

Appendix 3
Tasmanian Forest Industry Development Programme
October 2005



Australian Government
**Department of Agriculture,
Fisheries and Forestry**



Tasmania
**Department of
Economic Development**

TASMANIAN FOREST INDUSTRY DEVELOPMENT PROGRAMME

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1. INTRODUCTION

- (a) On 13 May 2005 the Prime Minister of Australia and the Premier of Tasmania signed the Tasmanian Community Forest Agreement (TCFA) which is a supplement to the Tasmanian Regional Forest Agreement. As part of the TCFA, the Australian and Tasmanian Governments agreed to implement a Tasmanian Forest Industry Development Programme to facilitate forest industry retooling and investment in new plant and technology to assist the industry to adjust to changes in resource available through additional forest reservation, changes to old growth silviculture and additional intensive forest management.
- (b) The programme will provide up to \$42 million in funding to help the industry to adjust to changes in the public forest resource and to revitalise the industry through investment projects that will add value to Tasmanian timber and maintain sustainable employment opportunities in Tasmania's forest and wood products industries.
- (c) An additional \$4 million in funding will be provided to assist country sawmills to introduce new equipment, new technology and product lines and to develop new markets. Guidelines for access to this funding are published separately.
- (d) Country sawmillers may also apply for assistance under the \$42 million component of the programme provided that they meet the eligibility criteria.
- (e) The programme will be jointly managed by the Australian and Tasmanian Governments.

2. OBJECTIVES

- (a) The objective of the Tasmanian Forest Industry Development Programme is to assist the continued development of a sustainable, efficient, value-adding and internationally competitive forest industry in Tasmania, which provides long-term employment opportunities, by facilitating retooling and investment in new plant and technology. The programme will aim to maximise recovery of forest products from increasing use of regrowth, plantation and other changes in the resource mix arising from the TCFA.
- (b) The programme will support initiatives in Tasmania which assist the industry to adjust to changes in public timber resources arising from the TCFA and which:
 - improve sawlog utilisation rates, particularly from native forest regrowth or plantations; or,
 - involve investment in new plant and equipment to add value to the changed Tasmanian forest resource; or,
 - add value to forest resources harvested in Tasmania in a way that meets trends in domestic and international markets and takes advantage of those opportunities; or,
 - develop new products that attract investment by the Tasmanian forest industry; or,
 - create new employment opportunities or secure existing jobs in the forestry and forest-based industries in Tasmania, particularly through the redeployment of people adversely affected by changes in timber supplies resulting from the TCFA; or,

- upgrade harvesting and haulage equipment to facilitate better utilisation or improved silviculture and/or to improve safety and efficiency or to reduce its environmental impacts, or
 - promote collaboration and alliances amongst participants in the Tasmanian forest and wood products industries; or,
 - promote the Tasmanian forest industry and Tasmanian wood products.
- (c) Proposals which are not covered in paragraph 2(b) will be considered on a case-by-case basis.

3. PROGRAMME DETAILS

- (a) Funding for the programme will expire on 30 June 2008. Accordingly, projects must be completed and all claims for payment must be submitted before that date.
- (b) The programme is intended to supplement investment in Tasmania by the applicants. As a general rule, eligible projects will be offered a minimum grant of 25 per cent of total project costs, with grants of up to 50% being considered for projects which make a significant contribution to the priorities for funding listed in Sections 1 and 5 of these guidelines.
- (c) Grants will be paid on a reimbursement basis. This means that when an applicant completes each milestone specified in the Deed of Agreement, the Commonwealth will reimburse a percentage, specified in the Deed of Agreement, of the costs incurred in achieving the milestone.
- (d) Funding from all sources for the project will be taken into account. Funding from other Australian or State Government sources will not generally be accepted as part of an applicant's contribution to a project.
- (e) Grants will generally be between \$100,000 and \$10 million but higher or lower grants will be considered in special circumstances.
- (f) Assistance will not generally be available for goods or services that were ordered before 13 May 2005. Exceptions to this criterion will be considered on their merits on a case-by-case basis.
- (g) The Tasmanian Department of Economic Development, on request from proponents, will be available to assist in the review of proposals and the preparation of grant applications.

4. ELIGIBILITY CRITERIA

- (a) Individual businesses and organisations involved in the Tasmanian native timber industry are eligible to apply for assistance. To be eligible for assistance, applicants must:
- have secure long-term access to a sufficient quantity and quality of forest products to undertake the proposal, for example through a timber supply contract for public native forest or hardwood plantation or through a similar arrangement from private plantation or native forest; or
 - be currently engaged in the harvest and/or haulage of those products under contract; or

- purchase wood from a Tasmanian business with a wood supply contract for native forest or hardwood plantation wood.
- (b) Applicants will have to show that:
- their project is industry and market focussed and commercially viable;
 - their business is financially sound and is capable of providing or attracting the necessary funds to complete the proposed project;
 - they have secure long-term access to a sufficient quantity and quality of forest products to undertake the proposal, for example through a timber supply contract or a direct link to a timber supply contract. Prima facie evidence will be the existence of a current wood supply contract for resource from Tasmania's public forests. Any applicant who does not currently participate in the industry will be required to demonstrate the existence of a secure agreement for resource supply as evidence that they have access to sufficient resource to undertake their proposal, and how they propose to participate in the industry;
 - their business has capable management; and
 - they are contributing to the industry's competitiveness.
- (c) Applicants who are already directly participating in the Tasmanian forest industry will have to show how they intend to maintain their involvement in harvesting timber, transporting timber, processing timber, or marketing and promotion of Tasmanian forest products, and they should specify the sectors of the industry in which they participate, e.g. native forest harvesting and haulage, native forest processing, plantation hardwood harvesting, haulage or processing, or marketing and promotion.
- (d) Funding will not be provided for plantation establishment, for the purchase of land or forest, to provide working capital or for feasibility studies.
- (e) Funding is not generally available to support research but is available to support its application or for research that is necessary to achieve widespread adoption of value-adding technology applicable to the changed nature of the resource. Applicants will be required to demonstrate that the technology involved in their proposals is commercially viable. Trials of a "whole-of-industry" nature that involve the application of new technology to harvest or process the resource may also be considered.
- (f) If an application concerns processing timber or other forest products, the applicant will have to show that the final product will predominantly consist of forest products harvested in Tasmania.

5. PRIORITIES FOR FUNDING

- (a) Highest priority for funding will be provided to commercial proposals in business plans from mills affected by the changes in resource mix as a consequence of the TCFA. Priority will also be given to proposals from harvesting and haulage contractors affected by the implementation of the TCFA.

(b) Priority will also be given for proposals that:

- involve innovation and provision for significant upgrading of processing, harvesting or haulage technology;
- introduce or investigate new but proven technologies to the Tasmanian forest industries;
- develop products that attract new investment in the timber industry and associated industries;
- assist with adjustment to the changing nature of supply, particularly regrowth and plantation-grown logs;
- increase the processing and value-adding of small regrowth, plantation and residual logs;
- improve the recovery and processing of sawlogs, minor and special species products from forest harvesting operations;
- provide industry-wide, State-wide or regional benefits;
- promote collaboration and commercial alliances amongst participants in the Tasmanian forest industries;
- protect existing jobs, facilitate redeployment of affected forest industry workers or create significant new employment, particularly in rural areas of Tasmania;
- improve the promotion and marketing of Tasmanian forest products and develop links with similar marketing activities in other Australian States and internationally;
- make the harvesting and transporting of timber and forest products safer, more efficient and more competitive, in ways that are sustainable and environmentally sound;
- create wood-processing capacity that increases export competitiveness;
- promote and contribute to a viable long-term future for the Tasmanian forest industries.

(c) Funding will be allocated taking into account the merit of the proposal and its contribution to the future of the Tasmanian forest industry. Proposals from existing Tasmanian forest industry businesses will be given a high priority.

6. ASSESSMENT OF APPLICATIONS

(a) An advisory committee consisting of people with expertise in the Australian forest industry and officials of the Australian and Tasmanian Governments will oversee the implementation of the programme. Members of the advisory committee are:

- Mr Rob Woolley, who has expertise in accountancy, corporate advice, business development, marketing and human resources and is the current Chair of the Tasmanian Forest and Forest Industry Council;

- Mr Craig Taylor, a consultant forester with extensive experience in the Australian forest industry, in both the public and private sectors;
 - Mr Graeme Gooding, former Executive Director of the Victorian Association of Forest Industries and now a consultant;
 - Mr Tony Bartlett, General Manager, Forests Branch, Australian Department of Agriculture, Fisheries and Forestry;
 - Mr Norm McIlfattrick, Secretary, Tasmanian Department of Economic Development.
- (b) The advisory committee will seek detailed information from Forestry Tasmania on the nature of the changes to the resource mix and request that this information also be given to the forest industry and potential applicants as a matter of priority. The advisory committee intends to use this information to guide a strategic approach to recommendations on funding projects, including those related to utilisation and processing of regrowth and logs from plantations.
- (c) Initial applications should be submitted on the attached application form, with additional supporting material as appropriate, and should include:
- a summary of the proposed project;
 - the estimated cost of the project;
 - the amount of funding the applicant is seeking from the programme;
 - proposed sources of funds for the project;
 - how the project meets the eligibility criteria, objectives and priorities for funding;
 - the volume and character of timber necessary to make the project viable;
 - evidence that the applicant has secure access to a sufficient quantity and quality of timber to complete the project;
 - an estimate of the number of full-time and part-time jobs to be protected and/or created;
 - the timetable for undertaking the project;
 - evidence of the applicant's capacity to implement the proposal.
- (d) Assessment of project proposals will be undertaken on a continual basis by the advisory committee until the funds are fully allocated. However, an initial submission date will be used to assist the advisory committee to commence assessment of applications. Intending applicants should submit either a completed application or a brief expression of interest outlining their proposal by 18 November 2005. It is intended that a second round of applications will be considered in mid-2006, with a closing date for applications or expressions of interest of 31 May 2006.

- (e) In conformity with Clause 54 of the TCFA and Section 5 (Priorities for Funding) of these guidelines, the advisory committee will give priority to proposals from existing businesses in the Tasmanian native forest industry. Proposals from new entrants to the industry will only be considered after the second application submission date of 31 May 2006.
- (f) The advisory committee will assess applications against the programme's objectives, eligibility criteria and priorities. Funding will be based on assessment of the project's value to industry development and revitalisation on an industry-wide or State-wide level.
- (g) Most applicants will be asked to submit a detailed business plan including an investment analysis of the proposal and the source and amount of financial contributions the business will make towards it. The business plan should also include detailed financial records of the business over the past three years and the nature and level of investment in the business over the past five years.
- (h) The committee will make recommendations to the Australian Minister for the Fisheries, Forestry and Conservation and the Tasmanian Minister for Infrastructure, Energy and Resources on whether or not applications should be approved, whether any conditions should be attached to the offer of assistance and the timing of any assistance.
- (i) Applications may be referred to an independent assessor who will provide a confidential report to the secretariat and the advisory committee. The independent assessor will review the applicant's financial records and report to the committee on whether or not the applicants' business appears to be financially sound. The independent assessor will also comment on the adequacy of the business plan and the viability of the proposed project. Details of any independent assessment will be provided to the applicant.
- (j) The secretariat or the independent assessor may ask applicants for more information. If so, the application will not be further considered until the applicant has provided the information requested.
- (k) The Ministers will make the final decision on all applications. Applicants will be advised in writing of the Ministers' decision. The advice will include the reasons for the acceptance or rejection of the proposal.

7. CONFIDENTIALITY

- (a) The Department of Agriculture, Fisheries and Forestry (the Department) will keep confidential any confidential information provided to it by successful applicants prior to the making of any funding agreement. The management of confidential information after that time will be controlled by the terms of the funding agreement.
- (b) The Department will keep confidential any information provided to it by unsuccessful applicants.
- (c) When entering into funding agreements with successful applicants, the Department will agree to keep confidential any specific information provided under, or in connection with, an application where it is appropriate to do so having regard to the matters covered by the Commonwealth's Guidance on Confidentiality of Contractors' Commercial Information available at http://www.finance.gov.au/ctc/confidentiality_of_contractors.html.

- (d) To enable the Department to consider whether it agrees to keep specific information confidential, applicants should include in their application any request that information is to be treated as confidential following the making of a funding agreement, specifying the information and giving reasons why it is necessary to keep the information confidential. The Department will inform the applicant whether or not the Department, in its sole discretion, agrees to the request and, if so, on what terms.
- (e) All applicants should be aware that the Department's obligations of confidentiality do not preclude confidential information being disclosed:
- by the Department to its advisers, officers, employees or subcontractors or to the Australian and Tasmanian Governments in order to conduct grant processes relating to the Tasmanian Forest Industry Development Programme;
 - by the Department to the responsible Minister;
 - by the Department in response to a request by a House or a Committee of the Parliament of the Commonwealth of Australia;
 - by the Department within the Commonwealth, or with a Commonwealth agency, where this serves the Commonwealth's legitimate interests;
 - if it is authorised or required by law to be disclosed, for example under the *Freedom of Information Act 1982* or the *Auditor-General Act 1997*;
 - if it is in the public domain otherwise than due to a breach of the relevant obligations of confidentiality; or
 - if it is disclosed with the written consent of the applicant.
- (f) The Australian and Tasmanian Governments reserve the right to release the names of successful applicants, the amount of the funding and brief descriptions of approved projects.

8. PROVISION OF FINANCIAL ASSISTANCE

- (a) Successful applicants will be required to enter into a Deed of Agreement with the Commonwealth that will set out, inter alia, the details of the project and any conditions and commitments on the part of the project proponent and on the part of the Commonwealth. Grant payments will be made on a milestone basis, with the milestones being identified in a schedule to the Deed of Agreement.
- (b) The Deed of Agreement will include a clause requiring the applicant to retain ownership of all assets purchased with funding under the programme, and to remain in a business substantially the same as that for which the funding was provided, for at least three years after receiving the grant.
- (c) If an applicant fails to comply with any clause in the Deed of Agreement, the applicant may be required to repay some or all of the grant monies received.

9. TAXATION

- (a) Grants under the programme are taxable income. Applicants should discuss with their accountants or tax advisers the taxation and associated implications of receiving a grant.

10. TIMETABLE

- (a) Initial applications (including expressions of interest) should be submitted to the Forest Industries Branch, Department of Agriculture Fisheries and Forestry (GPO Box 858, Canberra, ACT, 2601) by close of business on Friday 18 November 2005.
- (b) Applications will continue to be accepted at any time up to 30 June 2007 if funding remains unallocated. However it is expected that the majority of the available funding will be allocated during 2006.
- (c) The advisory committee will meet to assess initial applications in December 2005 and thereafter at approximately three-monthly intervals. The frequency of advisory committee meetings may be varied if necessary to ensure that applications are assessed as soon as possible after their lodgement.
- (d) It is expected that the first successful applicants will be advised during March 2006.
- (e) Funding for the programme expires on 30 June 2008 and grant payments cannot be guaranteed after that date. All approved projects must be completed and claims for payment submitted by 31 May 2008 to ensure payments can be made by 30 June 2008.

11. WHERE TO GET FURTHER INFORMATION

Further information on the Tasmanian Forest Industry Development Programme is available from the programme secretariat. Contact details are:

Mr Charles Body
 Secretariat
 Tasmanian Forest Industry Development Programme
 Department of Agriculture, Fisheries and Forestry
 GPO Box 858
 CANBERRA ACT 2601

Telephone: (02) 6272 4196 or (02) 6272 5611
 Fax: (02) 6272 4875
 Email: fisap@daff.gov.au
 Internet: <http://www.daff.gov.au/fisap>

Assistance with the review of proposals and the preparation of grant applications is available from the Tasmanian Department of Economic Development's Business Point: telephone 1800 440 026.

