

Forest Products Commission —

Mr P.B. Watson, Chairman.

Mr D.T. Redman, Minister for Agriculture and Food.

Mr D. Hartley, Acting General Manager.

Mr R. Lucas, Acting Director, Support Services.

Mr S. Helm, Principal Policy Adviser.

Mr I. Rotheram, Policy Adviser.

The CHAIRMAN: This is an off-budget authority. The estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

Members may raise questions about matters relating to the operations of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers.

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The minister may agree to provide supplementary information to the committee rather than asking that questions be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 10 June 2011 so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers and, accordingly, I ask the minister to cooperate with those requirements. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office. Only supplementary information that the minister agrees to provide will be sought by Friday, 10 June 2011.

[Witnesses introduced.]

The CHAIRMAN: The member for Collie–Preston has a question.

Mr M.P. MURRAY: Before I ask my first question relating to page 795 of the *Budget Statements*, I must repeat the comment that I made 12 months ago about the very flimsy statements contained in these papers about the Forest Products Commission. I know the answer will be that I should go to the annual statements of the Forest Products Commission; however, it is poor form by the minister and his staff to not put in the budget papers something that is very minor; and, having said that, I will move on. What income has the Forest Products Commission received from the native timber industry?

Mr D.T. REDMAN: I thank the member for the question. The member for Collie–Preston made the same point last year. The full FPC accounts are contained in a six-month report to 31 December 2010, which was tabled on 19 May this year as paper 3397. I might add that the *Budget Statements* have been prepared in a way that is consistent with the member's time in government, which seems to be the practice for government trading enterprises and is something that —

Mr M.P. MURRAY: The best practice of other industry —

The CHAIRMAN: Member, can we get on with the answer please.

Mr D.T. REDMAN: I will give the member the forecast sales for 2011–12, which is a total of \$100.2 million. That is made up of the native forest component of \$33.5 million, the mature plantation segment of \$50.1 million and the arid forest component, which is sandalwood, of \$16.6 million. That was reported in the forward estimates for 2011–12. The only figures to date would be year to date. I will allow Mr Ron Lucas to respond with the figures we have for the year to date, if that is what the member is after.

Mr M.P. MURRAY: I am concerned that the Minister for Agriculture and Food is quoting forward estimates, yet the Premier has stated —

I think members opposite know—they may not agree—that I have a view about forward estimates; namely that forward estimates are educated guesses about the future.

Is that how the government is working—on educated guesses?

Mr D.T. REDMAN: In the forward estimates we make a judgement on what we think the likely income will be for the next financial year. That has been the practice ever since we have had government departments and trading enterprises.

Mr M.P. MURRAY: We have a Premier who has a different opinion, which is why I am bringing this forward.

Mr D.T. REDMAN: It is an estimate.

Mr M.P. MURRAY: Is the minister changing his view to line up with the Premier's opinion that forward estimates are not worth the paper they are printed on?

Mr D.T. REDMAN: I do not understand the point the member is making.

The CHAIRMAN: Can members go through the Chair, please.

Mr M.P. MURRAY: The question I was asking —

The CHAIRMAN: Can members go through the Chair, please.

Mr M.P. MURRAY: I asked what was the income last year from native timber.

Mr D.T. REDMAN: In the last year, 2009–10 —

The CHAIRMAN: Minister, please go through the Chair; otherwise this will be a rabble. This is an estimates committee and a member has asked a question. If we use that standard, we will get through this a lot quicker.

Mr D.T. REDMAN: Through the Chair, we have the year-to-date figures for this current financial year. Bearing in mind it has not finished, I am happy to supply those figures and I will pass on to Ron Lucas to give those year-to-date figures broken down into the three segments I mentioned: native forests, mature plantations and arid forest.

Mr R. Lucas: As at the end of April, the year-to-date revenue figures were: south west forest, \$27.5 million; mature plantations, \$42.9 million; and arid forest, \$12.8 million.

Mr D.T. REDMAN: On the member's point about forecasts, I am not sure what the member is requesting or what he thinks we should do, but when we make judgments in forward planning and put those forecasts in the statement of corporate intent that goes out —

Mr R. Lucas: The SCI is the estimate of what is happening in the business to the end of June 2012.

Mr D.T. REDMAN: The statement of corporate intent has to be tabled prior to the end of this financial year. That is where we make our statements about the likely performance of the business in the following year. That will be tabled soon.

Mr M.P. MURRAY: With the understanding that the figures that have been given can be changed at any time—if we follow the Premier's line—I request the outgoings, the costs, of the Forest Products Commission so that I can compare them with the income of the native timber industry.

Mr D.T. REDMAN: What item is the member referring to in the budget papers?

Mr M.P. MURRAY: The Forest Products Commission has only one page in the budget papers, page 795. I refer to the costs and services and the statement on that page, which reads —

The Commission's asset investment program is limited to an ongoing program to update information technology and other equipment that supports the delivery of its services.

I am asking about the delivery of its services.

[9.10 am]

Mr D.T. REDMAN: Through the Chair, the member is asking for details —

The CHAIRMAN: What budget line is it?

Mr M.P. MURRAY: I am referring to the delivery of services under "Asset Investment Program" in the first paragraph on page 795.

Mr D.T. REDMAN: That supports the delivery and other equipment.

Mr M.P. MURRAY: There must have been a cost to the Forest Products Commission to deliver services to get an income from the native timber industry.

Mr D.T. REDMAN: The paragraph refers to the commission's asset investment program, which is what we are talking about. It is capital works and the question relates to expenditure.

The CHAIRMAN: Does not the second line refer to estimated expenditure?

Mr D.T. REDMAN: On capital items. That whole determination refers to capital. I am happy to extend the answer, but I highlight that the member is not referencing it very well to the point in the budget papers.

Mr M.P. MURRAY: In other words, the minister cannot answer it; is that what he is saying?

Mr D.T. REDMAN: No; we can certainly answer it. I might add that throughout the time I have been minister and looking after forestry we have had to deal with a significant number of issues that built up over the member for Collie–Preston’s term in government. There was a significant restructure of the sector, and his government’s aim during its term was to land something sustainable. It simply did not do that and we have had to make some hard decisions in my time to get ourselves to a sustainable position. A few of those shifts included the decision to exit the new plantation segment.

Mr M.P. MURRAY: The question I asked was about how much it cost to deliver the services to the native timber industry.

Mr D.T. REDMAN: Through you, Mr Chairman —

The CHAIRMAN: I am sure the minister will get to the point.

Mr D.T. REDMAN: I am making the point, through the Chair, that, fundamental to the sustainability of the Forest Products Commission and its financial statements—the tenet of the question asked by the member—was our decision to restructure the agency so that it is in a sustainable position. I make the point that we have had to do that as a result of decisions the member’s government made. A number of things have happened over time. We are moving down this exit process of a new plantation segment. There has been a reduction in staff levels under voluntary severance arrangements, with total staff numbers down now, I think, to 149, which has been a reduction of 69.5 FTE to date. Of course, there is still work to be done because the total program is over, I think, a period of about three years. I will ask Ron to report, through the Chair, on the year-to-date expenses. The member asked for the income year to date. We will answer the cost question now.

Mr M.P. MURRAY: I am trying to get a balance of what comes in and what goes out and whether it is sustainable. Is the minister willing to table those facts and figures as supplementary information?

Mr D.T. REDMAN: The statement of corporate intent has to be tabled. One was tabled last year for this current financial year, and we will table the new financial year’s predictions of how we see income and outgoings will be achieved at the FPC. That will be the member’s main source of information. I am happy to provide year-to-date information now, which we can give the member on the costs. At this point, while the Forest Products Commission is going through a significant restructure process, which has been as a result of investment decisions the member’s government made that were, quite frankly, unsustainable, we have had to take a hard line to make that shift. We have put that in place and it is working over a period. I would be very disappointed if the member were to use some very simplistic information on what is the income and what is the outgoing to make a point that does not capture the complexity of what happens in the Forest Products Commission.

Mr M.P. MURRAY: That deserves comment before we get it passed over.

Mr D.T. REDMAN: Is this the time for comment or the time for questions?

The CHAIRMAN: Minister, you just made a statement and the member is replying. If you do not want those sorts of questions to be asked, do not make the statements.

Mr M.P. MURRAY: The question I asked was for figures to be tabled as supplementary information. It requires a simple yes or no.

Mr D.T. REDMAN: Yes; we can table the income and outgoings for this financial year to date. I am assuming we can do it until the end of May.

Mr R. Lucas: It is not available yet.

Mr D.T. REDMAN: We can get whatever are the most recent figures we have, depending on the accounting practices within the agency, to the end of April for the current financial year to date. We will break it up into the three segments of native forests, mature plantations and arid forests, and we can break up also the expenditures for that period.

[Supplementary Information No B1.]

Mr C.J. TALLENTIRE: I expect it will be in the information the minister tables later but I am interested in the actual payment for sustainable forest management specific to native forests. I note that elsewhere in the budget papers we see that there is a budget estimate of some \$50 million to be allocated to sustainable forest management. Can the minister confirm right now, though, whether that is the sum paid to another government agency for native forest management?

Mr D.T. REDMAN: What is the member’s reference?

Mr C.J. TALLENTIRE: On page 818 there is reference to a service summary relating to sustainable forest management under the Department of Environment and Conservation.

The CHAIRMAN: We are not looking at page 818; we are only on page 795.

Mr C.J. TALLENTIRE: Thank you, Mr Chairman. I expect that, relating to the Forest Products Commission, there is an outgoing sum that is a payment to another agency for that sustainable forest management, and I want confirmation of that figure.

Mr D.T. REDMAN: Again, I highlight the challenge with the member's referencing what is in the budget papers to the actual question. He referred to a figure of \$50 million and I cannot see any figure written here of \$50 million, which he has suggested comes from even another agency's report.

Mr C.J. TALLENTIRE: The minister was referring specifically to sustainable forest management. The problem has arisen due to the paucity of information in the FPC section of the budget papers.

Mr D.T. REDMAN: Before I ask Mr Lucas to comment on some of the financial arrangements between the Department of Environment and Conservation and the Forest Products Commission, which have some historical carryovers from previous decisions, in my opinion there is a need to resolve some of that relationship. The agency that has carriage of the forests and their sustainability is DEC. The Forest Products Commission is a trading entity to manage the harvesting of those forests and to ensure it meets sustainable and ecological practices determined under the forest management plan. Indeed, what we harvest is dictated by the forest management plan itself. However, the FPC pays some fees to DEC for a range of services, some of which relate to fire management, and a heap of which are required for the Forest Products Commission to carry out what it does in a sustainable way.

Mr R. Lucas: The FPC makes an annual payment of around \$11.5 million to DEC, which covers a couple of components, the major ones being forestry, fire and FMP-related services—around \$8.2 million—and the balance for wildfire suppression and other activities.

Mr C.J. TALLENTIRE: I confirm that that was a sum of \$11.5 million paid from the FPC to DEC, yet we know that the other agency, DEC, has costs associated with sustainable forest management of around \$50 million. There seems to be an inherent subsidy of about \$40 million that will be going to forest management. Somewhere there is a shortfall of \$40 million when it comes to sustainable forest management.

[9.20 am]

Mr D.T. REDMAN: I think the member has a bit of ignorance of the process in the sense that the Department of Environment and Conservation manages the whole stack of forest and forest areas, which well exceed the areas that the Forest Products Commission has access to for sustainable forest practices. Therefore, I assume that the member's question about the spending of \$50 million—I have no idea where the member pulled that figure from—relates to DEC expenditure in its practice of managing forests in Western Australia. Indeed, this forum is for asking questions about the activities of the Forest Products Commission, which is around harvesting practices and what it does. The point made by the general manager is that in excess of 50 per cent of the total forest area is in reserve, so there is a heap of forest that DEC has responsibility for managing that sits well outside the brief for the Forest Products Commission.

Mr C.J. TALLENTIRE: I appreciate that, minister, but I understand that when DEC talks about sustainable forest management that relates to production areas where the FPC has access.

Mr D.T. REDMAN: After Mr Lucas made the point about the \$11.5 million of fees for service that the FPC pays to DEC, the member made the point that there is a deficit of \$40 million against a figure—that is pulled out of the sky, as far as I can see—of \$50 million for services for forest management.

The CHAIRMAN: I have allowed a bit of leeway because, of all the divisions we have in the budget, this is probably the one with the least information. Therefore, I am allowing a bit of leeway because of that. There is very little to go on to investigate.

Mr D.T. REDMAN: I seek the Chairman's direction: are you suggesting that I need to respond to questions that go outside the brief of this budget paper?

The CHAIRMAN: No. Where did you get that information from, member?

Mr C.J. TALLENTIRE: The information comes out of the budget papers, admittedly from another division, on page 818.

Mr D.T. REDMAN: Surely, Mr Chairman, that is outside the bounds of this brief.

The CHAIRMAN: As I say, I am giving a bit of leeway because it is fairly hard to ask questions. The budget estimates process is to look at particular agencies. This is the Forest Products Commission and there is not really enough information for members to ask questions about. Minister, I know you said before that it is a continuing thing, but it is hard for members to ask questions when there is such limited information. This is just my judgement, but if there is something else in your portfolio that balances back with this, I think that maybe we

could have a bit of leniency. That is up to you; you do not have to answer any questions that you do not want to answer.

Mr D.T. REDMAN: In your judgement, Mr Chairman, just how much leeway are you asking me to give in response to questions from the opposition on the budget papers?

The CHAIRMAN: That is up to you. I am just saying that you do not have to answer any questions you do not want to answer.

Mr V.A. CATANIA: I have a point of order, Mr Chairman. In the budget estimates process we look at particular divisions of the budget and it is quite clear that the member is going outside those parameters. It makes it difficult when we are fixed on a division and that minister has got those —

The CHAIRMAN: Quickly, member, because we have only another seven minutes to go.

Mr V.A. CATANIA: I just think that —

The CHAIRMAN: Your point is taken. As I said, the minister does not have to answer. I am just saying that in the spirit of cooperation, this authority is very small—only half an hour is allocated for it—but it is also part of the minister's portfolio. However, if the minister does not want to answer the question, he does not have to. The member's point is taken.

Mr C.J. TALLENTIRE: I appreciate the efforts that the minister is making to try to provide some information that goes beyond the very brief information that is provided in the budget papers. To move on, I am also keen to know—it is not presented in the —

Mr D.T. REDMAN: Mr Chairman, is this a supplementary question?

Mr C.J. TALLENTIRE: This is a follow-on question about expense items that I would have expected to see in the budget papers for the FPC. It relates to the production of the forest management plan, which is another item that I thought would have been a simple line item in these budget papers. I am curious to know how much money is put aside for work on the FMP and how many staff members at the Forest Products Commission are working on the FMP.

Mr D.T. REDMAN: I again highlight to the member that the responsibility for the forest management plan does not rest with the Forest Products Commission or with the Minister for Forestry. The prime responsibility for the forest management plan rests with the Minister for Environment. Therefore, if the member is going to direct questions about resources that have been deployed for the development of the next forest management plan, which expires at the end of 2013, the appropriate forum would be with the Minister for Environment. Certainly, I, as forestry minister, and the Forest Products Commission have a strong interest in the development of the forest management plan, but we do not have carriage of it. Through a range of processes, we will engage where we can, where we have some responsibility in providing information, to support the development of the next FMP.

Mr C.J. TALLENTIRE: I thank the minister. My question is simple: how many people does the minister have working on the forest management plan? I realise that the minister does not have full carriage of the FMP, but I am curious to know how many people he has working on it.

Mr D.T. REDMAN: I am advised by the general manager that we are assigning one full-time equivalent position, which could finish up being two to three people, within the agency. As I highlighted in a previous response, the agency has a total 149 FTE staff at the moment. There might be more heads on the ground, but that is the FTE figure. Certainly, that is what the agency has seen fit to deploy in what will be a fairly long process, I suspect, to go through the development of the new FMP with the Department of Environment and Conservation.

Mr V.A. CATANIA: I refer to "Item 123—Forest Products Commission" on page 300 of budget paper No 2, which shows that the FPC will be given nearly \$90 million in the next financial year. Can the minister elaborate on that \$90 million?

Mr D.T. REDMAN: I thank the member for the question. I highlight that when the FPC was created —

The CHAIRMAN: Member, did you say "page 300"?

Mr D.T. REDMAN: In budget paper No 2—yes.

The CHAIRMAN: We are dealing only with the Forest Products Commission at the moment.

Mr D.T. REDMAN: There are other references in budget paper No 2 —

Mr V.A. CATANIA: It states quite clearly "Item 123—Forest Products Commission".

The CHAIRMAN: And members on my left just got into trouble for doing exactly the same thing; you called a point of order on it. We are dealing with the Forest Products Commission on page 795.

Mr V.A. CATANIA: I have a point of order, Mr Chairman. This is in relation to the Forest Products Commission that we are dealing with now, whereas the member was referring to another item.

The CHAIRMAN: No, we are dealing with page 795. The minister was quite adamant about that.

Mr D.T. REDMAN: Mr Chairman, it is my understanding that the reference to the question by the member opposite was made from the Department of Environment and Conservation's part of the budget papers. Page 300 of the budget papers deals with Treasury and has reference to government equity contributions from the Forest Products Commission—namely, item 123. That falls within the brief of this questioning. I add that the same point was made last year. Indeed, it was a surprise to the member for Collie–Preston last year that we asked our questions from members of the government —

The CHAIRMAN: Do you accept the question, minister?

Mr D.T. REDMAN: In reference to —

The CHAIRMAN: We have only three minutes, minister. Will you answer the question, please?

Mr D.T. REDMAN: The member clearly did not learn from last year's questioning, Mr Chairman.

The CHAIRMAN: Will you just answer the question, please?

Mr M.P. MURRAY: Which member was the minister talking about? The member for North West —

Mr V.A. CATANIA: We have our budget papers, unlike members opposite last year!

The CHAIRMAN: Okay, members, given we are not getting cooperation—we have only two minutes to go—I am closing the debate on the Forest Products Commission dead on 9.30 am. Therefore, minister, if you have an answer, get it out quickly.

Mr D.T. REDMAN: When the FPC was created in 2000, it carried with it a debt of \$75.7 million that was transferred from the Department of Conservation and Land Management. The idea was to transfer not only the debt but also some of the land assets that resided with CALM. Under the Labor government of the time, the land assets were not transferred. Therefore, the FPC had the debt but, of course, it had no way of paying that debt back. The burden of that debt sitting with the FPC has contributed to its current financial position and made it very difficult for it to sustain its financial position to ensure that it actually delivers a service to the forestry community. To make matters worse, the FPC was allowed to get into further debt by investing in maritime pine plantations, strategic tree farming, purchasing properties for demonstration farms and, of course, the new office in Bunbury. Therefore, there were added debt burdens on top of that transfer. That adds up to a total of \$82.8 million, which is a breakdown of the debt that we traditionally had, additional debt that has happened, plus some repayment of debt over —

The CHAIRMAN: Minister, we have to finish now because I have to read this statement before 9.30 am. Members, that completes the examination of the Forest Products Commission authority.

[9.30 am]