

UNCORRECTED PROOF ISSUE

LC Tuesday 9 September 2014 - Estimates Committee B (Harriss)

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE B

Tuesday 9 September 2014

MEMBERS

Mrs Armitage
Mr Dean
Mr Finch
Mr Hall
Ms Rattray
Mrs Taylor (Chair)
Mr Valentine

IN ATTENDANCE

Hon. Paul Harriss MP, Minister Resources

Ministerial Office

Andrew Lacey, Chief of Staff
James Pirie, Senior Adviser

Kim Evans, Acting Secretary
Bob Rutherford, Deputy Secretary Regulatory and Customer Service
Gary Swain, Deputy Secretary Strategy and Policy
Amanda Russell, General Manager Corporate Services
Emma Reid, Communications Director
Penny Wells, Director, Forest Policy
James Verrier, Assistant Director, Forest Policy
Brett Stewart, Director, Mineral Resources Tasmania
Tom Fisk, Chief Executive Officer Private, Forests Tasmania
Graham Wilkinson, Chief Forest Practices Officer, Forest Practices Authority

The committee met at 9 a.m.

CHAIR (Mrs Taylor) - Good morning everyone. I invite you to make an opening statement, minister. Tell us how you are going to turn around the whole of forestry and resources.

Mr HARRISS - Thank you for the opportunity to provide some context to this area of the Budget. The two outputs, 4.1 and 4.2, on the surface do not appear to be expansive appropriations but nonetheless they facilitate some very important areas of operation in driving investment opportunities and the economy in Tasmania.

The resources sector makes a critical contribution to the state's economy and by definition to jobs, particularly in regional Tasmania. The Government is helping to build a brighter future for both forestry and mining. We are committed to rebuilding forestry after the disastrous attempt by the previous Government, in our view, to shut it down. We are also supporting a renewal of the mining industry and this Budget keeps our promises and lays the foundations for the future. The resources sector is vital to Tasmania's economic future and that is why forestry and mining are a fundamental part of the Department of State Growth, which brings together all the economic levers of government under one roof.

The Department of State Growth was established on 1 July with a mandate to help pursue jobs, growth and opportunities for all Tasmanians. Underlying the structure is bringing together key economic drivers to ensure they are being used in a coordinated and focused way to achieve the best results. In a macro sense, the Department of State Growth will attract investment in order to facilitate the passage of major projects through the approvals processes. It will support business and industry to grow and ensure we are investing strategically in infrastructure for growth and it will work closely with business and industry to address barriers to growth, including red tape and green tape removal. The department has a key role to play in facilitating major projects that drive growth opportunities in the state. That includes projects in our traditional industries. Tasmania's way of life and standard of living has been built on industries such as forestry, agriculture, mining, energy, tourism and manufacturing, and in more recent years, aquaculture.

While also being open to new industries we have to find a way to secure growth and new opportunities in existing industries by increasing productivity and embracing new technology and innovation. We need to send a new message to investors. That is, the era of lock-ups and shut-downs is over. We want to see more activity in mining and forestry, which will always be significant drivers of our economy.

The Budget provides \$1 million over four years to deliver our commitments under our Mining for Tasmania's Future policy. This will include the relocation of Mineral Resources Tasmania to Burnie to enable the state's mining agency to better support the industry in the key areas of the north-west and west coasts. We will consult widely with employees to achieve that. The Mining for Tasmania's Future policy also includes the development of a mineral exploration investment attraction plan to globally promote the great opportunities in Tasmania for mineral exploration and development. This will encourage a sound and healthy future for the industry.

Although not specifically in this portfolio area because it is under the Justice portfolio, it is important to note that we are providing an additional \$100 000 for the Office of the Chief Inspector of Mines to increase the inspectorate numbers from five to six.

I have already touched on the fact that mining as part of the Resources portfolio is a key driver of the economy. It would not be lost on any of you that there are broadly 5 000 Tasmanians employed directly in the mining industry and the industry contributes around 50 per cent of all exports from Tasmania - a very significant contributor to the economy.

Just very quickly on the matter of forestry, we are committed to rebuilding and providing certainty for the forest industry and funding is provided in the Budget for a number of initiatives to drive our growth plans for the forest sector. You would also be aware that this includes funding for the ministerial advisory council which will lead the development of a new industry growth strategy.

We are committed to supporting Forestry Tasmania's bid for FSC accreditation and the Budget continues that support. Again, sitting under the Finance General outputs, but I will mention them because they are specific to the forestry area, we have provided \$2 million to Forestry Tasmania for firefighting for the coming year and the out years.

Ms RATTRAY - Two million dollars, minister?

Mr HARRISS - Yes, \$2 million for firefighting and we can come to the detail about that a little bit later, Tania. There is also \$4 million for non-commercial activities and we will talk about the detail of that.

We are working with Forestry Tasmania to put them on a pathway to sustainability. The Treasurer has provided a letter of comfort to assure Forestry Tasmania's ongoing commercial operations while we conduct a thorough review into the business. I mention that we will be conducting this thorough review into the business because it is important to ensure the ongoing sustainability of Forestry Tasmania, that the review be undertaken and it will be overseen by me and the Treasurer. There will be a steering committee, including representatives from Treasury, Forestry Tasmania, the Department of State Growth and the Department of Premier and Cabinet. The review will be required to produce a clear transition path to a long-term, financially sustainable model for the management and commercial operation of Tasmania's public production forests.

If I could give you a snapshot of the scope that the review will include: the commercial arrangements and constraints underlying Forestry Tasmania's financial performance; then the benefits and costs of Forestry Tasmania pursuing activities outside of its core activities as defined in its ministerial charter; options for the short term to stabilise the financial position; Forestry Tasmania's risk management framework and its capacity to manage and respond to commercial risks will also be considered in that review; Forestry Tasmania's ability to adapt to changes in the market for wood products, as well as the current role of Forestry Tasmania in the Tasmanian forest industry and options for government for the future; and then finally, the options to provide resource security to the current and future native forest industry.

I emphasise that one thing that distinguishes this review from others is that Forestry Tasmania will be part of the review specifically. The Government is committed to ensure the business is sustainable over the longer term. Including Forestry Tasmania in the review vastly different to the most recent exercise where Forestry Tasmania was locked out of the room while the review was done by an external consultant. The Treasurer and I are taking this in a different and appropriate direction in ensuring that Forestry Tasmania is involved.

The detail around that would be more appropriate for Government business scrutiny later in the year but I wanted to alert the committee to the fact that that review will be taking place over the course of this financial year.

We are committed to growing the future of the forest industries and you would also be aware from the Budget papers that there is a commitment of \$500 000 over the next two years to review and extend the existing regional forest agreement. The current agreement is due to expire in 2017 and we want to finalise the review earlier to provide certainty into the future. We are committed to the regional forest agreement process, not only from where it has travelled, but where we go to in the future.

The Budget also keeps our promise on investing \$752 000 over four years in biomass to help explore its potential to deliver both economic growth and environmental benefits for Tasmania. You would be aware that this includes \$552 000 that will be made available - again this is another portfolio area but it does relate to forestry matters - so that \$552 000 sits under the Cultivating Prosperity in Agriculture policy and sits under the Deputy Premier's portfolio.

The other \$200 000 of the \$752 000 over the next two years is to build on work in the Huon and Dorset areas for work that is being undertaken there in biofuels investigations.

I have a lot more but I don't think it is necessary to go on and on with an overview. I want to remind members of this committee that there is a report from the University of Canberra on the socioeconomic impacts of forestry industry change that has occurred over the last few years and it is a fact that employment in the industry fell from just under 7 000 in 2008 to just over 2 700 in November 2013.

That is a loss of two in every three jobs across the state and we are intent, as a Government, on rebuilding capacity within the industry and helping drive growth opportunities and particularly there will be a focus in the Ministerial Advisory Council on a forestry industry growth plan. That will be one of the key matters that the Ministerial Advisory Council will take up and you would be aware that Sue Smith has been invited to be the deputy chairman of that advisory council. I will chair the meetings and Sue will take lead responsibility for a range of break-out opportunities from the Ministerial Advisory Council and be engaged as broadly as we need to to get all of the relevant views in front of us to drive that growth plan for the future.

Finally, we are excited as a Government with the entry to the industry of New Forests, having purchased the Gunns plantation and chipping facilities and the retention of jobs which that provides and Foreco, which is the new trading name of New Forests, commenced last week and the Chairman, James Davies, has flagged that Foreco intends to cooperate with other private forest growers to build a stronger and more resilient industry.

We have already had some meetings with New Forests and they provide an opportunity for growth in the industry and for job opportunities and we are excited about that. I have probably taken enough of your time. It is not catchy to say that 'wood is good', it is simply a fact. There are other places on this planet which promote the great value to the economy, the environment, and the social fabric of wood. You are aware of the Forte building in Melbourne - what a positive contribution that has been to the use of wood and changing people's thoughts about construction processes.

CHAIR - Thank you, minister.

DIVISION 10

(Department of State Growth)

Output group 4 **Resources policy and regulator services**

4.1 Forestry policy and reform -

CHAIR - There are, of course, only two line items for your portfolio. The first one is 4.1 - Forestry policy and reform. I am happy to start the questions on that and I am sure fellow members will have a bundle of them as well.

Thank you for the detailed introduction to what you are doing or what you hope to do. There are a lot of practical aspects I would like to explore with you.

The regional forest review for instance. You are saying that is going to be ready before 2017. You would like to review that before it is up?

Mr HARRISS - The work in that area has already started. Penny will talk to the detail of the RFA process, because it all comes together a year before 2017. There is a reporting process at the end of the five-year period. You would be aware that the last review was due to be published in 2012 and the Tasmanian Forest Agreement process overtook that. The work has started. We have had an exchange of documentation between the federal Government and the state Government to get that moving. Penny is across the intricate administrative processes associated with the RFA. The five year review is due to be published in 2017, but the required work must be done before that.

CHAIR - It is a concern - how that has been effected by the events over the last two or three years.

Ms WELLS - We are talking about a two-step process with respect to the RFA review and extension. You would probably be aware that the 20-year RFA agreement has a set of review clauses that require the RFA to be reviewed on a five-yearly basis. We have already had two of the five-yearly reviews and the third five-yearly review was due in 2012. As members would be aware, that review was delayed because of the Tasmanian Forests Agreement process and the two governments - the state and Commonwealth Governments, agreed to defer the third five-yearly review. That is coming up right now and a review document has been put together that outlines the progress with implementing the RFA, as at 2012. That will be available for public comment, hopefully before Christmas, but there is a whole process with that five-yearly review.

An implementation report will come out with the review. There is also the state of the forests report, which was produced in 2012 and tabled in Parliament and there is also the Forestry Tasmania sustained yields report that comes out as part of the review process.

CHAIR - Is it possible to do that - the 2012 report - considering all the disruption there has been and the changes there have been within the forests and even with legislation?

Ms WELLS - The five yearly review process is going to preserve the five-yearly chunks. The 2012 implementation report will be on the progress with implementation up to 2012. That process will still unfold, even though it is a couple of years late, but it will be reporting against the progress up until 2012. There will be a fourth five-yearly review due in 2017.

We have had a lot of discussions around whether we should try to bring the review up to date to now, but that will make out of kilter the five-yearly review processes and we wanted to make sure that we preserve each of those five year segments, so we do not end up with blurry lines when we come to the fourth five-year review in a couple of years time. It is important that we still progress that five-yearly review, even though it will be reporting to 2012. We will have a document that goes out with the review that summarises at a broad level the major events over the last couple of years with the roll out of the Tasmanian Forest Agreement, the legislation that is associated with that, and the more recent legislation that has just passed.

CHAIR - Are you going to produce a book then?

Ms WELLS - That summary document will accompany the five-year review and that process will be one of the inputs and the public consultation around that, and the submissions that may come through that process. That will be an input into the negotiations between the two governments on extending the RFA. The two governments have committed through their election commitments to extending the RFA and the concept is that it would be a rolling 20-year agreement, and every five years it would extend, so it will always be an evergreen 20-year.

CHAIR - The 20-year agreement does not finish at 2017 and then you sign a new 20-year agreement - it is a rolling 20 years, is it?

Ms WELLS - Yes, on a five-yearly review basis.

CHAIR - Why is it called a 20-year, then, if it is continuous for every five years?

Mr HARRISS - That has always been the intention. The previous government in the lead-up to the 2010 election indicated its intention to keep rolling on with the 20-year RFA. I think it is important to note that the resource security that sits under the RFA, was one of the major issues which attracted the attention of Ta Ann in terms of investing in Tasmania. When they came here in 2006 or 2007 whenever it was, the RFA was there with all the scientific rigour around it and resource security was abundantly clear. We understand that other matters have overtaken that, but the importance of the Regional Forest Agreement we are committed to, as is the current Federal Government because of what it does in terms of scientific rigour and the certainty which it provides into the future. We will do as we have said and that is ensure the rolling 20-year RFA.

CHAIR - What does the 20 years do? I have been involved in a number of organisations that have a rolling strategic plan for 10 years, but it means that you have a plan for that 10 years. Does the RFA provide a scope or a plan for 20 years, which you are going to sign off on every five years? What is the point of an RFA?

Ms WELLS - The RFA, as it currently stands, sets up a framework for the sustainable management of forests in Tasmania. It has the comprehensive adequate and representative reserves system underpinning forest management in Tasmania and a forest management framework. The RFA sets that in place, and into the future the aim is to have a review every five years and ensure that implementation is in accordance with the process and that will then set the agreement to go ahead for another five years. At any one point in time it will always be a 20-year agreement.

[9.30 a.m.]

CHAIR - What are you implementing? What is the practicality of it?

Ms WELLS - Before the RFA first came about, we used to have a system in Tasmania and federally where individual forest activities had to be approved at the state level and then there was an annual process of approving the forestry landscape at a Commonwealth level as well, so we had that dual system. What the RFA did, importantly, was provide a whole system that the Australian Government was able to effectively accredit, which incorporates the whole of the forest management system: a reserve system, the forest practices system, all the regulations around individual activities. All that put together enabled the Australian Government to accredit our whole forestry system; hence you see in the Commonwealth Environment Protection and Biodiversity Conservation Act a whole section around regional forest agreements. Where there is a regional forest agreement in place, the individual forestry activities do not need to have individual approval under the EPBC act at the Commonwealth level. That is a very critical fundamental part of having an RFA. It removes that duplication in the regulatory environment, which is a key platform of both governments at this point in time.

CHAIR - When you are reporting every five years, you are reporting on that you are sticking to the agreements you have made in the RFA and that you are carrying out the practices you said you would?

Ms WELLS - Yes, all the different elements ranging from the reserve system and that we continue to meet those targets that underpin our national reserve system, that the forest practices system is working in accordance with its principles.

Mr HARRISS - Penny has mentioned the Forest Practices Authority. It plays its role in marking off the sustainability indicators for the Tasmanian forests. The regulatory role that the Forest Practices Authority plays fits into all of this process. It is a check system as to what the RFA sets out as the aspirations but, importantly, in all that for me is the resource security component. There has been a comprehensive, adequate and representative assessment - and members are aware of those terminologies - as to the rigour that sits around having developed the regional forest agreement.

CHAIR - But the TFA threw all that out, sort of.

Mr HARRISS - It didn't help because the RFA had been lost in that process. This is rebuilding that because the state and federal governments are committed to the ongoing opportunities that are represented under the RFA because it has been developed through sound scientific assessment rather than some of the other more political assessments, if I could be so bold, that sat around the TFA.

CHAIR - How does the bill we have recently passed, the Rebuilding the Forest Industry Bill, affect the resource security? How does it affect the capacity of the industry to access timber? You have put a whole lot aside and said you will not touch it for six years. Surely that must affect the RFA as it stands.

Mr HARRISS - No, it doesn't affect the RFA. The RFA, because of the assessments made back in 1996 or 1997 as to the adequacy and the representativeness of the reserve system. That has been done. Flowing from that was the 300 000 cubic metres of high quality sawlog to be made available - to be delivered by Forestry Tasmania every year. That has been wound back, as we understand it, to 137 000 minimum. Some people forget that it is a minimum. Again, opening up the future potential production forest land to opportunities for harvesting is central to growing

the industry. With that in reserves, as was intended, forever, our capacity was going to be severely constrained.

You are all aware that there is a different message from this Government in terms of the opportunity and the capacity to get into that forest, after the due process of the Special Species Management Plan. You have debated the bill here in the Legislative Council. Over the next three years, assessments will be made as to conservation values that reside in the FPPF land. There are also opportunities for land swaps, and then the conversion of the land at the end of six years.

CHAIR - I am sorry, there are other members who have questions and I am hogging the questions. Mr Finch, you were first.

Mr FINCH - It will seem like a couple of days. Minister, on the subject of the RFA, are there any concerns in the department as they try to play catch up with the 2012 timeline, and then give a complete report in 2017?

Mr HARRISS - I am not aware of any concerns with those matters, from my conversation with Penny and others in the department. Penny has noted that the period up to 2012 won't be left out of the equation when the work is done. I don't know whether Penny wants to flesh that out, and address the question about concerns in the department.

Mr FINCH - Someone must have kept good notes - that is all I am thinking.

Ms WELLS - The short answer is that we don't foresee any critical concerns. We are progressing quite well with the Commonwealth in terms of the preliminary discussions towards the extension process. That hasn't formally kicked off yet but we have been having some preliminary discussions about setting up the joint working group on that process.

With respect to the 2012 review we are just about to conduct, for quite some time officers have been working on the implementation report for 2012. That work has been progressing over the last two years. The report has been put together. We have a draft report already and all the relevant agencies - DPIPWE, Forest Practices, Private Forests Tasmania, and our Department of State Growth - have been contributing to that. There are a number of different elements in the RFA that need to be addressed - biological and cultural heritage, sustained yield methodologies - all those different sorts of aspects. The report has been put together and it is going through final drafting now. It reports as at that particular time. It is not so much that people have kept good notes, the work has been progressing over the last couple of years.

Mr HARRISS - I will get Gary to confirm there are no concerns.

Mr SWAIN - We are pretty pleased with the interactions with the Commonwealth. They are not really starting with a blank sheet of paper. The funding we have is \$500 000 over two years, and given the sort of approach the Commonwealth is taking, should be adequate for the task, which is good.

There is an opportunity in this - because we are the first RFA to be moving to the rolling evergreen agreement - to have a conversation about the aspirations of the two governments in terms of the future look of the industry. There is a capacity to have that discussion through the RFA process which is important in terms of not surprising the Commonwealth and maintaining

their confidence in our overall approach and direction for the FUBC prospect. I think it is a good timing for us, the way it has worked out.

Mr VALENTINE - With respect to special species logging in conservation and regional reserves, which is now possible under the rebuilding the forest industry bill, there is a concern that some of the areas that were reserved under the RFA will now be compromised as a result.

Do you have a comment on that?

Mr HARRISS - There is a false premise around that. There has been much comment in the public arena by some who say that the legislation recently passed will mean that we are going to slash and burn 1.5 million hectares of our forests. Included in that is the contention that regional reserves, nature conservation area, will be open slather. I will ask Penny to talk to the detail about that because that is simply not true. Accessing those areas under managed processes was already permitted previous to the Tasmanian Forest Agreement process. The TFA process reinforced that.

Mr VALENTINE - It is the controlled use of resources statement you are talking about?

Mr HARRISS - Yes, which includes opportunities for harvesting timber. I might go to Penny on the detail on that because that notion of opening up this 1.5 million hectares for slash and burn logging was alarmist in the extreme and simply wasn't and still isn't true.

Mr VALENTINE - That is not the nub of my question. The nub of my question is that going into those areas, whether it is slash and burn or even lightning triggered, that it compromises the RFA because they are areas under the RFA that have been reserved and have been agreed upon to be reserved. I am interested in how you now approach this issue under the RFA.

Mr HARRISS - My overarching observation there, Rob, is that it is no different than pre-TFA. When the RFA was already in place, there was still the opportunity under managed processes to enter those areas. Nothing has changed. There will be no compromise to the RFA principles, where we are today, because there was no compromised pre-TFA.

Mr VALENTINE - If I am right, even though the statement is in there, controlled use of natural resources. The RFA itself, being a separate instrument, reserves those areas. Even though that statement is in there, it does not mean that under the RFA they would have been logged because they were reserved. I understand where you are coming from but there is that issue of how it might undermine the RFA if logging occurs in those reserves, albeit that it is still allowed under the legislation, as you say. Under the current legislation and before the Forest Agreement Bill, how does it not interfere with the RFA?

[9.45 a.m.]

Mr HARRISS - The Nature Conservation Act cuts into all of that and the management of whatever happens in nature conservation areas or regional reserves. I will go to Penny because of her long background knowledge in the area. I am confident there is no compromise to it.

Ms WELLS - The RFA, when it originally came in and through the successive review processes, is premised around there being a comprehensive, adequate and representative reserve system. That reserve system comprises a number of different reserve classes: national parks,

conservation areas, regional reserves and it also includes an informal reserve system which includes, for example, Forestry Tasmania's wildlife habitat strips and those sorts of things.

When the RFA came into being, each of those reserve classes under the Nature Conservation Act has a set of management objectives, which you have probably all seen, in schedule 1 of the Nature Conservation Act and in schedule 1 of the National Parks and Reserves Management Act, which sets out a range of purposes, values and management objectives. Each of the reserve classes has slightly different purposes, values and management objectives and we have just had the conversation around conservation areas and regional reserves; both have a management objective in there including the control of natural resources. It was always envisaged that in those two particular reserve classes certain types of activities would still be acceptable as long as they were undertaken in a manner that did not compromise the other reserves management objectives, which include to conserve biodiversity, geodiversity, water quality, cultural values, et cetera. One management objective cannot be undertaken at the expense of other management objectives.

There is an approvals process within the reserve management system, a combination of the two pieces of legislation, the regulations, the reserve management regulations and the internal administrative processes within the Parks and Wildlife Service such that the Director of the Parks and Wildlife Service has to approve a range of activities, including any cutting down of trees have to be approved by the director. In that process, the Parks and Wildlife Service has an assessment process called the Reserve Activity Assessment Process and that is equivalent to the forest practices system. It is a set of environmental assessment processes that are undertaken before an activity can be approved.

Mr VALENTINE - Sorry, what is that again, Reserve Activity?

Ms WELLS - Assessment Process, the RAA process.

It is very similar to if you were putting together a forest practices plan, for example; you would have to go through and assess a whole range of aspects of the environment and implement environmental standards. The Reserve Activity Assessment Process will be undertaken so even if somebody down the track did want to apply to harvest special species timber in a conservation area or a regional reserve, they would have to go through that process. The Director of Parks and Wildlife Service has to consider all the other management objectives in making a decision. Through that process he would not be able to make a decision to, for example, approve 100 hectares of clear-fell coup, for example.

The reserve targets that underpin the comprehensive, adequate and representative reserve system are such that they talk about so high a percentage area of different vegetation communities in the reserve system. The type of harvesting that is envisaged for special species timber harvesting and the way it was defined in the various legislation over the last couple of years, always envisaged that if it was undertaken it would have to be very small-scale and selective. So unless it is clearfelling and permanently removing areas of land out of each of those vegetation communities. If it is removing a single tree or small groups of trees and they are regenerating, it is not impacting on the overall level of reservation of an individual community in the reserve system.

Mr VALENTINE - Wouldn't roading, to get access to those areas - you are obviously taking out significant - even if it is linear - areas of forest. Isn't that going to impact on the RFA?

UNCORRECTED PROOF ISSUE

Ms WELLS - If there was a large scale road in, there would be the potential that might impact on reservation levels but that would have to be taken into consideration.

Mr VALENTINE - In the assessment process?

Ms WELLS - In the assessment process. So if there was an application that was going to require large amounts of roading through a reserve, whether that would be approved would be dependent on what the impact was.

Mr VALENTINE - What is the process under the RFA agreement for that to be reassessed, by the Commonwealth, because these are Commonwealth/state agreements, aren't they?

Ms WELLS - Yes.

Mr VALENTINE - Presumably, if there are assessments done with the contractor where they can go in there, is there not another set of processes that have to happen to get the other party to the RFA agreement, which is the Commonwealth, to agree to that before any harvesting takes place because it is a holistic agreement?

Ms WELLS - The agreement goes to systems so if the systems are in place that ensure you are maintaining your environmental standards - that is one part of the system - the reserve activity assessment process would ensure that you are not undermining the purposes at that particular reserve was reserved for.

If there was an activity that was going to significantly compromise the reserves values or the particular vegetation communities that reserve was contributing to a reserve target, then it wouldn't be approved.

CHAIR - If I heard you rightly, you were saying that the reason for the RFA is so that you have a set of systems which you report on every five years.

Ms WELLS - That is right.

CHAIR - The individual activity should be able to be conducted within that framework and reported on.

Mr VALENTINE - Without having to report back in the interim.

CHAIR - Not for each activity.

Ms WELLS - It is to avoid each activity having to go through a dual approval process but the checks and balances are that you have the system in place with certain environmental standards, and you have auditing and reporting. You have the individual agencies annual reports through the state process, you have the five-yearly reviews under the RFA. We have a State of the Forest reporting process every five years that reports on a number of indicators.

All of those things are combined to form a system that the Commonwealth, to date, has accredited.

Mr DEAN - The 2012 RFA review is now in the process of being completed. When will that be handed in? It is reviewing the RFA as to whether it is meeting all of its requirements and is returning what it is supposed to return. So what are the likely findings of that review, the way it is heading at this present time?

Mr HARRISS - One of the challenges and tragedies - and I understand the choice that was made at the time with the roll out of the TFA to have lost sight of the RFA - is we have had to pick up that work. But, Penny, that 2012 process will be ready fairly soon. We are talking before the end of this year

Ms WELLS - The objective is to have the 2012 report available for public comment before Christmas. That is the current aim. The outcomes of that process will be an input into the negotiations between the state and Commonwealth Governments in their deliberations about extending the RFA.

Mr DEAN - That is my next question - who is doing it and what input does the public have?

Ms WELLS - The five-yearly review process under the RFA requires an implementation report - how we are progressing in implementing each of the clauses in the RFA. The requirement of the RFA is that it is put out for public comment and an independent reviewer is appointed.

Mr DEAN - Who might that be?

Ms WELLS - The Commonwealth has already engaged Dr Glen Kyle.

Mr HARRISS - The former head of the CSIRO Division of Forestry. Very highly regarded. When Senator Colbeck wrote to me and indicated that Dr Kyle was the person he was recommending, we did our background research -

Mr DEAN - Due diligence.

Mr VALENTINE - He's a Geeveston boy, I think.

Mr HARRISS - If he is related to Jack Kyle, he would have a chainsaw in the boot.

Ms WELLS - He was involved in the 10-year review of the Western Australian RFA, so he is familiar with the RFA process. He has been engaged already and will be undertaking the review. That will involve both targeted consultation with stakeholders, and a public comment process where individuals and entities will be able to put in submissions. Dr Kyle will collate those submissions and provide a report to the two governments. The report will include any recommendations that Dr Kyle thinks would help improve the implementation of the RFA in the future. That will be a key input into the discussions between the two governments about extending the RFA.

Mr DEAN - How will it all come together - with the TFA and the Rebuilding the Forest Industry Act? Although you have explained that the review will take account of all those issues.

UNCORRECTED PROOF ISSUE

Ms RATTRAY - I am interested in what impact the abolition of the Forest Practices Tribunal will have, or potentially could have, on the RFA and meeting its objectives, and its implementation in the future.

Mr HARRISS - Some concern was expressed about the abolition of the Forest Practices Tribunal. Members would be aware of its role and that is as the appeal authority in terms of forest practices plans submitted to the Forest Practices Authority. If an applicant is dissatisfied with the decision of the FPA, there is an appeal mechanism. There will still have to be an appeal process. Part of our program to streamline public administration so that we ensure effective and efficient delivery of services was the removal of this tribunal. It does not hear many applications.

Ms RATTRAY - Can we have some figures for that?

Mr HARRISS - The last one was about 2011. We will be meeting with the chairman soon. He has the view - although I should not suggest what his view might be -

Mr DEAN - Why not?

[10.00 a.m.]

Mr HARRISS - I have not spoken to him about the process for the future. There has been abroad view that the tribunal should be removed, but an appeal process will still need to be available. The current registry for the tribunal is maintained by RMPAT and the changes we are proposing will be administrative only. I have indicated that appeal rights will be unchanged and there will be no detriment to any party. But it is going to take legislative measure. We are going to have to bring in legislation because the Forest Practices Tribunal sit under the Forest Practices Act. We will ensure that any replacement arrangements continue to the same ease of access and low-cost approach. It is part of the streamlining of public administration. There will be no detrimental effect to anything that happens under the RFA because there is still going to be an appeals process.

Ms RATTRAY - Is that something that has been discussed with the Commonwealth? Is that something that needs to be discussed?

Mr HARRISS - No. It does not need to be.

Ms RATTRAY - It needs to be part of the report that is presented at the next five-yearly review process?

Mr HARRISS - It will not need to covered with the Commonwealth because there will still be an appeals process. There needs to be an appeals process because there is not just appeal opportunities against Forest Practices plans, but private timber reserves as well and matters sitting around those. There is an opportunity to take the grievance to the Forest Practices Tribunal.

Ms RATTRAY - I appreciate there may not have been many or very few opportunities in the past, but I am expecting that if we get some forest industry back in this state, as it is hoped, and progressed by your Government, that we will see the need for this tribunal to have more dealings. Do you see it is a bit of a negative step?

Mr HARRISS - No. I see the opposite. I would hope there is continuation of the minimal use of the Forest Practices Tribunal.

Ms RATTRAY - We all do generally but that is not always the case.

Mr HARRISS - If a Forest Practices plan is put for to the Forest Practices Authority, the expectation would be that you would be meeting the requirements of the Forest Practices Code. Some of the recent considerations of the Forest Practices Tribunal, which I have had a look at, went to matters of the proponent wanting to fell a few trees near a creek and then fill in the creek but the proposal did not comply with the Forest Practices Code. Not surprisingly, he appealed to the Forest Practices Tribunal and was rejected.

Ms RATTRAY - As was the Forest Practices Plan in that case.

Mr HARRISS - It was upheld. The compliance with the code was required. You would hope there would be less need and there has not been much need over the last few years. It is an interesting exercise to have a look at the Forest Practices Tribunal history of cases which they have heard and mostly it is a landowner who wants to go outside the Forest Practices Code provisions, submit a plan, and then the Forest Practices Authority, understandably and rightly, has said, what you are proposing to do does not comply with the FPC and then the appeal process is over.

Mr DEAN - How many cases have they heard over the last three to five years?

Mr HARRISS - The last one was 2011 and I think that was mid-2011. Over the last three years, none.

Ms RATTRAY - The cost of managing that tribunal process, has that come out of this line item or is that from somewhere else? Does that come out of DPAC potentially or out of the Department of Justice? But sometimes the departments fund the Department of Justice so are there any funds coming out of this department that manage that? We need to talk to the Department of Justice tomorrow about the costs, the savings and where that is going.

Mr HARRISS - Madam Chair, if there were any other questions about the detail of the tribunal, Graham Wilkinson, the Chief Forest Practices Officer, can provide information on that.

Mr VALENTINE - I have one small question on whether the tribunal is in any way associated with the review of the Forest Practices Code itself. That is being reviewed, isn't it? Are they involved in that review or is this something that is totally outside of their remit?

Mr WILKINSON - No, the tribunal has no role in the review of the code. It is completely outside of the process.

Mr VALENTINE - It should really be outside of that, shouldn't it? The question still remains: the code is being reviewed, what is the process from hereon in with regard to that? You are relying a fair bit on the code in this if you are getting rid of the tribunal. Isn't there a review?

Mr WILKINSON - The short answer is: the review is an ongoing process. We are in pretty good shape. The Tasmanian code is regularly reviewed and found to be the best in Australia, if not the region. The most recent review is one conducted by the Australian Government and they used scientists from the CSIRO. They reviewed the codes of practice for plantations in every state and territory of Australia. Any unbiased reader of those reports - and I wouldn't say that I

was an unbiased reader - would find that the Tasmanian code by far and away was the best code in Australia in terms of meeting the national principles for environmental protection for plantations. We are in very good shape on the technicalities of the code.

The questions that have been asked by the FPA in recent years have been about the broader policy settings under which the code sits. I think it is fair to say that in the last four years there has been a high degree of uncertainty in terms of the legal and policy framework. That has been a continuing journey and we have seen the most recent part of that journey last week with the recent legislative changes.

Ms RATTRAY - Where do we sit now then in the bigger picture?

Mr WILKINSON - In the bigger picture, the FPA last December issued a guiding policy which was our interpretation of the legal and policy framework under which we expect the code to operate. To some extent we have given an interpretation of what the legislation is asking the code to do, and the code is about environmental protection within a wood production context, so that tension between wood production and environmental protection is addressed by the guiding policy. It is on our website and it was issued in December 2013.

At the same time, we have kept the technical aspects of the code relating to threatened species up to date. The primary planning tool for that was reissued this year, the threatened fauna adviser. That was a four-year review process involving scientists and practitioners, updating the technical knowledge about the way that threatened species habitat is managed in a wood production context. Those aspects are up to date so I think we are in pretty good shape.

Mr VALENTINE - Sorry, member for Apsley, it is just that it was to do with the tribunal and the code.

Ms RATTRAY - I have finished on the Forest Practices Tribunal and I think we have gone onto the code now, have we?

Mr DEAN - I have a question on the tribunal. Just as an indication how well we are complying with the forest practices plans, you have indicated that there have been very few actions and that the last was in 2011. I take it that Victoria, Western Australia and South Australia all have these similar tribunals in place, do they?

Mr WILKINSON - Not necessarily.

Mr DEAN - I am just trying to find out as to how well we are doing in comparison with the other states.

Mr WILKINSON - The other states all have completely different systems. It is very hard to compare apples with lemons. They are regulated under -

Ms RATTRAY - Who has the apple and who has the lemon?

CHAIR - No, we have the apples.

Mr WILKINSON - Whatever. I am not a Geeveston boy so I might get confused on that one. The review done by the CSIRO tried to address the efficacy of the codes in terms of meeting

national principles for environmental care. It found all states deal with it under different legislation. Some involve local government, some state government - most of them involve multiple bits of legislation that do not speak to each other very well. The one advantage Tasmania has, that is consistently recognised, is the fact it is more of a one-stop shop. The fact we have one planning system for forestry across Tasmania has all sorts of advantages in consistency of rules and decision making.

Mr HARRISS - Graham gets requests from all around the world to share with other jurisdictions the rigour of our forest practices system and our regulatory system. We do not need to go into the detail of it, but members may be aware from previous journeys around the forest industry, that Graham is regularly asked to travel overseas and share with other jurisdictions because of the rigour and strength of the system we have in this state.

Mr DEAN - It is an indication we are doing things right.

Mr HARRISS - You would hope that underpins FSC assessments as well.

Ms RATTRAY - Minister, is that because of our smallness, because we do not have a lot of operators on the ground who are doing forest practices assessments?

Mr WILKINSON - The industry is comparatively large by Australian standards and complex in terms of the variety of forest types we have here. It was a reflection of some fairly inspired legislation in 1985 - the fact we had 46 local government areas in 1985.

Ms RATTRAY - So 29 is not a bad number then, Graham.

Mr WILKINSON - I will not comment on 29, but 46 was certainly a big number to have dealing with what was a statewide industry, potentially 46 different ways. The minister was talking about resource security. One of things the Forest Practices Act brought in in 1985 was the whole concept of resource security through the PTR process.

The private sector was encouraged to be regulated, and Tasmania was the first state in Australia to regulate forestry on private land. It is only in recent years that other states have tried to tackle it, because it is difficult. It is bit like regulating agriculture, it is not politically popular. Tasmania bit the bullet back in 1985 and the things that encouraged the private sector into regulation were the benefits they would receive. They were going to get was some resource security through private timber reserves. The rationale of a private timber reserve was to put them under one statewide planning system for forestry. They did not have the uncertainty of dealing with the establishment of a forest, at that time, and, forestry being a long-term crop, trying to imagine what a planning system times 46, or 29 or whatever, might deal with forestry 20, 30, 40, 50 years later. Resource security is fundamental in private investment, and private timber reserves to a large extent have delivered that. In return, the Forest Practices Act has this tenure-blind environmental protection over all forests, which has been a real strength of our system. If you look at other jurisdictions, we tend to regulate the public sector to death and turn a blind eye to the private sector. That is what happens.

Ms RATTRAY - Minister, the Forest Practices Authority - what role has it had with FT attempting to gain FSC certification?

[10:15 a.m.]

Mr WILKINSON - No direct role. We are a stakeholder, as is anybody else, but it is fair to say that anyone pursuing FSC in Tasmania has a substantial leg-up with the existence of the forest practices system. Various commentators have said that 80 per cent of FSC requirements are delivered through the CAR reserve system and the forest practices system combined. It begs the question - what is left over for FSC to come in and improve? FSC tends to find things but the reality is that whether you are on private or public, having the apparatus of the forest practices system and the substantial CAR reserve system, ticks most of the boxes for FSC. FSC was designed for developing nations where these things don't exist, so FSC developed a system of trying to define good forest management.

It was never designed for sophisticated systems like Tasmania and one could beg the question what's the material advantage that FSC brings, when you already have environmental management systems and forest practice system that are world class.

Ms RATTRAY - The board of FT can answer that better than you and I, Graham.

Mr WILKINSON - It's a market perception, that's the answer. Does it materially improve forest practices on the ground? I would say probably not but it improves market perception because no one's heard of the Tasmanian forest practices system in Europe but they have heard of FSC.

Mr FINCH - Minister, I would like to talk about the \$7 million incentive to return to the industry and I am assuming that you arranged for the work in the markets. I would like to quote from one email that was sent to you and I would like to hear your response.

So where in this country do workers, paid to exit an industry via government, and a few years later we pay them again to re-enter the industry, two payments/ assistance from the Government to a selected group of contractors. How is it fair in all of these decisions that some are missed totally and others get these two payments.

I would appreciate an explanation on how these decisions come about.

Mr HARRISS - To set the background for that Kerry, there was an allocation under the Tasmanian Forest Agreement of \$20 million for a suite of matters to be taken into consideration. There were contractor exit opportunities, there were funds provided from within that \$20 million to forest works in terms of retraining those displaced in their jobs with the downturn of the industry. The ongoing detail for the use of, let's say, \$7 million in round figures but I think it is about \$6.8 million after some of the \$20 million has already been used, is a matter for negotiation between the state and the Federal governments because it is Federal money provided under a National Partnership Agreement.

There will be no double dipping. I don't know to what particular detail the correspondent is referring as to where in the country does someone get paid to exit an industry then get paid to come back in. I can only presume the correspondent is referring to the exit packages under the earlier program run by the department of agriculture, fisheries and forests, where there was much concern about people leaving the industry with an exit package and then allegedly having a new name on the same truck and operating in the industry.

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Mr FINCH - You would have heard those same issues, within in the industry.

Mr HARRISS - Yes, and the Commonwealth Auditor-General was involved in auditing that process and there was plenty of concern in the Federal parliament about that as well. I think there was a -

Ms RATTRAY - There was a Senate inquiry.

Mr HARRISS - There was a Senate inquiry. Gary, I am thinking that exit payments under this program, our focus, consistent with Senator Colbeck's and the Federal Government's is to ensure that we retain and build on contractor capacity. We have lost too much contractor capacity by paying people to walk away. I suspect with hindsight, if some of those people had been able to stay in the industry at that time seeing that there is opportunity to regrow and rebuild the industry, they would have done all that they could have to stay in the industry.

Mrs ARMITAGE - Many have gone to the mainland, taken their equipment and gone.

Mr HARRISS - There has been some of that and with Orica New Forests, there is going to be huge need for contractor capacity in a different area because it will be highly mechanised. The former government from the \$20 million has already paid \$4 million to what it assessed as special hardship cases at the time. This is not in any way about opportunities for double-dipping, that won't occur.

There is the will of this Government, confirmed in our conversations with the Federal Government, to ensure that we do not lose any more capacity. There is some work yet to be done in terms of repositioning the allocated funds under the national partnership agreement. We can't do that unilaterally.

Mr FINCH - Have you responded to who sent you that email?

Mr HARRISS - It probably came yesterday or on the weekend.

Mr FINCH - It seemed to be a second correspondence.

Mr HARRISS - I looked at that last night, not a relative, no. We had no record of earlier correspondence to which he refers, I think he says April. There is no record of an earlier correspondence that I will be providing him to cover off on that.

Mr FINCH - Thank you.

CHAIR - You are also talking about sawmiller buy-backs when you talk about maybe repositioning some of the federal money still available.

Mr HARRISS - Yes.

CHAIR - Because some people have been offered at least exit packages.

Mr HARRISS - Again, under the TFA the clear proposition was the retirement of wood supply - it seems to me what underpinned that process was paying people to exit so that we could reduce from 300 000 cubic metres down to 137 000 cubic metres minimum.

You could round that out because, again consistent with the Federal Government, this Government does not want to see any more sawmiller exits because, if we do, what sort of challenge are we going to confront in rebuilding the industry? Gary has been, as heading up this area, involved in the detail but I did authorise, a little while ago, that program to take a different direction.

Mr SWAIN - In relation to the Regional Sawmiller Structural Adjustment Grant program, there were two streams to that; there was an exit and transition stream, 13 people put up their hands for exits and seven for transition. We ended up offering a deferred decision to the people in the transition stream because the way the transition stream was intended to work was they would go onto a secure contract from FT, freed up in part by the contracts that were released through the high quality sawlog buyback program. Because of the level of uncertainty in the industry and the output by region that FT would have available, it was not able to re-contract with those parties when the program was initially run, so we now have an end of 2014 date for six or seven businesses to make a decision whether they want to exit.

Mr VALENTINE - Was that the \$10 million or the \$20 million program you are talking about?

Mr SWAIN - The \$10 million program.

Ms RATTRAY - Didn't the Parliament get that dollar figure expanded because \$10 million was not going to cover it all?

Mr SWAIN - It was \$10 million from the Commonwealth with a \$1.7 million top up from the Tasmanian Government.

Ms RATTRAY - I knew we worked hard to get an extension to that because it was not going to be enough.

Mr SWAIN - Yes, it fell short for people. That is still live. We now have a number of the grant deeds in place, and a small number of grant deeds are still being negotiated. We do have some requests -

Ms RATTRAY - To tear up their application?

Mr SWAIN - More for increased flexibility than the original program provided. We are working up some advice for the minister in the context of changed government policy positions at both the state and federal level to determine how we can keep an intact program that passes probity requirements, learning from the DAF experience. I appeared in front of the Legislative Council committee at the time to say we would be adopting the recommendations of the DAF inquiry, which we did. We are still very mindful of that. We are now looking at whether it is possible to advise the minister to agree to any loosening of the conditions which are pro-industry while maintaining the integrity of the program. We are just working through that at the moment.

CHAIR - They are still going to need supply - those sawmills - if they were to change their minds. It is no good to them unless they have a contracted wood supply.

Mr SWAIN - That is true.

Mrs ARMITAGE - I want to go back to the special hardship cases. How many were there and what qualified as a special hardship case? I would have thought most of them were special hardship cases.

Mr HARRISS - It was under the former government and I have not asked questions as to how those were determined. I do not know if Gary has any information on that?

Mr SWAIN - It was process involving the former Special Council. The Special Council developed some criteria and against those criteria recommended to the minister particular cases. The department was asked to review whether the Special Council had applied its own criteria in coming up with those names and we advised at the time that it had. Then there was a conversation with the Commonwealth about whether it was an appropriate use of the funding, and they agreed. All this was going on, as members would be aware, in a fairly dire set of circumstances.

Mrs ARMITAGE - Were these cases that did not fit the normal criteria? Or were they cases that needed money more quickly?

Mr SWAIN - Yes, that was it. We had the \$20 million allocation for employees and contractors and we were involved in a whole range of activities at the time. One of those activities was putting in place the employee arrangements with ForestWorks, so we were not able to drop everything else and develop the contractor program. This was a work-around solution at the time.

Mr HARRISS - Eleven businesses were given assistance under that program.

Mrs ARMITAGE - Did any of those go back into business under a different name?

Mr SWAIN - I am not aware of any.

Mr HARRISS - My understanding is -

Mrs ARMITAGE - We have mentioned that has happened. Was it any of the special exit cases?

Mr HARRISS - I am aware of people who accessed that money through the process to stay in the industry. There was the hardship at the time, but they did not want to exit.

Mrs ARMITAGE - It was more to continue in the industry.

Mr HARRISS - Indeed.

Mr SWAIN - Any time you run a program you are intervening in a market and there are winners and losers. It is very hard to prevent people setting up under new structures, with new companies, or different directors or different CEOs starting up new operations down the track. All you can do is focus on the business named or the key individuals who are the recipient of the payments. It is in imperfect process.

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Mrs ARMITAGE - I have always thought it was interesting that we gave huge exit packages and allowed people to keep their equipment.

Mr HARRISS - Gary mentioned earlier the matter of probity. Because this is a federally funded process, the Commonwealth Auditor-General will be most interested to see what has been happening as well as our own Auditor-General. There are some circumstances in industry now where it has been a real struggle. People have ramped up their business to provide extra capacity for our harvesting of the 137 000 cubic metre minimum. We need to do all we can to ensure the contractor capacity is retained. We will need to build that into the future. New Forests is going to need a different type of harvesting process. They will need substantial contractor support.

Mr FINCH - Can I ask about the status of the Exeter Sawmill, one of the few big ones left in the industry? Larry Jarman passed away a short time ago. It is a different ball game for the operation with Mrs Jarman. Are they still factored in regarding the immediate and long term future of the process we are going through?

Mr HARRISS - Some of the detail sitting around the Exeter sawmill, or any other sawmill in terms of wood supply, goes to questions to Forestry Tasmania. Your question is more overarching in terms of the need for the industry to have Exeter still in the system, or anyone else still in the system for that matter. Gary, where is Exeter in terms of negotiations with the department?

Mr SWAIN - I cannot answer that comprehensively.

Mrs TAYLOR - Could you get that information?

Mr HARRISS - Yes, we will get that to you.

Mr SWAIN - I had an officer dealing with them but I am not across the details.

Mr HARRISS - We will get that to you.

Mr DEAN - Can I follow up on another sawmill in exactly the same situation. It is Barbers sawmill at Launceston. They are one of the bigger millers at the present time, a very modern mill. They are only existing because McKays have given them a part of their contract because of the closing down of their mill on the East Coast. Once they ramp up at Bridgewater they will want their contract back. Barbers have said they cannot continue on the current amount of timber they have been supplied and they need to know now, for security of the business, whether they can get the supply of the good quality timber that they need.

Mr HARRISS - That is the same sort of question that we went through a moment ago. Wood supply is a matter to discuss with Forestry Tasmania so we need to get back to the committee on the detail of that as well. I am aware, from a recent conversation with Mr Barber and his son, of their intent to stay in the industry because they want to continue doing business. That is a message I have received regularly around the state meeting with a range of forest industry participants, whether they are contractors or Forestry Tasmania or saw millers. People want to stay in this industry that they love and enjoy, rather than pack up and walk away.

Mr DEAN - The fact is that they can't keep up with the demand.

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Mr HARRISS - There is demand for our solid wood products and furniture. You will all have heard the stories that most of those customers don't need an FSC stamp on their timber.

Mr DEAN - No, they don't.

Mr HARRISS - That is not to say this Government does not think and believe FSC is an important component. We are continuing our assistance to give them the best chance to achieve that certification.

Mr DEAN - How certain can we be that double dipping is not going to occur? We know about the rebadging of vehicles and some firms, and sales of businesses to sons - a 10-year-old son. How closely will that be monitored to ensure people who received payouts will not pick up again and benefit by further payments to the industry? Also, because of a dearth of contractors, how do you propose to handle it if they do not come back into the industry?

Mr HARRISS - You have spoken about people coming back in and we need to work very closely with the Commonwealth Government in understanding, particularly under the program of exits. This needs to be confirmed with the Commonwealth Government but in the first instance it is about retaining the capacity we have and understanding the significant difficulty those people have gone through because of some of the downturn brought about primarily through the TFA. The detail is yet to be confirmed with the Commonwealth Government because of the funding arrangement. I cannot share with the committee anything to do with the detail. It is appropriate to ensure rigour sits around it because both auditors-general will be all over it if there is inappropriate use of Federal funding for industry assistance packages.

Mr DEAN - There is some rigour around that part of the process but then it seems to drop right off. There seems to be no follow-up to ensure what is supposed to happen happens. That has been one of the concerns of the public. I asked a question in one of our committees recently and was told that was a matter for the Commonwealth, nothing to do with the state.

Mr HARRISS - It is important to differentiate between the Commonwealth programs. There is no use me sitting here being precious about it and saying there was not appropriate rigour around what happened. The Senate inquiry and the Auditor-General's observations are probably enough, but in terms of what has been happening here I will go to Gary. The detail goes across the previous government and more recently this Government.

Mr SWAIN - It is standard practice that we would take appropriate advice from Crown Law along the way. We have briefed the Auditor-General locally on forestry arrangements broadly but not to an extent that would compromise him in his capacity to audit us. It is as a general awareness of how the program fits together. I believe it came out of a committee process initiated by you, Mr Dean. For the high-quality sawlog arrangements we have grant deeds in place for each of the recipients that go out over a number of years, which have instalments. We actively track whether the pre-conditions for each instalment has been met. In the regional sawlog arrangements, again we have grant deeds where there are typically four instalments and it is on the achievements of milestones. In the case of people who are exiting, it is a steady wind-down in their operations and demonstration that they have met the pre-conditions of the deed agreement. In relation to the final program that is yet to be run - Minister, I hope you will give me a little latitude on this one - we will recommend to the minister retention of a small amount of funds for active tracking of the program post-allocation. Probably for \$100 000 or \$200 000 we will be able to maintain a capacity in the agency to track through all our programs over the next couple of

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years to make sure that arrangements are followed through as they should be. We are very conscious of the issue that you are raising. Because we have got some people who have good program knowledge.

Mr DEAN - Are there any occasions where the contracted positions or the payout conditions have not been met?

Mr SWAIN - Not to my knowledge. We have an officer, John Dawson, who has been managing a lot of this for us who would be in regular contact with a number. I suspect it is because there is active management that that has not occurred. There may have been phone calls where concerns have been raised or we need to check something that is occurring. That is happening very regularly - basically all the time.

Mr DEAN - Thanks, minister.

CHAIR - Have we have finished here on the exit packages? You have another question on exit packages? I do not want to go on to a new topic because I think it is time we exited and had a cup of coffee.

Mr SWAIN - Chair, if I could offer one thing. I just got an email reminding me that Exeter were under the high quality sawlog program and the buy-out was 10 000 cubic metres. Under that arrangement, they were able to continue to operate and still have a category 8 sawlog contract.

Mr DEAN - That is excellent.

Ms RATTRAY - That is the issue, isn't it? It is the category 1 high quality -

Mr HARRISS - Yes, and as Gary said, they did retire 10 000 cubic metres.

CHAIR - I think Mr Valentine had a question on this as well but he has left us.

The committee suspended from 10.42 a.m. to 11.03 a.m.

CHAIR - Are your numbers dwindling? I see there are fewer of them.

Mr HARRISS - There is a bit of pressure on with a big department like State Growth. There are eight of the nine ministers which the department now has to provide advice to. It is a very stretched exercise this week.

Mr VALENTINE - Minister, during briefings we had on 25 June from some sawmillers, you made a statement that said the final point on the detriment to regional sawmills from the new bill which is going to be an act, is that Forestry Tasmania has no obligation now to issue any new sawlog contracts on triple bottom line criteria. That was part of the Tasmania Forest Agreement criteria which gave the regional sawmills at least an equal standing with everyone else. Do you have any comment on that and whether that is a problem for some of those smaller fellows wanting resource and staying in the industry? You may have covered it earlier but it is specific to that comment. It is a statement he has made and I would be interested in your response.

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Mr HARRISS - I have not spoken to Shane for some time, Rob, and I am not aware of that comment. I take it at face value that you have transcribed it as you recalled.

Mr VALENTINE - That is fine, exactly as it is in the briefing.

Mr HARRISS - My observation would be it is not accurate because Forestry Tasmania has no choice under its management of our forests to do anything other than ensure the sustainability of the resource. I respect Shane's view - he feels there is no obligation on FT to allocate resource based on a triple-bottom line because of the removal of the Tasmanian Forest Agreement legislation. But I go back to my opening observation - that is the very essence of FT's assessment of what wood is available. FT is obliged to take account of environmental matters and as we go into the future with FSC and Forestry Tasmania and its practices and processes, there will be a heightened awareness of conservation values.

Without in any way wishing to be critical of Shane, because I know of his passion for the sector he represents, it is a bit superficial to suggest that such consideration would not be given. We have no choice in terms of sustainability. When Forestry Tasmania reports every year on its sustainability and its forest stewardship, those matters are front and centre. They always have been in the past and certainly will be in the future.

Mr VALENTINE - The small sawmillers do not really have any reason to be concerned, is that what you are saying, about ongoing supply?

Mr HARRISS - When you say 'concerned about ongoing supply', are you talking about -

Mr VALENTINE - The type of logs they need to be sustainable.

Mr HARRISS - It is always a challenge, Rob. That has been a constant position of the Country Sawmillers Association, now the Tasmanian Sawmillers Association. Regularly, in preparation for government business enterprise scrutinies, that group would say they did not have security of resource whereas many other larger players had security of resource.

It will always be a challenge in terms of wood supply allocations by FT. At the moment it is 137 000 cubic metres, and we understand it is a minimum.

This Government's aspiration is to grow the industry. We need to rebuild and rebuilding involves satisfying markets that what we do here is sustainable. Against that backdrop, I would like to think we are going to go well in excess of 137 000 cubic metres.

Rob, there will always be tension in the industry as to who gets what, particularly for categories 1 and 3. But Forestry Tasmania is aware of this Government's views about the capacity to provide more opportunities for access to category 1 and 3 for more people operating in the industry.

CHAIR - On the broader scale, that really affects rural communities because the big players are more centralised.

Mr VALENTINE - The ones that might be producing fence palings and those sorts of things which otherwise would have to be imported, I suppose.

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Ms RATTRAY - And which are being imported. It is about the quality of the resource, minister, which you will appreciate as well, not only the quantity of what the sawmillers were receiving. When they get rubbish, it is hard to make a dollar out of it.

Mr HARRISS - That heightens my commitment to the 'no more lock-ups' concept because we do need access to this resource which has sustained the very regional communities that you mentioned a moment ago for 200 years.

Ms RATTRAY - Would you consider an amendment to the six years then in the coming weeks?

Mr HARRISS - We have had a fairly robust debate about that over the last few months. The legislation is where it is at until we do the work.

Ms RATTRAY - It was worth a try, minister.

CHAIR - We might get onto a different aspect. Tania, do you have a question on a different aspect?

Ms RATTRAY - I do, I want to talk about the MAC - the ministerial advisory council. I think it was well supported by your deputy chair and those people that were invited to be part of it. There was some concern that there wasn't a seat at the table for the environment groups to be represented, minister. I asked the question at the time, had there been an invitation issued and I don't think I got a satisfactory answer.

I am happy to ask it again here today: was anyone representing the environment groups in this state invited to attend and potentially decline the offer? It is important to have that on the record because there is some criticism that they had been left out of the tent.

Mr HARRISS - I have not written to any of the ENGOS. I have been consistent in the public domain as to the Government's preparedness and intention to engage with any participants in the industry who have, as part of their contribution, a preparedness to work to rebuild the industry, first of all, and then to grow the industry.

It was disappointing that upon the passage of the legislation through the lower House, as I recall, there was some fairly robust public comment by some in the environment movement whose answer to a direct question as to whether they would want to be part of this ministerial advisory council, was a distinct and abrupt 'no'. That was at the passage of the legislation and at that time - I am trying to get history in the right order - I don't think I had even spoken with Sue Smith, for instance, as to being deputy chairman. The details of the ministerial advisory council were still being developed and yet, with the passage of the legislation, that announcement was made. My position is still clear.

CHAIR - But supplementary to that, wouldn't you have looked good if you had written to them stating they are invited if they met these criteria rather than not engaging with them at all? If they had then said no, it is not your responsibility then, is it?

Mrs ARMITAGE - Then it is on the record.

CHAIR - Were you worried they would say 'yes'?

Mr HARRISS - Not at all worried that they would say 'yes' because it is not about looking good, it is about -

CHAIR - As being seen to do the right thing when I say 'looking good', that the environmental groups can now say we were never invited?

[11.15 a.m.]

Mr HARRISS - Yes.

CHAIR - He does not want us on the Ministerial Advisory Council?

Mr HARRISS - Yes.

CHAIR - Had you made that invitation, even on your conditions, they would have been able to say yes or no.

Mr HARRISS - I understand where you are coming from. There was no different than the public message to others, and reflecting on the makeup of the council as now proposed, it is about rebuilding the industry and the industry players. You will note we do not have representation from the union movement but as the Ministerial Advisory Council gets into the detailed work of producing the strategic industry growth plan, there will be engagement with a whole range of other people, one of which might be the union movement. You made a comment about the people on the Ministerial Advisory Council who were gathered at McKays sawmill some weeks ago, that if you look around that group, every one of them has environmentalism as part of their DNA.

CHAIR - Absolutely.

Mr HARRISS - Without that focus on the environment, that protection and proper management of the environment, we do not have a solid wood product industry, we do not have sawmilling and so that observation of yours was entirely appropriate.

CHAIR - You will recall it was in response to the media which said you have no conservationists on this group and I made the comment that every single person on the group regarded conservation as very important.

Ms RATTRAY - You did not write a letter, minister, so did you pick up the phone to make it perfectly clear?

Mr HARRISS - There has been no ambiguity as to the message of this Government and from me personally.

CHAIR - I think the answer was no.

Ms RATTRAY - I am pretty sure the answer was no.

Minister, the mechanics of the council? The cost of running the council. We know what the makeup is. How many times are they going to meet? A bit of an outline of where they intend to start and when.

UNCORRECTED PROOF ISSUE

CHAIR - How many times have they already met and are they getting on with it?

Mr HARRISS - Sue Smith has only just returned from interstate, I think in early September, and on the back of the Budget you can understand that time has not been available to do any work in that space. We have a draft set of terms of reference but the council will need to sign off on those and it will be a work in progress.

The intention for the Ministerial Advisory Council is to meet at least quarterly under my chairmanship and then the work outside that could be a range. There would be a lot of meetings, particularly in terms of charting a new direction for a strategic growth plan. There are members of that council who were involved in the TFA process, important contributors like private forests and the TFGA. The National Centre for Future Forest Industries, Mark Hunt, and Forestry Tasmania themselves, through the last process, was basically used as a sounding board to provide data and information. They should be part of the active process.

Penny has given me the draft terms of reference. I could go to some detail but the council has not signed off on the detail. The prospective members were given copies of that where they sought it. It just sets up the structure. We all know that there is that work. It will sit around the strategic industry growth plan and that will be one of the keys to get some strategy into the process to grow.

Ms RATTRAY - The cost per annum?

Mr HARRISS - The deputy chairman will be paid in accordance with the government sizing policy for such positions. I have not yet spoken with Sue as to what band of sizing that sits under.

Ms RATTRAY - They will need some secretariat support and the like, so will that come out of the department?

Mr HARRISS - At this stage, that ought to be coming out of the department and will; we can build on that from my office as well. Gary, there is no reason why you should not go there. I am aware of the funding which was available under the Special Council that is still going to be there. The department, because of the expertise which sits there already, will be providing the administrative support. If we need to build on that or if we need to expand, then we will because the work is important. I will get Gary to go to the Special Council stuff.

Mr SWAIN - There is an amount of up to \$1.2 million available. We are conscious that while there is an allocation to support FSC in the Budget of \$300 000; we just want to be sure that there are adequate resources to support that process. We have discussed with the minister that funding of up to a million be made available to support the council, which leaves a little buffer for additional FSC funding, if needed.

Ms RATTRAY - When we are talking about supporting the council, we are talking about potentially -

CHAIR - The work of the council.

Ms RATTRAY - Are they going to be doing some feasibility studies out of that type of money? That is not what you need. That is a huge amount of money just to support a council for a year.

Mr SWAIN - There would be provision for any dedicated staffing that would support the council, any consultancy work it might want to do directly, and any follow-on work from the existing workstreams that will be folded into the council, such as the residue study and special species work and those sorts of things.

Ms RATTRAY - They could access some of that million-dollar funding to do a feasibility study on something that the council thought was worthwhile to pursue?

Mr SWAIN - Yes. The Advisory Council and they would make a program recommendation to the minister, as you would normally expect. Then the minister would consider it on its merits.

CHAIR - What happens when what is left of the \$2 million runs out? I am presuming that you are thinking the Ministerial Advisory Council is going to be working for some time. You are not appointing it for a year or two years or whatever; there is a lot to be done.

Mr HARRISS - There is a lot of work to be done in the first three years - for instance, in terms of the special timbers plan to be developed. Clearly, the council would have a key role to play in overseeing and developing it. There is a commitment of the Government to rebuild and grow the industry. Therefore appropriate funding will be required into the future, and certainly across the term of this Government.

CHAIR - Have you allowed for that in future budgets?

Mr HARRISS - That is for future budgets; there is no forward Estimate or particular appropriation.

Mr SWAIN - Minister, there is some significant funding in some of the activity work that is going to be rolled into the council. For example, in the special species there is \$1.7 million left; in the residues work there is about \$1.6 million left. So there are a couple of big chunks of work that are separately funded that the council will not have to fund directly.

Mr HARRISS - Which will help inform the decisions about the special timbers plan and - what was the other one you mentioned?

Mr SWAIN - The phase 2 residues work.

Mr HARRISS - Yes, the residues solutions. In fact, there are allocations in this Budget specifically for residues work which needs to be done.

Mr VALENTINE - Does any of that money come out of the manufacturing innovations and plantation management grant deed? It is a grant deed of \$6 million to encourage improved plantation management for sawlog production. Is any of that money being utilised?

Mr SWAIN - The short answer is no. There is an existing grant deed between Treasury and Forestry Tasmania which has that item under it, but that is not funding that would be repurposed towards the MAC; it stands separate as an arrangement between the Crown and FT.

Mr VALENTINE - How much is left in the kitty?

Mr SWAIN - I believe it is \$6 million over three years, so \$2 million a year for each of the next three years.

Mr FINCH - Minister, for Forestry Tasmania, \$25 million a year was previously budgeted across the forward Estimates, and you have said that will be taken away, and there was a letter of comfort a while ago so Forestry Tasmania could continue borrowing. Can you rule out further taxpayer support for Forestry Tasmania?

Mr HARRISS - We have been clear prior to and post the election that taxpayer subsidy needed to cease and we are working with Forestry Tasmania - and I referred earlier to the review that the Treasurer and I will oversee - to ensure this pathway to sustainability. We are not going to do any more along the same lines as was previously done, propping up the entity with an operating subsidy. I will not revisit the scope of the review because I mentioned that at the commencement of this process. We are working, and have been since coming to office, very closely with FT. While it does not sit in this particular output, there is specific funding in this Budget for FT. I mentioned earlier in answer to a question from Tania, the \$2 million for firefighting and the \$4 million for non-commercial activities, so there is funding in other areas. So that people are under no misapprehension about the \$4 million and some of the CSOs that Forestry undertake, it includes maintaining roads to a higher standard for public use, providing forest education research, tourism activities from which FT does not derive a profit, special species timber management, and also the harvesting and management of the Huon Pine stockpile. There are a range of activities that FT gets involved in and we have recognised them in this Budget and funded them, but the operating subsidy no longer exists and won't into the future.

Mr FINCH - FSC is the focus at the moment for Forestry Tasmania and over the years we have seen a thumbing of noses at Forestry Stewardship Council certification. It is now the big thing and given that VicForests have just been knocked back for their certification, what do you think the chances are of Forestry Tasmania and what will it represent for the future if they get it or don't get it?

[11.30 a.m.]

Mr HARRISS - It is always dangerous to speculate. I appreciate the nature of your question about what is my feeling or the Government's feeling on this, but we can only have as much confidence as Forestry Tasmania has about the audit process that has commenced, and the auditors will be here again later in the year. We don't know quite when because they do not give much notice. They let Forestry Tasmania know they are about to lob and then they start engaging with a range of stakeholders. I think we tabled a letter for the Legislative Council from Bob Annells, the Chairman of Forestry Tasmania, as to Forestry Tasmania's support for the legislation in the consideration by the Legislative Council. That was premised on no detriment to their application for FSC certification. We can only be as confident as we can because we have taken great care in getting right the legislation - which has just passed the parliament - to ensure that the legislation does not in a detrimental way impact on the live application for FSC certification. We are as confident as we can be.

Cast our mind back to the comments of Graeme Wilkinson earlier with regard to Tasmania's forest practices system, world's best practice, and that has been known around the world for years. Some in this room have travelled to satisfy themselves of the legitimacy of our forest practices in this state. We are committed to FSC as an important part of the marketing process for our forest products.

UNCORRECTED PROOF ISSUE

Mr FINCH - You seemed to suggest earlier that there are markets if FSC is not successful or outside of the FSC process.

Mr HARRISS - There are markets now, Kerry. We do not have FSC and we have PEFC, the Australian forest standard. You, like others of us here, talk to constituents who are saw millers or furniture makers and they sell their product. We have sold our product for years without FSC and chain of custody, although we accept that FSC is an important component in the world market place for selling product.

Mr VALENTINE - It is an increasing requirement.

Mr HARRISS - Yes it is, and yet people understand that PEFC is very robust and rigorous and highly regarded. An even larger certification process than FSC. FSC has done a good job in terms of convincing markets that is the stamp of approval you ought have.

CHAIR - That is convincing some markets. In Europe PEFC is the standard rather than FSC.

The review is not about FSC but about the review into Forestry Tasmania. I was glad to hear you say that. I am presuming the review will look at not just short term but long term sustainability for Forestry Tasmania because we do not want them to be doing the short term, let's operationally be successful, and then go out of business or start to do things that we would not want them to do. Long term as well is what I am asking you and second, when do you expect that review to be completed and will you make it public?

There have been a lot of questions in Estimates and in this House over a number of years, as to whether FT was financially sustainable or not.

Mr HARRISS - There are a couple of components there. The long term sustainability of the model is fundamentally important. There will be focus on the short-term process as well because, as we have already discussed, the operational subsidy has been removed and that needs to sharpen our focus in terms of the sustainability of FT.

As to the time frames, the Treasurer and I expect that to be concluded during this financial year. There is some work to do in that area, as people would understand. There will be stakeholder engagement to get to that end point.

In terms of releasing any report, and the Treasurer and I haven't discussed the detail of that. You understand that there will always be some commercially sensitive components of such a review, not only to Forestry Tasmania themselves but to their stakeholders and customers. That could be over a range of matters from wood supply to stumpage and everything in between.

Mrs TAYLOR - It would be good to have some kind of report that said Forestry Tasmania can be operationally sustainable and viable. You know what I mean? I understand about commercial confidentiality but for us it is a big issue - whether this is viable in the long-term.

Mr HARRISS - As a Government business, proper and thorough disclosure of its financial position is always appropriate, which will happen with GBE scrutiny. Questions will inevitably flow from members of Parliament if ever there is a suspicion of less than appropriate full disclosure.

Mrs TAYLOR - There are some supplementaries to this.

Mr VALENTINE - With respect to the possible exchange under the new act of land from future potential production forest into permanent timber production forest - some would see that as being a bit fraught in terms of gaining FSC. If you are taking land from a reserve area and swapping it, say, with button grass plain in the current permanent timber production zone, that is threatening FCS. Do you have a comment to make on that?

Mr HARRISS - You mention low quality land being swapped.

Mr VALENTINE - I am saying it is one example.

Mr HARRISS - It is an example. It would go the other way. A reason that an exchange might be contemplated is if you have identified some conservation values of significance in the permanent timber production zone land. Forestry Tasmania's capacity to supply the 137 000 minimum might be constrained. If having identified some conservation values, and they might be high conservation values, on the PTPZ land, it would be entirely reasonable to put them into the FPPF by exchange and then get, potentially, some areas out of the FPPF land for harvesting, which didn't have conservation values.

Mr VALENTINE - If this is future potential production forest land, even if you are taking it from permanent timber production zoning and putting it into FPPF you are saying you will log it later. If it has conservation values, shouldn't it go to reserves?

Mr HARRISS - That is one of the detailed areas that is yet to unfold - the identification of conservation values in the FPPF land. That will be a detailed process but in none of that will FSC certification - if FT obtains FT certification - ever be compromised because if there was the exchange of land, you take a tract out of FPPF land -

Mr VALENTINE - This is prior to the six years, we are talking about?

Mr HARRISS - Yes, during that period, the exchange rather than conversion. Then Forestry Tasmania will be required to still undertake its practices in accordance with the certification which it holds. Part of that process, you will recall, will require the approval of Parliament for either an exchange or a conversion.

Mr VALENTINE - Of two Houses.

Mr HARRISS - Yes.

Mr VALENTINE - I understand that.

Mr HARRISS - At no stage during any of that process would Forestry Tasmania advise whoever the minister is that they need to exchange a bit of land if it was going to compromise their FSC certification.

Mr VALENTINE - But the other way around? If the minister for crown lands identifies an area for exchange? Can it happen the other way around as well?

UNCORRECTED PROOF ISSUE

Mr HARRISS - Yes, the first stage of that can only come as a request from the forest minister.

Mr VALENTINE - It cannot happen both ways; it only happens one way?

Mr HARRISS - The crown lands minister can't just rock up and decide that he or she thinks it is a good idea. The request has to be initiated by the forest minister.

Mr VALENTINE - What I am saying is that it might be that the crown lands minister becomes aware of certain areas of land that is in permanent timber production zone land that should be a reserve, for instance, which is not impossible. How would that be affected?

Mr HARRISS - Still at the request of the forest minister, and with taking into consideration of FSC or whatever certification that is held at the time.

CHAIR - We haven't finished with the topic in hand. I thought you were asking questions about the review. Have we finished with FSC?

Mr DEAN - On the review that is being done, who is going to do that? You have said it was made up of industry personnel, Forestry, who will do that, who will chair it?

Mr HARRISS - Which review?

Mr DEAN - The forestry review.

Mr HARRISS - Let me go back to what I mentioned earlier. The membership is Treasury, Forestry Tasmania, Department of State Growth and the Department of Premier and Cabinet - representatives from those areas and oversighted by me and the Treasurer.

Mr DEAN - The objective of that review, I take it, is to look at the future of Forestry Tasmania standing on its own feet and moving forward in that form. Will all of those findings be made public as to what Forestry Tasmania needs to do to be able to function on its own and function with a balance, I suppose?

Mr HARRISS - Yes, I mentioned it a moment ago in answer to Adriana's question about public disclosure of all of that.

Mr DEAN - Confidentiality.

Mr HARRISS - Yes, as I mentioned in the opening statement, the scope of review will include the commercial arrangements and constraints underlying FT's financial performance; the benefits and costs of FT pursuing activities outside of its core activities as defined in its ministerial charter; options for the short term to stabilise the financial position; FT's risk management framework and its capacity to manage and respond to commercial risks; FT's ability to adapt to changes in the market for wood products; the current role of Forestry Tasmania in the Tasmanian forest industry and options for government for the future; and the options to provide resource security to the current and future native forest industry so it will be wide ranging. And FT has already been engaged by the Treasurer and myself to understand that review will be that broad.

[11.45 a.m.]

Mr DEAN - And it will be delivered this financial year?

Mr HARRISS - Yes.

Mr DEAN - By the end of June.

Mr HARRISS - Yes.

Mr FINCH - Interesting. Minister, you mentioned the current role and options for the Government. The Institute of Public Affairs believes that all Tasmanian forests should be privatised. Is that going to be part of a review and would you categorically rule that out?

Mr HARRISS - I would not be pre-empting anything, Kerry, because the review is going to be as broad as I have set out. The IPA has a view and they are entitled to that view.

Mr FINCH - So you would not rule that out, that privatisation is going to be part of the consideration?

Mr HARRISS - I am not saying that it is. The points of the scope, which I have read a couple of times, are the scope.

Ms RATTRAY - Have you, minister, or your Government, addressed your mind to the privatisation of just the resource because it is something that is being spoken about a number of times in this House, over many years, and having the regulatory arm of the industry in under the government.

Mr HARRISS - It is entirely inappropriate for me to cast my mind in that direction.

Ms RATTRAY - But you are the minister.

Mr HARRISS - No, and that is why this process is different and appropriately different. This process will not be driven by a behind closed doors process with a selective choice. This does connect to the Ministerial Advisory Council in terms of charting a strategic program and process for the future. Putting some strategy around it and not grabbing conveniently, some components which in the view of some, ought to be looked at. The whole of our forest industry in this state will be given consideration as to where the industry ought productively to go in to the future so that we can, first of all, rebuild. Second, grow and expand, because there is the expectation out there; there are people who are genuinely excited about the opportunity to be engaged and be part of rebuilding because I could go to statistics about job losses in all the regions of the state.

Ms RATTRAY - I do not necessarily need a lesson on that because I have been through that.

Mr HARRISS - And from there, the industry needs to be placed back on a footing of certainty but with the knowledge that there is a mind of Government to ensure growth opportunities. I am not going to cherry pick components which might be on the agenda. That would not be appropriate, and it would not be fair to anybody involving the industry, whether they be in the private sector or in the government sector.

CHAIR - That has answered the question.

Ms RATTRAY - It is an answer.

Mr HARRISS - I understand that there has been views strongly held by some about the very matter to which Government refers.

CHAIR - I am conscious of the fact that we have not got anywhere near Minerals Council, your other resources, yet, but I know there are members who still have a number of aspects of forestry to explore so we will keep going for the time being.

Mr VALENTINE - Minister, in regard to the spreadsheet on funding commitments and the uncommitted dollars that are in these tables, how much of these funds are actually in the Estimates that are before us today, or is this something that is taken up within the GBE of Forestry Tasmania? Just to refresh your memory, I am talking about the uncommitted \$6.85 million you spoke of in the press not long ago for growing the industry and that is repurposing that amount and that it was support for affected workers and contractors. There is \$1 million for sustainable solutions for more efficient use of harvesting and processing residues, a special species timber study of \$1.7 million, \$0.5 million for a residue study. There is the \$6 million we talked about for manufacturing innovation and plantation management, which is a grant deed and we have handled that; the \$2.54 million for support for reserve management, which is ongoing; and the \$2.55 million for the special council FSC certification. There are quite a number of areas. I am interested to know what component of any of those exists in these Estimates that are before us today. Are they all within the Forestry GBE?

Mr HARRISS - It is a bit difficult and I came here with the intention of ranging across, because this all sits in Finance General, these are matters which sit in the Treasurer's portfolio and we will do our best to get to those matters.

CHAIR - Can we can take that on notice perhaps?

Mr HARRISS - We can get some of the detail for you and I am looking at the Finance General page where, under the Tasmanian Forest Agreement, the funding declines over the out years down from \$27.7 million in 2014-15 to just shy of \$10 million in 2015-16 and so it goes. If you have budget paper 2 volume 1 and have a look on page 3.17, you will see the note attached there which goes to the programs under the national partnership agreement. You have touched on the dollar value there in that, Rob. I don't know whether you, Gary, or Penny - because Rob ranged across a number of programs there and I have my own notes in terms of some of that funding but let us stay with that spreadsheet.

Mr SWAIN - There is money that we already have, as you would be aware, for special species, for residues, for the balance of the \$20 million contracts and employee program -

Mr VALENTINE - Is that in here?

Mr SWAIN - Yes, that is in the total the minister referred to in 3.17, it is part of the Tasmanian Forest Agreement which in 2014-15 is \$27 million.

Mr VALENTINE - So is that total the \$3.9 million we are talking about?

Mr SWAIN - Yes it is.

Mr VALENTINE - Administered expenses?

Mr SWAIN - Yes it is. In trying to be unhelpful I went straight to the detail.

Mr VALENTINE - No, you are right.

Mr SWAIN - That also has some state money in it as well; it has the plantation management money that we talked about before and also the \$4.8 million per annum for the re-scheduled harvesting. It has \$1.2 million over two years which I did not know before which is now to be available for the ministerial advisory council and it has the balance of those programs that have already been run. But we do not have all payments out the door. There is a bit of money left under the sawlog buyback and the regional sawmill program. There is a more substantial amount of money which is reflected in the table.

Mr VALENTINE - This is all part of the \$27.7 million?

Mr SWAIN - Yes. Minister, my understanding is this only reflects money that we physically have so there is additional moneys that are in the Federal Government Budget that are not reflected here. This reflects what is either Tasmanian government money, or is money that has been handed over.

Mr VALENTINE - With that \$6.85 million, for instance, the uncommitted support for affected workers and contracts, that is part of the \$20 million originally. We have yet to receive anything from the Commonwealth for that, according to this table?

Mr HARRISS - That is from the \$20 million, Gary, down to \$6.85 million now.

Mr VALENTINE - Yes, and that is at the top of the page, the \$20 million commitment and there is zero on the right-hand end of that which says, 'amounts yet to be received from the Commonwealth'. Sorry, there is no more to be received, is that what it means? You have received all of that funding?

Mr HARRISS - That is the fund we were talking about a while ago with contractor assistance and so on.

Mr VALENTINE - My question goes to that \$6.85 million that is left, the uncommitted. If that came from the Commonwealth did that need approval through the Senate to get to the Government and if it is going to be repurposed does it have to go back through that process?

Mr SWAIN - It would have been part of their budget appropriation but the wording under the MPA was a bit wider than the original wording under the IGA 2013 and that was reflecting that we had already started a conversation about perhaps exit is not the highest and best use and perhaps we should be talking about transition. I do not believe it would.

Mr VALENTINE - It does not have to go back through a Federal approval process of its own in order for that money to be repurposed here?

Mr SWAIN - I do not believe so.

Ms WELLS - Because it is part of the National Partnership Agreement that has been agreed to by both governments.

Mr SWAIN - The intergovernmental agreement and National Partnership Agreement.

Mr HARRISS - Can I go to the other part of your question, Rob, and you have mentioned the reserves management. We have appropriated in this Budget, and it is in the Primary Industries area, so with the Deputy Premier, \$3.5 million for each of the next four years as our contribution to the reserves management.

Mr VALENTINE - That is for land that is going back to Crown Lands?

Mr HARRISS - Yes.

Mr VALENTINE - That is for DPIPWE to manage?

Ms WELLS - It is for the broader reserves estate arising out of all the processes that we have seen over the last two years - the Tasmanian Forest Agreement process, the new reserves, the reserves that have come from Forestry Tasmania to the Parks and Wildlife Service under the Forest Management Act of 221 000 hectares, and it also takes account of this land under the new forestry legislation that would go to DPIPWE as crown land.

Mr VALENTINE - And the management of WHA areas as well or is that something that comes from the Commonwealth?

Ms WELLS - Some of the reserves under the TFA process are within the World Heritage area so it is the detail of how the \$3.5 million will be spent across the reserve estate that is a matter for DPIPWE.

Mr VALENTINE - It is up to them decide.

Mr HARRISS - Yes, and importantly Gary did mention that the reserves management identified in that spread sheet, the funding for that is included in the Australian Government's Budget but we do not have that funding yet. There is ongoing negotiation about that.

Mr VALENTINE - Is that the \$7 million I am looking at or is it some other - 'support for reserve management'. It is \$18 million that has not come across yet?

Mr HARRISS - It is \$9 million a year, indexed.

Mrs ARMITAGE - You mentioned in your overview, minister, about red and green tape and the need to cut it. How are you going about this, particularly with Forestry Tasmania and the need to get accreditation? Do you have a target to meet?

Mr HARRISS - My opening comment related to the Department of State Growth. I was talking about the broader concept of state growth and the commitment of this Government to cut unnecessary and unreasonable red and green tape.

Mrs ARMITAGE - Can you identify any in this portfolio?

Mr HARRISS - No. Regulation of this industry is contained in the Forest Practices Code and carried out by the regulator, the Forest Practices Authority. It is a very reasonable process - world recognised. There is no red tape in that area.

Mrs ARMITAGE - I couldn't see where you could cut it and still meet accreditation.

Ms RATTRAY - With the mining industry, there are so many necessary regulations there would be no opportunity to reduce regulation. Would that be a fair assumption, minister?

Mr HARRISS - We might get to mining -

Ms RATTRAY - I know, but tack it on here and we will not have to deal with it when we get to mining.

Mr HARRISS - There are clearly areas, particularly with the capacity to develop our mining industry, where there is a need to address red and green tape. Particularly for planning schemes and harmonising opportunities for legislation in the EPBC area to be assessed by the state. Minister Greg Hunt's office is working very closely with minister Matt Groom's office to ensure a better process - a more appropriate and more streamlined process - for that assessment.

Mr FINCH - Your biofuels project, minister, for Huon and Dorset, is \$100 000 for this year. I assume there is \$50 000 for each district. Can you confirm that? Would it not be better to combine the research into one facility and prove its viability and then spread it around?

Mr HARRISS - This process is to build on the work that has been done by the Huon and Dorset regions and to partner with industry and/or local government on a dollar-for-dollar basis to build on the biofuels work that has already been undertaken. It is not going to be confined to those areas. There has been some good work done in those two areas with the funding provided previously, so we are committed to building on that with the \$100 000 this year and another \$100 000 next year to partner with industry and/or local government. I don't know whether there is any more detail around that that Gary or Penny have?

Mr SWAIN - I cannot answer that, minister. I am not aware of there being a discussion about 50/50 at this stage. I think it is still to be worked through with the key stakeholders.

Ms RATTRAY - I am sure the member for Huon and I are happy to work that out, that it will be 50/50.

CHAIR - That leads to a question which is broader than that which is about research and development because biofuels is only one part of that. If the Europeans are to be believed and followed, they are only just emerging, and not the low hanging fruit, in rebuilding the forest industry. Can you talk to us about research and development? You would be aware that the University of Tasmanian research funding is not guaranteed any longer, their Federal funding for that, for Mark Hunt's program. There does not seem to be much happening in the rest of Australia either. I know the Federal money is not your responsibility but what is the state going to do about supporting research and development?

Mr HARRISS - I will get Tom to the table because this does not just go to research and development. But there is an appropriation of \$450 000 over the next four years, and \$100 000 of

that will go to TFGA for them to support the agricultural sector's participation in residue solutions and with the other \$350 000 sitting with Private Forests Tasmania. That is one area of appropriate attention to residue solutions. Then there is another appropriation of \$550 000 and these sit in the Deputy Premier's portfolio.

Ms RATTRAY - Under DPIPWE?

Mr HARRISS - Tom Fisk is at the table, Chief Executive Officer of Private Forests Tasmania. With research and development, more broadly, and this is one area that is appropriated in the Budget, we recognise the value of the work that Professor Hunt does at the university. With the reduction of funding to CSIRO, that research and development capacity is under some threat. I have written to the Federal minister as to our concern as a Government about the withdrawal of funding because Tasmania, from the 1940s or 1950s has led the way in Australia and has been recognised for the excellence of research capacity. We had the Cooperative Research Centre operating out of the university for some time and that has been abolished. Professor Mark Hunt's participation on the ministerial advisory council will be informative, for a start, but does not give us the capacity to build on the work which he has been doing.

We will do all we can, in our communication with the Commonwealth Government, to ensure that we retain that capacity. But we understand the constraints on their Budget. I do not know whether Tom wanted to go into any of the detail around that funding which has been provided to Private Forests Tasmania and TFGA in terms of residue solution or whether that is not relevant.

CHAIR - It is, in that there are two aspects of it. Research and development, and we tend to say R and D together, but there is a difference between research and development. While you are talking about Professor Hunt's area which is certainly research but applied research very often, on the whole, there is a lot of research that has been done around the world which our aspect of research might be more about, in how we apply it and therefore development rather than research. If you could address that area that would be good because I would hate to see us spend your whole \$550 million or however many millions you think you have got for R&D one way or another, on doing work which has already been done and coming up with the same solutions and ending up with no industry development because there is no money to do that.

Perhaps you would like to talk about how much of this is for development rather than research or applying the research. The biofuels is a case in point. There are residues and there are manufactured timber products and lots of others.

Ms RATTRAY - There are wood pellet opportunities.

CHAIR - Wood pellets, cross-laminated timbers - so many things.

Mr HARRISS - There are. It is of some concern that over the last couple of years when Forestry Tasmania had the capacity to research in a robust way and get ready for HARDLAM, but was directed by the former government not to advance the research into that new product. You wonder why I get concerned about what has happened in the past in shutting the industry down when a government of the day directs its government business not to undertake and not to advance any further research in that important area.

CHAIR - I will let you have that little hit but we are not concerned about that anymore because we are concerned about from hereon and the HARDLAM project, as I understand it, is

being advanced through Oak Industries and funded by the Federal Government. Have they got their \$400 000 yet?

Mr HARRISS - I understand yes, and they are working very closely with Forestry Tasmania because of the expertise base which FT has built up.

Mr FISK - In terms of supporting the National Centre for Future Forest Industries, which, as you are aware, has had its potential federal funding slashed, it appears that from across the industry there is not a huge appetite for another national forest research centre based in Tasmania. I think the industry nationally feels that probably Tassie has had a fair run at having been the home of forestry, and a lot of people are a little bit upset about Tasmania always attracting the attention as being the hub of forestry.

PFT has been doing a lot of work with Professor Mark Hunt in the areas of common interest. In looking into the use of solid wood for timber construction and so on in our business development activities we have been doing a lot of work with Mark in that area, and with Greg Nolan. We are also attempting - through some of the funding that we are getting for the support of the private forestry industry development program, we have been allocated some money under that. The TFGA has been allocated some funds as well to assist I think in the MAC process.

With the funds that are coming to PFT, I am looking at partnering with the university and through Mark Hunt with his contacts in the university to look at initiatives that are about expanding the private forest estate further on private land - which is really putting the dollar sign in front of the anecdotal evidence that we all know exists about the value of trees sensibly integrated into agriculture. We have a project focused on that and it is my intention to work together with Mark Hunt and possibly another scientist in the CSIRO who may also find himself on the unemployed list fairly soon, to implement and to ramp up our activity on that program.

We had it in our plans to do this agroforestry program anyway but the funding we have received is giving us the opportunity to deploy some additional resources through Mark Hunt to be able to get into this work. That, to a degree, is at least going to assist in putting some funds back into his bucket to keep the national centre viable. Then through the MAC process we will be engaging with, hopefully we will be able to identify other opportunities. You are right, there is not a lot of research that is needed in a lot of the initiatives that we can introduce into Tasmania to strengthen our industry. It is learning how to adapt and adopt what is known elsewhere and has been known for many years to our situation.

[12.15 p.m.]

Mr HARRISS - One of the big problems that was let roll along over the last few years was the lack of attention to the residues. That is one of the major areas for opportunity and because we have substantial plantations in this state, Professor Hunt has been doing work on sawing trials and the drying capacity. In the future we need to determine whether the plantation estate is going to be suitable for some form of solid wood product or is it just going to be for fibre. There is some ongoing work needed. Forestry Tasmania are keen about that because there is a predominance of nitens. If we were able to grow in plantation environments globulus, there is a much easier market to tap with the product which flows from that. There are other places in the world that are growing globulus in plantations. There is a need to build on research and the development, primarily, around uses of residues. We have gone down the path during this session of bio-fuels and wood pellets, cross-laminated timber, energy generation.

CHAIR - I am glad you have brought residues into the picture because we need to talk about those, but in connection with private forestry too and forests on private land. There are farmers, people who own private forests, who are not harvesting and in some cases haven't harvested for a number of years because at this point they can sell sawlogs but they can do nothing with the residue because the only residue outlet we currently have is in the north of the state.

What are you going to do about residues from the south or residues generally, so that people can harvest and that might well provide a solution to some of those smaller sawmills who could use private forest sawlogs if they were available?

Mr HARRISS - And therein lies one of the big challenges because you correctly identified the difficulty or the unviability of harvesting from any forest. If you don't appropriate markets for the residues. At the moment there is still a demand and a market for our fibre. Artec, the primary exporter of fibre, still have strong markets for the fibre but the challenge is for export capacity from the south because it is not sustainable to continue providing \$5 million per year for freight subsidies from the south to the north of wood fibre.

CHAIR - You are not providing that to private foresters are you?

Mr HARRISS - No.

CHAIR - Private foresters haven't even got that. They haven't even got the subsidy. What you are going to do to fix the problem please?

Ms RATTRAY - Minister, have you thought about compulsory acquisition of the former Triabunna Woodchip facility? I am serious.

Mr HARRISS - I understand you are serious because that facility provided an entirely viable export facility for fibre from the south. It has gone. Quite tragically for the industry, you are aware of what happened in terms of dismantling the infrastructure to render the loading capacity for woodchips entirely inoperable. The wharf is, in large measure, landlocked because of the purchase of the adjoining land by Mr Wood and Ms Cameron.

We are right now investigating all of the options because for the short term freighting to the north of fibre from the south will continue because we have to get rid of those residues, whether they be manufacturing residues, a la sawmill, or harvesting residues from the forest, to retain the viability. That will continue in the short term.

CHAIR - Will you extend that to private foresters because it is not solving their problem, your subsidy for transport? It is a great idea, but this is keeping locked up all our private forests.

Mr HARRISS - At this stage there is no capacity for that.

CHAIR - And you have nothing in your research and development or future Estimates, or whatever, to do something about trying to develop a facility for fibre export from the south.

Mr HARRISS - We do not need research and development about it. We just need to identify the most appropriate export facility from the south.

CHAIR - And you are working on that?

Mr HARRISS - Yes.

Mr DEAN - On the subsidy currently being provided from the south to the north, there is, as I understand it, loading up and there is loading back by one of the main contractors. Is the subsidy provided by the state still required to the extent that it is for that to occur? I understand the subsidy was to provide loading up and probably empty back. Now there is loading both ways with pine on the way back and residue on the way up?

Mr HARRISS - I would like to understand the detail of that, Ivan, and I will need to get back to the committee on that. I have had numerous conversations with people who are freighting north and they see it as impractical for them to backload, even with pine, because it interrupts the flow. Get the residue up there, get back and get another load, and so it goes. So let me understand the detail of that if you want to share with me, later, individual cases where that is occurring. The whole premise of the freight subsidy is from south to north and if there is an opportunity for back loading and if that provides an appropriate service for product supply into the south, then I will get the detail.

Mr DEAN - There is also - if I might just go to the fibre - the woodchipping at Long Reach now. I am not sure of their production rates from Long Reach from the old Gunns chipwood plant that is operating under KordaMentha. There are still operations occurring there. I am not quite sure of the extent of it. Are you aware of this?

Mr HARRISS - New Forests - Forico.

Mr DEAN - What is the operation there, are you currently aware of that?

Mr HARRISS - New Forests, and again I will get the detail after confirming with New Forests, but they have bought both the chipping facilities of Gunns, both there and at Hampshire. That is part of their integrated operation. They will be harvesting the estate they have purchased for the fibre market, chipping it on the way through.

Mr DEAN - Are you aware, minister, when that is expected to take off in its full production?

Mr FISK - Now that the ownership change has been announced, which was on the 5th, last Wednesday, I expect that Forico will be ramping up their activities. In the end, that company owns the majority of the hardwood plantation estate in Tasmania.

We have done some estimates that have indicated that over the last six years that estate has been underutilised. There has been about 4 million tonnes of plantation hardwood chip export over that period. The potential was about 12 million so there are about 8 million tonnes of plantation hardwood chips sitting on the stump, money in the bank if you like, that they will do something with. The minister referred to contractor capacity in the past. Current offtake from the hardwood estate is around about 1 million tonnes and it is starting to increase. The potential even now is 2 million or more, it is about 3 million and it could probably ramp up to nearly 4 tonnes. Over the next few years, and we are talking about five-year time frames, we will be looking at that extra volume becoming available.

We are still waiting to find out what happens with the sale of the FEA plantation estate. We expect to hear whether New Forests will buy that or another company. There is a lot of activity

that will now start to ramp up. Forico, now that they have made the investment, will be wanting to get a return on that. James Davies made it very clear at the seminars we held a couple of weeks ago that they are very keen to start getting active. KordaMentha was really out there selling wood simply to keep the company ticking over and maybe to earn some money to keep being paid.

Ms RATTRAY - They certainly didn't pay any of the people they have joint ventures with so they have only been paying themselves.

Mr FISK - There is still a lot to be resolved too because New Forests only purchased the Gunns assets, the plantations on Gunns land, so there are still all the private third-party lease plantations to be resolved.

Mr DEAN - One further question off that is about the pulp mill. Minister, have you had any discussions with KordaMentha as to where that might be going and as to whether or not the State Government is giving any support to it?

Mr HARRISS - No, I haven't had any discussions with KordaMentha. I am only aware from the back of the sale of the plantation and chipping facilities to which we have just referred that they are still actively engaged in the prospect of attracting a purchaser for the site.

Mr DEAN - That is the latest you know?

Mr HARRISS - But the Government unambiguously supports the development of that pulp mill, not just a pulp mill but that pulp mill. The economic benefit to the state against the environmental rigour which sits around the assessment of that project has been well documented. It will be of significant financial benefit to the state. We are still in that space of support.

Ms RATTRAY - I have a question in relation to the funding for biomass opportunities. I wrote down \$752 000 for that. Minister, I have a proposal right here that would leave that balance of \$702 000 so I would like to hand that over to you. I am happy to have a conversation at your convenience about that. I think I could rewrite that submission -

Mr HARRISS - Never let a chance go by, Chair.

CHAIR - No, absolutely.

Ms RATTRAY - for that small organisation around wood pellets for our state. Thank you.

My next question is around the \$2 million for firefighting for Forestry Tasmania. Why did it not go to the PWS when they have the new, larger firefighting capacity because - correct me if I am wrong, but my understanding was - the bulk of the firefighting capacity was transferred over to PWS when Forestry Tasmania let go a lot of their employees 12 or 18 months ago. I am wondering why it is Forestry Tasmania for the \$2 million and not PWS.

Mr HARRISS - Bear in mind Forestry Tasmania still have -

Ms RATTRAY - I know they have trees.

Mr HARRISS - the forest estate which needs to be adequately and properly managed and they have, in the past, had within their own budget. This is a recognition by this Government that

on the operational funding of \$25 million over each of the next four years, or thereabouts, that ought to be removed and it has been. But we recognise that Forestry Tasmania undertakes not just that as a process, which doesn't generate any particular profit -

Ms RATTRAY - They have almost had it as a Community Service Obligation for the rest of the community.

Mr HARRISS - Yes, that is true but there is the other CSO which it fulfils and we have recognised those. Previous governments have likewise recognised CSOs undertaken by Forestry Tasmania but, in addition to that you would be aware that we have committed \$28 million over the term of this Government to fuel reduction burning to more appropriately manage the forest estate and that is a process which will be overseen by the Department of State Growth, and Forestry Tasmania's expertise will be recruited for that process.

Ms RATTRAY - Albeit that a lot of their expertise has been transferred to PWS. I appreciate that response because they have been for too long not recognised for their work in that area so I have no qualms with that.

Mr HARRISS - And their expertise which was sought from around the nation when that is needed. Penny has reminded me that the \$28 million over the four years of the Government is administered in Parks.

Ms RATTRAY - I am querying why it was there when the bulk of that expertise had been transferred to PWS. Thank you, Madam Chair.

CHAIR - I hope we are all pretty much done with forestry so we can move onto mineral resources. Thank you.

4.2 Mineral resources -

Mr HARRISS - At the table on my immediate right is Brett Stewart, Director of Mines, and Bob Rutherford, Deputy Secretary, Regulatory and Customer Service.

Ms RATTRAY - This is a much larger budget than the first line item that we are talking about and we have spent most of the morning on but it is an important area. Minister, I am interested in what is happening. There have been some significant issues around some of the west coast mining operations so it would be useful to have them on the *Hansard* as to what is happening in each area. I don't need a blow by blow description of the road maintenance that has been brought forward to assist that community, just the mineral operations.

Mr HARRISS - Members would be aware of the challenges confronting the Copper Mines of Tasmania, Mount Lyell. First, on the back of the tragic loss of three lives which brought about an assessment of the operation.

When they were about ready re-open there was the rock fall in the ventilation drive which then necessitated Copper Mines of Tasmania to do more reassessment and then, on the back of all that, you are aware that they have gone into care and maintenance which, of itself, has been pretty devastating for the west coast.

Under Adam Brooks' leadership we have the working group and they are identifying development opportunities as a small, very proactive, group. There have been suggestions that we could have had members of parliament sitting on that group - we don't. Adam is the only member of parliament because it needs to be driven by the community.

So Copper Mines of Tasmania has been a major contributor to royalties in this state over a long period of time. It is important to realise that, on care and maintenance, they haven't shut down and exploration work still continues to prove up opportunities for the future, because that mine has been very productive and of benefit to the state.

Ms RATTRAY - Is MRT assisting in that?

Mr HARRISS - MRT does not have a particular direct role in terms of assisting but they are always available because of the expertise that they have. The facilities at Rosny and at the core library are world's best. The industry understands that MRT is always available to provide advice and information - the library is expansive, and the information on geo-scientific exploration and research is cutting edge.

Just to round out that snap shot of the challenges at the moment for some of the operations on the west coast. Shree Minerals at Nelson Bay River were operating in a productive manner and then, as is the way with the minerals sector - it is a cyclical industry depending on the particular mineral involved. The iron ore price in February this year was over \$120 a tonne. Here we are seven or eight months later and it is down to \$US85 a tonne.

That provides significant challenges to the industry. Venture Minerals with their Riley mine were ready to go as of this time last year, or probably a little earlier. Had they got started when all the approvals were in place they would have had financial security backing the business, to ride out this challenging time. Their modelling suggests they could have had anything up to \$60 million backing that business now. They could have amortised their risk over this downturn in prices.

Ms RATTRAY - Where are they now?

Mr HARRISS - The Save the Tarkine challenge to the validity of the approvals given under the EPBC Act was rejected by the Federal Court. The Federal Court upheld the validity and the legality of the approvals but there is the capacity for an appeal, and Save the Tarkine left it to the very last minute to appeal. Even with an expedited process through the Federal Court, that will not be determined before the end of the year. Venture Minerals have decided to await the outcome of that appeal.

Had they got started - had they taken a risk and started, there was every likelihood of an injunction while the appeal was on foot. That takes my mind to red and green tape and the lengths to which some people will go to fulfil their view of the world that mining should not proceed in what people loosely refer to as the Tarkine. But there have been any number of exploration and mining sites in that region, over a long period of time.

There are some challenges, not the least of which is the decline in the iron ore price. But there are viable projects over there. I have been to the Venture site and the direct shipping ore they were going to mine, you can literally go and scrape it off the top. There is no big open cut required. This particular project, the Riley project, was then going to fund the next stages of

Venture's investment in the west coast into the Mt Lindsay project - which opens up more than just ore, it opens up tin and tungsten - and then into the Livingstone project.

Even if just Venture had started without these vexatious challenges to the Federal Court, they would have employed about 60 people, and then to the next stage of their project at Mount Lindsay, several hundred people - as if the west coast doesn't need that. The initial stages of that would have been open cut and then moving to underground mining. Brett, is there anything that you want to build on about what has been happening on the west coast?

Mr STEWART - Certainly.

Mr HARRISS - But just before you do, Tania asked about MRT's support and assistance.

CHAIR - She also asked about around the state and not just the west coast.

Ms RATTRAY - There is the Fingal area that has some opportunities.

Mr STEWART - MRT is currently working with CMT and Henty to provide additional analytical support for their exploration programs. It seems they are currently planning to spend \$5 million over the next two years on exploration. Although there has been significant negativity, understandably, around that operation, it is still a highly prospective area and that is recognised by both the company and by MRT.

We are essentially offering the company additional utilisation of our HyLogger, which is a CSIRO project that we have had running for two or three years, and that will enable the company to have a much higher level of analytical scrutiny of their drill core. We are also providing that support to Henty and other companies are able to utilise that as they wish. That is some direct support we are offering.

On the current state of the industry, the minister mentioned the cyclical nature. It is fair to say it is more cyclical than a lot of other industries at a global and national scale that that negativity is being experienced. It is important to note that, as a proportion of national exploration expenditure, Tasmania is still increasing. Although the overall spend is reducing in line with global and national trends, the proportion spent in Tasmania is remaining steady and actually increasing, so that is some more positivity.

On individual prospects, the minister has mentioned Venture and their prospects. We also have several other prospects around the state which are quite positive, including the resumption of mining at King Island by King Island Scheelite. They are currently de-watering the old Dolphin mine and looking to do some confirmatory drilling there in two or three months' time and we are very positive about that.

Ms RATTRAY - How are they going to get the resource off the island if we don't have the extensions to the breakwater wall?

Mr STEWART - Certainly there are some issues to work through but they do have quite a bit of a lead time to work through that.

Ms RATTRAY - Thankfully. The government has been on notice - not this Government but the previous government - for the last 10 years that I have been here about that issue.

CHAIR - This Government is going to fix everything, though, so it will be good.

Ms RATTRAY - If they make a start it will be very useful. Thanks, Brett, I am sorry to interrupt.

Mr STEWART - We also have some very positive prospects. Forward Mining is very well advanced in the exploration and planning stage for an iron ore mine next to the Kara mine that Tasmania Mines mine at Hampshire just outside Burnie. They fly under the radar but again, it is a medium-sized prospect. It is very positive and very close to rail and port.

Mr DEAN - Which product is that?

[12.45 p.m.]

Mr STEWART - That is iron ore. It is actually two different types of iron ore. One is used in the coal washery process and the other one is used as a bulk iron ore.

CHAIR - What is that company called?

Mr STEWART - Forward Mining. We have advanced exploration by Stellar Resources at Zeehan. That is for tin. We have a company by the name of ABX4 who are in the process of securing mining leases for bauxite production in the midlands, near Fingal. We have a number of other prospects. The current sale agreement at the Avebury Mine, if the sale agreement proceeds. West Australian company, QCG Resources, is currently looking to purchase that mine from NMG which run the Rosebery mine. That mine is in care and maintenance and basically ready to go and the nickel price has been improving. That is another prospect.

Mr DEAN - What about the tailing mine in the north east? Is that still operating?

Mr STEWART - Alastair Nicholas. I think he is operating at a fairly low level, as are a couple of other operations in Mangana for gold. Whilst they are small, they employ locals and they are important for the local region.

Ms RATTRAY - And they use services while they are in the area. They are important.

Mr DEAN - He is doing a great job.

Mr STEWART - Whilst there is an understandable level of negativity around the industry at the moment, it is important to remember that Tasmania is still highly mineralised and a very important and diverse prospect. We will be continuing to work in terms of putting out pre-competitive geoscientific information to attract the industry and also provide our regulatory services.

Ms RATTRAY - In relation to the relocation of the head office to Burnie, minister, how is that move being carried out? You are going to require Hobart-based staff to be moving to the beautiful north west. How are they taking that?

Mr HARRISS - That is a process to be undertaken during the term of this Government and the funding is provided across the forward Estimates to achieve that. I have commenced

UNCORRECTED PROOF ISSUE

discussions with the staff at MRT but that is early days in terms of working through the detail of that.

Ms RATTRAY - Giving them plenty of notice, I expect.

Mr FINCH - There is some confusion over whether Shree Minerals is being investigated for environmental breaches. Can you confirm that the Federal Department of Environment is investigating Shree?

Mr HARRISS - I will say that there has been some mischief by others around the operations of Shree Minerals. I will go to Brett because he has been intimately involved with the process on foot, but suffice to say that the Environment Protection Authority monitors and requires compliance with conditions attached to mining leases.

In terms of your question about any Federal intervention, I suspect that the intentions there would be that there has been some breaches of EPBS conditions. That would be my presumption so can I get you to cover off on the detail that sits around that to reassure members of the committee that appropriate and proper processes have been followed and are always monitored by the EPA and MRT.

Mr STEWART - Certainly, minister. The operation of Shree has not been without some difficulties. One of those difficulties has been a larger than expected amount of potentially acid forming waste rock. That issue has been dealt with by both the EPA and our agency, MRT. It has been referred to the federal department. They have a permit for the operation via the EPBC Act, the federal act. Obviously that is a matter for the federal department. My understanding is that the matter is being dealt with at a state level by the EPA, and certainly has been by my agency, and that the federal department may very well be looking into whether the issue has an impact on the conditions in the federal permit.

Mr FINCH - Minister, does Shree owe the state Government anything in royalties? Do you have an understanding of that?

Mr HARRISS - The former Government approved royalty deferrals for two years, to be paid back over the following three years, as I recall. Is that correct?

Mr STEWART - For two years, to be paid back over the following two.

Mr HARRISS - So it wasn't the next three, it was two?

Mr STEWART - Royalties will be paid but currently they are deferred.

Mr FINCH - What is the amount?

Mr STEWART - The original projection, if the mine was to be operating as planned - which obviously it isn't because it has currently suspended operations - was approximately \$2 million.

CHAIR - A year or total?

Mr STEWART - No, for the total period, to be paid back over the following two years.

UNCORRECTED PROOF ISSUE

Mr HARRISS - The royalty regime had a couple of parts, but the most significant part of the royalty regime revolved around the profit-based nature of the business. Royalties would fluctuate depending on the rise and fall of the profits of the business.

Mr RUTHERFORD - I think, minister, we are losing money we would never have received.

Mr FINCH - Is that accrual accounting, or what?

Mr RUTHERFORD - Because the operation has been suspended.

What we are really seeing is the effect of the huge fall in the iron ore price. It goes to the project life cycle that the minister referred to earlier in respect of Venture. It is very different if a business has been under full steam for a while, at good iron ore prices - then you can ride a lot out, which you can't if you are still in the start-off phase of a major operation. We are seeing a lot of effects from just the general economic climate.

Mr STEWART - If I can just clarify, as a matter of record, the current Treasurer signed that deferral. The negotiations were done with the previous Government - there was an overlap with the caretaker period and the deferral instrument was signed by the current Treasurer. Just as a matter of record.

Mr FINCH - On the subject of Venture Minerals and the Riley Creek iron ore mine site, what steps are being take for rehabilitation there? What is the status at this time?

Mr STEWART - There has been very little disturbance at the site. The mining operation did not begin. There were some road works and some site clearing done, initially, before the company decided to suspend operations, but there is very little to rehabilitate at this point. Previous exploration activity in the area has been rehabilitated, and we closely monitor that. We will make sure we continue to monitor the site, whilst it's in the period of hiatus, before the company decides what they will do.

Mr VALENTINE - Is it Shree that has the acid rock deposited outside of the lease area?

Mr STEWART - No, it is within the lease area. The original mine plan was such that the waste rock would be stored within the pit. You have a lease area, then you have a mining area, and within that you have a pit. Within the pit the acid waste rock was to be stored. The change to the operation necessitated by an increased amount of waste rock being experienced once they began operation meant that that material had to be stored, still within the mining lease but outside of the pit temporarily whilst operations were underway. Then that material is to be placed back inside the pit on closure so that it can be covered and remain. That is best practice basically.

Mr VALENTINE - My question is regarding the process, as to who has jurisdiction over monitoring that or issuing infringements or whatever. Is it MRT or is it the EPA? What is the process there? Where is the interplay between the EPA and MRT in relation to those sorts of issues?

Mr STEWART - We work very closely with the EPA. There is jurisdiction for both parties. MRT is responsible for, through the minister, administering mineral right. We also manage the security deposit which is placed on the lease and provided by the operator to ensure that if they don't carry out their rehabilitation then we can do that.

Mr VALENTINE - For whatever reason.

Mr STEWART - Correct. The EPA has the primary jurisdiction of monitoring environmental performance via the permit. This issue crosses over both areas because not only did the change require the permit to be varied by the EPA, it also required us to review the security deposit, and both of those things have been done.

Ms RATTRAY - Minister, can I take you to page 10.23 of the budget paper, the performance information. In relation to the program Abandoned Mining Lands Rehabilitation Projects, only 88 per cent of those identified were completed when I assume the target was 100 per cent. I am interested to know whether there was some issue around that rehabilitation program. Are we going to manage to get to that 100 per cent target for next year?

Mr HARRISS - Rehabilitation always has the capacity to be controversial. There will be some who say - and in the recent past some have been suggesting - that there is some leaching from an old mine at Dundas. Without doing their due diligence to find out exactly what is going on, they run out the media and say that this is causing some problems. Rehabilitation of abandoned mine sites is, and always has been, monitored by and managed properly by MRT.

There is an annual attention to funding. Just a couple of years ago there was \$360 000 spent on the abandoned mine rehabilitation program in 2012-13. Last year, the financial year just completed, it was \$170 000. I might get Brett to speak - we were only discussing recently that there is some great value in rehabilitation and for proceeding with mining techniques on previously abandoned sites. There is some positive stuff there if people would understand you do not use a mine and lock it up and then have it as potentially an environmental threat. There is an attention to rehabilitation already. MRT took some active pursuit of this some years ago, recognising there is that need.

[1.00 p.m.]

Ms RATTRAY - The companies pay a huge bond, don't they?

Mr HARRISS - Indeed. That is the current process.

Mr STEWART - The bond does not fund the trust fund. The bond is set aside, in case that operation needs us to rehabilitate it. The trust fund is a separate matter and that is funded through allocation. This budget line refers to the rehabilitation trust fund. In that specific instance, in 2013-14, my understanding is that the reason we did not hit our 100 per cent target, which is very unusual, was we had to divert some of our planning works to address some emergency safety issues that were brought to our attention in terms of capping some shafts. That meant we did not hit our target with regard to our planned program but we did some additional work.

Mr RUTHERFORD - The trust fund is about legacy issues because right around the state are consequences of our historic mining development is -

Ms RATTRAY - Dig anywhere.

Mr RUTHERFORD - We have a lot of legacy issues and one of the huge benefits we have had from the resurgence of Tasmania as a mineral province, has been that the new mines, and Mount Bischoff would be a good example, where what happened there with new work was that

legacy issues were addressed in the normal process of business of developing a new mining operation. That is probably our best way of working through the large number of legacy issues we have. We have a risk management approach in the use of the trust funds to address issues and ameliorate things that are risks and chip away at the problem. It is a problem we have had since the nineteenth century. We need to recognise the situation we are dealing with.

The example the minister gave is one where there is an appearance of activity; there is a perceived turbidity from that Dundas Mine. It looks worse than it is but there is not a significant risk to public health. We would not divert funding away from serious issues like bogging shafts that are a risk to people, to something like that.

Ms RATTRAY - How much is in the trust?

Mr STEWART - It is \$150 000 from allocation and we also use some forfeited security deposits. Sometimes when companies do not fulfil their rehabilitation obligations, we do not need to use all that money so we can then divert that to the trust.

CHAIR - You do not give them back the rest that you do not use?

Mr STEWART - If they have not done what they should have done, no.

Grants and subsidies -

Mr FINCH - The \$2.8 million rising to more than \$3 million over the Estimates for the Forest Practices Authority and Private Forests Tasmania. Can we move into that area, page 10.36, table 10.12?

Mr HARRISS - FPA, \$2.942 million.

Mr FINCH - I have heard complaints from landholders about the cost of forest harvest plans. What is the proportion of the Forest Practices Authority's income that comes from those forest harvest plans and their supervision? Can we have some insight into what goes on there with the Forest Practices Authority?

Mr SWAIN - I am trying to read this.

Mr HARRISS - I should have been alerted to this earlier, because Graham Wilkinson from the Forest Practices Authority -

Mr FINCH - Yes, apologies, I couldn't move ahead to that.

Mr HARRISS - No, I understand that. Those appropriations, Kerry, are just for the operation. That is the appropriation from the Budget for the operation of the Forest Practices Authority. Where does your question go, please?

Mr FINCH - Complaints about forest harvest plans and their cost. People are saying they are quite expensive to develop. How do they figure in the operations of the FPA - how much is returned to the FPA through that process?

Mr HARRISS - Harvesting plans, forest practices plans?

Mr FINCH - Yes.

Mr HARRISS - You raised a question as to how much finds its way back to the FPA. None of that, because a forest practices plan is put together by a forest practices officer outside the Forest Practices Authority. The Forest Practices Authority is the regulatory authority. They assess the forest practices plans put forward. I have had various conversations with people who say it is a bit expensive to produce a forest practices plan, but the reality is that the forest practices plan - the harvesting plan - needs to take account of the requirements of the Forest Practices Code.

It is like drawing up a house plan. There is a building code you have to comply with when you produce your plan.

If anyone suggests we lighten the requirements of the Forest Practices Code so forest practices plans don't have to be quite so robust, I would reject that.

But I hear what you are saying in terms of -

Mr FINCH - Can you lighten the financial burden?

Mr HARRISS - I don't know how that can be done. If you get a consultant or an architect to draw up a plan that complies with the relevant codes, that comes at a cost. There are not a heap of people around who produce forest practices plans, but they do it with full knowledge of the need to comply with the Forest Practices Code. It is a matter of compliance.

Mr SWAIN - There are two sources of income for the FPA. As you know, there is the annual appropriation from Parliament under section 44 of the Forest Practices Act and self-funding from prescribed fees from forest practices plans and tree/fern tags under section 18 of the act, as well as income from research, grants, consultancy work, fines and sales of publications.

Income from the latter element was \$1.03 million in 2013-14 whereas the appropriation for 2013-14 was \$1.36 million, so it is something like 60:40 in terms of the percentage split. I was just conferring with my colleague, Mr Rutherford, the fees I believe are set by regulation under the act, so we would have to just check on that, but I don't believe that the FPA has a free hand just to vary the amount of charges for doing the assessment of the forest practices plans.

Mr HARRISS - It is important to differentiate there their assessment of those plans, not the production of the plans. It is the FPA's assessment of the plans, which isn't an expensive business. Again, a building analogy would be that the council charges a fee to assess the plans as submitted, it is similar here.

CHAIR - A supplementary question to that, would those forest practices plans mostly be drawn up by the harvester? Isn't that normally part of the contract, whoever is going to harvest the timber would get the plans and therefore it would be part of the financial contract that the cost would be taken out at the end?

Mr HARRISS - That is true, but also a private landowner might choose to get a forest practices plan drawn up before he even engages the harvesting contractor, he has it all signed by the FPA ready to go and then in comes the harvesting contractor. There are a range of models that would apply depending on the landowner.

Ms RATTRAY - Minister, just following on from that, I have had a couple of conversations with people in your department around exactly what the member for Rosevears has talked about there. My situation has been where farmers are reclaiming land that has unproductive plantations on them. The cost that occurred through the forest practices planning process is becoming very prohibitive. I am hoping to have more conversations with you directly in the future about that. Yes, it costs money to have a plan drawn up but it is the extra money that you have to pay per hectare that is causing the issue, particularly when they are taking it back to agricultural land from plantations. These plantations are redundant plantations. They are worthless, so there is some work to be done around that. I think that is probably where the member for Rosevears is coming from. I have already had a couple of conversations with some people in your department and I hope to be able to have one directly with you around that sooner rather than later. You have been fairly busy, minister, I give you a reprieve.

Now you have the rebuilding the forest industry bill off your plate, so to speak -

Mr HARRISS - We can have that conversation now.

Ms RATTRAY - Those are some of the issues that I have been alerted to: that conversion of redundant plantations that are worthless back to agricultural land, and it is the cost associated with that, not necessarily for the plan but it is the extra to do with the hectares.

Mr HARRISS - I am more than happy to build on the work that you have been doing with the department, sooner rather than later.

Ms RATTRAY - Thank you.

Mr FINCH - Minister, on the \$1.5 million for Private Forests Tasmania, do they have any other income, or is it just the support that they get from the Government? I am wondering how the role of Private Forests Tasmania has evolved since the demise of the managed investment funds, and does PFT have a role in advising landholders over plantation establishment?

Mr HARRISS - Tom Fisk would have been able to get straight into that.

CHAIR - I think he left when we got into mineral resources.

Mr FINCH - I waited too long.

Mr RUTHERFORD - We have advice on this issue. For the levy income, there is a levy which is on the same basis of the forest practices plans, but that part of the income to PFT has declined a lot because of the fall in activity. Levy income reduced from approximately \$0.5 million in 2008-09 to a low of \$0.042 million in 2011-12 and has gone up to \$0.056 million. So up \$56 000. It is not a lot of money, it is a tiny amount of income.

For clarity, because I have been asked this question in the other place before, why we do not have a levy on a different base. Why is it levied on Forest Practices base - it seems a bit odd. It is because of the Constitutional prohibition on excises. It is not possible for the state of Tasmania to have a levy that goes either to volume or revenue without breaking the Constitution. When the state lost its capacity to have business franchise fees, we had so-called sin taxes on petrol, alcohol and tobacco where we were charging a levy on the turnover, usually of the previous year, and they

UNCORRECTED PROOF ISSUE

were struck down by the High Court. Similarly the application of any levy for any purpose that goes to volume, usually, or a revenue base, is not valid.

CHAIR - Mining royalty is not the same?

Mr RUTHERFORD - Mining royalty is not the same nor is a royalty from a forest product because what the state is doing is charging for something it owns. That is something in which the state owns the property rights and the charge is for buying something, in effect, off the state. So that is different. Suppose tomorrow we decided to have a promotion fund for something. Suppose we wanted a bed tax. I will make it up. We wanted to put a levy on tourists visiting hot spots, in order to fund infrastructure - you would not be able to. It is against the Constitution. It has rather stifled some of our abilities to have self-funding models for things like that.

As an economist, I think the interpretation by the High Court is egregious in its extension of the concept of an excise. I was pleased when Vince Fitzgerald, the very famous economist who was at the CEDA event the other day, said exactly the same thing. It has taken away a major policy instrument from all state governments.

Ms RATTRAY - The best economics lesson I have had today.

Mr RUTHERFORD - Hopefully the only one.

Mr HARRISS - In addition to that, Bob has identified there is a levy component but that appropriation is from the Budget and it does not include anything to do with the levy which is in addition to that for Private Forest Tasmania revenue stream.

Mr FINCH - A general question, PFT's role was about advising the establishment of plantations is -

Mr HARRISS - More broad than that. It is about the management and development of the private forest estate, not just plantations.

Mr FINCH - But that was part of their role, the advice on plantations, establishing plantations. Is anybody thinking of establishing a plantation these days?

Ms RATTRAY - I told you they are taking them out.

Mr RUTHERFORD - There were major changes in the taxation treatment and that had a significant effect. When the MIS schemes went it took away a lot of the incentive. Without going into the why and wherefores, one of the issues we were referring to earlier is that you are investing for a long term product. Even fast growing trees you still have to wait a long time. That was one of the argument that previously lay behind the MIS schemes. If you put that together with a climate of uncertainty in demand for the product, of the sort Ms Rattray was referring to, you understand it damaged ongoing investment in plantations. The plans have fallen off and we look forward to a resurgence in activity.

Mr HARRISS - Your question as to whether anyone is planting plantations - New Forests certainly will be. They will be harvesting and regenerating - that will be a viable business because they are entirely equity funded. They have no debt funding for that business at all. It is a

UNCORRECTED PROOF ISSUE

strong model - it is predominately superannuation investors from around the world who see a benefit in investing in trees.

If I could round out that matter about the levies. Thinning of plantations does not attract the levy.

Ms RATTRAY - There is not much of that going on. That is why they are in such poor condition and why people are saying they are not worth it - we will take the land back and use it for agricultural production.

Mr VALENTINE - Where is the guarantee that they going to replant? Surely there is a valuable resource in the trees that are there, albeit they are not in as good a shape as they might be. What is to stop New Forests from harvesting all those plantations and simply turning it back into farmland and selling it?

Mr HARRISS - As the land owner they can, but their business is sufficiently well structured, with the equity funded model they operate under, and their investors want to be part of that ongoing financial opportunity.

Mr VALENTINE - In forestry, as opposed to being a landholder?

Mr HARRISS - Yes, entirely so.

Mr SWAIN - Their economics are a bit different because they paid a very written down value for the land and trees they purchased, so they are starting from a different footing.

Ms RATTRAY - That got them for next to nothing.

Mr HARRISS - Some of the trees. Don't you ever have lunch in this place, Madam Chair?

CHAIR - We said we would break at 1.00 p.m. but I figured we were almost finished. We are just about done with questions, so, minister, you can go and have some lunch and thank you to all your staff and advisors from the Department of State Growth.

Mr HARRISS - Thank you very much.

The committee suspended from 1.23 p.m. to