

FOREST PRODUCTS COMMISSION — \$13 MILLION LOSS

741. Mr M.P. MURRAY to the Minister for Forestry:

I refer to the 2010–11 Forest Products Commission annual report, its recorded losses of \$13 million and the minister's recent advice that a forest management plan is being drafted for public comment in 2012.

- (1) Does the minister stand by his statement of 20 October 2011 that the current forest management plan guides the sustainable harvesting of native forests?
- (2) If yes, how can a \$13 million annual loss be defined as sustainable?
- (3) What is the minister's new plan for this agency?

Mr D.T. REDMAN replied:

- (1)–(3) I thank the member for Collie–Preston for the question. Can I highlight a couple of things? One thing about the Forest Products Commission is that it is linked to industry and industry's performance. We are the monopoly provider of timber from the native harvest sector. We also manage the provision of timber out of the pine plantations to industry, so the performance of the industry is linked to the performance of the FPC. The income we get is based on the performance of industry processing it, selling it and making a profit.

We are currently in the remnants of a global financial crisis. There has been a significant downturn in the capacity of the plantation sector to sell its products. That is a challenge which it is facing right now and which may not go away in the immediate future. Certainly the level of revenue coming in from that has been reduced. I also need to highlight that when Gunns Ltd, which is the biggest processor of native forest timber in the South West, made its decision to exit the native forest sector in Manjimup, it stopped purchasing logs. Therefore, the revenue coming into the FPC again was significantly reduced.

Also on the FPC—I am a little bit cautious of this comment, so I will give it a qualification; I will check it out again—we suffered some losses because of the number of pine plantations that had been affected by drought conditions last year. I think there may have been some adjustments in the asset measurements on the balance sheet. I am not directly across the detail of that, but I think that is also an adjustment that shows through in the financial statements.

The point is that there were some unique factors around last year. The FPC is still performing well, in my opinion. I think we have responded to the challenges we were presented with when we came into government to restructure an agency that was profitable and that reflected the needs of industry. We have exited, and are in the process of exiting, the areas that the previous government quite blindly went into—the new plantation segment—without having a vision for where the sector might be in 20, 30 or 40 years.

The member made some reference to the forest management plan. The FMP comes under the Minister for Environment's responsibility, and he will be the right person to respond to those questions, but that is quite rightly the document that defines what we harvest, when we harvest it and how much we harvest. That plan will go through a process of review up to the end of December 2013, when the new forest management plan will be put in place.