WOOD PROCESSING (WESBEAM) AGREEMENT BILL 2002

Explanatory Memorandum

Objective of the legislation:

The purpose of this Bill is to obtain Parliamentary ratification of the Agreement entered into on 11 August 2002 between the State, Wesbeam Pty Ltd as the project company and its holding company Wesbeam Holdings Limited as guarantor to secure the supply of pine timber to a proposed $80,000,000 engineered wood products (including laminated veneer lumber) project at the Neerabup industrial estate near Wanneroo.

Details of legislation:

The significant features of the Wood Processing (Wesbeam) Agreement Bill 2002 are summarised as follows:-

- Under the Agreement, the State is obliged to ensure the Commission enters into a Production Contract with the Company, for the term of the State Agreement, supplies timber to the project in accordance with that contract and offers additional timber (if available) to the Company in accordance with the rights set out in that contract.

- The Agreement also provides a mechanism for a subsequent 25 years supply of timber (if available) to the project, subject to the Company meeting certain threshold requirements to obtain the right to that further supply. Those requirements, consistent with the State's strategy to use reforestation for environmental and economic purposes, include the Company investing in planting trees suitable for the production of its timber products.

- On its part, the Company commits under the agreement to build and operate its project plant at the 10-hectare site at the Neerabup industrial estate that it has agreed to purchase from LandCorp for the purpose and to enter into the Production Contract with the Commission. The option it has negotiated with LandCorp to acquire an additional 5 hectares adjoining that plant site will enable it to expand its operations in the future if it so wishes.

- The Agreement provides that, during an initial period of approximately 25 years, the Company can obtain on reasonable and commercial terms from the State's softwood plantations on and adjacent to the Gnangara Mound and from other parts of the agreed timber supply area, a reliable supply of timber suitable for the production of its engineered wood products.

- It also provides the Company with the opportunity to obtain additional timber if available during that period and the right on certain conditions to the future supply of timber if available to the project.

- The agreement has additional provisions, including the issue of extra-mass and overlength vehicle permits or notices or both to enable the efficient cartage of timber to the Company's plant site and of timber products from the site; and provisions to maintain appropriate zoning for the Company's plant site and impose certain zoning restrictions on the surrounding land.

- While the engineered wood products proposed to be produced by the Company are laminated veneer lumber, dry veneer plywood and I-joists, the agreement allows for approval to be given to allied products also being produced. The project's principal end product will be laminated veneer lumber, a high value engineered wood product that will be marketed by the Company as an alternative source of structural timbers to those currently provided by the State's old growth hardwood forest resource.

  Note: The Company's project will be based primarily on the State's long established softwood plantations in the Gnangara to Yanchep region for the initial years of development. Later in the contract, timber will increasingly be supplied to the project from plantations in the southwest of the State.

  The progressive clearing of the Gnangara pine plantations over the next 15-20 years, to supply feedstock to the project, will result in a lighter drawdown on the Gnangara Mound aquifer which is an important source of potable water for Perth. This is an important part of the State's plans to protect the Gnangara Mound groundwater resource.

Also refer to the Production Contract tabled in Parliament during the second reading of this Bill.