

APPENDIX B

LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

QUESTIONS PRIOR TO HEARING

Forest Products Commission

Hon Diane Evers MLC asked:

1) I refer to the Forest Products Commission Dividends as detailed on page 155 of BP2, and I ask:

- a) Will the agency please provide a breakdown of dividends each year between its various segments (i.e. - Native Forest, Plantations, Sandalwood etc); and

Answer:

The FPC's dividends are calculated on a whole-of-agency basis. Dividend payments are in Budget Paper 2, Volume 1, page 155 and are reproduced here:

2017-18 Actual \$'000	2018-19 Budget \$'000	2018-19 Actual \$'000	2019-20 Estimate \$'000	2020-21 Estimate \$'000	2021-22 Estimate \$'000	2022-23 Estimate \$'000
3,617	-	-	250	500	2,173	2,216
				5,139		

- b) Will the agency please provide details of the estimated profit for each year (and also for each segment) that the dividends have been calculated on?

Answer:

The FPC's dividends are calculated on a whole-of-agency basis.

2) I refer to the \$200,000 provided to the agency in 2019-20 as compensation for the retention of pines at Dick Perry Reserve and the agency's Annual reporting noting it has identified a potential shortfall of pine resources that would be available to meet future contracted supply commitments:

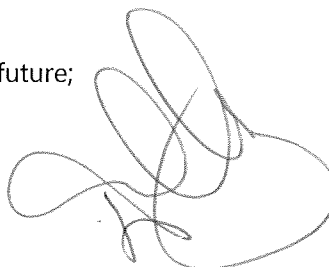
- a) How many hectares, originally planned for harvesting have been retained for other purposes;

Answer:

The Dick Perry Reserve is planned to include 149 hectares of mature pine plantations. Over many years there has been an impact on pine resources through the transfer of pine plantation land to other public purposes; loss due to fire, provision of easements, and other purposes. Records do not differentiate losses between fire, retainment for other purposes, easements etc and cannot be provided.

- b) What is the agency doing to increase pine supply in the future;

Answer:



In 2016 the FPC's Softwood Industry Strategy was launched. It identified several strategies for increasing the available pine timber resource. This strategy (*Attachment 1*) has six key steps and a series of actions. Several of these actions target increasing the supply of timber through the development of plantations; in particular the targeted investment by the FPC in establishing new plantations and working with private investors for the same outcome. In addition, the FPC is encouraging the expansion of farm forestry plantations through its farm forestry assist program.

- c) Has the agency experienced a reduction in the number of sharefarmers planting or re-planting pine on properties;

Answer:

Since a cabinet decision of the former Liberal Government in 2010 requiring FPC to divest uneconomic sharefarms, there has been a decline in new private property plantations of all species has been evident.

- i) If yes, what is the reason stated for the reluctance to plant or replant pine; and

Answer:

Private sector decisions to invest in planting pine are influenced by many factors including:

- information limitations, including detailed understanding of expected plantation productivity, market prices and market access;
- the timeframes between plantation establishment and realising a return, and the inferred restraints on liquidity to this investment;
- limitations to access and allocate capital required for establishing and maintaining long term tree crops; and
- the apparent gap between the expected returns to investing in a greenfield plantation and that being acceptable to an investor for this type of investment compared to alternative land use investment options available to the landowner.

- d) Has the agency undergone an audit on the pricing structures and payments to shareholders;

Answer:

Yes.

- i) If yes what was the result?

Answer:

An internal audit was completed in October 2018. A sample of landowner payments were tested for accuracy of calculation and evidence of values used with no issues found.

A handwritten signature in black ink, consisting of several loops and a large, sweeping underline.

APPENDIX B

LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

QUESTIONS PRIOR TO HEARING

Forest Products Commission **Hon Colin Holt MLC asked:**

- 1) Please explain the decrease in operating subsidy payments to Forest Products Commission from \$1,667,000 in 2018/19 to \$200,000 in 2019/20 and then to nil in the 2020/21, 2021/22, 2022/23.

Answer:

\$1,667,000 was the second part of a \$2.5 million payment to the FPC to slow the rate of pine harvesting at the Gnangara, Pinjar and Yanchep plantations to 500 ha per year until 30 June 2019 in order to allow pine wildings to mature and provide food value for Carnaby's cockatoo.

In 2019-20 an amount of \$200,000 has been allocated to the FPC to retain mature pines at the Dick Perry Reserve pending further work by Government on the Strategic Assessment of the Perth-Peel Region process.

- 2) Will there be a decrease in Full-Time Equivalent positions at FPC?

Answer:

The operating subsidy was for harvest and haulage costs. It does not affect number of FTEs.

- 3) Will any FPC programs be discontinued, consolidated or reduced? If so, which ones?

Answer:

The operating subsidy does not support any FPC programs. Notwithstanding, there are no plans to discontinue, consolidate or reduce any FPC programs at this time.

- 4) Will the Farm Forestry Assist grant program continue at current levels? If not, what are the changes?

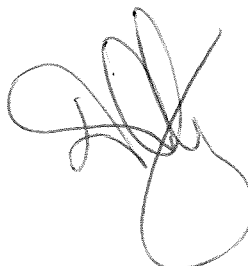
Answer:

The Farm Forestry Assist grant program is budgeted to continue at the current level as part of the strategy to support and expansion in the softwood plantation estate. The FPC continually reviews programs to ensure they are achieving the intended outcome.

- 5) Will any softwood plantation assets be sold?

Answer:

Like any enterprise, the FPC is constantly reviewing its assets and how to achieve future plantation expansion. However, there are no plans to sell softwood plantations at this time.



- 6) Is FPC expected to return any dividends to Government? If so, what is the amount projected for the years 2019/20, 2020/2021, 2021/22, 2022/23?

Answer:

Dividend forecasts are in Budget Paper 2, Volume 1, page 155 and are reproduced here:

2019-20 Estimate \$'000	2020-21 Estimate \$'000	2021-22 Estimate \$'000	2022-23 Estimate \$'000
250	500	2,173	2,216
5,139			

- 7) What are the changes in income for FPC for the years 2019/20, 2020/2021, 2021/22, 2022/23?

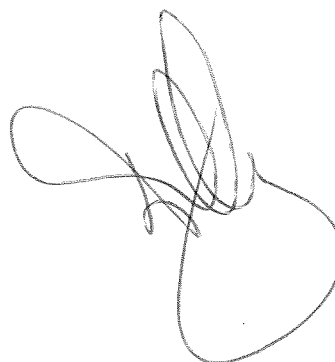
Answer:

This information forms part of the FPC's Strategic Development Plan which is not tabled in Parliament and not included in the budget papers.

- 8) What are the changes in expenses for FPC for the years 2019/20, 2020/2021, 2021/22, 2022/23?

Answer:

This information forms part of the FPC's Strategic Development Plan which is not tabled in Parliament and not included in the budget papers.





Softwood Industry Strategy for Western Australia: Six steps for a vibrant, clean and green industry in regional WA

The forest industry is the world's 'greenest' industry – its products are renewable, recyclable and carbon storing – with the right policy settings; the potential for the industry to grow is enormous. Responsibly sourced wood is the only renewable building material available, it is light, strong and durable. The industry is expanding with new customers in the new emerging bioeconomy.

A vibrant forest industry has the potential to add significant value to economic, environmental and social outcomes in Western Australia, particularly in the regions, where most of the investment is made.

Locally grown and manufactured products have a competitive advantage supplying local markets. Products manufactured in Western Australia include engineered timbers, solid wood products for building applications and particle board products, all of which support the housing and construction industry.

For these benefits to be fully realised, the industry must maintain sufficient scale, and investment in future timber resource is required to provide confidence for new investment.

The Forest Products Commission has worked with industry and stakeholders to identify six key steps that will ensure the industry maintains healthy forests, provides benefits to the local community and contributes to economic success – for all Western Australians.

It is our objective to facilitate a vibrant forest industry in Western Australia. Following the recent decision to retain ownership of the plantation estate – the State Government will be investing to expand these assets that are the foundation of the industry.

Western Australia is at risk of becoming dependent on imported sawn timber.

This reliance places the Western Australian housing and construction industry at significant supply and price risk.



70% of Western Australia's timber roofing market is supplied by Wespine.

Six steps for a vibrant, clean and green industry in regional WA



The industry will be concentrated around hubs

The forest industry hub model envisages a group of closely located businesses that are connected through their value chains, use of resources, technology, products and workforce needs. Establishing industry hubs centred on integrated markets for sawlogs and residues will encourage collaboration, innovation, and improve productivity, profitability and competitiveness.

Without investment, the area of plantation resource to support these hubs is predicted to decline to a level that would no longer support economies of scale for a competitive industry. Plantation expansion to ensure sufficient resource availability will occur within hubs and ensure that the right trees are planted at the right scale.

Actions

The Forest Products Commission, will ensure that two trees are planted for every tree harvested. This will include an investment of \$21 million over the next five years for plantation establishment. This commitment to building the plantation estate will increase confidence in the industry for continued investment.

Private investment will be encouraged through considering a range of options, including partnering with government investment.

Work has already commenced on a detailed hub plan that will describe all of the components required to support the hubs with detailed land capability assessment, market development, infrastructure, workforce, and investment needs.



Enhance value through best practice certification

Forestry is a perpetual asset that can be grown, harvested and regenerated. Managing our forests to internationally recognised standards not only ensures that environmental, social and Indigenous values are preserved, but also adds value through expanded market opportunities in an international market where there are rising requirements for sustainability standards.

Actions

The Forest Products Commission will promote the environmental credentials of the industry through existing certification and investigate the potential for Forest Stewardship Council certification to broaden market opportunities.

Growing trees absorb carbon dioxide (CO₂) from the atmosphere and emit the oxygen we breathe. This carbon is stored in the timber for the life of the wood, even when it is used for building products or furniture.



The pine cones from softwood pine plantations make up an important part of the food source for the Carnaby's cockatoo.

Photo: Tony Kirkby, Western Australian Museum



Protect the industry from wildfire

In Western Australia, the risk of bushfire is an increasing and ever-present threat; the losses sustained in the 2016 Waroona fires were significant.

The government is considering implementation of the recommendations made in the Waroona Fire Special Inquiry conducted by Euan Ferguson. Whilst this is ongoing, the Forest Products Commission is reviewing and developing new operational strategies to address fire risk. This includes site preparation, design, maintenance procedures and working relationships with the Department of Fire and Emergency Services and the Department of Parks and Wildlife.

Actions

The State Government is investing \$6.2 million in replacing the plantations in the McLarty area.

All plantations will be assessed, particularly prior to replanting to ensure continuous improvement and best practice adaptation to lower fire threat.

Ferguson Inquiry recommendations will be implemented in line with a whole of government approach.



Ensure integrated benefits are delivered

Well managed forests deliver a range of economic, environmental and social benefits to communities. All plantations in Western Australia will be managed mindful of these integrated benefits. This will include the use of plantations to mitigate salinity at Wellington, to provide a food source for Carnaby's cockatoos and for use as recreation sites. A recent demonstration of the success and potential for this is the use of the plantations at Margaret River for mountain bike events.



Photo: Margaret River Offroad Cycling Association

Actions

The Forest Products Commission has already commenced a project to map the value chain in the industry, to enable better understanding of benefits and inform future policy settings.

The Forest Products Commission is targeting the Wellington catchment for plantation expansion, with 600 ha already established in 2015-16.



Promoting the value of forestry to the community

Community support for the forest industry is essential to its ongoing success. Opportunities exist to increase community engagement with the industry. Forestry creates jobs and drives investment in regional communities. Forestry jobs are provided through the supply chain from plantation establishment to manufacturing and have been more resilient to economic downturns.

The introduction of Farm Forestry as a component of plantation expansion will provide economic and environmental benefits for farmers through income diversification and stock protection.

Actions

The Forest Products Commission will work with industry and training councils to develop a plan that provides pathways to employment in the region.

In September 2016, a Communications and Marketing Manager was recruited to lead community engagement activities.

We have appointed a Forestry Advisor who will work with farmers to support farm forestry development through providing industry knowledge, know-how and the Forest Products Commission will ensure access to high quality seedlings.



Encourage and allow for future industry

Innovation and new market development will be essential for the long term sustainability of the forest industry.

The carbon economy also presents opportunities for an industry that is carbon-negative. Products from the forest industry can displace use of higher carbon materials which may be aided by innovation in the building and construction sector and the development of biomass and bioenergy markets.

Actions

The Forest Products Commission will establish an innovation fund to promote the introduction of new technologies and products that bring greater value to the industry.

The Forest Products Commission will support the expanding opportunities for the use of timber products as a building material of choice in Western Australia.

Government policy will support the development of local industries that use residue.

Strong engineered timbers like those produced by Wesbeam will be the building products of the future.



Laminex, located in Dardanup, is the biggest producer of particle board in Australia.

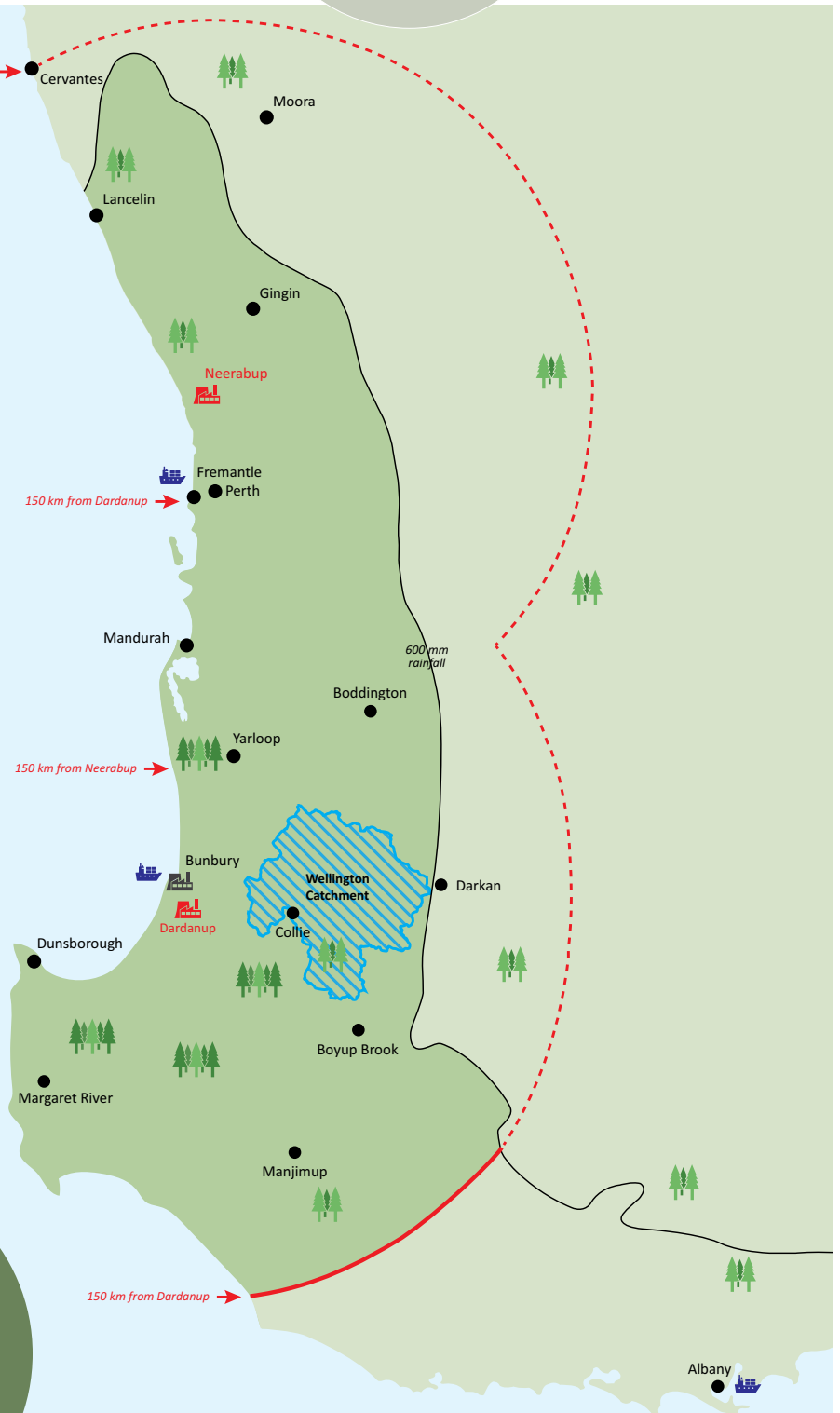


Softwood Industry Hubs

The industry hubs:

- are centred on processing facilities,
- contain plantations that are within an economic haulage distance from processing facilities, and
- are located in areas which have at least 600 mm annual rainfall in order to support healthy plantation growth.

Future plantation investment will be focused in the hubs.



The Forest Products Commission's Manjimup nursery provides about 3 million healthy softwood seedlings for planting each year. The preparation of these seedlings contributes to local employment.

* Map for illustrative purposes only

If the 19th century was the century of steel and the 20th century the century of concrete, then the 21st century is about engineered timber - **Professor Alex de Rijke**

Wood is Good

Throughout history, people have used wood for many reasons and enjoyed its beauty, workability and practicality. Timber products are versatile, beautiful and renewable. Today, as we transition to a low carbon economy, the advantages of wood make it increasingly the material of choice for a growing range of applications. Many of the items we use every day are made with forest-based materials.



Home

- framing
- flooring
- home insulation
- cupboards and fitouts
- weatherboard
- outdoor decking
- fencing



Infrastructure & Industry

- electricity poles
- scaffolding
- agricultural applications
- pallets



Everyday use

- paper
- cardboard
- sanitary products
- toilet paper

In Western Australia, many timber products are reused and recycled. Old pallets and other timber can be recycled into products that include use for renewable energy, building products, recycled paper and cardboard products, and animal bedding.

An exciting future

Internationally the industry is expanding with new customers in new markets – owing to its environmental credentials and the development of new products for the emerging bio and carbon economies. Innovative wood fibre products include cosmetics, car parts, electronics, biofuels and 3D printing.

The benefits of using wood are many.

These are the reasons we should Make it Wood¹

- Timber helps to tackle climate change by storing carbon
- Wood is good for health and wellbeing
- Wood is renewable
- Timber is a good insulator
- Timber is structurally very strong
- Timber is durable
- Timber is a natural insulator
- Timber is safe
- Wood provides local green jobs

Did you know?

In WA, there are currently 97,000 ha of pine plantations that support the industry. These are located on both government and private land. Softwood plantations are generally managed for saw log production on a 30 year rotation. Plantations are usually thinned a number of times during their rotation, with around 2,000 ha clear felled and replanted each year.

Plantations are thinned and clear felled all year round, but the replanting must happen in winter. This is a busy time of year – there are about 1,333 seedlings per hectare to be planted – all by hand!

Ninety per cent of the pine in WA is radiata pine which originated in California; we have adapted the tree specifically for WA conditions through a breeding program.

Source: 1. Planet Ark website

The Forest Products Commission promotes the sustainable management and development of Western Australia's forest and wood products industry using native forest, plantation and sandalwood products on land owned or leased by the State. We ensure the immediate and ongoing production of wood products today and into the future while also protecting other forest values such as biodiversity, community recreation, clean air and water for generations to come.

Contact details

To provide feedback or seek further information email info@fpc.wa.gov.au or contact our Principal Policy Officer on (08) 9363 4605.

At the nursery we undertake industry-leading work on drought and dieback tolerant trees to prepare for future conditions.

