

**Forest Products Commission —**

Mr S.J. Price, 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 the following day. Members may raise questions about matters relating to the operations and budget 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 the question 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 principal clerk by close of business Friday, 1 October 2021. 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 through the online questions system.

I give the call to the Leader of the Opposition.

**Ms M.J. DAVIES:** I refer to page 293 of the budget paper No 2, financial changes and the line item "Softwood Plantation Expansion Program". I assume that this relates to the budget announcement to expand the softwood estate. How much planning has been done on where that plantation will be located, in terms of purchasing the land and whether it will be on private or public land? How far progressed is that planning?

**Mr D.J. KELLY:** A lot of planning has gone into this program; it was not plucked out of the air. On the Leader of the Opposition's specific question about where the land will be, obviously there are rainfall requirements—softwood cannot be planted without a certain level of rainfall.

**Ms M.J. DAVIES:** Is it 600 or 900 millilitres?

**Mr D.J. KELLY:** I think it is 600 millilitres. Obviously, rainfall dictates the zone that it can be in. Another thing to consider is the distance to processing, because if softwood is grown in a remote area that has the rainfall, there is the cost of transportation. Those sorts of things will be considered. Ultimately, the Forest Products Commission will go to the market and make commercial decisions about where that land will be purchased. Some people have said that we are going to buy up all the prime agricultural land. That is very unlikely to be the case because, as the Leader of the Opposition would probably understand, if land is defined as prime agricultural land —

**Ms M.J. DAVIES:** It is Darkan, Williams and areas where people are growing good crops.

**Mr D.J. KELLY:** Yes. Where the return from other forms of agriculture is higher than softwood production, the FPC will not buy that land and it will not be within the zone. We anticipate that this program will deliver a return to the state, so the FPC will have to make a decision to buy land at a price that will allow a return to the state.

If a blue gum plantation has been harvested, that land may well be more valuable if it were replanted with pine than if the landowner were to de-stump it and try to turn it into something else, but, again, that will be a commercial decision made by the Forest Products Commission depending on the circumstances at the time. I cannot say to the member that there are two blocks of land somewhere outside of Bunbury or something that we have our eye on; that would be a foolish thing for the government to say in any event. But we have not identified 20 blocks or 30 000 hectares of land that we are just going to go out and buy. Commercial decisions will be made by the FPC at the time.

[8.20 pm]

**Ms M.J. DAVIES:** That is a risk in this plan. I understand and agree that the plantation needs to be expanded, but I think that the parameters the minister has just described narrow the amount of land that would be available in the zone quite considerably. Has there been modelling or scenario planning done within the Forest Products Commission to identify that what the minister has announced is actually achievable?

**Mr D.J. KELLY:** I do not want to make too harsh a point of it, but we are only in this predicament because when you guys were in government, you did not plant anywhere near enough softwood. Had the previous government done that, we would not be in the position of having to expand the estate.

**Ms M.J. DAVIES:** The minister needs to make sure that the announcements he is making are deliverable, and that is my question.

**Mr D.J. KELLY:** The member has asked the question and has identified risk in this project. The project is much bigger now than it would have been. In 2012, I think the previous government did not plant a single hectare of pine. The member for North West Central, who was then the parliamentary secretary, said I think last week or the week before that the previous government was negotiating to get pine from New South Wales to meet the shortfall. That is completely ludicrous.

**Ms M.J. DAVIES:** Due to force majeure events that had occurred and the need to keep supply coming in to the state, we were absolutely trying to find a way to reduce the shortfall. But the risk still exists, minister.

**Mr D.J. KELLY:** But if the previous government had —

**Ms M.J. DAVIES:** The risks in your plan still exist.

**The CHAIR:** Leader of the Opposition, you have asked the question. Let the minister finish his response and then you can ask a further question.

**Mr D.J. KELLY:** If the previous government had planted the pine that it should have planted and knew it needed, we would not have to embark on this project to the scale that we are. The softwood estate used to be about 90 000 hectares. It is now heading towards 40 000. We are hoping to plant 30 000-plus hectares of land with this money. That only gets us up to north of 70 000 hectares, so it is not even where we were before. Admittedly, some of those existing pines were planted on the Gngangara groundwater system, so, obviously, for good reasons, as the member knows, we are not going to replant there, but the scale of what we are doing is not beyond what had previously been here in the state. We think it is achievable, but it is a commercial program. Had we not been left in this situation by the previous government, in which the member was the Minister for Forestry, the amount of pine that we now need to plant would not be anywhere near as great.

**Ms M.J. DAVIES:** What is the department planning on planting this coming financial year? Is there a per annum allocation?

**Mr D.J. KELLY:** No, there is not a per annum allocation. It depends on how much land is purchased. If more land is available, the FPC may pick it up; if land is not available in any one year, it will not. There is not a per annum allocation. It will depend.

**Ms M.J. DAVIES:** Does the department have a target?

**Mr D.J. KELLY:** It will depend on what is available. There is another thing that we hope will happen. All the time I have been forestry minister, there have been private sector people out there who are interested in planting pine, but because of the imminent supply gap, people do not know whether there is going to be an industry or not. A private sector person who has some land and is thinking about planting some pine will want to know that there are going to be mills in 20 years' time to process it. A lot of people in the private sector have said to me that there are people who would be interested in planting pine if they were confident that the industry was going to exist in 20 years. We think that the fact that the government has put \$350 million on the table over a 10-year period will give members of the private sector the confidence to come in behind the government. I have to say, I had a short conversation with Senator Duniam, or "Jonno", as he likes to call himself, the federal Assistant Minister for Forestry and Fisheries. He gave this program 10 out of 10. I know that the opposition would like to try to pick holes in it, but the federal counterpart —

**Ms M.J. DAVIES:** We do not want to pick holes. We want to make sure that the flashy announcement actually gets delivered on, and what the department is claiming it will do is actually achievable.

**Mr D.J. KELLY:** As I say, we are putting real money on the table in order to deliver this. As I said in a discussion we had a little earlier, the previous government announced the water reform legislation I think twice with great fanfare and never delivered it. Flashy announcements and no delivery is probably something that the member might be aware of.

**Ms M.J. DAVIES:** I refer to page 294, significant issues impacting the government trading enterprise, and the subheading "Native Forests". Was there any consultation with the Forest Products Commission, the board or the executive on the decision to end native forestry prior to the decision being announced or made by cabinet?

**Mr D.J. KELLY:** Some advice was sought on some issues from the executive of the Forest Products Commission.

**Ms M.J. DAVIES:** Could the minister advise what that advice was? What advice was sought and when was it sought?

**Mr D.J. KELLY:** It was advice on the process around the forest management plan, the current customers in the industry and the contracts that they had. I suppose it was mapping advice, if you like.

**Ms M.J. DAVIES:** Is the minister able to advise whether the department sought advice on whether there was support or otherwise from the board of the FPC on the decision and whether the board was favourable or had concerns?

**Mr D.J. KELLY:** Beyond what I have said, I think that the advice we have is cabinet-in-confidence.

**Ms M.J. DAVIES:** Formal advice was provided by the Forest Products Commission to the minister and government to feed into the cabinet decision; is that correct?

**Mr D.J. KELLY:** I did not say that, but any advice we received would be cabinet-in-confidence.

[8.30 pm]

**Mr P.J. RUNDLE:** I refer to page 295 of the budget papers and the outcome to deliver healthy forests for future generations. It refers to sandalwood and there is a budget target of 2 250 tonnes. In the previous financial year, there was a decrease in demand. Can the minister tell me why he is looking at targeting a harvest of an extra 700-odd tonnes this year?

**Mr D.J. KELLY:** The amount of sandalwood that we harvest is governed by an order-in-council that was issued during the last term of the Barnett government. The upper limit of that order-in-council is 2 500 tonnes; the 2 250 tonnes is the proportion that is allocated to the Forest Products Commission. What we are currently working towards, given the situation of demand in the industry, is about 1 600 tonnes. That is what we anticipate will be harvested given the state of the market.

**The CHAIR:** That completes the examination of the Forest Products Commission.