and accepted the advice. The ministerial advisory council provided a growth strategy for the industry. We have accepted that, we want to grow it. This is a key part of our future. We want to grow the industry.

The previous government and the Opposition, sadly, in Tasmania, wanted to and want to contract the industry.

Mr DEAN - Andrew Denman is an expert in this area. Sustainable Timber could do a lot better by using his expertise, in my opinion. Can the special timber workers be satisfied that they will get access to the timbers that the government of the day said they would get in 2014, that 500 cubic metres of timber other than the blackwood species? That they will get access to that moving forward? Will Sustainable Timber Tasmania be able to provide that quantity?

Mr BARNETT - Thank you for the question. They can be confident that this Government supports a forest industry and supports the specialty timber sector in particular.

Mr DEAN - Minister, that is not the question. The question is: can they be confident they will get the quantity the Government has said they will get moving forward? That is the question.

Mr BARNETT - As the CEO and I have outlined, there is no better supporter of the special species timber industry. I know Andrew Denman; I know the sector. He knows that I am working like a Trojan to rebuild the industry and to provide resource for his sector. What we do know is that there will be more lockups under any Labor-Greens government. They have another claim on an extra 10 per cent of Tasmania.

Mr DEAN - They can be confident they will get this quantity moving forward? Yes or no.

CHAIR - We are going to stick to the question, minister.

Mr BARNETT - They can be confident that I am confident to continue to work with them. The CEO has already responded. We will work like Trojans to rebuild the forest industry. Others

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in this Parliament on the other side of the political fence want to do everything they can to kill it off.

CHAIR - Minister, the honourable member asked a non-political question. I would like you to respond with a non-political answer.

Mr FINCH - Unfortunately, minister, you have gone down the blame game track when in fact, in 2014, it was your Government that committed that supply of 500 cubic metres of non-blackwood special timbers. You made the decision when you are in government, yet you are blaming the previous government for stuff-ups and you are supposed to correct the stuff-ups. I am doing my best to look to the future of STT. You seem to want to go back to the blame game.

CHAIR - Let us have a question.

Mr FINCH - What volume has been supplied each year since 2014 of non-blackwood timber to the industry?

Mr BARNETT - The first part of your question related to what we have done to provide that resource. Let me outline what we have done. We have used every opportunity available to rebuild the industry. We introduced legislation to open up more wood to become available to not just the speciality timber sector, but also to industry across the board, and it has been blocked by our political opponents. That is what has been done.

Mr WILLIE - It was not supported by the industry.

Mr BARNETT - You asked me what has been done. Do not try to tell me we are being political for looking back. The fact is that is factual. Two out of three jobs were lost, massive lockups across Tasmania and there is another claim for 10 per cent of Tasmania. You are sitting around as though there is no big deal. It is a big deal for Tasmania. I am very strong on making that point. I will not be badgered by anybody for standing up for the industry to try to get more wood, whether it is specialty timber or the forest industry across the board. I will not take a backward step. This is for the future of our industry. This Government has done more for the industry than the previous government. It killed off the industry - two out of three jobs lost - so I will not be badgered. I am happy to answer that question.

Mr FINCH - Would you mind going to the question?

CHAIR - Order.

Mr BARNETT - I was answering that question. Do not have a go at me for trying to stand up for the forest industry. I will not take it. I will ask the CEO to respond to the specific part of the second question.

CHAIR - We need some figures and we need to focus on the answer to the questions.

Mr WHITELEY - In terms of your question, I have a table of numbers. We are able to provide that to you.

Mr FINCH - The actual volume supplied each year since 2014?

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Mr WHITELEY - As I said, it is sitting right here. I am happy to provide that information to you.

CHAIR - Thank you. I am happy to take that. We will provide that information to the committee. You can provide it to our Secretary, Natasha Exel.

I am interested in what is left with the resource for hydro wood. Is that almost exhausted?

Mr BARNETT - No, it is not almost exhausted. I had the privilege of visiting and touring Hydrowood on Lake Pieman not long ago. It is a terrific opportunity for Tasmania. They are very innovative and doing a lot of work. They advised me during that tour so it may not be the totally up to date, but the latest advice is that they will continue. They have enough resources to continue for a long time. They obtain wood in Lake Pieman not just specialty timbers as Huon, and blackwood, but also eucalypt.

We all think eucalypt and Tassie oak is plenty, but once it has been soaked for years in Lake Pieman, then harvested, they are obtaining significant premium in Melbourne and in other parts of the mainland. I congratulate them for their work. The work is ongoing and they have a plan to continue.

I congratulate them on receiving a number of national awards, in terms of innovation and creativity.

CHAIR - My understanding is the Government has funded, through a part of its CSO funding, the identification, management and harvesting of special species timber and the management of the Huon pine log stockpile. Is that going to continue? Is Government going to continue to provide subsidies through the CSO or will Sustainable Timber Tasmania do this off its own bat?

Mr BARNETT - The CSO is a very important part of government policy and we have supported this in the last budget for \$12 million. That covers areas where there are public benefit and support, whether roads or other support for recreational roads going through tourism or recreation areas, but there are a number parts to that.

CHAIR - A sum of \$930 000 in the 2016-17 Budget was particularly allocated to identifying, managing and harvesting special species timber. Is that going to be continued by Government or will Sustainable Timber Tasmania undertake that work in regard to special species areas?

Mr BARNETT - Yes, I might ask the CEO to respond on the specificity of that.

CHAIR - I am sure he is hoping the Government is still going to fund that.

Mr WHITELEY - It is rolled into the \$12-million CSO payment. To be clear about what that money is for, much of it is spent on Huon pine. Huon pine is a salvage operation. From time to time there are floods down the river and we need to spend money accumulating wood washed into Macquarie Harbour, and also to assist in picking up wood from the Teepookana Plateau.

The remainder of the special timbers funds is to maintain the land base. An extensive area is picked up in the special timbers management plan that requires protecting and managing. The money is not used to subsidise production. The Government has been very clear that our wood

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protection division needs to be commercial and that is universal across all the products. When it comes to planning and operating any of our harvests, the Government has been very clear that the activity is not subsidised.

CHAIR - My information is that the Lake Gordon Huon pine stockpile is nearly exhausted. Is that not correct?

Mr WHITELEY - We replenish stockpiles from time to time. There was a finite amount of Huon pine accumulated in Lake Gordon and that has been transferred to Queenstown. We stockpile Huon pine from salvage sources at Queenstown and Strahan. That has been progressively used by the industry. We look opportunistically to top that up out of Macquarie Harbour. We are no longer accessing the lakes. Hydrowood is running a commercial business around this. A combination of our activities in salvaging wood from the harbour, potentially along with the activities of a commercial private operator around the lakes, will contribute to the available supply of Huon pine.

CHAIR - Given the extensive work that formerly Forestry Tasmania, now Sustainable Timber Tasmania, does in regard to roads, firefighting and other areas, is the \$12-million subsidy enough to cover the work of Sustainable Timber Tasmania in the future, given we are looking to have this business on a sustainable footing? Will some of those obligations pull it down?

Mr BARNETT - It is a really good question, and I thank you for it.

CHAIR - They are all good questions.

Mr BARNETT - Yes, they are all fair in love and war. The CSO funding is very important. With careful thought we made that decision in the budget. It covers the roads for public and firefighting access; agreed sites for public recreation; identifying, managing and harvesting special species timber; the agreed forest education activities provides agreed non-commercial tourism activities and facilitates forest research activities at the Warra Long-Term Ecological Research site. I have visited this amazing site. There is a lot of important community obligations fulfilled by STT in the past and into the future. We have thought about it carefully and will keep it under close management and monitoring to ensure those obligations consistent with supporting the public are covered by the taxpayer as they should be.

CHAIR - What is being done with the key component of research and development in the industry? Obviously there has been a big focus in the transition from one organisation to another and then significant and continued focus, on gaining FSC certification, so has the R&D focus dropped off?

Mr BARNETT - I have mentioned the Warra research facility in the south of the state in the Huon. The good work it does supports not just the industry in Tasmania, but at a national level. Secondly - and I am so pleased you asked this question, it highlights the fact our Government is right behind the importance -

CHAIR - I read a previous *Hansard* from two years ago.

Mr BARNETT - Excellent research. It is an important part of our future in forestry and across the board. The state Government has agreed with the federal government, funding \$2 million each, together with industry support for the National Institute of Forest Products

Innovation. I want to commend and thank Senator Anne Ruston, my federal counterpart. I have been closely working with her, together with the chair on my left who is also co-chair of the Forest Industry Advisory Council at the national level, supporting one of the three hubs for Australia. This will be based in Launceston and there will be an announcement in the very near future about an establishment at the University of Tasmania. There will be a board or committee overseeing this national institute of key forestry representatives. An announcement will be made soon about the opening of that facility. That institute will look at the research regarding hardwood product innovation. The other hub in South Australia is looking at softwood. They will use those funds to research appropriate projects, to look at where we are going, future opportunities and how we can be more innovative.

Through our growth strategy, the Government has already invested funds in the Wood and Fibre Processing Innovation Program of \$1.25 million, delivering a \$7-million return to the state and ongoing benefits. Once that innovation kicks in, the benefits will flow through. This is consistent with our Government's policy to double the value of wood and fibre by 2036. That is our target and we can do it. I am very confident because we have initiatives, are working cooperatively with the federal government and a national institute of forest product innovation will soon be announced and operating in Launceston. We have been working hard on this for the last 12 months and it does not just happen. Research and innovation is definitely the way to go and having it in Tasmania - as the chairman says, we grow trees very well in Tasmania. It is one of our great strengths. We can be proud of forestry and I am proud of the industry.

CHAIR - We gathered that, minister.

Mr DEAN - The partners in that are Sustainable Timber Tasmania, the university and the Commonwealth government?

Mr BARNETT - It is funded by the state and the federal governments - \$2 million each - with matching funds from industry into the future depending on the projects that kick in.

I cannot name the board representatives at the moment; they will be announced in the very near future. They are all very well qualified, good people. STT will have an interest as a stakeholder in Tasmania, as will all major forestry stakeholders. The whole community should have an interest because in Tasmania we have a forest industry we can be proud of.

This is not a state hub, it is a national hub looking at hardwood and how to innovate in that space.

Mr DEAN - What premises will it operate from and will there be more staff? What are you going to do in that regard?

Mr BARNETT - Yes, there will be a very small staff because most of the funds will be used for research. It will be based at the University of Tasmania at Launceston, which is the 'capital of the north', as you call it, Mr Dean.

Mr DEAN - Yes, it is so.

Mr BARNETT - We would agree on that. We are proud of the fact that we have nailed it for Tasmania. We have had to make that claim - we have been successful with our federal colleagues. It could have gone somewhere else and Tasmania has it.

We have worked cooperatively with our federal colleagues and Senator Anne Ruston has been a real leader in this, working with Rob de Fégely and others to make a difference to support a sustainable forest industry.

Mr DEAN - Excellent, thank you.

Mr WILLIE - Minister, you said that the transport subsidies have ceased and that there are \$620 000-worth of grants going to three sawmillers. Will there be any grants in the future?

Mr BARNETT - We have a mutually agreed outcome with those three sawmillers on the grants announced on 1 September. We will work with them. They have worked with us and the Government. This is a government initiative. We look forward to continuing to work with them and other key stakeholders in the industry to ensure growth, development and jobs.

Mr WILLIE - If I could move to Mr James Neville-Smith's proposal, what involvement has Sustainable Timber Tasmania had working with Mr Neville-Smith and is that proposal for plantations only?

Mr BARNETT - I think most of the answers are on the public record, but I am more than happy to respond. Mr Neville-Smith made a public announcement in which he confirmed, based on his advice, his plans for plantation timber in Tasmania.

We welcome his announcement. We welcome the private sector getting out and having a go. James Neville-Smith has a facility at Southwood in the Huon and he sees this as a real opportunity. We congratulate him for that.

Specifically, regarding STT, emphasising Sustainable Timber Tasmania, yes, there has been, only to the extent of the lease of certain property in and around Strathblane. I understand that is in place or there is an agreement to lease, but I will let the CEO respond accordingly.

Mr WHITELEY - There are effectively three areas in the proposal. The proposal is entirely the company's proposal; however, the interface with Sustainable Timber Tasmania is a lease for some land where they are looking to accumulate woodchips prior to ship loading, and the use of forestry roads. They have proposed the use of the roads between the Southwood site and their facility. They also propose to do their woodchipping at the Newood site.

Mr WILLIE - Do any of those forestry roads cross public roads?

Mr WHITELEY - The Southwood areas are inland and there would need to be at least one point where it would cross a public road, I believe. I haven't studied that in detail but from what I understand, the layout of that area is that there would be one point at which it would cross the public road.

Mr WILLIE - Minister, what is the solution for native timber residue in the future if this proposal is only based around plantation?

Mr BARNETT - Based on the mess created in the past, as I had mentioned about Triabunna -

Mr WILLIE - No, I am asking what your plans are.

Mr BARNETT - Yes, that is right. We are cleaning up the mess that has been created.

Mr WILLIE - No, I am asking what your plans are. We don't need to go back into that.

Mr BARNETT - You don't like talking about facts in the past where your previous government had so much to do with killing off the industry, decimating it.

Mr WILLIE - That's not true.

Mr BARNETT - Since we have been in Government for three-and-a-half-plus years, we have helped rebuild the industry, cleaned up the mess and regrown it. I congratulate my predecessor, Paul Harriss, for his leadership because he did a terrific job in helping to rebuild the industry and put it onto the right footing, and a former member of the Legislative Council, one of the reasons I mention that.

We will continue to rebuild the industry. We have a growth strategy which I referred to earlier. There is \$4 million in the budget to support the initiatives brought to us by the industry, all sectors of the industry, through the ministerial advisory council and I thank them again for their work. We will continue to put in place initiatives that will help regrow the industry.

Mr WILLIE - Such as native residue.

Mr BARNETT - We are putting in place a range of initiatives. One of those was the Wood and Fibre Processing Innovation Program, \$1.25 million, delivering a \$7-million return and those returns are continuing. That included the Huon, the Derwent Valley, across the east coast and around the state. We are very pleased with those initiatives. They will continue and we look forward to supporting them. We have put in place grants for those in terms of the southern residues, as I indicated with the announcement on 1 September.

Overall, we are doing what we can to stop more lockups. There is another claim for 10 per cent of Tasmania and if that came to be, that would put enormous pressure on the industry and probably make it fold altogether if that were to come true. That can only come true under a new Labor-Greens government.

Mr WILLIE - You are actually holding the upper House in contempt because there are independent members there who voted in a similar manner to the Labor Party and it is okay to talk about -

Mr DEAN - That's the influence of the Labor Party.

Mr WILLIE - It is not. Independent members would probably take umbrage at that, Mr Dean.

CHAIR - Order. We don't reflect on the vote of the House. It was a vote in the Parliament. I am going to move on from that.

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Mr WILLIE - Minister, if you are fortunate enough to win government again, you are going to have to work with the upper House. I think a change in attitude is needed if you are going to progress any of your plans.

CHAIR - The question is?

Mr WILLIE - He has answered my question. I was only responding to some of his comments.

CHAIR - I know you were. I am here to facilitate questions. Are there any more questions?

Mr WILLIE - I have some others on a different topic.

Mr FINCH - I have been going over a report in the *Mercury* about Tasmania's top chiefs raking in \$5.4 million. Bonus payments were given, compared to the previous year's \$400 000. It seems those chief executives are getting top salaries in 14 GBEs and state-owned businesses, a total package of \$5.4 million in 2017, compared to the previous year's \$5 million.

Do you have a review, and how does it work internally with your board, your CEO and your executives with the salaries you pay?

Mr BARNETT - The first point is the analysis you have provided. If you compare it to the last term of the previous government, you will see they are less. Second, the Government has guidelines in place. We support those guidelines and believe they should remain in place. Third, the appointment and the salaries of the executive is a matter for the board. It is very important that they get the balance right. With respect to the board itself, obviously the Government has arrangements in place, like previous governments, where they pay for a chair and the directors. They should be consistent with previous government policy on this matter in terms of board members and chairs.

I to congratulate Jacquie Petrusma in terms of gender diversity on our boards and committees with the growth progress in that regard. The Premier has been very strong on gender diversity well on boards and committees.

Mr FINCH - Of course, three women on STT.

Mr BARNETT -. Correct. We are pleased about the gender diversity there. We have got a good balance. As I say, Mr de Fégely has only been in the role - how long is it now?

Mr de FÉGELY - A bit over 12 months.

Mr BARNETT - Yes, a bit over 12 months.

Mr de FÉGELY - June last year.

CHAIR - It probably feels a lot longer.

Mr BARNETT - He has done a huge amount of work in terms of contribution to our forest industry. I take my hat off to him. I thank him for his work and the work of the board. I thank the executive members and all members of STT for their hard work, particularly over the

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challenging times of the past 12 months. It has not been easy. We have had a restructure; there has been a transition. We have paid off the debt; we have paid off the transitional costs, and we are doing everything we can to put them on a sustainable footing.

Mr FINCH - I mentioned \$5.4 million in 2017 compared to \$5 million the previous year under your Government. You still referred to the previous government as paying more for those executives. We seem to be bashing the other side, when I was referring to what is happening under the present Government's stewardship when the increase occurred.

CHAIR - Thank you.

Mr FINCH - That was a statement.

CHAIR - It was.

Mr FINCH - The minister might want to comment.

Mr BARNETT - I have noted your statement. I am aware of the *Mercury* newspaper story you referred to.

Mr FINCH - Yes.

Mr BARNETT - Keeping costs down is obviously important; the cost of living and cost of doing business are important. I have referred to STT, the work of the board, and I have referred to the CEO and the work of STT and its service over the last 12 months. I thank them for it.

CHAIR - Can I drill down into some numbers, employee costs?

Mr BARNETT - Yes.

CHAIR - Thank you. Can I have the FTE numbers for Sustainable Timber Tasmania at this time? Also, what is the difference between the previous 12 months and what we have now? I note in the annual report, on page 98, that we have an increase in the employee costs. I know it is not a huge number, but it is a number. I am just interested in what that is attributed to and whether we have fewer employees.

Mr BARNETT - At its peak in 1989, Forestry Tasmania employed 725 staff, but for many years now overall staff numbers at FT have been reducing. In 2016-17 this trend continued, with staff numbers contracting further as the business restructured to Sustainable Timber Tasmania. Reductions associated with redundancies occurred in the 2016-17 financial year and in addition FT had 18 resignations.

On 30 June 2015 the head count was 216 and the FTE equivalent, excluding the Tahune Airwalk staff, was 210. On 30 June 2016 the head count was 183 and the FTE equivalent was 178. Then on 30 June 2017, the head count was 147 and the FTE equivalent was 141. You can see from those numbers that it is consistent with my October ministerial statement. It was a tough year. The restructure occurred consistent with government policy. We have got through to 30 June 2017 and the work is ongoing.

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CHAIR - Why is there an increase in the employee cost, given that the redundancy payments are separated out in the financials? I am not asking about those. We have done those. Why is there an increase? Can I have some idea? We're almost 40 down in personnel. I'm not sure if there was a 2 per cent wage increase.

Mr BARNETT - I will ask Mr Brookwell to provide the details to the question.

Mr BROOKWELL - There are only two influences around that. The minister has described how the numbers have come down, which is correct. The other two things would be that we pay payroll fortnightly and there was a period during 2017 when we had an extra payroll. There is also an underlying wage increase, which was a couple of per cent with the state wages policy.

CHAIR - Two per cent; thank you, I thought that might have been the case. As I said, it is not a significant increase, but we've lost around 40 personnel.

Mr WHITELEY - A lot of the losses occurred in June. The number reported was at 30 June. We paid the employees for the bulk of the year. The other numbers reported were at 30 June. We went through a process from around the end of April through to mid-June when people left us during that period. For the bulk of the year we paid their salary and other costs.

CHAIR - On page 96, in revenue there is a reference to 'the share of net profit/loss after tax of joint ventures accounted for using the equity method'. In 2016 there was a minus figure, but there is no figure in 2017. What does that refer to? I am not a financial expert, but I like to read these reports.

Mr BARNETT - You've done well digging through the annual report for 2016-17 and you have found one line there, which deserves an answer.

CHAIR - And there's no note to it, minister.

Mr BARNETT - That's page 96, if Mr Brookwell has that.

CHAIR - We like notes.

Mr BROOKWELL - Noted. We essentially exited the joint venture called PPT. We had essentially a gain or loss in the prior year, but nothing equivalent for FY17.

CHAIR - Do we have any other joint ventures, minister?

Mr BARNETT - Let me just check with the CFO or the CEO. It depends what you define as a joint venture, of course. There are mutual arrangements they have, agreements -

CHAIR - It used to have one with a company called Rainier and it pains me every time I think about it.

Mr BARNETT - Noted. I will check with Mr Brookwell.

Mr BROOKWELL - PPT was the last joint venture with an organisation. We still have Tasmania Trees Trust and joint equity investments into some of the wood schemes we have. They are quite modest and small now, but those are the only remaining ones.

CHAIR - Are there any joint ventures with private organisations? Do you still have private landowner joint ventures where you've got plantations on private property?

Mr BROOKWELL - That is what we have.

CHAIR - Do you know how many of those you have?

Mr BROOKWELL - There is the overarching scheme which is Tasmania Trees Trust. There is also one called TTF, then there are individuals under those. There haven't been any fresh individual investments under those for a long time. Exit payments have been made to a number of those over the past. Those investments are diminishing, but I don't have the number of individuals that still have an interest today.

CHAIR - I think I might have to declare an interest, minister. I think you've one with my family.

Mr BARNETT - Noted.

Mr DEAN - Minister, the financial statements show that about \$10 000 or thereabouts has been provided to Timber Communities Australia annually. Given that a majority of the Tasmanian members and branches left the organisation, they got a little upset about the signing of the agreement back in that torrid period that we went through.

Mr BARNETT - They certainly did.

Mr DEAN - Does Sustainable Timber still provide funds to TCA? If they are, why and what are we getting from it if that is happening?

Mr BARNETT - There are two parts to that question. The first part is yes, they were very upset and why we supported no lockups and attempted to rebuild the forest industry.

Since then we have signed, the first state in Australia, a regional forest agreement. The TCA was very strongly supportive of and the whole industry supports it, but they were right behind the regional forest agreement. We are the first state in Australia to have signed; it is one of the proudest initiatives I am associated with as minister. The Prime Minister came and signed that with the Premier and myself. Perhaps the CEO or the CFO might add to that answer.

Mr WHITELEY - The notes I have indicate we paid a contribution of \$3000 to Timber Communities Australia. That was in relation to a review conducted. We will not go back over what happened beforehand. The board of Timber Communities sought to re-establish an effective organisation representing community interests. Through a national organisation, various growers and processors were asked to contribute a small amount of pooled funds to see whether that entity could support some further work. We contributed as part of a small component of a national contribution to see whether that group could continue to represent the interests of communities which was its intention.

CHAIR - Minister, it is appropriate, given we are making a comment and asking questions in regard to Timber Communities Australia, for me to place on the record my sincere sympathies to the family of Mr Ken Hall, who sadly passed away on Monday. Ken and his wife Karen have

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been absolute staunch supporters of the Tasmanian forest industry. Ken was a major player through the TFA, supporting his community, our community - my community particularly - and I want to take this opportunity to acknowledge his work and the sadness the north-east and Tasmania feels today.

Mr BARNETT - Chair, I would like to associate myself with your remarks. We are deeply saddened at the loss of Ken and the grief and hurt Karen and the family are now feeling is noted and acknowledged. Our deepest sympathies and condolences go to Karen and the family, and I acknowledge his fantastic leadership - and indeed Karen's - in terms of the north-east and across Tasmania to support the forest industry. I totally agree with every word of your comments.

CHAIR - He will certainly be sadly missed and I appreciate the opportunity to be able to do that. Thank you, minister, and I certainly know the Forestry Tasmania/Sustainable Timber Tasmania family would also share our loss. Thank you, Mr Dean, for the opportunity.

Mr DEAN - I wanted to quickly revisit hydro wood. Is most of that going out of the state, being sold out of the state, and does Sustainable Timber or the Government have any say. It is a specialty timber, a product that belongs to this state whether it be hydro or not? Hydrowood is a GBE. What is the position with the hydro it is now harvesting?

Mr BARNETT - Thank you very much for the question, Mr Dean. Hydrowood is a private business on Hydro water. Lake Pieman is Hydro, so Sustainable Timber Tasmania is obviously a government business enterprise operating here and can answer questions about relevant matters. This is a matter between Hydrowood and Hydro and accessing the timber under the water and I commended them on their innovation and ingenuity. They do the harvesting of the timber, get it onto the side of the lake and do a little bit of work there; then they take it to other places where they do further innovation and cutting, sawing and preparing for the market. A lot of it goes to Melbourne and the Melbourne market; some of it goes to Sydney and I presume some it is available in Tasmania. It is a market-based mechanism and up to them who they sell to. Some is in the Design Centre in Launceston. I was at the opening and able to share a few remarks at the Design Centre. Some is in Parliament House, Tasmania.

Mr DEAN - The litigation with Gunns and KordaMentha is all sorted and behind you? Or are there any other issues outstanding in relation to those points?

Mr BARNETT - Thank you for the question regarding Gunns' legal matters. They did make claims against Sustainable Timber Tasmania. Lawyers responsible and acting for STT and the Gunns liquidator arrived at a mutually agreeable outcome that resolves all claims against STT, by the liquidator has been formalised in a deed of settlement and signed by all parties on 14 September 2016. That is the advice I have received and is some time ago.

CHAIR - Do we have a figure on that settlement or is that another in confidence?

Mr BARNETT - No, we do not. That has been settled and the terms of the settlement are confidential.

CHAIR - I thought that might be the case.

Mr FINCH - We had some concerns about safety in a GBE report with Mr Harriss and Mr Annells. Can you give us a view what is occurring regarding safety for the employees?

Mr BARNETT - Absolutely; I will ask the chair to comment in a minute. It is an important question. It is a top priority for the Government and I am minister responsible for work safety and health safety in the workplace, as building and construction minister.

There has been an overall reduction across Tasmania with injuries in the workplace. I am pleased about those results across the board over the last 10 years.

CHAIR - But?

Mr BARNETT - I am about to say, specifically on STT and safety outcomes, the CEO or the chair might wish to respond in terms of safety arrangements. I know you have referred to this in your opening remarks.

Mr de FÉGELY - I did and I am happy to pass over to the CEO on more operational matters but I wanted to stress the board takes safety very seriously. We start every board meeting with a safety moment, where one of the board members or the general management team gives their view on an issue they believe is pertinent to health and safety. The first of the key reports in all board meeting is always the safety report. It is monitored very closely at a board level. We are a bit disappointed with our result this year, but we had a lot going on compared to the previous year. It is a great improvement overall and we are still tracking well in terms of lost time injuries.

Mr WHITELEY - It is a top priority. An example is our coverage is not just our staff, but also of our contractors. Most of our focus on what we can directly do is with our staff. As an example, one of the key risks identified is the amount of driving our staff do. You think about tree falling and such things, but that is in the area of the contractors. Our staff drive extensively around the state and we have undertaken a refresher program for all our staff with a professional group to have them think, manage and identify risks. A lot flows through the way they behave behind the wheel. If people are thoughtful about the way they approach their driving task, it flows through to a number of other things. We have a number of program to pre-emptively make sure our staff are very thoughtful about safety. It is not simply about putting a vest, steel-capped boots and a hard hat on. That is clearly part of what we do. Really it is getting the between-the-ears bit focused. During the year we did some work and continue to focus on that.

We also ask our staff to provide observations. This isn't after something has happened. People need to look and if they identify an issue or a potential hazard, something that might happen that they've just observed through the course of their work. It's encouraging people to get ahead of the curve. It's not about putting the hard hat on; it is about being mentally prepared to think about safety.

One of the other things we've done is about wellbeing. We're working through all of our staff and we've engaged some professional assistance and health assessments. We're looking at a holistic view of wellbeing and health, not just safety. We've actively had 120 of our staff participate over the last 12 months in one-on-one consultations, with people just focusing on their health. It could be blood pressure, lifestyle, diabetes and hydration - all of those things that matter in making sure we have a safe and healthy workplace.

From a technical point of view, under the Workplace Health and Safety Act, we haven't had any notices from WorkSafe. That is the compliance side. We always hope to be fully compliant.

UNCORRECTED PROOF ISSUE

We believe that a lot of that preparation can be made very early on pre-emptively in working with our staff to go about their work safely and get home safely at the end of each day.

Mr FINCH - Lost time injuries?

Mr de FÉGELY - For last year, 8.7.

Mr WHITELEY - An LTI of 8.7, which was three incidents.

Mr DEAN - The forest has multiple uses and so on and we've touched on the Blue Derby and Maydena and so on. Have the apiary industry's issues been accommodated? They had a number of issues. They have come back to me with a position on it. Has that been satisfied?

Mr BARNETT - We have an ongoing relationship with the Beekeepers Association, apiarists around the state. I've met with them personally. STT, through its various officers, meets with them on a regular basis. We try to do everything we can to support them. They are a very important part of Tasmania, not just forestry, but in agriculture for crop pollination. Through the budget there is a \$30 000 program to support the work of the beekeepers and how they can benefit Tasmania. That project is really important. I have feedback from different parts of the industry from time to time.

Another area where we've tried to help is with bridges following the floods, getting access into these areas. We haven't been able to solve all their problems, but we continue to work with them on a cooperative basis. They are a very important part of Tasmanian agriculture and forestry. The beekeepers and honey are part of the Tasmanian brand and we're proud of that.

Mr DEAN - Do we know how many people are engaged in the timber industry in this state in one way or another? That is, contractors, timber millers, employees.

Mr BARNETT - Based on the most recent report, the *State of the forests Tasmania 2017* report, released a few weeks ago, it is 3600. I have it right here. I will read it to you -

Tasmanian forest industry employment has increased by approximately 1000 full-time equivalent (FTE) employees since November 2013 to over 3600.

A huge amount work went into that report and I have sent a copy to all members of parliament. I hope that's been received and appreciated.

CHAIR - Minister, on behalf of the committee, thank you very much for your time today. We gauge that you are very passionate about your portfolio. We sincerely wish Sustainable Timber Tasmania all the best for the future. We want to see this business succeed - that is an absolute given. To you and your families, all the best for the festive season. We will be back in 2018.

Mr BARNETT - Thank you, Madam Chair. Thank you to the Chairman and officers at the table, and thanks to the committee.

The Committee suspended at 11.25 a.m.