

FOREST PRODUCTS COMMISSION — JOB LOSSES

Grievance

MR M.P. MURRAY (Collie-Preston) [9.38 am]: Thank you, minister. I hope the minister slept well and is not quite as testy as he was yesterday.

Dr K.D. Hames: Who is your grievance to?

Mr M.P. MURRAY: Would the member like to repeat that?

I did not think he would.

I firstly welcome Eaton Community College into the chamber today. It is great to see schoolkids in here and I welcome into the chamber also the people who were not here yesterday.

It is sad that I have to raise this grievance, which is addressed to the Minister for Forestry. It is about job losses within the forest industry, particularly the plantation industry. I grieve on the issue of the Forest Products Commission being granted permission to terminate 70 jobs out of its much-needed environmental and tree planting division. Not all these job losses will come from that division, but most of them will. The sad thing about it is that a lot of those people live in the minister's electorate.

The deferral of tree planting programs will have major environmental consequences into the future. The federal government's change to its funding in preparation for the introduction of the carbon pollution reduction scheme has resulted in funding to the commission being stalled. Unfortunately, along with that, the state government has withdrawn its funding, because it sees it as a like-for-like issue. If it had continued its funding, perhaps there would not be a need for these job cuts.

To date the strategic tree planting program has taken place on over 500 farms, mainly throughout the south west. Approximately another 100 farms have been identified to participate in the tree planting program in 2010. However, due to the lack of funding the plantings will not take place, which will result in these job losses. If the funding is not forthcoming within the next six weeks, we will have another major problem, because the 2010 planting season will be lost. There will be a hiatus within the industry, and the harvests into the future will be in shortfall. I understand that the industry works on about an eight-year cycle for blue gums. The seedlings need to be planted by the end of November this year, which is only a month out, and we need this job done. The seeds need to be at the nurseries so that millions of trees will be available in the future. The forest industry cannot afford to have another year of no growth.

One reason for the tree planting program is to provide plantation timber. Another reason is to provide for a reduction in carbon emissions. We are aware that that is a major issue throughout Australia. Another reason for the tree planting program is that it reduces salinity problems that have been occurring in the south west. The forests lower the groundwater table and stop the spread of salt, which is absolutely ruining some of our rivers.

Part of the forest management plan involves the planning, maintenance and management of plantation estates in order to support local timber industries. The capacity to support local timber industries and provide timber resources is shrinking. In the future the question for the FPC will be whether it will be able to sustain the timber mills. New and existing mills are questioning further investment in this industry because of shrinking resources. I understand from what I have read in the press that they have already made a presentation to the minister. This may mean further job losses in industries other than those that come under the FPC.

As a consequence of the funding shortfall, the FPC has proposed that a number of staff employed by the commission be reduced. As I said, it involves 70 people—40 who are permanent staff and the remainder who are on fixed-term contracts will not have their contracts extended. It will have a major impact on many of the country towns, some of them, as I said, are in the minister's electorate.

This lack of funding will impact on more than individuals. I have been through redundancies in the mining industry and it is soul destroying when a person is put out of work after he has worked very diligently for the industry over the years. It is the communities in the towns of Esperance, Albany, Collie—I think it involves 15 people in Collie—and Manjimup that will suffer these losses. In small towns one job loss is bad enough, let alone 10 or 15 coming from different industries. We can add to this the further loss of income to farmers and local contractors. The effects of this issue will keep snowballing on country areas. There will be a loss of support for local communities as the government withdraws funding to the tree planting project, because businesses will close and farmers will lose income. Lack of funding will mean that the FPC will not be able to undertake maintenance work on the older plantations, and it will not be able to pay the farmers to maintain them. We have already debated the issue of the problem that will arise with arson arrests.

The minister commissioned a review of the Forest Products Commission under the Haydn Lowe report. The review has been finalised and is currently with the minister. I ask the minister to make the report public so that the people in the industry will be able to work out what is proposed for the future. I really do need that report to be tabled so that the people concerned can see whether the problem relates to the three per cent efficiency cuts, job losses or cuts, or another real issue. I call on the government to support the FPC by providing additional funding over the next two financial years to help to reduce the proposed job losses. Minister, please, for the sake of the people involved, release the report so that they have the information that they need. Minister, over the years, the debt owed to the FPC has built up to \$9 million. If the program can be restructured to enable the money to be paid back to the FPC, job losses should be reduced. I am not saying that we should send the companies that owe this money broke.

Another issue is that over nine years forest products have contributed \$32.5 million to the state government's coffers. Surely \$7 million to meet a short-term problem will fix this issue. I plead with the minister to consider providing \$7 million in the short term. If that were to occur, within two years the commission would be in the black because the federal government would again fund the industry and we would not need these job losses. It is really incumbent on the minister to today give these people some hope for the future. Remember, it is a small town issue. People in these towns have no jobs that they can walk across the road to. They are local people and I ask the minister to support them.

MR D.T. REDMAN (Blackwood-Stirling — Minister for Forestry) [9.46 am]: I thank the member for Collie-Preston for raising this grievance. I strongly agree with the point the member makes that no-one likes to see job losses. Nobody likes to see people lose their jobs, and the impact of losing a job goes well beyond the immediate families concerned. It goes into the community, as the member quite rightly said.

I will provide members with a little bit of background to the Forest Products Commission, because it is significant in the context of where we find ourselves today, certainly given what has happened in the past couple of years in particular. The FPC has certainly faced challenges over the past year. Those challenges have impacted on its bottom line. It was impacted by the Varanus Island incident and, of course, that affected not only FPC but also a range of other business sectors. As members would be aware, there were a number of significant fires that affected FPC's plantations. Being self-insured, as the government is, on those fronts it certainly affects the bottom line of the business. The global financial crisis, and the resulting drop in demand for native timber products in particular and the range of products that the FPC is responsible for delivering to industry, have had a collective impact upon the business's bottom line. It is a statutory corporation and it is required to manage itself as a business and make business decisions in the fiscal environment that it finds itself in.

One thing the government did in response to the collection of issues—and these things became a big issue for the FPC—was to put in a capital contribution for 2009-10 of \$15.1 million. The member may not be aware of that, but the government made a decision through cabinet to put \$15.1 million into the FPC to support its bottom line, given the collective impact of those particular issues. Even though \$15.1 million went in, the impact on the business goes beyond that. It certainly has not backfilled all the concerns.

The government is currently reviewing its forest policy and is having a close look at the role of the Forest Products Commission to decide where it sees the forest industry in Western Australia. That is something I will be making decisions on between now and the end of the year. I highlight that the FPC was set up after it was split from the then Department of Conservation and Land Management in 2000 following a decision to separate the forest stewardship component from harvesting. Its primary role was to manage the silviculture harvesting and sale of products from native forest, woodlands and pine plantations. That is a significant point as its core business is centred around native forest operations, plantations and sandalwood. The FPC has engaged in a couple of other activities in recent times. I think they need to be reassessed, and the member highlighted one of them; that is, getting into the business of tree farming and also of carbon capture.

The member is right in saying that we had a strategic tree farming program, which was a program that was collectively funded by the state and federal governments. The federal government has pulled out of that, as the member said, and along with the issues of natural resource management, as I highlighted in the house yesterday, it has been very difficult for the state government to backfill what the federal government has pulled away from it. The opposition needs to be very careful when targeting the state government on issues that affect us in Western Australia, and the federal government certainly needs to bear its responsibility.

In the area of tree farming, there are share farm arrangements between farmers to build up assets in medium rainfall areas with a view to one day establishing businesses. Before we put a carbon pollution reduction scheme in place we need to be cautious about being too speculative in our response to a situation for which we do not yet know the formal settings. To support strategic tree farming and invest in carbon, we need to have an income. In the current economic environment, the strategic tree farming program requires the government to kick in, and we

require the carbon pollution reduction scheme to pay funds for sequestering carbon. That is not currently in place. The federal government has pulled out of strategic tree farming and we do not have a CPRS, so there is no income for those areas. It is appropriate to review the arena in which the Forest Products Commission operates, and whether the government should be competing with other businesses out there that are planting trees and developing plantations, competing with the business of carbon sequestration, and brokering arrangements with bigger businesses to offset their potential carbon liabilities.

That is what we are going through now. The agency is resetting itself in response to the environment in which it finds itself—a lack of federal funding and a CPRS that did not come into play—and it has to respond to a new funding regime. No-one likes job losses; the target is fixed-term contracts, and it has always been known that there would be fixed-term contracts. There are 22 contracts that will not be renewed and there will be the option of voluntary redundancies. I highlight that the FPC is looking at 22 fixed-term contract staff to play limited direct roles in the core functions of the FPC. To give members an idea of where those contract staff will come from, 16 will be from regional Western Australia—eight from the south west, one from the Peel region and seven from the great southern. They will certainly make an impact on some of these regional communities. The FPC also plans to offer up to 40 voluntary redundancies as part of the restructure. The request for expressions of interest for voluntary severance packages is yet to be issued. Once submissions are received from interested employees they will be reviewed and agreed on, based on core operational requirements.

As redundancies have not yet been determined, it is not possible to speculate on their impact. However, it is certainly expected that redundancies will be managed in such a way as to ensure that the FPC's core functions are not affected.

Mr M.P. Murray: What about the Haydn Lowe report?

Mr D.T. REDMAN: It is my intention to keep the Haydn Lowe review as an internal report. It was used to inform me about some of the issues and challenges within the business. It has now gone out to a number of agencies, including Treasury, for comment, and I will respond to it internally when setting government policy positions. I hope to roll it out before the end of the year.