

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

ANSWERS TO ADDITIONAL QUESTIONS

Forest Products Commission

The Committee asked:

1. I refer to Budget Paper No. 2, page 301, statement of financial position, current liabilities—other and non-current liabilities—other, and ask for a further breakdown of these values.

Answer:

The main components of the other current and non-current liabilities are as follows:

- Current liabilities – Other (payment due within one year)

The items that are included in this category are: accrued expenses, provision for replanting of plantations, provision for regeneration of native forest and deferred revenue relating to contractual obligations and forward sales contract for the supply of logs.

- Non-Current liabilities – Other (payment due greater than one year)

The items that are included in this category are: provision for regeneration of native forest, land annuity obligations in relation to sharefarms and deferred revenue relating to contractual obligations and forward sales contract for the supply of logs.

Minister's initials



Hon Steve Martin MLC asked:

1. I refer to Question Number 6, referred to from the Department of Jobs, Tourism, Science and Innovation, asked prior to hearing regarding softwood plantation jobs and I ask for each of the last 10 years, what has been the growth or retraction of softwood plantations in WA?

Answer:

Year	Softwood Estate (Hectares)	New area established (Hectares)
2011	80,733	5
2012	80,858	Nil
2013	80,497	30
2014	79,193	260
2015	77,897	173
2016	75,918	495
2017	77,062	1,589
2018	77,343	1,600
2019	77,348	1,094
2020	76,265	887

Note: figures have not yet been finalised for the end of 2021.

2. I refer to Question Number 17 asked prior to hearing regarding native forest product sales. The Commission's annual reports since 2014 show that in 2014-15, 146,921 tonnes of jarrah sawlogs were produced from Crown land; in 2016-17 the figure was 164,530 tonnes (compared to the total indicative volume for 2022 of 90,000 tonnes); and that the seven year average since 2014 was 120,072 tonnes (compared to the total indicative volume for 2022 of 90,000 tonnes). I ask if the Commission would like to correct their answer?

Answer: No. The figures cannot be directly compared as one is financial year and the other is calendar year. The referenced Annual Report figures also appears to include other jarrah log products delivered in addition to high grade sawlogs. The previous answer provided by the FPC refers only to the sawlog proportion.

Minister's initials



3. I refer to Question Number 16 asked prior to hearing regarding the softwood expansion budget, and I ask:

- (a) Please provide an itemised account of the \$20,386.36 spent so far including how many valuations have been undertaken, when they were undertaken and where they were undertaken;

Answer:

Date	Location	Amount (GST exclusive)
6/12/21	Wilga	\$2,000
6/12/21	Kingston	\$2,000
9/12/21	Catterick	\$2,000
9/12/21	Roelands	\$3,000
9/12/21	Nannup	\$2,000
23/2/22	Rocky Gully	\$2,636
2/3/22	East Nannup	\$2,000
3/3/22	Mayanup	\$2,500
8/3/22	Benjinup	\$2,250

- (b) Were any properties purchased? Why or why not; and

Answer: The FPC has reached agreement to purchase one of the properties and negotiations are continuing in relation to several other properties.

- (c) What did the Commission expect to spend \$8.1m on between 31 May and 30 June, as the Budget states that \$8.3 is the estimated expenditure to 30 June 22?

Answer: The figure in the budget is an indicative figure. The softwood expansion will take place over a number of years and is subject to market and commercial considerations. The indicative figure of \$8.1 million was for land purchases.

4. I refer to Question Number 15 asked prior to hearing regarding land availability, and I ask:

- (a) Has the Commission forecasted changes to these markets; and

Answer: The Commission has anticipated that there will be fluctuations in the market for land and developed a flexible structure, as outlined in the response to Question 15 asked prior to hearing regarding land availability.

- (b) Will the government be contributing more funding to make competitive offers if the \$350m is exhausted sooner than expected?

Minister's initials



Answer: The flexibility developed in our purchasing structure will enable the Government to purchase land and expand the estate in a fluctuating market.

5. I refer to Question Number 14 asked prior to hearing regarding fire mitigation, and I ask:

(a) How many hectares were cleared in the following years:

(i) 2016-2017;

Answer: 0

(ii) 2017-2018;

Answer: 0

(iii) 2018-2019;

Answer: 0

(iv) 2019-2020;

Answer: 0

(v) 2020-2021; and

Answer: 0

(vi) 2021-2022;

Answer: 0

(b) How much land is expected to be cleared in the 2022-23 year;

Answer: 0

(c) Why hasn't the Commission yet engaged in these activities; and

Answer: *The Environmental Protection Act 1986* and the Environmental Protection (Clearing of Native Vegetation) Regulations 2004 impose strict controls on the clearing of native vegetation. They do not support large scale clearing for the purpose of fire mitigation.

(d) What was the outcome of these trials?

Answer: The results of the multi-agency Mechanical Fuel Reduction Trial referred to in Question 14 are yet to be approved for release by the Commonwealth Oversight Committee who have overarching responsibility for the study.

6. I refer to Question Number 13a asked prior to hearing regarding indicative supply volumes, and I ask:

(a) Why did the Commission base the 2022 indicative volume on the average delivery to sawmills for the past two years when they knew a number of sawmills had reduced their volume during this period for significant upgrades to the mill and would resume normal deliveries after the upgrades were completed in 2022;

Minister's initials



Answer: The overall quantity provided to industry is consistent with the long-term Forest Management Plan 2014-23 average. The average of the previous two years deliveries represented the fairest way to assign volume based on the harvest capacity available.

- (b) The answer states that the indicative volume of sawlogs to sawmills in 2022 was based on the average delivery to sawmills over the past two years. The Premier was reported in the media as saying it was based on the seven-year average. Which answer is correct;

Answer: Both. The overall quantity provided to industry is consistent with the long-term Forest Management Plan 2014-23 average. The average of the previous two years deliveries was used to allocate volumes to each mill.

- (c) Did COVID-19 have an effect on the average delivery? What were the delivery rates for the past 5 years; and

Answer: Yes.

Year	Jarrah Sawlog (m3)
2021	Not yet available
2020	69,120
2019	50,131
2018	77,997
2017	81,451
2016	89,582

- (d) It is a well-established practice in the native timber industry, and permitted under the contracts, that volume supplies to sawmills may fluctuate from year to year for a range of reasons including mill closures for significant upgrades, nevertheless the Commission remains under contract to supply the base contracted volumes which are well within the allowable cut volumes stipulated in the Forest Management Plan, what value are contractual obligations if they can be so easily disregarded by the Commission and with the full knowledge and approval of the State Government? Is the Government not concerned about the sovereign risk issues this creates for WA?

Answer:

The Forest Products Commission does not agree with the statement regarding Contract conditions.

7. I refer to Question Number 12 asked prior to hearing regarding Softwood Expansion Program details. This answer does not address the question as the flexible nature of the expansion program is irrelevant when asking how much land has already been allocated. I ask:

- (a) How much of the \$11.3 million for Softwood Expansion Program allocated in 2021-22 was spent;

Minister's initials



Answer: The figure in the budget is indicative only. The softwood expansion will take place over a number of years and is subject to market and commercial considerations. The FPC has spent \$20,386.36 (GST exclusive) in 2021-22 to undertake valuations of prospective properties.

- (b) Will the Government provide an itemised account on the expenditure of this money in 2021-22? If not, why not;

Answer: The FPC will report according to our statutory reporting requirements as per *the Financial Management Act 2006* and the Treasurers Instructions.

- (c) Noting the allocation of \$39.4 million in 2022-23 for the Softwood Expansion Program, how much of this money is expected to be spent on purchasing land and how much on planting seedlings on land currently managed by the FPC;

Answer: The figure in the budget is indicative only. The softwood expansion will take place over a number of years and is subject to market and commercial considerations. The proportion of funding to be spent on land versus establishment costs is dependent on whether the land is owned by the Forest Products Commission or by third parties. This proportion will not be known until the end of the financial year.

- (d) What was the return on the \$20,386.36 to undertake valuations;

Answer: The FPC spent \$20,386.36 to obtain independent valuations for 9 individual properties of interest for purchase.

- (e) How many valuations were undertaken;

Answer: 9

- (f) How many valuations resulted in a successful purchase;

Answer: To date one purchase has been successfully negotiated and discussions continue on several others.

- (g) Is any part of the \$39.4 million allocated to the Commission's Nursery;

Answer: Yes. Approximately \$1.42 million of this is allocated to the FPC nursery for growing seedlings

- (h) How many seedlings are the nursery instructed to grow for the following years:

- (i) 2016-2017;

Answer: 4.75 million

- (ii) 2017-2018;

Answer: 4.10 million

- (iii) 2018-2019;

Minister's initials



Answer: 5.45 million

(iv) 2019-2020;

Answer: 4.05 million

(v) 2020-2021; and

Answer: 2.15 million

(vi) 2021-2022; and

Answer: 2.40 million

(i) If none were planted, what happened in the nursery in that year?

Answer: Not Applicable

8. I refer to Question Number 11 asked prior to hearing regarding Simcoa Supply, and I ask: Simcoa currently use 140,000 tonnes of hardwood, without this their use of Colombian coal will increase to 65,000 tonnes. Does the Commission have an opinion on this?

Answer: The FPC is aware that Simcoa has a longstanding practice of using Columbian coal as part of their operations, this is a commercial matter for Simcoa.

9. I refer to Question Number 10 asked prior to hearing regarding ecological thinning materials, and I ask:

(a) If the exact amounts can't be determined, can the Commission confirm that these businesses will receive hardwood timber; and

Answer: The Forest Products Commission can confirm that timber from approved minesite activities and ecological thinning for forest health will be available but cannot confirm to what businesses until after the *Forest Management Plan 2024-33* is released and an allocation process has been undertaken.

(b) If not, has the Commission or the Government relayed this to industry?

Answer: Not Applicable.

10. I refer to Question Number 8a asked prior to hearing regarding the Commission's total expenses, and I ask:

(a) What is the basis of the expected decrease in sale of native forest products between 2021/22 Budget and the 2022/23 Budget, given FPC contracts remain the same over this period and the Premier said it would be business as usual until the end of the current contracts; and

Answer: The expected decrease in the sale of native forest products is due to a predicted reduction in contractor capacity resulting from a strong WA job market.

(b) Why wasn't this reflected in the forward estimates in last year's Budget?

Minister's initials



Answer: Capacity constraints became clear during 2021 and these are reflected in the budget for 2022-23.

11. I refer to Question Number 7a asked prior to hearing regarding the Commission's failure to meet budgeted targets, and I ask:

(a) Will the Minister please table evidence in support of the statement that in recent years more hectares need to be harvested to harvest the same quantity of sawlog; and

Answer:

TRENDS IN JARRAH SAWLOG VOLUME PER HECTARE	
CALENDAR YEAR	VOLUME (m3) /ha
2017	14
2018	14
2019	10
2020	11
2021	not yet available

(b) Is the constraints on contractor's abilities to meet current production targets a result of contractors being directed to harvest lower yielding coupes rather than harvesting higher yielding coupes

Answer: Low yielding coupes are one of the challenges facing the industry.

12. I refer to Question Number 6 asked prior to hearing regarding the Softwood Plantation Expansion Program, and I ask:

(a) How much has been spent since 2017;

Answer: The Forest Products Commission has spent approximately \$28.41 million on plantation expansion since 2017.

(b) How much has been spent this FY;

Answer: Approximately \$705,551 was spent on plantation expansion in FY22.

(c) How much land has been purchased since 8 September 2021 and what is the LGA location/s of these purchases; and

Answer: The Forest Products Commission has reached agreement for the purchase of a property in the Shire of Nannup and discussions continue on several other properties.

(d) How many seedlings have been planted on land purchased since 8 September 2021?

Answer: Following the passing of the Forest Products Amendment Act 2022, the Forest Products Commission has reached agreement for the purchase of one property and continue discussions on several others. Seedlings will be planted on the properties in the next planting rotation.

Minister's initials



13. I refer to Question Number 5 asked prior to hearing regarding purchasing of land, and I ask does the Commission have a goal or number of hectares it is aiming to purchase this financial year?

Answer: The Forest Products Commission remains agile in its ability to purchase property that will provide the best value for the Western Australian taxpayer and will be guided by the market.

14. I refer to Question Numbers 4b and 4e asked prior to hearing regarding the achievement of thinning schedules and other delays, and I ask:

- (a) If the Commission has not called for expressions of interest, on what basis does it assert that a lack of suitable markets/inability to secure suitable markets has impacted thinning operations;

Answer: Expressions of Interest are just one form of sales process. Direct offers have been made to the market and Contracts of Sale have been awarded from these offers. Some contracts are conditional on the establishment of harvesting capacity and supply chain infrastructure, particularly in regions where there has not been any previous softwood processing.

- (b) What are some of the new market opportunities that the FPC have investigated? What are they currently investigating; and

Answer: Market opportunities include pulp and paper products, co-generation of electricity, bio-fuels, and the production of veneers from small logs.

- (c) What progress has been made in the Esperance region?

Answer: A Contract of Sale is in place for thinning of the Esperance softwood estate. The successful tenderer is currently arranging port access and harvesting capacity prior to commencing work.

15. I refer to Question Number 3 asked prior to hearing regarding local job creation. The fact that the native timber industry represents 8% of the forestry industry is irrelevant to the question as it still sustains numerous direct forestry businesses and jobs and thousands of indirect jobs. I ask:

- (a) How does the \$350M investment in softwood plantation deliver jobs for the thousands of workers to be made redundant with the closure of native forestry as a result of direct and indirect job losses;

Answer: The softwood plantation sector drives significantly more economic output than the native forestry sector. Softwood is a critical material for our building and construction industries. Through the softwood expansion program we are investing \$350 million to support and grow our softwood plantation forestry sector.

The expansion plan will create 60 new direct jobs, 80 new indirect jobs and also protect 860 direct jobs and 1, 120 indirect jobs, mostly in the South West timber industry. It will also support the many thousands of jobs in the State's construction industry that depend upon the reliable supply of softwood timber.

Minister's initials



- (b) What research shows that plantation forestry of 'alien' pine species in Western Australia is more sustainable than native hardwood harvesting; and

Answer:

The FPC's own work clearly demonstrates that pine plantation forestry generates a profit and is financially sustainable. It is also clearly evident that planting trees on previously cleared land has a carbon benefit.

- (c) Will the Commission please table this information?

Answer: Not Applicable

16. I refer to Question Number 2 asked prior to hearing regarding the demand for softwood, and I ask:

- (a) How is the Commission managing softwood estate so as best to match demand from domestic wood processors

Answer: All available timber is supplied under contract. No additional timber is available.

- (b) Does the Commission collect any data on the use of the timber harvested; and

Answer: No.

- (c) Given complaints from the building sector about inability to secure sufficient pine for building, is the Commission failing in its matching task?

Answer: The Forest Products Commission makes available for processing all pine timber existing but pine takes time to grow for construction timber. It is due to the failure of the previous Government to plant more new plantations that have caused the issues we face with timber availability today.

17. I refer to Question Number 1b asked prior to hearing regarding ecological thinning for forest health. The answer provided is irrelevant to the question and does not answer the question as it asks for information currently in possession of the Commission, and I ask:

- (a) Will the Commission please table all information pertaining to ecological thinning for forest health in the possession of the Commission, including costings;

Answer: In preparation for the release of the Forest Management Plan (FMP), the Forest Products Commission, in collaboration with industry, is currently undertaking trials on a range of issues that may be relevant under the future FMP. These trials have not concluded and are on-going.

Minister's initials



(b) If no to a), why not;

Answer: Until the silvicultural prescription for ecological thinning for forest health is provided in the FMP we are unable to provide accurate costings.

(c) Has the FPC in conjunction with industry undertaken an ecological thinning trial at Munro Block; and

Answer: The Munro block is a demonstration site for community groups. There are currently no silvicultural prescriptions for ecological thinning for forest health.

(d) Will the Minister table all information pertaining to the operations undertaken at Munro Block including the cost of the ecological thinning operation? If not, why not?

Answer: The Munro trial was undertaken by the South-West Timber Hub and while supported by Forest Products Commission, the information collected is held by the South-West Timber Hub.

18. I refer to comments made by Mr Lyon in the Commission's hearing on 23 of June regarding the restricted markets and achieving thinning schedules for softwood plantations, and I ask:

(a) What are the active markets for softwood; and

Answer: Softwood produced from thinning operations is sold into both domestic and export markets. Domestic markets include LVL, particleboard, silicon, pine rounds and energy production. Export markets are largely focussed on paper products.

(b) How much revenue are these expected to bring into the Commission?

Answer: The markets for softwood residue products, including those produced from thinning operations, are expected to bring revenue of approximately \$20.2 Million in Financial Year 2022/23.

19. I refer to comments made by Mr Lyon in the Commission's hearing on 23 of June regarding the sustained yield limits, and I ask:

(a) What were the sustained yield limits for native hardwood for the following years:

- (i) 2016-2017;
- (ii) 2017-2018;
- (iii) 2018-2019;
- (iv) 2019-2020;
- (v) 2021-2021; and
- (vi) 2021-2022;

Answer:

- (i) (vi) Any question regarding the *Forest Management Plan 2014-23* should be referred to the Department of Biodiversity, Conservation and Attractions.

Minister's initials



(b) What was the total amount harvest in those years in a)?

Answer:

Year	Total Jarrah Volume (m3)	Total Karri Volume (m3)
2022	Not yet available	Not yet Available
2021	Not yet available	Not yet Available
2020	286,684	227,530
2019	227,559	257,502
2018	266,799	213,850
2017	271,764	197,529
2016	242,317	159,314

20. I refer to another question asked in the Department of Biodiversity, Conservation and Attractions hearing that has been referred to the Commission and page 713 of Budget Paper 2, Volume 2, Note 5, regarding the actual amount of jarrah and karri harvested being below the target amount due to market conditions, and I ask:

(a) What were the market conditions that were responsible for the under-performance; an

(b) What is the reason behind these conditions?

Answer:

(a) - (b)

The question and note referred fall under the responsibility of the Department of Biodiversity, Conservation and Attractions.

Minister's initials

