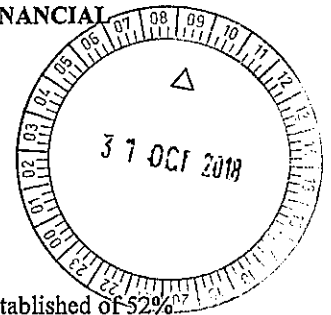


LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL
OPERATIONS

2017-18 ANNUAL REPORTS – SESSION 2

Forest Products Commission
Hon Diane Evers MLC asked:



1. I refer to page 41 - Key effectiveness indicator 8 regarding the softwood plantation established of 52% compared to the target of 100%:
 - (a) what factors have caused the establishment of significantly less softwood plantation;

Answer: The original target included the replanting of all areas of the McLarty plantation damaged in the Waroona fire, however subsequent decisions to set aside these areas for other priority uses reduced the area planted.
 - (b) what is the FPC doing to increase the establishment; and

Answer: The FPC is implementing the Softwood Industry Strategy including:

 - investing over \$21 million in the establishment of new plantations,
 - replanting all areas available to it on State-owned lands,
 - working with the timber industry and others to increase private investment in pine plantations within target hubs, and
 - supporting farm forestry through the Farm Forestry Assist grants scheme.
 - (c) the FPC consider there will be sufficient softwood plantations established to meet the demand over the next 20 years?

Answer: The level of supply of sawlogs and peeler logs will be lower than required to maintain current local processor demand levels for these products.
2. I refer to page 41 - Key effectiveness indicator 2 and I ask:
 - (a) why was the effectiveness of forest regeneration for Jarrah only 73% compared to the target of 90%;

Answer: The Key Effectiveness Target reports against the jarrah regeneration post-harvest prescribed burns that the Department of Biodiversity Conservation and Attractions (DBCA) achieved since the commencement of the current Forest Management Plan 2014-2023 (FMP). The DBCA, due to inherent issues in planning and execution of jarrah regeneration prescribed burning were unable to achieve the required burning program to achieve the Key Effectiveness Target of 90%.
 - (b) why was the effectiveness of forest regeneration for Sandalwood Zero compared to the target of 50,000; and

Answer: As reported in the Key Effectiveness Indicator seedling survival over the last seven years is 48,925 per annum against the target of 50,000 or approximately 98% of target. The critical limiting factor in successful establishment of sandalwood seedlings in the range lands is annual rainfall. The minimum rainfall required for successful sandalwood seedling establishment is a minimum of 75 mm. It is not expected to achieve regeneration in each individual year, but sandalwood seeds remain viable for many years in the soil. For this reason the FPC also reports against the target of number of sandalwood seeds sown (4,000,000) which will ensure the average regeneration per year is 50,000.
 - (c) what is the FPC doing to increase its effectiveness regarding the regeneration of Jarrah and Sandalwood?

Answer: The FPC is achieving 98% of the sandalwood target based on an average over seven years to allow for seasonal variance of germination between years. The FPC is also increasing

the amount of sandalwood seeds sown annually. With respect to effective regeneration of jarrah forest, the FPC fully funds and provides support to the DBCA to achieve jarrah regeneration post-harvest prescribed burning targets.

3. I refer to page 41 and the paragraph referring to the functional review and structural change:

(a) Who conducted the review;

Answer: The FPC Functional Review was undertaken by Forest Products Commission (FPC) senior managers.

(b) Please provide a copy of the report detailing the review, including recommendations;

Answer: The Functional Review was not a written report, but an agreed alignment of functions within the agency to create service efficiencies and align the structure for the future direction of the FPC.

(c) Were all recommendations of the review implemented/actioned;

Answer: Yes, the FPC now operates under a functional structure.

(d) If no to c), which recommendations have and will be implemented/actioned; and

Answer: Not applicable.

(e) What structural changes occurred as a result of the review?

Answer: The FPC aligned functions across the agency into four functional areas (1) Finance, (2) Operations, (3) Business Services, and (4) New Business & Innovation. The structure was designed to be adaptable so that functional areas can change over time to react to changing business needs while achieving service delivery efficiencies across the agency in areas such as road building.

4. I refer to page 41 - Key efficiency indicators and the timeliness of response to stakeholder concerns or complaints and I ask:

(a) How many complaints did the FPC receive during 2017-18 in relation to:

(i) Logging of native forests;

Answer: Nine.

(ii) Payments made by the FPC to farmers for softwood;

Answer: Nil.

(iii) What was the nature of the complaints in (ii); and

Answer: Not applicable.

(iv) How many of the complaints of (ii) remain outstanding?

Answer: Nil.

5. I refer to page 104 and the achievement of thinning schedules and I ask:

(a) what is the FPC currently doing to increase markets for thinnings of both karri and softwood;

Answer: Log sale processes are currently underway.

(b) will there be a minimum supply agreement for thinnings; and

Answer: The FPC production contracts stipulate the quantity to be supplied with an opportunity to vary quantity based on market conditions and other factors.

(c) how will the FPC ensure that the thinnings taken from the forest are a result of ensuring the ecological health of the forest is maintained rather than as a result of meeting obligations to supply levels of thinnings?

Answer: FPC ensure harvesting is consistent with DBCA silviculture prescriptions that have been developed to ensure areas harvested provide positive forest health outcomes. Forest

health is also monitored through funding provided by the FPC to the DBCA, in particular, the ForestCheck program.

6. I refer to page 41 and the cost to generate \$1 in Native Forestry is 99 cents:

(a) does the Minister consider logging of Native Forests a worthwhile investment; and

Answer: The native forest industry provides unique timber products and employment for Western Australians, particularly in regional areas. The government sees the investment returns in the broader social and economic outcomes it achieves, while enabling our forests to continue to provide multiple benefits to the community.

(b) will the Minister consider an inquiry into the financial viability of Native Forest operations?

Answer: The Government is constantly evaluating the contribution made to the community by the native forestry industry.

7. I refer to the new effectiveness indicator on page 41 - Increase in low-value resource delivered to and processed by local markets:

(a) Please clarify what the amounts relate to (ie m³, tonne, dollars);

Answer: The figures shown in the table are in tonnes.

(b) Please clarify if this amount is the increased amount for the year from previous and if so, what is the previous years value; and

Answer: Amounts shown in the table are the total quantities delivered in each financial year, not the movement in quantity each year.

(c) Please clarify how these figures compare/relate to the Log production figures for 2017-18 on pages 120-122?

Answer: The low value resource processed domestically relates to the 'Other Log Material' information contained in the log production statistics.

8. I refer to the Biological Asset Valuation increase of 537,000 in relation to Native Forests on page 95:

(a) Understanding that 7424 ha of native forest were harvested in 2017/18, what was the value of the Biological Asset of the harvested area as at 30 June 2017, that is prior to logging, and what was the value of the Biological Asset for the same area, that is after harvest, at 30 June 2018; and

Answer: In accordance with Accounting Standard AASB141, Agriculture, Biological Assets are not valued based on harvested areas but on the future values of timber; therefore, there was no specific value attributed to the specific hectares prior to harvest.

(b) What is the current total estimated Biological Value of the forest under management of FPC?

Answer: The Biological Value of the native forest is approximately \$79 million.

9. I refer to note 21 and the Onerous Contracts amount of \$1.173m in 2018 for sandalwood and \$196,000 in 2017 for Esperance Pine, please provide further details?

Answer: These amounts represent the removal of liabilities for annuity payments that are no longer recognised as liabilities in the balance sheet. This is due to the associated sharefarms now being recognised as assets.

10. I refer to note 22 and the amount of \$833,000 received from the State Government in 2018:

(a) Please advise how much or if all of this amount is in relation to additional harvesting costs as a result of rescheduling Harvesting at Gngangara and the Southwest; and

Answer: All of this funding is for the increases in costs associated with the rescheduling of harvest resulting from a reduced rate of clearfelling in Gngangara, Pinjar and Yanchep plantations.

(b) Please provide a breakdown of the additional costs?

The breakdown of funding was 85% for additional haulage costs, 12% for additional harvest costs and 3% for additional management costs.

11. I refer to note 22 (b) and the amount of \$250,000 from Royalties for Regions funding for 2017 and 2018. Please advise what projects and programs this relates to?

Answer: This amount is one half of \$500,000 of Royalties for Regions funding which was allocated over a two year period, 2016-17 to 2017-18, to the following projects:

Project	\$ Dollars
Future Forest Industry Plan	\$200,000
Farm Forestry	\$100,000
Transition to Plantations	\$100,000
Brand and Marketing	\$100,000
Total	\$500,000

12. I refer to the Total Segment Liabilities of \$33 million in 2018 under the 'Non Commercial' segment:

- (a) Please advise what this amount relates to?

Answer: The 'Non Commercial' segment liabilities include GST, employee provisions, deferred tax liabilities, income tax payable and annuity liabilities for non-core estates.

13. I refer to the total expenses of \$33.6 million for the Native Forest segment in 2018 on page 95 and \$34.5 million in 2017 on page 96:

- (a) How much of this relates to the creation and maintenance of roads for harvesting operations;

Answer: \$1.4 million in 2018 and \$1.5 million in 2017.

- (b) Does the FPC contribute to local Governments and / or Main Roads for maintenance on roads which are subject to truck traffic from logging operations; and

Answer: The FPC contributes to road maintenance through rates payment to local government, fuel excise charges and in-kind maintenance activities.

- (c) If yes to b), how much was contributed in 2017 and 2018?

Answer: Not applicable, the FPC does not make a specific payment.

