



Questions and Answers

Ministerial Statement on Forestry

Minister for Resources

Resources Policy Branch
October 2016

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I. Business restructure

Is this a restructure, or creation of a new government business?

It is not a new business. Consistent with its previous commitments, the Government is retaining the forest manager as a government business enterprise.

Essentially, the Government's decision will lead to a fundamental internal restructure of the business, the result of which will be an entity with clear separation between its commercial and non-commercial functions.

The restructure is sufficiently large in scale that the Government believes it warrants a change in name, to reflect a new focus and operating environment.

Following the restructure, will Forestry Tasmania cease to exist?

The government business enterprise responsible for management of Tasmania's public production forests will continue to exist. However, it will be restructured and re-branded, to reflect a new focus and operating environment.

What timeframe is the Government putting on the transition?

The Government has set 1 July 2017 as the effective date for commencement of operating under the new business structure.

2. Job losses

How many Forestry Tasmania staff will lose their jobs?

While Forestry Tasmania has reduced costs over recent years and significantly reduced employee numbers, there is more to do before the business is fit for purpose in its new operating environment.

Further staff reductions – up to 35 positions over time – will unfortunately need to be pursued as the restructuring proceeds.

Forestry Tasmania will determine the final organisation structure and staffing numbers to fulfill its ongoing obligations. Staff and their representatives will be fully engaged in this process.

This is a regrettable, but inevitable, part of the restructure that must occur if Forestry Tasmania is to be a commercially viable business.

Will the existing board and management team be retained?

The existing Board will be retained. The appropriate make-up of the management team will be considered by the business as it undertakes the restructure.

Will greater or fewer management positions be needed as a result of the restructure?

This will be a matter for the Board of Forestry Tasmania to consider as an element of the restructure.

3. Commercial viability of the forest manager

How do the structural changes deliver on the Government's commitments to place Forestry Tasmania on a sustainable commercial footing?

The restructure will establish a commercial division, which will be expected to transition to a financially sustainable business model as soon as possible.

A range of existing non-commercial functions, currently the responsibility of Forestry Tasmania, will be administered separately. The cost of undertaking those functions will not be expected to be covered by commercial operations. Separation of these non-commercial activities, will create a focused, and streamlined, wood production business that will be capable of achieving financial sustainability.

Will the sale of plantations provide sufficient funds to cover Forestry Tasmania's operating losses and the transition process?

Forestry Tasmania's hardwood plantations provide a saleable asset with the potential to generate significant revenue in the immediate term.

The final value of that asset will be determined through a sale process but is expected to provide a surplus to assist the business meet its transitional costs, once existing Forestry Tasmania debts are paid.

What happens if Sustainable Timber Tasmania remains unprofitable?

The Government has made very clear that the status quo is not an option. Forestry Tasmania's current business model will not provide a long term financially sustainable approach to manage and make commercially available Tasmania's production native forest resources.

The Government is putting in place a transition process that will give the native forest sector the opportunity to be placed on a long-term sustainable footing. The final result will be dependent on the outcome of a range of related activities.

The Government believes that there is a strong future for public native forestry, which is why it has elected to take this path. Ultimately, the future of native forestry will be in the hands of the industry and its customers to support. Continued funding from consolidated revenue is not an option.

This means that the beneficiaries of Forestry Tasmania's operations, the private sector, will have every opportunity to enjoy the benefits of market opportunities, but will also be responsible for managing risks.

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4. FSC Certification and forest practices

What will be the impact on FT's bid for FSC?

The Government has clearly indicated previously that it supports Forestry Tasmania's bid for achieving FSC certification.

The Government does not expect that its decisions will have any material effect on the application for FSC Certification.

Will this have any impact on Forest Practices System?

One of the key criteria in Government's assessment of options for Forestry Tasmania's future included the need to ensure the appropriate environmental, social and cultural management of public production native forests. The Government has no intention of implementing changes to Forestry Tasmania's operating model that result in a lessening of environmental standards under our world class Forest Practices System.

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5. Road Management

How will responsibility for management of commercial and non-commercial roads be determined?

Infrastructure Tasmania will undertake a review of Forestry Tasmania's road network to ensure the current arrangements for ownership and maintenance are appropriate.

The review will be completed by March 2017.

Who will be responsible for maintaining roads?

Responsibility for maintenance of roads will remain with the relevant road manager.

How will Government ensure that the cost of maintaining commercial forest roads is not subsidised by public funds?

The separation of the commercial and non-commercial elements of Forestry Tasmania's business will provide transparency with regard to income and expenditure of the different divisions. The treatment of costs relating to the construction and maintenance of the road network will be informed by the review being undertaken by Infrastructure Tasmania.

6. Fire fighting capability

Will the business restructure affect Tasmania's fire fighting and fire management capabilities?

The Government recognises the importance of maintaining the fire management, and fire fighting capacity, of Forestry Tasmania and its contractors.

Fire management and fire prevention will continue to be important roles for both the commercial and non-commercial divisions of the forest manager. It is expected that there will be a high degree of operational co-ordination between the two, as there already exists between Forestry Tasmania, the Parks and Wildlife Service and the Tasmanian Fire Service.

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7. Plantation sale

What impact will the sale of plantations have on supply of sawlogs?

The sale of plantations will have no impact on forecast sawlog supply.

The sale of plantations will only apply to those plantations currently managed for the production of pulplogs. Approximately 20 000 hectares will be retained in public ownership for the future supply of sawlogs and peeler logs. This means that the existing forecast proportion of sawlogs to be supplied from plantations from 2027 can be achieved.

When will the sale process commence?

Subject to some final due diligence activities, the Government expects that the sale process will commence as soon as is practicable in order to achieve a sale outcome by 30 June 2017.

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8. Future Potential Production Forest Land

Why is the Future Potential Production Forest land being made available early for commercial harvesting?

The Board of Forestry Tasmania has advised the Government that, despite the efforts to date, the business is not operating profitably and will be unable to do so for the foreseeable future.

One of the reasons FT is losing money is that the legislated requirement to make available 137,000 cubic metres of high quality sawlog from the Permanent Timber Production Zone cannot be achieved at a commercial rate of return. More than a quarter of the sawlog quota costs more to produce than the revenue generated at current prices.

That's because too much of the production forest has been locked up and some of the remaining production areas are costly to access and a long way from market.

The Government is not prepared to accept a reduction in wood supply to industry so the only other option is to remove the legislative restriction on where the wood can come from. That is, in fact, the whole of estate management regime recommended by the Board.

One of the obvious alternatives is to bring forward access to the Future Potential Production Forest land – the wood bank set aside by Parliament for future production. The other is accessing wood from private forests.

The Government will introduce legislation in 2017 to action both options. Access to the FPPF land will be brought forward to 1 July 2018.

What Part of Future Potential Production Forest Land Will Be Accessible for Timber Harvesting?

Consistent with previous statements by the Government, the 35 000 hectares of FPPF Land that lies within the Tasmanian Wilderness World Heritage Area (TWWHA) will not be opened up for timber harvesting.

FPPF Land outside the TWWHA will be renamed Production Forest Land (PFL) and will be available for private forest entities to make application to manage areas of PFL for wood production.

Any forest harvesting will be undertaken in accordance with the Forest Practices Act and Code and all other regulatory requirements, to ensure important natural and

cultural values are managed appropriately. The Government also expects that the relevant forest manager would hold independent third party forest management certification.

Will sawlogs taken from the FPPF land be counted towards Forestry Tasmania's legislated minimum sawlog volumes?

The Government has stated its intention to allow Forestry Tasmania to draw on timber from outside of the permanent timber production zone land in order to meet the legislated minimum 137 000m³ of high quality sawlogs a year. This step is designed to provide greater operational flexibility to Forestry Tasmania, taking into consideration the Board's advice as to the high cost of harvesting in some production areas.

The Government has also stated that Forestry Tasmania will not be permitted to harvest on FPPF land. The Government's position is that the FPPF land will be made available to the private sector, as a means of supplementing existing sources of wood supply. The levels of harvesting activity, and end customers for wood from the FPPF land, will ultimately be a product of demand. In this environment, the Board of Forestry Tasmania will be best placed to determine what, if any, relevance the availability of wood from the FPPF land will have to Forestry Tasmania.

Will timber harvesting be permitted on FPPF land near visitor attractions or other high use areas, such as bike trails?

The Minister for Resources has specifically ruled out harvesting near the Three Capes Walk, and stated that the Government will not be logging areas close to tourist attractions.

The Government's announcement is intended to bring forward access to the Future Potential Production Forest land for the purposes of timber harvesting. This will require the approval of the Parliament and Government will bring introduce legislation 2017, with a view to making the FPPF Land available from 1 July 2018.

Simply making land available does not mean that it will all be harvested. The Government has made clear that harvesting on FPPF land will need to comply with Tasmania's strict forest practices system. The Government has also stated its expectation that any forest managers seeking access to FPPF land will hold third party forest management certification.

In the same way that Forestry Tasmania only manages a proportion of permanent timber production zone land for future wood production, it should be expected that

there will be a significant proportion of FPPF land that ultimately not be available, or not suitable, for harvesting.

Will the new Production Forest Land still be available for Special Species Timber harvesting?

The provisions for special species timber harvesting, and the development of a special species management plan will remain in place.

What will the new name for Future Potential Production Forest Land Be?

Production Forest Land.

Will Crown Land Services Still Manage the Production Forest Land (PFL)?

Crown Land Services will continue to manage this land. It is not expected that their current role, involving the issue of property rights in relation to the land, will change.

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9. Southern Residues

What will the Government do to facilitate alternative residues options for southern Tasmania?

The Government has already been pro-active in the successful conclusion of the expression of interest process for southern residues, as well as the recently completed Wood and Fibre Processing Innovation Program.

The Government has made clear from the outset that its focus is on facilitating a private-sector led recovery of the forest industry. This extends to the profitable utilisation of harvesting and processing residues.

Through the Office of the Coordinator-General, the Government is working to provide appropriate support to proponents of identified longer term options for southern Tasmania, including the possibility of a new export port and energy production.

The Government also will support other private sector initiatives with the potential to contribute to a sustainable solution for the long term.

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10. Private Forests

What impact does the Government's announcement have on businesses working in private forests?

The Government's decisions will result in Forestry Tasmania increasing its focus on its core responsibilities of growing trees, managing land and selling wood to domestic customers.

This will provide more opportunities for the private sector and greater certainty in respect to the operating environment for all players.

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11. Special Species Timbers

What will the changes to Forestry Tasmania mean for the supply of special species timbers?

The Government has confirmed that the currently legislated program to allow access to the FPPF land from October 2017 will remain in place. A Special Species Management Plan is currently under preparation.

The restructure of Forestry Tasmanian may also create additional opportunities for special species timber interests to more directly participate in securing access to resources on permanent timber production zone land.

However, as for all Forestry Tasmania customers, processors will need to expect a transition to a pricing structure that reflects the commercial costs of wood supply, particularly where special timbers are sourced through targeted harvesting operations.

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12. Growing the Forest Industry

Is the forest industry growing?

All the figures show it is not only confidence that is growing in forestry, but also exports, production and job-creating investment in the sector.

Exports of wood products more than doubled in 2015/16 to levels not seen for the past five years.

The total private forest harvest, including hardwood plantations and native forest, increased by 950,000 tonnes in 2015-16, to almost 3 million tonnes.

In another positive sign for the industry, there has also been great interest in the Government's \$1.25 million Wood and Fibre Processing Innovation Program with over 40 entities sufficiently confident and keen to invest, putting in applications for the Program.

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Bower, David J (StateGrowth)

From: Merse, Nick (DPaC)
Sent: Tuesday, 27 September 2016 10:57 AM
To: Christopher, Sarah (Treasury); Wells, Penny (StateGrowth)
Subject: FT Decision Timetable

Hi Sarah and Penny

Updated timetable attached FYI.

FT Decision Timetable	
FT Board Meeting	26 September
FT Post Board Meeting with Ministers	26 September
Briefing Paper to Cabinet Summarising key issues	by 28 September
Briefing Paper considered by Cabinet	4 October
FIAT Briefing on Plantation Sale	12 October
Proposed Sub Committee date	13 October
Cabinet Paper to Cabinet	No later than 19 October
Cabinet Meeting	24 October
Announcement	25 October

Cheers

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**Minister for Resources
Minister for Building and Construction**

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22 SEP 2016



22 SEP 2016

Mr Terry Edwards
Chief Executive
Forest Industries Association of Tasmania
Level 3, 85 Macquarie Street
Hobart TAS 7000

Dear Mr Edwards *Terry*

Thank you for your letter of 15 September 2016 with regard to a number of issues discussed between us on 14 September 2016.

I have asked my office to make arrangements for a meeting between FIAT, myself and the Treasurer for the 12th of October 2016. At that meeting, the Treasurer and I will be in a position to provide a more detailed briefing with regard to the Government's position on the future operating model for Forestry Tasmania and Forestry Tasmania's hardwood plantations.

Since completion of the Forestry Tasmania review in early 2015, the Government has undertaken a substantial body of work analysing alternative operating models and plantation sale options, relevant to the public wood production forests. In doing so, the Government has also taken into consideration the recommendations and proposals of various stakeholders, including the Forest Industries Association of Tasmania (FIAT).

Fundamentally, the Government has stated that Forestry Tasmania must transition to a commercial model. It has also stated that the costs of transition to that commercial model will be met through the sale of hardwood plantations. Within this broad scope, there are a range of options potentially capable of achieving the Government's required outcomes, including the counterfactual model you have previously described.

We have now reached a point where we are satisfied that sufficient information is available to Government to understand the relative merits of different options. The Government therefore does not agree that we need further modelling work at this stage. However, we can assure you that the Government's final decision will be informed by issues that have been raised by FIAT including the need to develop a sustainable commercial industry with a sustainable public forest manager, maintenance of legislated and contractual supply commitments, and accreditation requirements.

The Government is working to put in place a public forests business model which provides a viable supply chain, from the forest manager to end-use customer. The steps taken by sawmills and Forestry

Tasmania in reaching agreement on a new pricing structure are a positive start, but clearly there remains a significant task ahead for all parties.


Securing and maintaining access to viable markets for harvest and processing residues remains an issue of shared interest across the forest industry. Tasmania continues to harvest only a fraction of the wood fibre produced in the early 2000s. The most fundamental future growth opportunities for the industry lie in identifying and implementing strategies to extract greater value from the available resource, which will help draw private forest owners back into production, driving economic activity, growth and jobs. The management of residues from southern public forests is one part of what is a much larger challenge we need to resolve.

The Industry Growth Plan is critical to describing industry's view of its future, and the key areas on which industry and Government should focus. The Growth Plan is the industry's opportunity to demonstrate to Government, and the broader community, that the different sectors within the industry have shared objectives, and a plan, that is capable of being pursued jointly.


It is evident from the current drafts that marketing will be an integral element of the Growth Plan. The Government's decisions on how its funding contributions for marketing are structured and delivered will be informed by the final Growth Plan.

I appreciate that FIAT members are keen to see resolution of the public forest issues that are currently before us. I look forward to discussing these issues of mutual interest at our meeting on the 12th of October.

Yours sincerely *regards,*

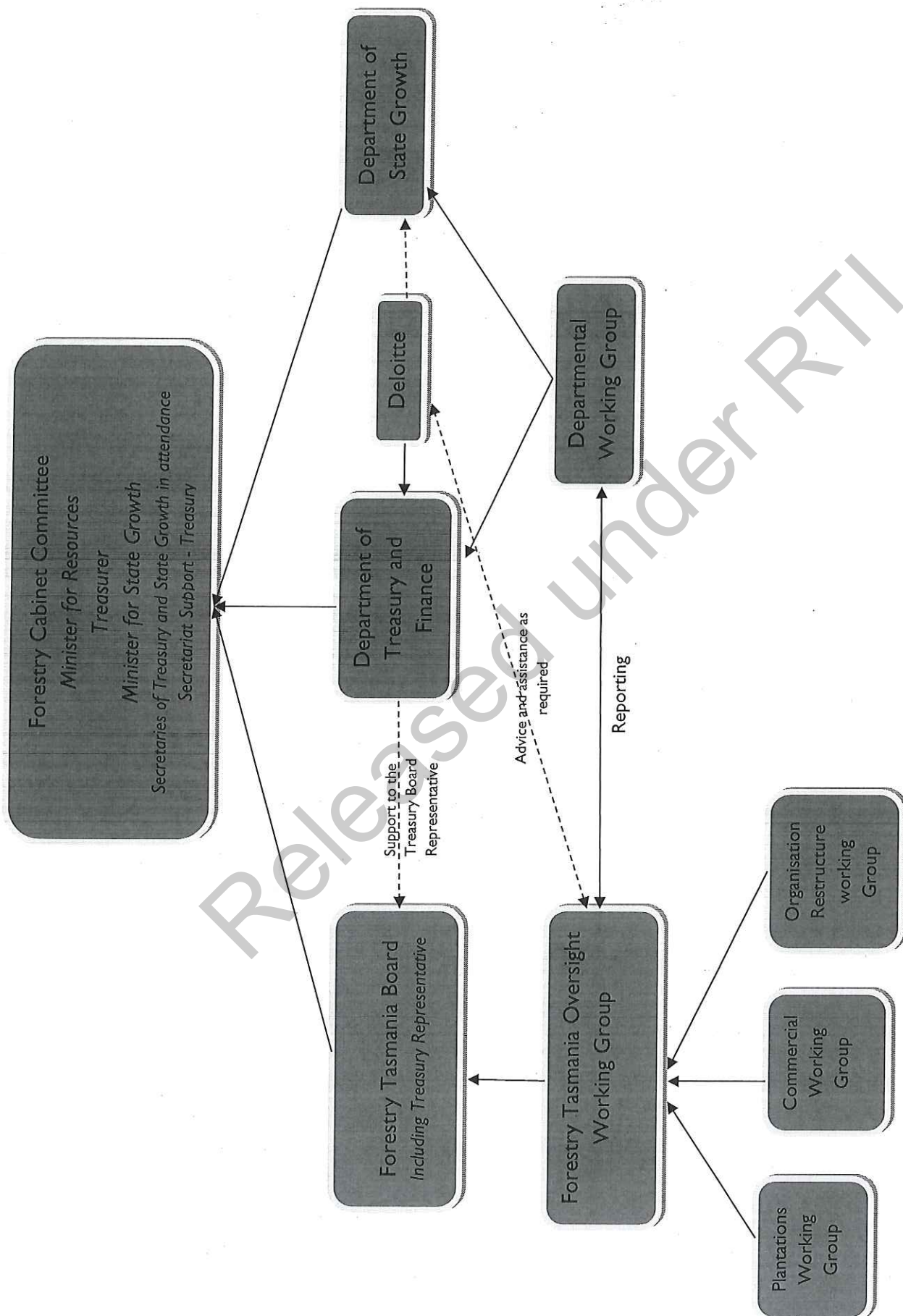


Guy Barnett MP
Minister for Resources



Peter Gutwein MP
Treasurer

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Forestry Tasmania transition- status report 14 May 2015

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Action	Responsible Agency	Current status
Cabinet Sub-committee	Treasury	<ul style="list-style-type: none"> • Terms of reference being prepared • Suggested first meeting date: 25-27 May • Agenda for 1st mtg proposed to include ToR and governance, agree approach to Eol, and note update from Minister on consultation
Departmental Working Group	Treasury and State Growth	<ul style="list-style-type: none"> • Draft Terms of reference developed • Meeting weekly
Expression of Interest	Treasury	<ul style="list-style-type: none"> • Preliminary scope developed • Treasury engaging Deloitte and probity adviser • Suggested launch date 6 June to commence advertising
Consultation with stakeholders	State Growth	<ul style="list-style-type: none"> • Communications strategy finalised with Minister for Resources • Minister to lead meetings with key stakeholders • State Growth officers to attend. • Consultation commencing 14 May

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Meeting with the Minister for Resources
Forestry Tasmania Review- Communications Strategy

13 May 2015

Agenda

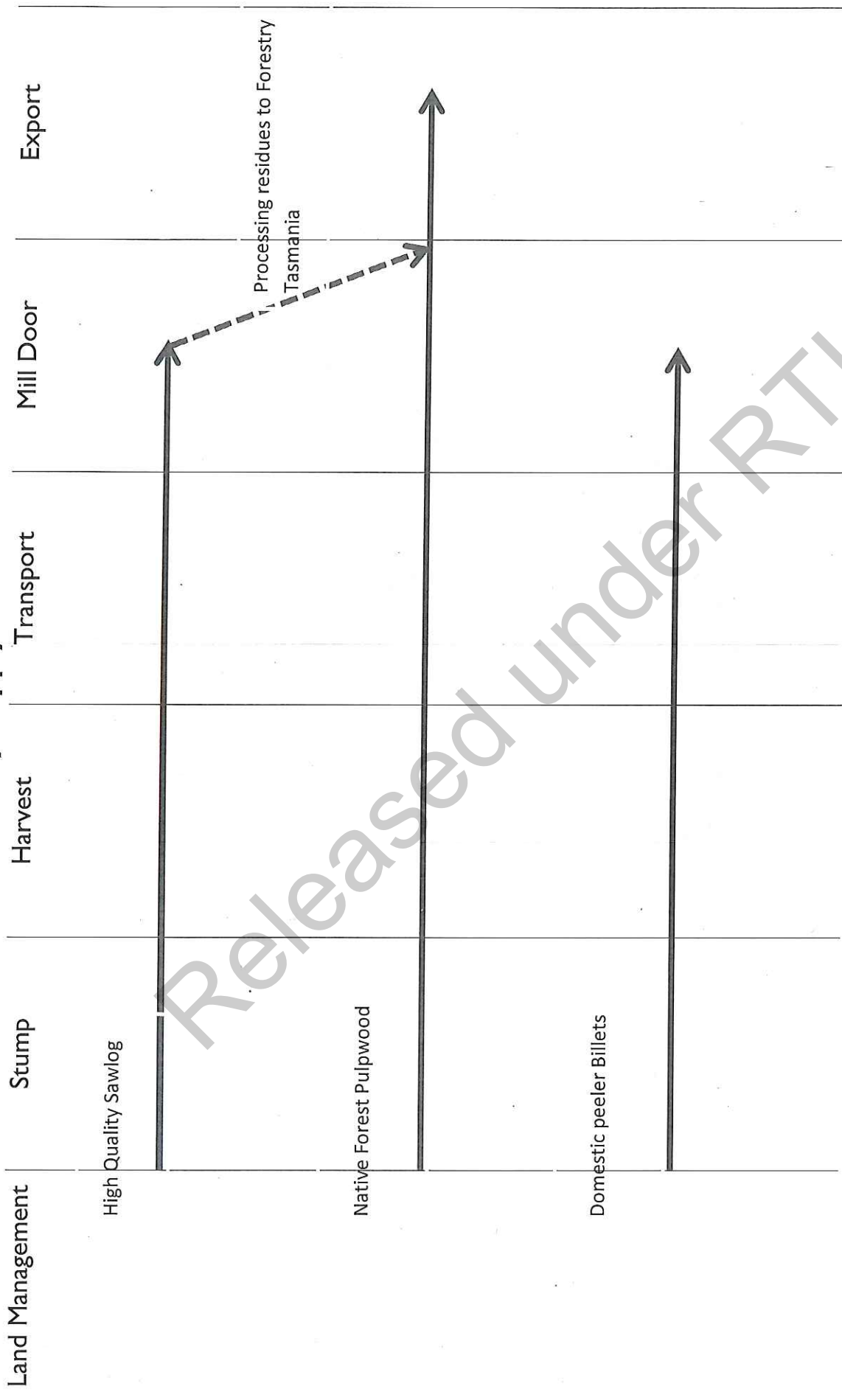
1. Communications Plan
 - a. Key messages
 - b. Questions for meetings
2. Communications Logistics
 - a. Arranging meetings and secretariat support
 - b. Seeking written comments
3. Communications Tools
4. Cabinet Sub-committee

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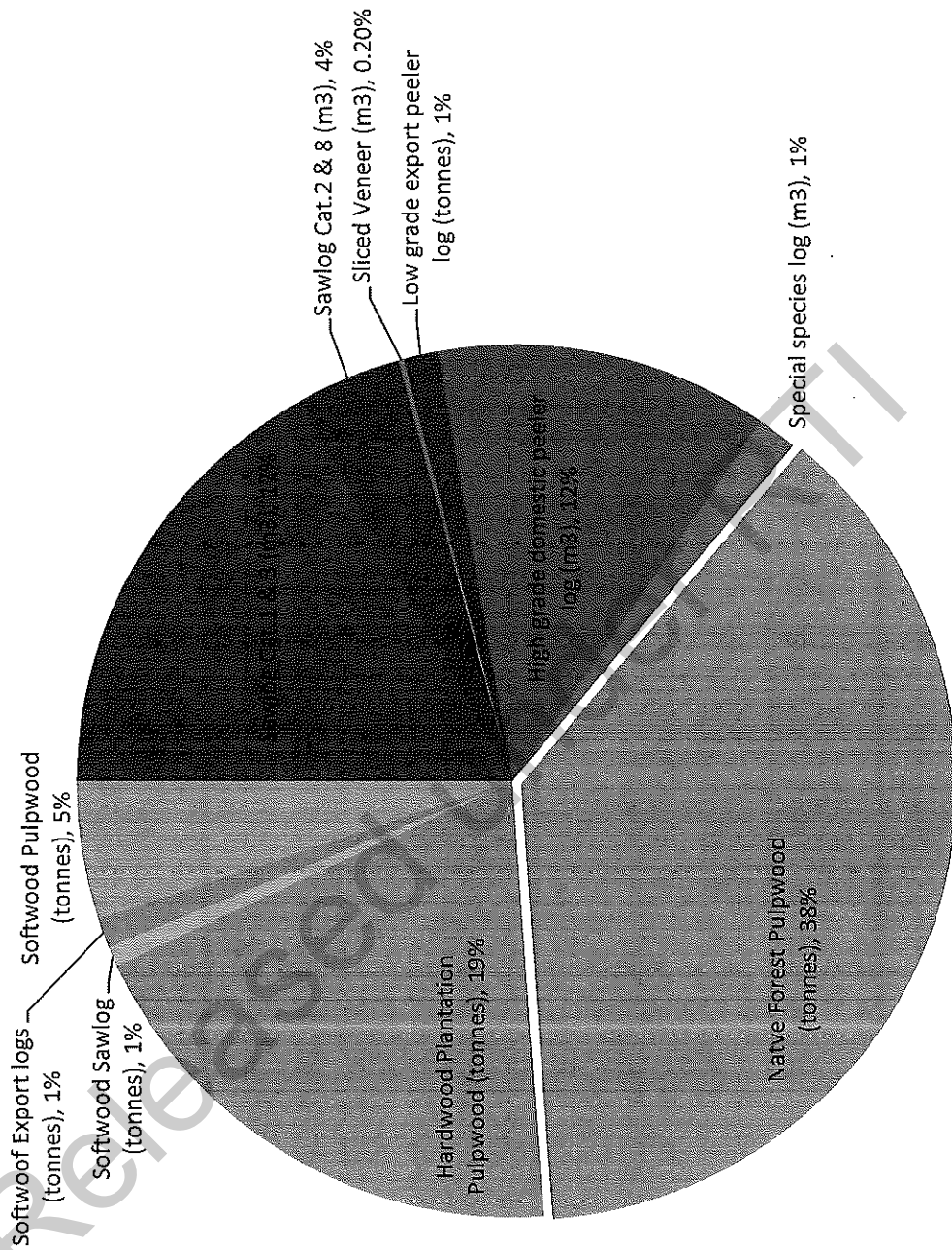
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Forestry Supply Chain



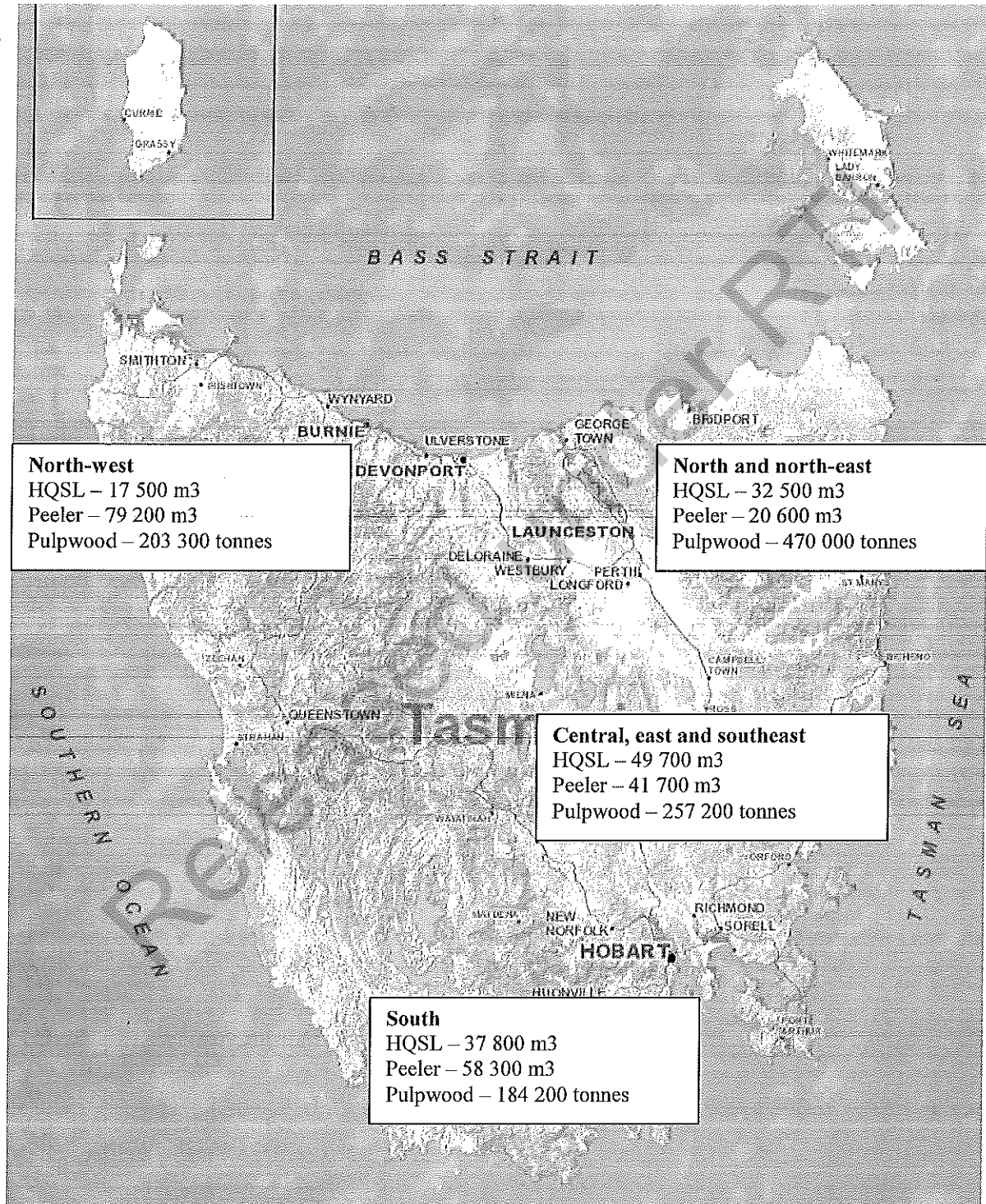
Forestry Tasmania - Percentage of sales revenue by product class

2013/14*

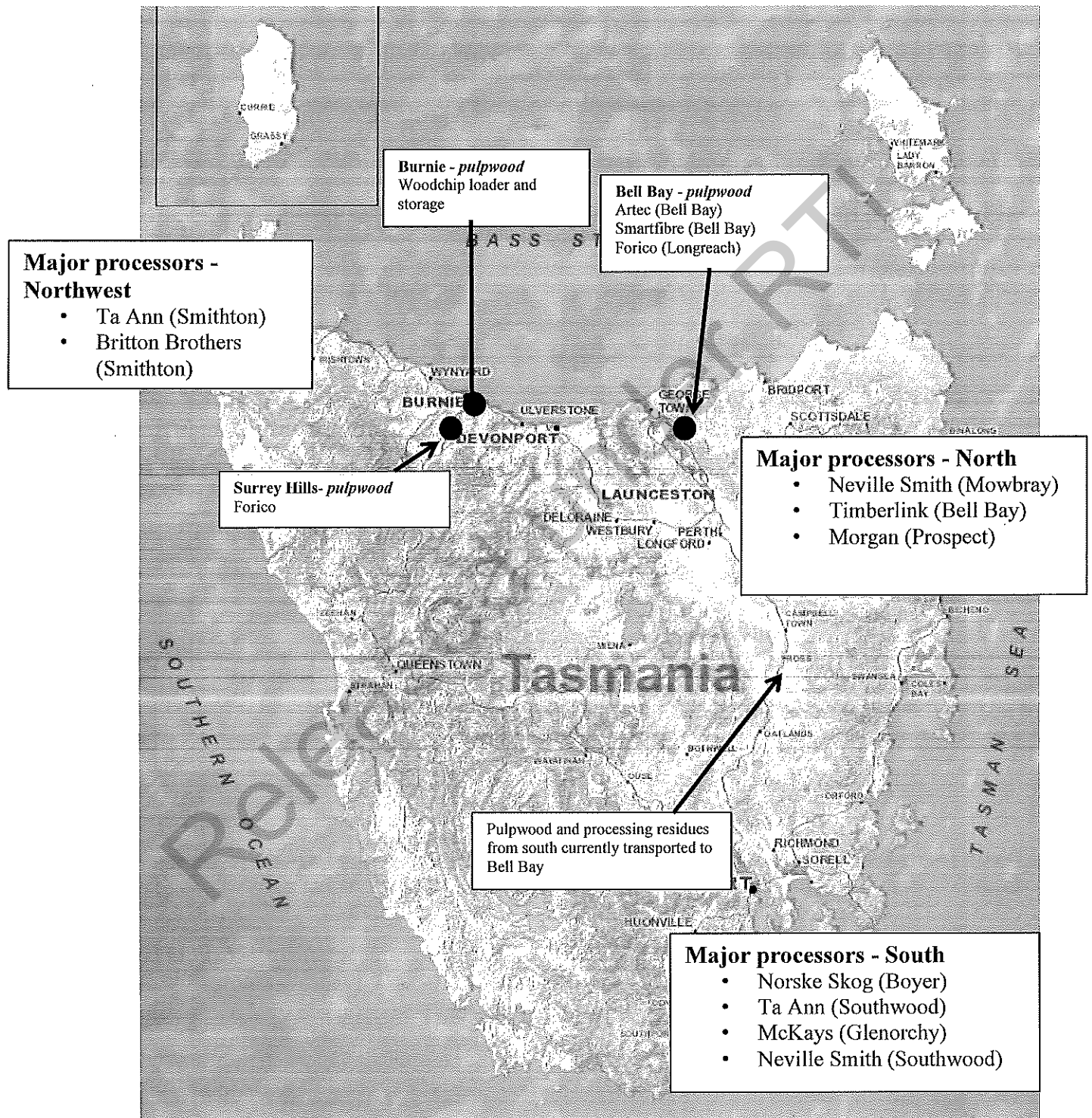


*Based on estimated Mill Door Landed Value figures – 2013/14 Forestry Tasmania Annual Report

2014/15 Forestry Tasmania production plan



Snapshot- Tasmania's Forest Industry



FT Land Purchase and Disposal.

Forest Tasmania is primarily governed by the *Forest Management Act 2013 (The Act)* and the *Government Business Enterprise Act 1995*. These are the primary references regarding FT's power to purchase land, the classification that land acquired by FT, and the disposal of land.

The GBE Act is relevant to FT and the authority given to FT by the GBE Act:

- Acquire, hold, dispose of and otherwise deal with property;
- Enter into contracts.

The *Forest Management Act 2013* defines Permanent Timber Production Zone (PTPZ) Land as:

- (a) Crown land declared to be permanent timber production zone land under section 10; or
- (b) land referred to in section 12; or
- (c) land referred to in Schedule 2;

Section 12 states that: *Any land purchased or acquired by the Forestry Corporation becomes Permanent Timber Production Zone (PTPZ) Land.*

Section 12A also states that: *The Forestry Corporation must not purchase or otherwise acquire Future Potential Production Forest (FPPF) Land.*

Any land that FT purchases become PTPZ Land for the purpose of its classification and it cannot acquire or purchase FPPF Land (Section 12 and 12A).

Purchased land does not necessarily become Crown Land, although it is still be classified as PTPZ Land. The *Forest Management Act 2013* section 11 subsection(s) 9 and 10:

- A revocation order under this section is not required in respect of any permanent timber production zone land, that is not Crown land, that is sold, or otherwise disposed of, by the Forestry corporation; and
- Any permanent timber production zone land, that is not Crown land, that is sold, or otherwise disposed of, by the Forestry corporation ceases to be, or form part of, permanent timber production zone land on its sale or disposition.

FT has the power to buy and sell private land. Any land sold ceases to be PTPZ Land on its sale.

PTPZ Land that is on Crown Land and the title is classified as Crown Land cannot be sold by FT, it is not theirs to sell.

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