

Senate Rural and Regional Affairs and Transport References Committee

**Questions on Notice – Wednesday, 15 May 2013
2S3 Canberra**

Inquiry into Auditor-General's Reports into Tasmanian Forestry Grant Programs

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**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE**

**Inquiry into the Auditor General's reports on Tasmanian Forestry Grants
Programs**

Public Hearing Wednesday, 15 May 2013

**Questions Taken on Notice - Department of Agriculture, Fisheries and
Forestry for the Tasmanian Intergovernmental Agreement Contractors
Voluntary Exit Grants Program**

1 HANSARD, PG 5

CHAIR: I will go back to Senator Colbeck, but in the process of going back I would like to ask how many people work in the compliance unit of the department.

Ms Freeman: My colleague can run through this, but we have contracted AusIndustry to do our compliance investigation for us. I am happy to provide you with details of that.

CHAIR: On notice. Thank you.

2 HANSARD, PG 6-7

Senator COLBECK: I have talked to negotiators from the industry who were involved in that process. They saw the last draft of the document on the Thursday night before it was signed on the Sunday, and there were a number of insertions that went into the document during that period. They thought they had seen a document on Thursday night. There were, as you say, intense negotiations that occurred over the weekend. You were not involved in that process?

Mr Aldred: Certainly there was a whole range of people involved right through the process. I would have to say that I cannot give you a specific answer about when the word 'public' was inserted through that process. I would have to take it on notice and see whether we can actually do that.

Senator COLBECK: If you would. Because I know the industry negotiators that I spoke to thought they had pretty much seen a final document on Thursday night, and it was very different by Sunday morning when it was signed. That is one of the things that they are not happy about. They have had to live with it because that is the document that was signed. I get that. But nobody seems to want to stick their head up and say they were part of the process of putting those things in, and it is a really pivotal part of the end impact of the design of the scheme.

Mr Aldred: If I might just add a couple of bits as context—and I will check for you. If we are looking at the nature of the discussions and negotiations that were going on at that time, essentially it was about bringing together a whole range of claims or desires by a range of people. A couple of the key parts were that there had been a substantial downturn in the industry; it was not solely related to Gunns Limited. The opportunity was there to place substantial additional areas of public land into the reserve system.

That change would have impacted on the availability of public logs from that resource base. The actual construct of the agreement reflects that. Then the contractors' package that was developed in accordance with that set out to assist the industry overall in terms of the public native industry. Again, it was not a specific Gunns package. There was certainly a range of discussions with industry and with the Tasmanian government around models, and the industry players and the Tasmanian government had a leaning towards an entitlements model rather than a broader competitive based model, which was the view of the Commonwealth. All of those things came together in the IGA and then in the design of the guidelines, and then we have implemented accordingly.

3 HANSARD, PG 7

Senator COLBECK: I think it is clear from Minister Green's letter that he does not believe that they do.

Senator MILNE: He says specifically: 'This is not what I signed onto. I signed on to contract based outcomes, not actual logging outcomes.' He says that specifically.

Senator COLBECK: Which goes to the process of determining the grants.

Dr Tucker: You are quite correct; that is what his correspondence says, but, as Mr Aldred said, we also have material that says they did agree with guidelines as they were finalised.

ACTING CHAIR: Are you able to supply that information to the committee?

Mr Aldred: I will take it on notice. My understanding is that the guidelines were agreed between the offices. I will see what documentary—

ACTING CHAIR: It may assist the senators—if you have other information they do not have.

4 HANSARD, PG 12

Senator WHISH-WILSON: Just to reconfirm, when Bob Gordon wrote to you about the issue with capacity, saying that they would need to reallocate quota, was it put in those words, that they would have to reallocate quota the 200,000 or so tonnes?

Mr Aldred: I cannot recall. I would need to take it on notice and go back and check any specific correspondence.

5 HANSARD, PG 14

Senator MILNE: Mr Aldred, I asked you before: when Bob Gordon from Forestry Tasmania told you they intended to extend their contracts if they lost volume in order to take up that volume, did you or anyone else in the department raise it with the minister, the secretary or anyone high up? Or did you just make a decision that that was okay and you would carry on regardless, even though it made a significant difference? As you have just said, it meant that the contractors who stayed would be a lot more profitable because a lot of them would be bought out; the ones who stayed in made the decision not to apply. I heard you say that everyone who applied got paid out, but the decision of whether or not to apply would be in part determined by whether you thought that, if

you stayed, there would be work for you. They would have known there was work for them; you have just said that. My question is: did you discuss these risk-management issues with your minister or with anyone up in the department, or did you press on regardless?

Mr Aldred: I will have to take on notice the specifics of what Mr Gordon said that he sent. I would need to check the specific correspondence and see what particular action we may have taken as a result of that. I think it is a difference in the interpretation of the design of the program, and my belief is that the program guidelines allowed for just that eventuality.

Dr Tucker: We will confirm and get back to you.

6 HANSARD, PG 15-16

Senator COLBECK: In last night's budget, there is \$60 million over three years from 2012-13 in structural adjustment payments to assist with voluntary exit from public native forest operations for regional sawmillers, haulage and harvest contracts to buy back wood supply contracts and support nature based tourism. What amount of that is going to harvest and haulage contractors? Who is going to be administering that?

Mr McNamara: My understanding is it is \$20 million for that program and, as I said before, there is \$10 million for the regional sawmillers buyback program and there is also the larger sawmillers buyback program of \$15 million.

Dr Tucker: We would have been better prepared for these questions at budget estimates.

Senator COLBECK: We will be back!

Dr Tucker: With the indulgence of the chair of the committee, we can give you an accurate breakdown of that on notice.

Senator COLBECK: I am happy with that, and we will be back at estimates to deal with it in more detail.

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE**
**Inquiry into the Auditor General's reports on Tasmanian Forestry Grants
Programs**
Public Hearing Wednesday, 15 May 2013
**Questions Taken on Notice – Department of Agriculture, Fisheries and
Forestry**

Question: 1

Division/Agency: Climate Change

Topic: Tasmanian Forest Contractors Programs Compliance

Proof Hansard page: 5

Senator HEFFERNAN asked:

Senator HEFFERNAN: I will go back to Senator Colbeck, but in the process of going back I would like to ask how many people work in the compliance unit of the department.

Ms Freeman: My colleague can run through this, but we have contracted AusIndustry to do our compliance investigation for us. I am happy to provide you with details of that.

Senator HEFFERNAN: On notice. Thank you.

Answer:

DAFF has entered into a Service Level Agreement with the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education for AusIndustry to complete the compliance investigation for the three Tasmanian forestry exit programs.

AusIndustry will carry out on-ground compliance checks on 89 grantees from the 2011–12 Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program (57), the 2010–11 Tasmanian Forest Contractors Exit Assistance Program (29), and the 2006–07 to 2009–10 Tasmanian Community Forest Agreement Industry Development Programs (3).

AusIndustry has developed a compliance plan and are aiming to commence trialling the week of 27 May 2013.

AusIndustry will employ the equivalent of 0.7 ASL in undertaking this compliance program.

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**Questions Taken on Notice – Department of Agriculture, Fisheries and
Forestry**

Question: 2

Division/Agency: Department of Agriculture, Fisheries and Forestry

Topic: Inclusion of term public native forest in the Tasmanian Forests Intergovernmental Agreement (IGA)

Proof Hansard pages: 6-7

Senator Colbeck asked:

Senator COLBECK: I have talked to negotiators from the industry who were involved in that process. They saw the last draft of the document on the Thursday night before it was signed on the Sunday, and there were a number of insertions that went into the document during that period. They thought they had seen a document on Thursday night. There were, as you say, intense negotiations that occurred over the weekend. You were not involved in that process?

Mr Aldred: Certainly there was a whole range of people involved right through the process. I would have to say that I cannot give you a specific answer about when the word 'public' was inserted through that process. I would have to take it on notice and see whether we can actually do that.

Senator COLBECK: If you would. Because I know the industry negotiators that I spoke to thought they had pretty much seen a final document on Thursday night, and it was very different by Sunday morning when it was signed. That is one of the things that they are not happy about. They have had to live with it because that is the document that was signed. I get that. But nobody seems to want to stick their head up and say they were part of the process of putting those things in, and it is a really pivotal part of the end impact of the design of the scheme.

Mr Aldred: If I might just add a couple of bits as context—and I will check for you. If we are looking at the nature of the discussions and negotiations that were going on at that time, essentially it was about bringing together a whole range of claims or desires by a range of people. A couple of the key parts were that there had been a substantial downturn in the industry; it was not solely related to Gunns Limited. The opportunity was there to place substantial additional areas of public land into the reserve system. That change would have impacted on the availability of public logs from that resource base. The actual construct of the agreement reflects that. Then the contractors' package that was developed in accordance with that set out to assist the industry overall in terms of the public native industry. Again, it was not a specific Gunns package. There was certainly a range of discussions with industry and with the Tasmanian government around models, and the industry players and the Tasmanian government had a leaning towards an entitlements model rather than a broader competitive based model, which was the view of the Commonwealth. All of those things came together in the IGA and then in the design of the guidelines, and then we have implemented accordingly.

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Answer:

The word public, referring to public native forests in the context of the Contractors Voluntary Exit Grants Program in the 2011 Tasmanian Forests Intergovernmental Agreement (IGA), was in the draft IGA that was shared with the Signatories to the *Tasmanian Forests Statement of Principles to Lead to an Agreement* on Thursday, 4 August 2011.

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**Questions Taken on Notice – Department of Agriculture, Fisheries and
Forestry**

Question: 3

Division/Agency: Department of Agriculture, Fisheries and Forestry

Topic: Tasmanian Forests Intergovernmental Agreement Contractors voluntary Exit Grants Program guidelines.

Proof Hansard page: 7

Senator COLBECK asked:

Senator COLBECK: We have got plenty of time. I do not think we are going to be fighting, so I will come to Senator Milne in a minute; that is not a problem. I might have some more questions afterwards. I am happy to share the time. You have received letters, have you not, from the Tasmanian government in respect of the impact of the design of the package on subcontractors? I know you have because I have seen one and I think it is part of the evidence we have received as part of our evidence packs where Mr Iles, for example, details the impact on his business. You have had a clear representation from the Tasmanian Minister for Forests. You talk about the arrangements between the Commonwealth and the government. My reading of Minister Green's letter is that this does not reflect what he thought the package was going to do.

Mr Aldred: Yes, I believe there has been correspondence. I also understand that the guidelines were agreed between the ministers' offices before they were actually launched.

Senator COLBECK: I think it is clear from Minister Green's letter that he does not believe that they do.

Senator MILNE: He says specifically: 'This is not what I signed onto. I signed on to contract based outcomes, not actual logging outcomes.' He says that specifically.

Senator COLBECK: Which goes to the process of determining the grants.

Mr Tucker: You are quite correct; that is what his correspondence says, but, as Mr Aldred said, we also have material that says they did agree with guidelines as they were finalised.

ACTING CHAIR: Are you able to supply that information to the committee?

Mr Aldred: I will take it on notice. My understanding is that the guidelines were agreed between the offices. I will see what documentary—

ACTING CHAIR: It may assist the senators—if you have other information they do not have.

Answer:

The option of calculating merit criteria one where a business did not have agreed public native forest tonnage, and was therefore able to be assessed by using the difference between actual tonnage for the period 1 July 2010 to 30 June 2011 and actual tonnage for the period 1 July 2009 to 30 June 2010, was first inserted in the draft guidelines, after discussions with

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Tasmanian officials, on 27 September 2011. It remained in subsequent drafts and is in the final agreed guidelines.

In a letter to Minister Ludwig on 29 November 2011 regarding a separate matter, Tasmanian Deputy Premier Green states, *“I am writing on behalf of two Tasmanian businesses whose situation has come before me since the release of the agreed guidelines for the Contractors Voluntary Exit Grants Program”*. This confirms that Minister Green had previously agreed to the guidelines that were released for the program.

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Forestry**

Question: 4

Division/Agency: Department of Agriculture, Fisheries and Forestry

Topic: Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program – Forestry Tasmania correspondence.

Proof Hansard page: 12

Senator WHISH-WILSON asked:

Senator WHISH-WILSON: Just to reconfirm, when Bob Gordon wrote to you about the issue with capacity, saying that they would need to reallocate quota, was it put in those words, that they would have to reallocate quota the 200,000 or so tonnes?

Mr Aldred: I cannot recall. I would need to take it on notice and go back and check any specific correspondence.

Answer: Mr Bob Gordon wrote to the department on the 19 December 2011 in relation to exit grants to Forestry Tasmania's harvesting, haulage and silvicultural contractors. The letter forms part of Forestry Tasmania's submission to the inquiry.

In his letter Mr Gordon noted that "any loss of haulage and/or harvesting capacity will impact on Forestry Tasmania's capacity to comply with both the IGA and its contractual obligations to customers. If contractor capacity is lost (through the Exit Packages or otherwise) to the extent that those obligations are unable to be met then such lost capacity must be replaced."

No volume was cited in any correspondence from Forestry Tasmania. The program sought an overall reduction across the contractor sector and some reallocation of capacity was expected between the remaining contractors to improve their viability. The expectation of some market adjustment of remaining contracts, under the program model preferred by the Commonwealth, was included in information to the Minister and Deputy Premier's Offices.

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**Questions Taken on Notice – Department of Agriculture, Fisheries and
Forestry**

Question: 5

Division/Agency: Department of Agriculture, Fisheries and Forestry

Topic: Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program – Forestry Tasmania correspondence.

Proof Hansard page: 14

Senator MILNE asked:

Senator MILNE: Mr Aldred, I asked you before: when Bob Gordon from Forestry Tasmania told you they intended to extend their contracts if they lost volume in order to take up that volume, did you or anyone else in the department raise it with the minister, the secretary or anyone high up? Or did you just make a decision that that was okay and you would carry on regardless, even though it made a significant difference? As you have just said, it meant that the contractors who stayed would be a lot more profitable because a lot of them would be bought out; the ones who stayed in made the decision not to apply. I heard you say that everyone who applied got paid out, but the decision of whether or not to apply would be in part determined by whether you thought that, if you stayed, there would be work for you. They would have known there was work for them; you have just said that. My question is: did you discuss these risk-management issues with your minister or with anyone up in the department, or did you press on regardless?

Mr Aldred: I will have to take on notice the specifics of what Mr Gordon said that he sent. I would need to check the specific correspondence and see what particular action we may have taken as a result of that. I think it is a difference in the interpretation of the design of the program, and my belief is that the program guidelines allowed for just that eventuality.

Mr Tucker: We will confirm and get back to you.

Answer: See response to question 4

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**Questions Taken on Notice – Department of Agriculture, Fisheries and
Forestry**

Question: 6

Division/Agency: Department of Agriculture, Fisheries and Forestry

Topic: Funding for harvest and haulage contractors

Proof Hansard pages: 15-16

Senator Colbeck asked:

Senator COLBECK : In last night's budget, there is \$60 million over three years from 2012-13 in structural adjustment payments to assist with voluntary exit from public native forest operations for regional sawmillers, haulage and harvest contracts to buy back wood supply contracts and support nature based tourism. What amount of that is going to harvest and haulage contractors? Who is going to be administering that?

Mr McNamara: My understanding is it is \$20 million for that program and, as I said before, there is \$10 million for the regional sawmillers buyback program and there is also the larger sawmillers buyback program of \$15 million.

Mr Tucker: We would have been better prepared for these questions at budget estimates.

Senator COLBECK: We will be back!

Mr Tucker: With the indulgence of the chair of the committee, we can give you an accurate breakdown of that on notice.

Senator COLBECK: I am happy with that, and we will be back at estimates to deal with it in more detail.

Answer:

Funding provided through the 2013-14 Budget for implementation of commitments under the Tasmanian Forests Intergovernmental Agreement 2013 for displaced workers and reducing silviculture, harvest and haulage contractor capacity totals \$20 million. The allocation for harvest and haulage contractors is yet to be determined and will be dependent upon the outcomes of other buyback programs. The program is to be implemented by the Tasmanian Government.