

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

HEARING – 19 OCTOBER 2021
ANSWERS TO QUESTIONS ON NOTICE

Forest Products Commission

SUPPLEMENTARY INFORMATION NO. D1

Hon James Hayward:

I refer to budget paper No 2, volume 1, page 293. The table at the bottom of the page shows the annual amounts for the softwood plantation expansion program over the forward estimates. Why are the amounts shown for 2021–22 and 2024–25 negative figures when the government has announced, as part of the budget, an allocation of \$350 million over 10 years for the expansion?

Mr DE NOBREGA: That was an adjustment to try and get the SIMS figures to balance back to the actual figures that happened at the end of the financial year. There is an adjustment in the actual SIMS figures as such.

Hon JAMES HAYWARD: Sorry; I just struggled to hear that answer. Perhaps, if possible, you might —

Mr DE NOBREGA: It was an adjustment done in the SIMS figures to get them into line with the actuals that happened at the end of the financial year. That was it.

The CHAIR: So it was purely an adjustment?

Mr DE NOBREGA: That is correct.

Hon JAMES HAYWARD: And 2024–25? That has not happened yet, so?

Mr DE NOBREGA: No, it has not.

Hon ALANNAH MacTIERNAN: I am sorry. If you can just bear with us for a second and we will get some clarification on that. It was a 10-year program. If I could take the member to page 296, it seems to have some greater clarity there. If you have a look at page 296, you will see under new works that it is almost \$96 million, so that is for the next four years. This is an allocation for land—that is the land acquisition that will go on over the next four years. There is also another line item in the budget—I cannot quite explain; we do not appear to necessarily have something that makes sense to the layperson—but on page 296, you can see how the funding will be spread out in terms of land acquisition. Obviously, this first year, it will be a bit slower just as we are gearing up, and, as I understand, there is at some point, in some part of the budget, a \$24 million allocation for the actual establishment.

The CHAIR: Sorry, just to confirm, then, from my understanding, there has not been a reduction in funding? It is purely an adjustment?

Hon ALANNAH MacTIERNAN: I think the member was wanting to see where the money that had been announced appeared in the budget, and it appears in the budget as new works.

Hon JAMES HAYWARD: Just for clarification, I was actually just asking about why they were negative figures, because negative figures would seem to indicate that there was no money

coming from government. In fact, if I move on to the second part of the question, it may help. It may be that it needs to be taken on notice, Mr Chair.

Hon ALANNAH MacTIERNAN: Look, I will take it on notice, because I am not clear, unless Mr West has an answer.

Hon JAMES HAYWARD: Perhaps, chair, I could read the next two parts, which are also connected to this, and then perhaps they could all be taken on notice if that assists.

The CHAIR: That would be good because I am confused, actually, and it would be really good to get some clarity.

Hon JAMES HAYWARD: The amount for 2021–22 is a negative figure, yet the *Economic and fiscal outlook* on page 272 states that an allocation of \$11 million has been made for 2021–22.

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What is the reason for that discrepancy? Thirdly, the total expenditure as shown in the table over the forward estimates differs from the statement at page 296 under the heading “Asset Investment Program”, paragraph 2. That \$96 million has been committed over the forward estimates and why is that? Perhaps we could take that on notice.

[7.40 pm]

Hon ALANNAH MacTIERNAN: Sorry, what is the contradiction? We have \$96 million allocated over the forward estimates and you believe that is contrary to which figure?

Hon JAMES HAYWARD: The amount at 2021–22 is a negative figure, yet the *Economic and fiscal outlook* at page 272 states an allocation of \$11 million has been made for 2021–22.

Hon ALANNAH MacTIERNAN: So we are still looking for an explanation.

The CHAIR: We might need to be quick or else take it on notice because we have got a —

Hon ALANNAH MacTIERNAN: I think we just need to find out.

Mr LYON: I will answer the part where there is a discrepancy between the \$11.3 million and the asset investment program of \$8 million—that is very similar to the asset investment program—that is land only, and the \$11.3 million is land and establishment costs; so that is the cost of the seedlings, land preparation and all the costs that are not an asset. The asset investment table only shows the land purchase, which is the \$8 million. This figure here is land and establishment costs. Does that answer that part?

Hon JAMES HAYWARD: I think so.

Mr LYON: With your second part, “Why is it a negative figure on the way down?”, that is simply the trade.

Mr DE NOBREGA: Correct.

Mr LYON: I will pass to the CFO.

Mr DE NOBREGA: The current tax expenses of 1 497, plus the local government rates of 45, adds up to negative 1 452. It is the current tax expenses that were negative, plus the local government rates that were adjusted. That is how it has ended up with the negative figures.

The CHAIR: Have we got the first part? Have we still got that on notice?

Hon ALANNAH MacTIERNAN: What we will take on notice is an explanation of that particular line item.

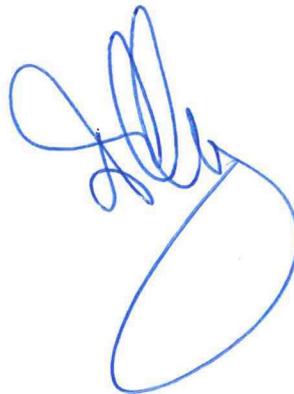
The CHAIR: Yes. I am very comfortable with that.
[Supplementary Information No D1.]

Answer:

The negative figures for 2021–22 and 2024–25 on budget paper No 2, volume 1, page 293 is due to the trade revision. This is the movement of figures submitted to parliament on the 8 October 2020 for the Mid-Year Review (MYR) against the Strategic Development Plan (SDP). This was adjusted in the Strategic Information System (SIMS) to balance the difference between the MYR and SDP.

Below is a table showing the break down of the adjustments.

Trade Revisions	2020-21	2021-22	2022-23	2023-24	2024-25
	\$000	\$000	\$000	\$000	\$000
Current tax expense	-	(1,497)	(1,784)	(1,436)	(695)
Local government rates expense	38	45	43	43	42
Final dividend expense	-	-	-	(2,458)	(1,664)
	38	(1,452)	(1,741)	(3,851)	(2,317)



SUPPLEMENTARY INFORMATION NO. D2

Hon Steve Martin:

Hon STEVE MARTIN: I refer to budget paper No 2, volume 1, page 298, under “Income Statement”, “Net Profit/(Loss) After Tax”. According to the budget papers, the 2020–21 estimated actual loss was \$562 000, but according to page 74 of this lovely glossy brochure—which would have gobbled up a few trees or I am sure it was recycled paper—the annual report of the commission, under the “Statement of Comprehensive Income Variances”, the net loss for the 2020–21 financial year after tax was \$7.88 million. Have I missed something or there is a large \$7.3 million —

Hon ALANNAH MacTIERNAN: So you are looking at page 298 and you are looking at —

Hon STEVE MARTIN: Page 298 has an estimated actual loss of \$562 000—at the bottom of page 298. Then in the annual report—if you have not got one, you might have to take my word for it; it might have to be on notice—it reports a loss of \$7.88 million for the same year. We have a \$7.3 million discrepancy there somewhere.

Mr DE NOBREGA: That would be the valuation of the biological assets that would be taken into account. Therefore, at that time when we did the budget estimates, we did not have the valuation of the biological assets, which has an impact on the operating profit.

Hon ALANNAH MacTIERNAN: I will undertake to take that question on notice.
[Supplementary Information No D2.]

Answer:

Below find a reconciliation between Budget Paper No 2, Volume 1, page 298 and the Annual Report 2020 -2021 page 30 of the Statement of comprehensive income.

Description	\$'000
Net Profit/(loss) Budget Paper No 2	(562)
The net movement of Biological assets	(9,120)
Movement in Income tax benefit	3,009
Overestimated Sales	(900)
Total of Differences	(7,573) **

**The difference between \$7,573 and \$7,888 is \$315k, consisting of non-material minor adjustments across other items.

