

**Forest Products Commission -**

Mr P.B. Watson, Chairman.

Mr A.D. McRae, Parliamentary Secretary to the Minister for Agriculture and Food.

Dr P. Biggs, General Manager.

Mr T. Jupp, Policy Adviser, Forestry, Department of the Premier and Cabinet.

Mr M. McMullan, Chief of Staff, Office of the Minister for Agriculture and Food.

**The CHAIRMAN:** This estimates committee will be reported by a private contractor. The daily proof *Hansard* will be published in two parts. The first part will be distributed at 9.00 am tomorrow; the second part will be distributed at 9.00 am the day after. The Estimates Committee consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated fund. This is the prime focus of the committee. While there is scope for members to examine many matters, questions need to be clearly related to page number, item, program or amount within the volumes. For example, members are free to pursue performance indicators that are included in the budget statements while there remains a clear link between the questions and the estimates.

It is the intention of the Chairman to ensure as many questions as possible are asked and answered and that both questions and answers are short and to the point. The parliamentary secretary may agree to provide supplementary information to the committee rather than ask that the question be put on notice for the next sitting week. For the purpose of following up the provision of this information, I ask the parliamentary secretary to clearly indicate to the committee which supplementary information he agrees to provide and I will then allocate a reference number if supplementary information is to be provided. I seek the parliamentary secretary's cooperation in ensuring that it is delivered to the committee clerk by 9 June 2006 so members may read it before the report and third reading stages.

If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers, and I accordingly ask the parliamentary secretary to cooperate with these requirements. I caution members that if the parliamentary secretary asks the matter to be put on notice, it is up to the member to lodge the question on notice with the Clerk's office. Only supplementary information that the parliamentary secretary agrees to provide will be sought by 9 June 2006. It will greatly assist the contractor recording the proceedings if when referring to the *Budget Statements* volumes of the consolidated fund estimates, members give the page number, item program and amount in preface to their question.

**Mr J.B. D'ORAZIO:** The first question relates to the national action plan in the dot point under "Works in Progress" on page 312. Can the parliamentary secretary tell me whether that state's contribution will be getting matched by the commonwealth with our tree planting program? Is the commonwealth doing its bit?

**Mr A.D. McRAE:** That is a good question, and, in fact, it has come up a couple of times in preceding divisions, member for Ballajura. Over the period from this budget year through to 2008, the Western Australian government will spend \$32 million on the tree planting program, and indeed this will be matched dollar for dollar by the commonwealth government. I have to say, though, because there were some delays in reaching agreement with the commonwealth government, the Forest Products Commission has in previous years funded the program itself without matching funds. We have actually done that off our own bat in previous years. It is just part of that argy-bargy that has been going on with the federal government and we just struggle to get it to understand the particular circumstances that exist in Western Australia. While we sought acknowledgment of this previous investment by the state, the commonwealth has not yet agreed to match the previous expenditure. Although it will match expenditure post-signature, it is not yet taking into account the expenditure that we made absolutely in compliance with the terms of the agreement that we have got going now, but put in place and spent before that agreement was signed by the two governments. The minister, Hon Kim Chance, is continuing to argue for recognition of that expenditure by the federal government. Additional funds have been allocated in this budget to enable the full \$32 million to be matched between 2006 and 2008. The Forest Products Commission will not be required to borrow funds to increase its program. That is important; we are not loading the commission with debt. However, the amounts will be paid for through the extra tree planting being carried out through the natural resource management office which, as I indicated, was shown in the budget papers for the Department of Agriculture and Food.

**Mr A.J. SIMPSON:** Borrowings are shown as \$5 million but drop off after 2007-08. Can the parliamentary secretary explain why?

**Mr A.D. McRAE:** I will ask Dr Biggs to respond to the detail of that.

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**Dr P. Biggs:** At this stage the funds have been allocated only as far as the existing term of the National Action Plan for Salinity and Water Quality. Both state and federal governments put into that program, so what is shown is against that. I think the states have found in previous years that allocating funds ahead of the commonwealth ends up with the problem of funds not matching. At this stage our funding only matches as far as the end of the NAP and there will be ongoing negotiations during this year, which we hope will lead into future years.

**Mr M.J. COWPER:** The parliamentary secretary mentioned before the figure of \$32 million. Can he demonstrate where that is on page 312?

**Mr A.D. McRAE:** I guess this is part of the difficulty that arose when we were talking in an earlier division about the national action plan against salinity and I gave the figure of \$158 million - the state's contribution to NAP - being matched dollar for dollar by the commonwealth government. Members will see only about \$65 million of that, I think from memory, in the Department of Agriculture and Food's divisions because the rest of it is actually across a number of other agencies contributing to that national action plan. The same factor is operating here but in reverse. When members see reference to the national action plan tree planting program, they are seeing the Forest Products Commission's contribution to that \$32 million program. The other \$16 million, or just short of \$16 million, is actually found within the Department of Agriculture and Food's allocation.

**Mr M.J. COWPER:** Is some of the federal and FPC money held in the Department of Agriculture and Food?

**Mr A.D. McRAE:** No. The state puts \$158 million into the NAP, which is matched by another \$158 million from the commonwealth, and that is made up of different components from a number of agencies, including the Forest Products Commission, which puts in \$16.6 million, and the Department of Agriculture and Food, which puts in - and again I am doing this from memory, I do not have the material in front of me - in excess of \$60 million; and a couple of other agencies including the Department of Conservation and Land Management, the Department of Environment, the Department of Water, and the Water Corporation. A number of agencies contribute direct funds into the NAP's \$158 million state component. What we are looking at here - going back to the member's question - is the Forest Products Commission's contribution for the national action plan tree planting program.

**Mr J.B. D'ORAZIO:** When this Forest Products Commission was set up, was the idea to try to get some returns? I notice that on page 312, borrowings drop off at 2007-08. Is that an indication that we are going to start paying dividends; and, if so, how is that going to happen? The idea was that it would pay for itself, so if that is going to happen it would be great for all of us.

[5.40 pm]

**Mr A.D. McRAE:** We are projecting dividends and that they are going to be derived from an increase in the volume of timber sales rather than an increase in price. What we are seeing is some stability in price at the moment. It is fair to say that there is a fairly flat, or not a strong growth, curve on the price. But we are getting very good sales. Volumes are actually going to drive the delivery of dividends. I will ask Dr Biggs to expand on that.

**Dr P. Biggs:** Certainly the increase in sales in pine sawlogs to Wesbeam, Pinetec and, to a lesser extent Wespine, will lead to an increase in revenue, which will flow onto dividend. The point that was made in the question about the capital investment I think is also relevant. The FPC pays in excess of \$7 million a year servicing existing debt. We have a financial strategy whereby that debt does not increase any further and the funding through the NAP reflects that change, where the additional funding will come through that NRM program office rather than debt. The overall revenue from the FPC business goes both into payment of dividend and repayment of the existing debt.

**Mr J.B. D'ORAZIO:** Did the debt occur when it separated from CALM?

**Mr A.D. McRAE:** I will ask Dr Biggs to answer that.

**Dr P. Biggs:** The current debt is a combination of that, which was, at the commencement of FPC, roughly \$75 million, and has been increasing at \$5 million a year, as shown in these papers.

**Mr J.B. D'ORAZIO:** Two things: this is another clear example of how wonderful our Gallop and Carpenter governments are in that we have said this was going to happen and now we are actually delivering a sustainable timber industry. Is that correct? Secondly, for the record, this increase in payment of dividends is not due to increased fees and charges, is it? This is going to be because of the activity of the operations, not an extra slug - just in case the opposition want to run that line.

**Mr A.D. McRAE:** I will ask Dr Biggs to give the detail of how that is going to work.

**Dr P. Biggs:** I can confirm that the pricing strategies are not very significant increases in prices.

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**Mr A.J. SIMPSON:** As a follow-up to the member for Ballajura's question, when the Forest Products Commission was set up under the 2001 agreement and logging in old-growth forests ceased, how much timber did the commission lose on the market as a result? It went from X amount down to how many hundred?

**Mr A.D. McRAE:** The total reduction in the saw log take across both jarrah and karri is 370 000 cubic metres.

**Mr A.J. SIMPSON:** Is that the reduction in the amount of timber available to the industry per year?

**Mr A.D. McRAE:** That is correct.

**Mr A.J. SIMPSON:** I imagine that those timber millers have either folded up or modernised.

**Mr A.D. McRAE:** That is correct.

**Mr J.B. D'ORAZIO:** We had a transfer program in place which meant that they could keep going with sustainable yields. Is that correct?

**Mr A.D. McRAE:** Member, I do not know whether that was a question.

**Mr J.B. D'ORAZIO:** It was a clarification, thank you.

**Mr A.D. McRAE:** There is a whole raft of information available about the government's 2001 strategy for the preservation and protection of the old-growth forest in Western Australia. Accompanying that was a multimillion dollar industry restructuring, worker retraining and relocation program that is still going on. It is interesting to note that about 18 months ago when there was a lot of concern about the displacement of workers in the classic old timber towns, Manjimup had the lowest unemployment rate in Western Australia. The population of Manjimup had not declined so dramatically that the place had emptied out. What had happened was that people had found work in new industries. Some people of course had left, but the town itself is vibrant, alive and has a great future.

**Mr A.J. SIMPSON:** The FPC is under review. I understand that under the 2000 act it has a five-year review. Is that correct?

**Mr A.D. McRAE:** Yes, it is.

**Mr A.J. SIMPSON:** Is that review close to being tabled?

**Mr A.D. McRAE:** The member would be aware that that statutory review has commenced. It commenced -

**Mr A.J. SIMPSON:** As shadow spokesman for forestry one would think so, but I did not get an invitation to submit to it.

**Mr A.D. McRAE:** That is why we have the budget estimates process, so that I can issue on behalf of the minister an invitation for the member to take up one or two opportunities to have input. The first will be when the draft report of the committee is circulated. The committee has already resolved to circulate for comment its draft report. That is expected to be presented for comment in August of this year. The second opportunity that the member will have, and indeed every member of the Parliament will have, will be when the review is tabled in the Parliament as required by the Forest Products Act. The time frame for that is not as certain yet as that public comment period, but I imagine it will be some time before the close of business this year. Therefore, we would expect in November or December that the report of the review committee will come back to Parliament and the member will have an opportunity for input and comment. There will be two opportunities: one at the draft report stage and one when the report is presented to the Parliament.

**Mr A.J. SIMPSON:** Thank you, parliamentary secretary.

**Mr G.A. WOODHAMS:** With reference to the opening paragraph on page 312, that the commission regenerates on an annual basis 20 000 hectares of jarrah forest, 650 hectares of karri forest etc, I am curious about the 650 hectares of karri forest. Has that been a consistent hectarage over this period of time, or is it in fact a reducing number of hectares dedicated to karri as far as the FPC is concerned? Indeed, what is the future of karri as far as the FPC is concerned?

**Mr A.D. McRAE:** Mr Chairman, before I answer that question I ask you to rule on whether "hectarage" is a word.

**The CHAIRMAN:** I think we are looking at the member for Greenough's poetry and it is probably a word he has plucked from his poetic background.

**Mr A.D. McRAE:** I ask Dr Biggs to answer the question.

[5.50 pm]

**Dr P. Biggs:** The area of karri forest harvested and regenerated has decreased significantly to the levels that members now see. Prior to 2000, the annual cut would have covered about 2 000 hectares. Therefore, it is

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substantially less. As we approach the period in which more of the karri volume will come from thinning of the regrowth forest, we would actually expect the area covered to increase again, but it will be through the thinning programs, not the clear-fall and regeneration programs.

**Mr G.A. WOODHAMS:** I have a supplementary question. Does the parliamentary secretary expect the amount in respect of karri to be 2 000 hectares again, or an approximate number?

**Mr A.D. McRAE:** I defer to Dr Biggs.

**Dr P. Biggs:** Yes, I would expect it to go back to around that same figure.

**Mr G.A. WOODHAMS:** Is it purely on an economic basis that karri is far less significant than jarrah as far as FPC is concerned or are there some other environmental factors involved?

**Mr A.D. McRAE:** Mr Chairman, I ask Dr Biggs to answer.

**Dr P. Biggs:** The environmental sustainability is the driving force. The forest management plan is put in place by the Conservation Commission based on the area of forest that is available for timber production, and then the non-declining sustained yield which can be derived from that area. We could sell far more of both jarrah and karri, so economic drivers are being limited by the environmental sustainability.

**Mr A.J. SIMPSON:** How long does a karri tree live?

**Mr A.D. McRAE:** I will ask Dr Biggs to answer the question.

**Dr P. Biggs:** My understanding is that in the natural cycle some trees would live to about 350 years. However, the natural cycle is that the population of trees decreases the older they get. Therefore, most of the trees would not live beyond 100 years; some of them to 200 years, very few to 300.

**Mr A.J. SIMPSON:** The same with jarrah as well?

**Dr P. Biggs:** Similar in jarrah, although the jarrah is less susceptible to wildfire and so a greater proportion of trees will live for longer.

**Mr M.J. COWPER:** The jarrah forest and the karri forest are obviously different, the karri being competitive, the jarrah being comparative. The point I am trying to make is that once the karri forest is regenerated to a harvestable level - it was said that they are thinned and the products from the thinning are used - will those forests subsequently be used for future timber needs?

**Mr A.D. McRAE:** Mr Chairman, I will ask Dr Biggs to answer that.

**Dr P. Biggs:** Certainly it would be our hope, and the intent of the current forest management plan is that those regenerated forests would continue to be available for timber production. That will be a decision of future governments and agencies in 50 years' time. However, there is no reason why those forests cannot be used for production on a long-term basis.

**Mr M.J. COWPER:** Is it not true that there are more karri trees now than there were when European settlement occurred in Western Australia?

**Mr A.D. McRAE:** Mr Chairman, I will ask Dr Biggs to hypothesise on that.

**Dr P. Biggs:** I am into areas which probably go a little bit beyond numerical evidence. It is my understanding that the area of the karri forest has diminished, as some of the karri forest has been converted to farms. However, the number of trees in the regenerated forest is far higher than the number in the mature forest. On a pure count that may be a true statement.

**Mr J.B. D'ORAZIO:** My question is a bit along the lines of planting, but more along the line of agriculture. The planting of trees obviously has an effect on the water table, which is something of great interest especially to the National Party, and seeing as the member did not ask the question, I will ask it for him. Can the parliamentary secretary tell me how the planting of these trees has affected the water table and, therefore, salinity? More importantly, how are we going to measure it, and how can we show that it is actually working so that every time one of these National Party or Liberal Party members asks us a question about this, we can clearly show that we are trying to make a difference to salinity and, therefore, the availability of agricultural land?

**Mr A.D. McRAE:** I will ask Dr Biggs to give some detail, but there is no doubt that as a general policy approach, regeneration, cleverly done in appropriate catchments and on appropriate patterns of replanting, offers an opportunity to both slow down the movement of water across the landscape and to increase the take-up rate of water through the substrata, because it is actually being slowed down and allowed time to percolate through the ground. It also offers the opportunity, by acting as a pump, to remove surface water and ground water and so ensure that underground salts do not rise as the water table rises. It also acts to increase biodiversity in

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landscapes where biodiversity is under threat, and offers an additional economic opportunity in possible commercial operations for those landholders and operators.

There are a range of reasons that tree planting is a very, very good strategy. It is also true to say it is not the panacea. Planting trees from here to Kalgoorlie will not solve the problems that we face. These problems are so complex. In an earlier division I made reference to the fact that our best results are actually coming from local catchment approaches that deal with the use of crops, animals and tree planting, and the way roads are designed. That micromanagement of small catchments is actually delivering much better outcomes than just tree planting from one end of the landscape to the other.

**Mr J.B. D'ORAZIO:** Parliamentary secretary, specifically the ability to actually measure the effects on the water table is very important.

**Mr A.D. McRAE:** Yes, there is some science on the measurement.

**Mr J.B. D'ORAZIO:** That is the science that I was actually trying to get on the record.

**Mr A.D. McRAE:** There is the science that is proving that we get that benefit. I will ask Dr Biggs to talk about that, but it is part of a total program.

**Dr P. Biggs:** In the funding in this budget there is an allocation of \$150 per hectare that is put into monitoring and evaluation and reporting systems. We are tapping into the existing network of bores to understand the baseline and we will be able to report on the effects at both the farm scale and the catchment scale of these activities.

**Mr J.B. D'ORAZIO:** Is that going to be put in some sort of report that will be made publicly available?

**Mr A.D. McRAE:** Dr Biggs has advised, Mr Chairman, that that will be a publicly available report. I think it is going to be absolutely critical to underpinning the debate that goes on - particularly in the wheatbelt - about the continuing investment in the tree planting programs, because without that science, without proving the economic benefit, it is very hard to convince people to be a part of a cooperative arrangement like the national action plan for salinity and water quality.

**The CHAIRMAN:** That concludes consideration of this item.

*Meeting suspended from 6.00 to 7.00 pm*