

**Forest Products Commission —**

Mr D.A.E. Scaife, Chair.

Mr D.J. Kelly, Minister for Forestry.

Mr S. West, General Manager.

Mr A. Lyon, Director, Business Services.

Mr T. de Nobrega, Director, Finance.

Mr L. Clarke, Chief of Staff, Minister for Forestry.

[Witnesses introduced.]

**The CHAIR:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. Questions must relate to the operations and budget of the off-budget authority. The chair will allow as many questions as possible. Questions and answers should be short and to the point.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by close of business Friday, 3 June 2022. If a minister suggests that a matter be put on notice, members should use the online questions on notice system.

The Leader of the Opposition.

**Ms M.J. DAVIES:** I refer to page 296 of budget paper No 2, volume 1. The second item under the heading “Native Forests” talks about the forest management plan and the fact that it will allow for ecological thinning for forest health and harvesting ahead of approved mining operations for the period of the plan.

**Mr D.J. KELLY:** Sorry, I am on page 296. Which item is it under?

**Ms M.J. DAVIES:** It is the second item. It is about the FMP and some of the mining operations. I imagine that under that FMP there will be a renegotiation with businesses like Simcoa, which currently has a state agreement with the government and is getting by-product of native forestry to make sure that it can continue its business operations. Simcoa has recently said that if its access to that by-product is cut, it will have to make a decision on whether to import Colombian coal, which I would not have thought would be a good outcome, given that we have a sustainable resource here in Western Australia. Have there been discussions with the government around how that might be managed so that Simcoa can continue to operate? It is a big operation and has created a lot of jobs for the region. It is a pretty important manufacturing and processing operation. I understand that it is the only one of its type in Australia. Is the government working to ensure that Simcoa will have a sustainable and non-Colombian coal outcome?

[6.30 pm]

**Mr D.J. KELLY:** I am glad that the member asked the question because there are a few misunderstandings around this —

**Ms M.J. DAVIES:** I am happy to have them cleared up.

**Mr D.J. KELLY:** That is what I am going to try to do. The member is right: Simcoa is a very important business. As a government, we want to see Simcoa do well. It has a state agreement but it is not in relation to its contracts with the Forest Products Commission. Simcoa has a contract with FPC that expires at the end of 2023, which is at the end of the current forest management plan. Like anyone else under that plan, Simcoa will have to retender for a resource under the new plan. A state agreement normally gives guarantees beyond a certain period.

**Ms M.J. DAVIES:** Does that not apply to the contract?

**Mr D.J. KELLY:** It does not apply to FPC’s contract. The issue has been raised about what would happen if Simcoa did not get the resource that it wants under the new FMP and how it would not be a good thing if it decided to then import coal from Colombia. The member may not be aware that Simcoa already imports coal from Colombia.

**Ms M.J. DAVIES:** It tries to minimise that.

**Mr D.J. KELLY:** Sorry? My advice is that it imports about 30 000 tonnes of coal per annum from Colombia. My understanding is that it goes from Colombia to Ireland, where it is washed—I do not know exactly what that means and why it needs to be done—and then it comes to Western Australia. Simcoa currently makes a commercial decision on how much coal it imports versus how much timber it imports. It is not the case that it consumes as much native timber as it can and then only uses coal —

**Ms M.J. DAVIES:** But it currently does consume that, so it is going to be displaced.

**Mr D.J. KELLY:** No. The member said she would be happy if I explained this.

**Ms M.J. DAVIES:** My apologies.

**Mr D.J. KELLY:** I am just trying to explain it to the member. Simcoa currently makes a financial decision as to the mix of coal versus timber. It is not the case that it takes as much timber as it can to minimise its coal usage. My understanding is that it makes a commercial decision. It already utilises Colombian coal. I am not sure whether people understand that from the commentary. Having said that, we believe that with the thinning activities that we will be undertaking and with the approved mine site clearing, that will still continue outside the FMP. That is not a matter that is covered by the FMP separate approvals process. The anticipation is that that will provide a resource for Simcoa. But I can assure the member that the state government is very keen to see Simcoa continue to prosper, and we will do what we can to ensure that that is the case. The issue that somehow a decision we have made will require Simcoa to start importing coal from Colombia is not correct because it already does that under the existing arrangement.

**Ms M.J. DAVIES:** Thank you, minister. I appreciate the clarity, but obviously the decision will mean if they cannot get access to that resource, Simcoa will increase the amount of coal it imports. I cannot imagine that that would sit well with the minister who speaks regularly about the impacts of climate change, or with the government that has a climate change agenda across the entirety of its portfolios. Clarity is being sought on the time line so that Simcoa can have certainty on that. My understanding of the chemical process is if that if a company needs to retool or change what it currently uses, it has a lead time in which to do that within the business. When will Simcoa have clarity or confirmation of what the resource is that will be available to it?

**Mr D.J. KELLY:** The forest management plan process is not run by the FPC but by the Department of Biodiversity, Conservation and Attractions. That is currently out for public comment and submission and it will be concluded prior to the end of 2023. Member, Simcoa understands that it has a contract for the existing amount of resource only up until the end of 2023. Simcoa is a very sophisticated business. It is not a newbie. It knows that under its existing contract, it has a contract only until the end of 2023. At the end of the new FMP —

**Ms M.J. DAVIES:** When Simcoa signed that contract, it assumed there would be another FMP that included native forestry.

**Mr D.J. KELLY:** Member, I have just said that it is a very sophisticated company. It operates worldwide. It completely understands the pressure on companies now to be sustainable in the way that they operate. When I met with Simcoa, it wanted to be more—not less—environmentally sophisticated. I am sure that Simcoa is working on a range of options depending on what the outcome of the next FMP will be.

As I say, my advice is that a resource will be available in the next FMP that Simcoa can bid for, but it would be completely inappropriate for the state to prejudice the outcome of that process. When the member was in government, it entered into an FMP in which Simcoa had to bid for its resource. The circumstances it faces now are no different to the process when the member was in government. When the resource became available for the current FMP, somebody could have come along and said, “We’re going to turn that residue into high-value jarrah or whatever”, and pay more—I will not tell the member how many dollars per tonne Simcoa paid, but it paid a residue price for that jarrah. Someone could have come along and said that they would pay significantly more and Simcoa would not have had access to it. That is how the process that the previous government went through works, and we will go through the same process. The member can try to whip up some hysteria that Simcoa is going to close, but I do not think that that is going to be the case.

**Ms M.J. DAVIES:** No, I am not doing that, minister. I am simply reflecting the concerns raised with me by the business itself.

**Mr D.J. KELLY:** Sure.

**Mr V.A. CATANIA:** I will also refer to page 296 of budget paper No 2, volume 1, and the fifth paragraph on plantations and softwood. I want to know where softwoods sit in Western Australia. Wespine and Wesbeam are two softwood—what would you call them—plantations?

**Mr D.J. KELLY:** Mills.

**Mr V.A. CATANIA:** They have two state agreements with the government; is that correct? It says here that there is obviously a big demand for pine, particularly in Western Australia with the building industry going through the roof. In terms of security that these two companies have over the softwood plantations in WA, is the government meeting its state agreement obligations that it has with these two companies?

[6.40 pm]

**Mr D.J. KELLY:** I am almost surprised that the member asked the question.

**Mr V.A. CATANIA:** I just want to get a good understanding of it. It is an honest question.

**Mr D.J. KELLY:** There is a shortage of softwood in Western Australia, especially when we look at the longer term, largely because of the failure of the previous government to plant new plantations. Some years when the member was in office —

**Mr V.A. CATANIA:** Has the government planted some over this period of five years?

**Mr D.J. KELLY:** The member asks questions during question time and he never listens to the answers; he has asked me this question before. For years under the previous government, I think the member was the Parliamentary Secretary to the Minister for Forestry for some years, no softwood was planted at all—zero hectares. I think in the first few years it planted only 1 000 hectares. There is a supply gap, if you like, and it is one of the reasons that we have invested \$350 million to restart that plantation process. Since we came to government we have spent \$26 million on plantations. We have started to plant again in numbers significantly higher than in the member's term of government. Having said that, it means that there are difficulties to meet the demand of Wesbeam and Wespine. We work with them and the Forest Products Commission does a great job. I give the company Wesbeam credit. It has looked at other options to meet its demand. I am not sure whether the member is aware that it produces a laminated board and it now supplements the pine with karri. The layers of timber that go up to make the plywood include karri. To make up for the shortage of pine, it is utilising other species. We are in constant contact with both Wespine and Wesbeam to make sure that we are giving them what they need. The housing industry is going gangbusters because of the incentives that were put in place by both the state and federal governments around the COVID pandemic. The member may have seen that over Christmas we increased the supply to Wespine to meet some of that demand. It is no secret that supply to both those companies is tight, but I give them both credit that rather than, I suppose, jumping up and down and complaining, they are working with government to keep that supply of timber going.

**Mr V.A. CATANIA:** Is there a time frame in the state agreement for both companies—in terms of 2036 or something, I cannot remember—whereby the government will meet the obligations in fulfilling the pine? How will the government fulfil that potential gap in the current state agreement? Is the government renegotiating a new state agreement, based on the announcement of \$350 million over 10 years to grow or keep planting in the softwood estate? Is the government negotiating a new state agreement to include that \$350 million; and, if so, where will the government plant the softwood estate in Western Australia?

**Mr D.J. KELLY:** There are a couple of issues in that question.

**Mr V.A. CATANIA:** There are. I am trying to get it all in one, sorry.

**Mr D.J. KELLY:** The current state agreement for Wesbeam is until 2029 and for Wespine until 2032. They still have a significant way to run. The member is probably aware that those state agreements are managed by the Department of Jobs, Tourism, Science and Innovation, not by the FPC. If the member has questions around that, he probably should ask JTSI during its session. I assume that when they are renegotiated, the fact that we committed \$350 million and are planting new plantations will be factored into the new state agreements; I could not imagine why they would not. I am not anticipating being around in 2032, but I suppose you never know! They will be factored in.

**Mr V.A. CATANIA:** Is the minister aware of the area that the government will plant the pine? Does the minister have a map that indicates where the opportunities are? Some of the limiting factors were drought or whether the area has a Carnaby's black-cockatoo habitat—all these factors or force majeure prevent any future investment in the softwood estate. Whereabouts is the government looking at planting this increased amount of pine in WA?

**Mr D.J. KELLY:** As far as a map goes, start with a map of Western Australia and then —

**Mr V.A. CATANIA:** Does the government have any designated areas and how is it going to grow the industry?

**Mr D.J. KELLY:** I am sure the member has asked me this previously. In any event, start with a map of Western Australia and look at rainfall above 600 millimetres.

**Mr V.A. CATANIA:** I understand that, but the government needs vacant land to put it on. What land has the government designated?

**Mr D.J. KELLY:** Start with a map of Western Australia and look at areas that have rainfall over 600 millimetres. Distance is the next factor. There is no point planting in the Kimberley because the Wesbeam and Wespine mills are both in the south. The criteria are rainfall, existing plantations and infrastructure because, for example, if we have an existing plantation that we would be servicing anyway, adjacent land to that may be economical to plant in, whereas if there was no other plantation, that would be a new frontier and the parcel of land might not be big enough to justify the transport cost. Those factors tell us where we would like to be. It will then be a commercial decision to identify the land. Obviously, the land has to be for sale. We are not going to commandeer anyone's land—not at this point, if you want a headline! We are not planning to commandeer anyone's land.

**Ms M.J. DAVIES:** “Not at this point”—sarcasm does not translate into *Hansard*, minister! That would be a headline.

**Mr D.J. KELLY:** That is right. No, we are not going to do that. Where the FPC purchases the land will be a commercial decision. It has to meet those criteria and people have to then put it up for sale.

**Mr V.A. CATANIA:** Does the minister have a figure for the amount that he expects to be planted over the 10 years for \$350 million?

**Mr D.J. KELLY:** It will be a mixture. People asked, “Why don’t you just enter into contracts with private farmers to grow plantations on their farms rather than the government purchasing the land itself?” The problem with that is if all the \$350 million goes to those sorts of agreements and in 20 to 25 years when the trees are harvested the farmer says, “I’d rather do something else with my land. I do not want to do a second rotation”, we will be back in the situation we are in now, whereas if the government owns the land, we are guaranteed that when the timber is harvested, we will be in a position to replant for a second rotation. Having said that, yes, a significant portion of government land will be purchased, but we are not opposed to the Forest Products Commission reaching commercial arrangements with other government agencies or private landowners. My understanding is that it has already reached agreement with the Water Corporation to plant 1 300 hectares of plantation on Water Corporation land. That is a great example of agencies cooperating. That is land —

[6.50 pm]

**Mr V.A. CATANIA:** And reverse the thinning of the government’s water sources.

**Mr D.J. KELLY:** No. If the member for North West Central is making a reference to Gngangara, that is not owned by the Water Corporation.

**Mr V.A. CATANIA:** No, the weirs.

**Mr D.J. KELLY:** The point is that it will be a mixture of land sources. It certainly will not be only private land because that would leave us potentially exposed to not being able to have a second or third rotation.

**Ms M.J. DAVIES:** I refer to page 297 and the outcomes and key performance indicators. Note 4 relates to first and second rotation softwood planting targets being achieved. It points out that the estimated actual was lower than the 2021–22 budget due a range of operational challenges, including approval processes and the reduced availability of land. Under the current scheme, the government has been unable to deliver what was budgeted and the minister is now talking about delivering significant additional planting. The member for North West Central is right; there is a degree of scepticism about whether the bold headline can be delivered. Can the minister clarify how the reduced availability of land has impacted on what the government is currently trying to do and how that then relates to what it is trying to achieve with its bold policy statement?

**Mr D.J. KELLY:** The Leader of the Opposition has made the criticism before that this is just a headline and a plan without substance.

**Mr V.A. CATANIA:** It is coming from you!

**Mr D.J. KELLY:** I am glad that the member for North West Central is on the Leader of the Opposition’s side because I know she dislikes him as much as I do!

**Ms M.J. DAVIES:** Do not put words into my mouth, minister.

**Mr D.J. KELLY:** Everybody dislikes the member for North West Central—even the member for Moore!

**Ms M.J. DAVIES:** I am interested in the answer to the question, minister.

**Mr R.S. LOVE:** What is the minister on about? Just answer the question.

**Mr D.J. KELLY:** He is about as popular as Barnaby Joyce!

**The CHAIR:** Minister!

**Mr D.J. KELLY:** It is not just a bold headline because we have actually put the money aside. If we had made the headline without putting the money aside —

**Ms M.J. DAVIES:** But the government’s budget says that it cannot deliver on what it is currently doing.

**Mr D.J. KELLY:** I think the Leader of the Opposition is confusing two things. There is a target in the existing budget for thinnings. We have currently not met that target because of access to markets, timing of land purchases and all that sort of stuff. The thinnings are done when there is a market for the resource.

**Ms M.J. DAVIES:** I am not talking about thinnings. I am talking about note 4, which specifically refers to “operational challenges, including approval processes and the reduced availability of land”.

**Mr D.J. KELLY:** It is the same issue. There are planning approvals for the land and a whole range of things that currently impact the ability to meet those targets. As I said, money is in the budget. I am surprised. When the member for Central Wheatbelt was the forestry minister, her government hardly planted anything at all.

**Ms M.J. DAVIES:** This is about the minister's plan and whether it can be delivered or whether the minister is just basking in the glory of a major headline.

**Mr D.J. KELLY:** The member said she wants me to answer the question and now she is interrupting again.

**Ms M.J. DAVIES:** The minister is attacking me instead of answering it.

**Mr D.J. KELLY:** The member is still doing it.

We have put money aside; it is in the budget. During our term in government, we have planted more than 6 000 hectares. From 2010 to 2016, the former Liberal–National government planted 1 000 hectares and in some years it planted nothing. We have already planted 6 000 hectares since we came to government. We have provided \$26 million in real money and real trees —

**Ms M.J. DAVIES:** That is less than what was needed, as is stated in your own budget papers.

**Mr D.J. KELLY:** Yes. We are playing catch-up because of the black hole that you and the member for North West Central —

**Ms M.J. DAVIES:** How am I responsible for reduced availability of land, minister? Tell me that. That is utterly ridiculous. That is a ridiculous statement.

**The CHAIR:** Leader of the Opposition!

**Mr D.J. KELLY:** Your federal counterpart Senator Duniam gave our plan for native softwood 10 out of 10. The Leader of the Opposition is going to interject again; you cannot help yourself, can you?

**Ms M.J. DAVIES:** The minister will get 10 out of 10 if he can deliver.

**Mr D.J. KELLY:** The Leader of the Opposition cannot help herself.

**Ms M.J. DAVIES:** The minister is not answering the question.

**Mr D.J. KELLY:** The Leader of the Opposition wants me to answer the question, but every time I say something she does not like, she interjects. I really do not mind—this is your time, not mine.

**Mr V.A. CATANIA:** You know and the guy next to you knows that you cannot fulfil your obligations.

**The CHAIR:** Member for North West Central, the minister has the call.

**Mr D.J. KELLY:** The accusation that it is a headline and nothing of substance does not bear the experience under this government. Six thousand hectares have already been planted and \$26 million has already been spent to date. The Nationals' coalition counterpart gave the \$350 million that is in the budget a 10 out of 10. The member can come back and tell me what she thinks of it at the end of 10 years, but at least give us credit for putting real money aside and having a real plan. When the Leader of the Opposition was in government, she left it to the member for North West Central and he has already told this house that his plan was to get timber from New South Wales. We want to create jobs in WA, not New South Wales.

**Ms E.J. KELSBIE:** Will firewood continue to be available after native forest logging ends? Is the Forest Products Commission currently supplying its customers with jarrah for the firewood market?

**Mr D.J. KELLY:** There has, again, been some commentary from members opposite about the supply of firewood. I assure people that under the next forest management plan under the thinning arrangements with the continued approved mine site clearing, we anticipate that there will be a continuing supply of firewood to firewood contractors. I am happy to advise that in 2021, we delivered 86 000 tonnes of firewood to firewood contractors. People will be aware that the firewood that is delivered to contractors is green, so it sits for 12 months and is sold the year after. Last year, we provided 86 000 tonnes to firewood contractors, which can be compared with the 71 000 tonnes that was provided in 2018. Last year, the amount of firewood delivered to contractors was significantly more than several years ago. The idea that somehow there has been a reduction in the supply of firewood to contractors is not correct. We believe that there will still be a supply of firewood to contractors under the next FMP.

**Mr R.S. LOVE:** The minister spoke about a map of suitable planting areas. Can he perhaps provide by way of supplementary information a map of suitable planting areas —

**The CHAIR:** Members, given the time, that completes the examination of the Forest Products Commission. This committee is adjourned until nine o'clock tomorrow morning.

*Committee adjourned at 7.00 pm*

---