

The Senate

Rural and Regional Affairs
and Transport
References Committee

Auditor-General's reports on Tasmanian
Forestry Grants Programs

June 2013

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Abbreviations and Acronyms

ANAO	Australian National Audit Office
CGGs	Commonwealth Grant Guidelines
DAFF	Department of Agriculture, Fisheries and Forestry
FMA Act	Financial Management and Accountability Act
FT	Forestry Tasmania
Guidelines	Tasmanian Forests Intergovernmental Agreement Voluntary Exit Grants Program Guidelines
IGA	Tasmanian Forests Intergovernmental Agreement
IGACEP	Tasmanian Forests Intergovernmental Agreement Voluntary Exit Grants Program
NFPS	National Forestry Policy Statement
RFA	Regional Forestry Agreement
Statement of Principles	Tasmanian Forests Statement of Principles to Lead to an Agreement
TCFA	Tasmanian Community Forest Agreement Industry Development Programs
TFCEAP	Tasmanian Forest Contractors Exit Assistance Program
TFCFSP	Tasmanian Forest Contractors Financial Support Program
TFIPD	Tasmanian Forest Industry Development Program

List of Recommendations

Recommendation 1

3.41 The committee recommends that DAFF thoroughly investigate all alleged cases of fraud and all alleged cases of non-compliance resulting from the two programs. The committee further recommends that DAFF resolve these matters as soon as possible.

Recommendation 2

3.48 The committee recommends that the Department of Finance and Deregulation implement the Auditor-General's proposal to develop guidelines on the impact of government programs. The guidelines should ensure that the Parliament is able to assess whether programs are achieving the objectives set by government.

Recommendation 3

3.76 The committee recommends that the ANAO continue to include DAFF's administration of its grants programs in its future work programs.

Chapter 1

Introduction

Terms of Reference

1.1 On 19 March 2013, the Senate referred the following matter to the Rural and Regional Affairs and Transport References Committee for inquiry and report by 6 May 2013:

The findings of the Auditor-General's audit report no. 26 of 2007-08, *Performance Audit Tasmanian forest industry development and assistance programs*, and the Auditor-General's audit report no. 22 of 2012-13, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*.

1.2 On 6 May 2013, the Senate granted an extension of time for reporting until 11 June 2013.¹ The Senate subsequently granted a further extension of time for reporting to 19 June 2013.

Conduct of the Inquiry

1.3 The inquiry was advertised in *The Australian* and on the committee's website. In addition, the committee wrote to a number of key stakeholder groups, the Tasmanian Government and the relevant Commonwealth department inviting submissions. The committee continued to accept submissions throughout the inquiry.

1.4 The committee received nine public submissions. A list of individuals and organisations that made public submissions to the inquiry is at Appendix 1.

1.5 The committee held two public hearing in Canberra on Tuesday, 7 May and Wednesday, 15 May 2013. A list of the witnesses who gave evidence at the public hearings is available at Appendix 2. A Hansard record of the committee's hearings is available on the committee's website at www.aph.gov.au.

1.6 The committee notes the Tasmanian Parliament's decision of 20 March 2013 to establish a Select Committee inquiry on the Forest Industry Exit Packages.²

Structure of the Report

1.7 Chapter two contains an overview of the Tasmanian forestry industry, the various grant programs offered by the Federal Government, the Statement of Principles and the Intergovernmental Agreement.

1.8 Chapter three discusses the key issues identified in the Auditor-General's audit report No. 22 of 2012-13 titled *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grant Programs* and

1 *Journals of the Senate*, No. 144, 14 May 2013, p. 3888.

2 *Tasmanian Parliament Hansard*, 20 March 2013, p. 53.

Report No. 26 of 2007-08 titled *Performance Audit Tasmanian forest industry development and assistance programs* and other issues raised during the inquiry.

1.9 The committee notes that additional comments or reports in relation to this inquiry may be tabled in the Senate at a future time.

Acknowledgements

1.10 The committee acknowledges the contribution of all those individuals and organisations who prepared written submissions and those who appeared as witnesses. Their efforts have assisted the committee considerably in the preparation of this report.

A note on references

1.11 References in this report are to individual submissions as received by the committee. References to the Hansard throughout the report are to the proof transcript. Page numbers may vary between the proof and the official transcript.

Chapter 2

Background

2.1 This chapter provides an overview of the Tasmanian Community Forest Agreement (May 2005), the Tasmanian Forests Statement of Principles (October 2010), the Tasmanian Intergovernmental Agreement (August 2011), and the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program (announced August 2011).

2.2 The chapter also discusses the finding of the Australian National Audit Office's Performance Audit Report No.26 2007-08 (titled *Tasmanian Forest Industry Development and Assistance Programs*) and Performance Audit Report No.22 2012-13 (titled *Administration of the Tasmanian Forests Intergovernmental Agreement: Contractors Voluntary Exit Grants Program*). A brief overview is also included of other grants programs administered by the Australian Government relating to the Tasmanian forestry industry.

2.3 Tasmania's forestry industry has been the focus of several Australian Government funded grant programs that have been delivered either by Department of Agriculture, Fisheries and Forestry (DAFF) or jointly with the Tasmanian Government.¹

2.4 Tasmania became a signatory to the National Forestry Policy Statement (NFPS) in 1995, which set out broad national goals to be pursued at regional levels.² Tasmania signed a Regional Forestry Agreements (RFA) on 8 November 1997, which was a key element in the NFPS. Tasmania's RFA increased the existing forest conservation reserve system to 2.7 million hectares and established a program to expand the values of conservation onto private land.³

2.5 Tasmania's RFA has also led to the creation of intensive forest management, infrastructure development and jobs in plantations. The Australian Government in 1997 also provided \$110 million in funding to develop forestry exports and value adding. The Australian and Tasmanian governments have since varied the original RFA on two occasions, in 2001 and 2007.⁴

Tasmanian Community Forest Agreement Industry Development Programs

2.6 In 2005, the then Australian and Tasmanian governments jointly announced the Tasmanian Community Forest Agreement Industry Development Programs

1 Australian National Audit Office (ANAO), *Submission 7*, p. 3.

2 Department of Agriculture, Fisheries and Forestry (DAFF), *National Forest Policy Statement*, www.daff.gov.au/forestry/policies/statement (accessed 9 April 2013).

3 DAFF, *Regional Forest Agreement Tasmania website*, www.daff.gov.au/forestry/policies/rfa/regions/tasmania/rfa (accessed 9 April 2013).

4 DAFF, *Regional Forest Agreement Tasmania website*.

(TCFA).⁵ A total of \$250 million was committed by the Australian and Tasmanian governments to preserve old-growth forests and assist the industry to modernise and adjust to the changing market demands.⁶

2.7 The TCFA, which contained one industry-specific program relevant to the inquiry, ran from 2006 to 2009.⁷ The Tasmanian Forest Industry Development Program (TFIDP) provided \$42 million to 62 projects.⁸ The program's objective was to assist the Tasmanian native timber industry to upgrade harvesting equipment, increase export competitiveness and develop more efficient methods of production.⁹

2.8 The guidelines for the TFIDP were developed and approved by the then Australian Government Minister for Fisheries, Forestry and Conservation and the Tasmanian Government Minister for Infrastructure, Energy and Resources.¹⁰

2.9 DAFF jointly managed the TFIDP with the then Tasmanian Department of Economic Development. An advisory panel oversaw the implementation of the program, which included individuals with expertise in the Australian forestry industry along with Australian and Tasmanian government officials. The TFIDP program guidelines are located at Appendix 3.

Industry downturn

2.10 Since 2008, the Tasmanian forestry industry has experienced a downturn, which has seen employment in the sector fall by 50 per cent.¹¹ The downturn has been driven by a range of factors, including:

- the global economic crisis;
- reduced demand for hardwood structural timber,
- the collapse of the Managed Investment Scheme;

5 ANAO, *Submission 7*, p. 2.

6 DAFF, *The Tasmanian Community Forest Agreement website*, www.daff.gov.au/forestry/national/info/cfa (accessed 9 April 2013).

7 The TCFA also contained two other programs: the Tasmanian Country Sawmills Assistance Program; and the Tasmanian Softwood Industry Development Program. Refer to DAFF, *Submission 9*, p. 16.

8 In October 2007, the then Australian Government Minister for Fisheries, Forestry and Conservation wrote to the successful applicants of the three programs under the TCFA advising that all grant recipients would receive an additional 30 per cent to assist applicants to offset the income tax liability of the original grant. The additional payments totalled \$16.8 million across the three programs and were approved by the former Prime Minister and the then Minister for Finance and Administration. Refer to DAFF, *Submission 9*, p. 16 and ANAO, *Tasmanian Forest Industry Development and Assistance Programs*, Audit Report No.26 2007-08, p. 14.

9 Department of Agriculture, Fisheries and Forestry, *The Tasmanian Community Forest Agreement website*, www.daff.gov.au/forestry/national/info/industry

10 ANAO, *Tasmanian Forest Industry Development and Assistance Programs*, Audit Report No.26 2007-08, p. 13.

11 ANAO, *Submission 7*, p. 2.

- a reduction of prices in the Chinese woodchip market;
- a significant contraction in the Japanese woodchip markets along with a preference for plantation resources;
- the high Australian dollar, which has weakened export competitiveness; and
- increased competition from hardwood plantations in Thailand, Vietnam and South America.¹²

ANAO Performance Audit Report No.26 2007-08

2.11 On 11 March 2008, the ANAO Performance Audit Report No.26 2007-08 was tabled in the Senate.¹³ The Report related to DAFF's administration of the three programs under the TCFA and identified a number of shortcomings, which are summarised in ANAO's submission to the inquiry.¹⁴ The ANAO made three recommendations to DAFF in the report which were aimed at improving the administrative effectiveness of the programs, and were 'also to encourage DAFF to reinforce to those administering programs the importance of adhering to existing departmental requirements'.¹⁵ The department agreed to implement the recommendations.

2.12 The ANAO informed the committee that since the 2007-08 report was tabled:

...the Government has taken steps to improve the transparency and accountability of grants administration at a whole-of-government level. The Government's expectations for all Australian Government agencies that are subject to the *Financial Management and Accountability Act 1997* (the FMA Act), and their officials when performing duties in relation to grants administration, have been established through Finance Minister's Instructions (December 2007 and 2009) and the subsequent release of the *Commonwealth Grant Guidelines: Policies and Principles for Grants Administration* (CGGs) in 2009.¹⁶

2.13 The ANAO also submitted that:

Agency staff involved in grants administration must ensure that they behave in accordance with the law, government policy, agency rules and with applicable funding agreements. Policy requirements relating to grants administration include the CGGs, applicable policy and legislation of the Commonwealth, the guidelines applying to the granting activity and

12 Tasmanian Department of Infrastructure, Energy and Resources, *About Tasmanian Forests Intergovernmental Agreement*, www.forestsagreement.tas.gov.au/about (accessed 9 May 2013).

13 *Journals of the Senate*, 11 March 2008, p.179.

14 ANAO, *Submission 7*, pp 4–5.

15 ANAO, *Submission 7*, p. 5.

16 ANAO, *Submission 7*, p. 4.

grants-specific process requirements decided from time-to-time by the Australian Government.¹⁷

2.14 DAFF submitted that it had improved its management of its grants programs following the 2007-08 ANAO report on the TCFA programs. The department provided the committee with much detail of initiatives it has taken and procedures it has implemented in response to the report and also to a 2011 Ernst and Young evaluation report of the programs. DAFF also provided the committee with its review of the Ernst and Young report that had been requested by the Legislation Committee at the February 2012 Estimates hearings.¹⁸

2.15 The ANAO observed that in response to its performance audits, its better practice guidance and the 2009 release of the CGGs, DAFF had developed a Grants Management Manual to support departmental program managers.¹⁹

Tasmanian Forests Statement of Principles to Lead to an Agreement

2.16 In 2010, representatives of the Tasmania's forestry industry, unions, community and environmental organisations came together to respond to the industry downturn and negotiate an agreed approach. The negotiations established the *Tasmanian Forests Statement of Principles to Lead to an Agreement* (Statement of Principles) in October 2010, which called on the Australian and Tasmanian governments to provide assistance to the Tasmanian forestry industry and support the restructure for a sustainable industry.²⁰ A copy of the Statement of Principles is located in Appendix 4.

2.17 The Statement of Principles presented an agreed approach between the forestry industry and environmental groups to:

- resolve conflict over Tasmania's forests;
- protect native forests; and
- develop a strong, sustainable timber industry.²¹

2.18 The Statement of Principles requested support from the Australian and State governments to assist with the delivery of all principles. The Australian and Tasmanian governments, in response to the Statement of Principles, jointly appointed an independent facilitator, Mr Bill Kelty AC, to work with the signatories to develop an implementation plan that would allow for an agreement to be formed.²²

17 ANAO, *Submission 7*, p. 4.

18 DAFF, *Supplementary Submission 9*.

19 ANAO, *Submission 7*, p. 6.

20 Tasmanian Department of Premier and Cabinet, *Tasmanian Forests Statement of Principles to Lead to an Agreement*, p. 1.

21 Tasmanian Department of Infrastructure, Energy and Resources, *Statement of Principles*, www.premier.tas.gov.au/data/assets/pdf_file/0009/134991/draft_principles.pdf (accessed 9 May 2013).

22 Tasmanian Department of Infrastructure, Energy and Resources, *Statement of Principles*.

2.19 Mr Kelty provided his report, *Tasmanian Forests Interim Report for Consideration*, to the Australian and Tasmanian governments on 31 March 2011. This report was received by the Australian Senate on 5 April 2011.²³

2.20 Mr Kelty's report states that the parties of the Statement of Principles had a high degree of uncertainty on the following issues:

- the continuation of native forest harvesting under the Statement of Principles;
- the expected long-term industry structure, including whether a pulp mill is required;
- the boundaries for areas considered high conservation value forests;
- the assistance required to restructure the industry; and
- the options for reskilling and economic diversification.²⁴

2.21 Mr Kelty also acknowledged that, if an agreement could not be achieved, the consequences of failure could be significant for the forestry industry, the environment, the local community and Tasmania.²⁵

Tasmanian Forests Intergovernmental Agreement

2.22 In response to Mr Kelty's report and the Statement of Principles, the *Tasmanian Forests Intergovernmental Agreement* (IGA) was signed by both the Australian Prime Minister and the Premier of Tasmania on 7 August 2011.²⁶ The IGA outlines the commitments and expected outcomes, as the Australian and Tasmanian governments work together to assist the Tasmanian forestry industry transition to a sustainable and profitable industry.²⁷

2.23 The IGA committed \$277 million²⁸ in funding over 15 years in the three streams:

- (i) support workers, contractors and communities;
- (ii) protect high conservation forests and ensure sustainable wood supply; and
- (iii) fund projects that support regional economic diversification.²⁹

23 *Journals of the Senate*, No. 28, 10 May 2011, p. 858.

24 Mr Bill Kelty, *Tasmanian Forests Interim Report for Consideration*, pp 8–9.

25 Mr Bill Kelty, *Tasmanian Forests Interim Report for Consideration*, p. 12.

26 *Tasmanian Forests Intergovernmental Agreement*, p. 1.

27 *Tasmanian Forests Intergovernmental Agreement*, p. 1.

28 The total funding contributions include \$261.5 million from the Australian Government and \$15.5 million from the Tasmanian Government.

29 *Tasmanian Forests Intergovernmental Agreement*, pp 3, 5 and 9.

2.24 There were several Australian government departments responsible for the implementation of the IGA, which included DAFF; the Department of Sustainability, Environment, Water, Population and Communities; the then Department of Innovation, Industry, Science and Research; and the then Department of Regional Australia, Regional Development and Local Government.³⁰

2.25 Of particular relevance to this inquiry is one IGA measure for the Australian Government to provide up to \$45 million to support the voluntary exit for native forest haulage, harvest and silvicultural contractors.³¹ In this regard the Australian Government Minister for Agriculture, Fisheries and Forestry and the Tasmanian Deputy Premier announced on 21 October 2011 the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program.³²

Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program

2.26 The Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program (IGACEP) sought to assist the Tasmanian public native forest sector adjust to the industry downturn and support its restructuring to a smaller operating environment. The IGACEP program guidelines acknowledged that the viability of many harvest, haulage and silviculture contracting businesses had been directly affected by the changes occurring within the Tasmanian forestry industry.³³

2.27 The IGACEP guidelines were approved and first published on DAFF's website on 26 October 2011. Revised program guidelines were published on DAFF's website on 28 October 2011. The IGACEP program guidelines are located at Appendix 5.

2.28 According to the program guidelines, the objective of the IGACEP was to reduce the amount of wood being harvested and hauled within Tasmania's public native forests by '1.5 million tonnes to support the restructure occurring within Tasmania's forestry industry towards a smaller operating environment'.³⁴

2.29 The IGACEP guidelines established a competitive, merit based grant program. Applications would be assessed by an advisory panel and offers would be made in accordance with the program's objective and each application's individual merit score. The IGACEP guidelines also state that:

...the program wasn't designed to compensate for lost or cancelled contracts, as grant recipients were required to exit the industry and comply

30 DAFF, *Submission 9*, p. 7; see also IGA, Clause 16.

31 DAFF, *Submission 9*, p. 7.

32 DAFF, *Submission 9*, p. 8.

33 DAFF, *Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program Guidelines*, October 2011, p. 1.

34 DAFF, *IGACEP Grant Program Guidelines October 2011*, p. 2.

with strict conditions including, exiting the national forest industry for ten years except to the extent of completing existing contractual obligations.³⁵

2.30 Clause 16 of the IGA states that the Australian Government would consult with Tasmania, and where appropriate, the forest contractors' associations during the design and delivery of this exit mechanism.³⁶ DAFF stated it had consulted with the Tasmanian Forest Contractors Association, the Forest Industries Association of Tasmania and the offices of the responsible Australian and Tasmanian government ministers, regarding the design of the IGACEP guidelines. An agreement was unable to be reached by DAFF with its Tasmanian counterparts on some aspects of the program guidelines. To resolve the issues regarding the program's final design, negotiations occurred at the ministerial level.³⁷

2.31 Under the IGACEP, 61 applicants were offered grant funding totalling \$44 million. Individual grants were capped at \$3 million GST exclusive and individual grant payments ranged from \$20 000 to \$3 million.³⁸

2.32 Further detail on the IGACEP is provided in Chapter 3.

ANAO Performance Audit Report No.22 2012-13

2.33 The ANAO Performance Audit Report No.22 2012-13, *Administration of the Tasmanian Forests Intergovernmental Agreement: Contractors Voluntary Exit Grants Program* was tabled in the Senate on 25 February 2013.³⁹

2.34 In the report, the ANAO stated that potential applicants for grants under the program were informed of the opportunity to apply and were provided with timely access to program guidelines and additional guidance material. The ANAO stated that DAFF had also established detailed administrative arrangements to process applications and to make grants payments.⁴⁰

2.35 However, the ANAO found that there were a number of weaknesses in the administration of the program. Specifically, the ANAO report identified cases in the assessment of applications where the guidelines were not followed, in documentation and in compliance arrangements.⁴¹ These matters are discussed in chapter three of the committee's report.

2.36 The ANAO concluded that DAFF did not follow some key requirements of its own Grants Management Manual and some requirements of the CGGs (see paragraphs 2.12 to 2.14 above). The ANAO's concerns related to DAFF's shortcomings in the:

35 DAFF, *IGACEP Grant Program Guidelines October 2011*, p. 2.

36 *Tasmanian Forests Intergovernmental Agreement*, p.3.

37 DAFF, *Submission 9*, p. 8.

38 ANAO, *Submission 7*, p. 5.

39 *Journals of the Senate*, 25 February 2013, p. 3634.

40 ANAO, *Submission 7*, p. 5.

41 ANAO, *Submission 7*, pp 5-6.

- establishment of sound governance arrangements before releasing the program guidelines and draft funding deed;
- documentation of important aspects of the assessment processes; and
- development of measures to assess and report on program performance.⁴²

2.37 The ANAO made three recommendations which:

...were directed toward improving DAFF's grants administration practices by reinforcing the importance of:

- documenting all elements of the assessment process;
- informing applicants of significant changes to assessment methods used to determine grant funding offers outlined in the program guidelines; and
- preparing compliance strategies early in the design phase of grants programs.⁴³

2.38 DAFF agreed with the recommendations but in a response to the report stated that:

The [ANAO] report also recognises that the program was delivered in a challenging and condensed timeframe and notes the comments of the Joint Committee of Public Accounts and Audit...that the Government gives consideration to the capacity of agencies to comply with administrative requirements when delivering programs in compressed timeframes. The department considers that the timeframe along with the limited applicant group and the program's relationship to the broader range of initiatives designed to diversify the Tasmanian economy define the context in which the program was delivered.⁴⁴

2.39 The department again referred to the timeframe for the project in oral evidence:

...we believe we set up good guidelines and a good process and we delivered the program soundly. As Dr Tucker said in the opening statement, we accept that there are deficiencies in our administration of the program; we do not resile from those. We have accepted all three of the recommendations made by the ANAO. I would say again that the program was designed and delivered within relatively tight time lines and we believe we delivered on the objectives in accordance with the government's structures.⁴⁵

42 ANAO, *Submission 7*, p. 6.

43 ANAO, *Submission 7*, p. 6.

44 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 26.

45 Mr Tom Aldred, Department of Agriculture, Fisheries and Forestry, *Committee Hansard*, 15 May 2013, p. 15.

Other assistance programs for the Tasmanian forestry industry

2.40 In 2010-11, DAFF administered the Tasmanian Forest Contractors Exit Assistance Program (TFCEAP), which provided up to \$17 million in grant funding to reduce business overcapacity by allowing eligible businesses to exit from the Tasmanian native forest harvest and haulage contracting sector.⁴⁶ Under the TFCEAP, 29 applicants received funding totalling \$16.89 million, with payments ranging from \$143 682 to \$750 000.⁴⁷

2.41 The Tasmanian Government also administered in 2010-11 the Tasmanian Forest Contractors Financial Support Program (TFCFSP). The TFCFSP provided up to \$5.4 million in assistance for harvest and haulage contractors who operated predominately in native forests to continue their operations.⁴⁸ Under the TFCFSP, 53 applicants received grant funding totalling \$5.37 million.⁴⁹

2.42 In September 2012, the Tasmanian and Commonwealth Governments announced the Tasmanian Native Forest High Quality Sawlog Contract Voluntary Buyback Program, based on Clause 23 of the IGA. The program was designed to allow eligible sawmillers, who held contracts with Forestry Tasmania for high-quality sawlogs, to voluntarily surrender all or part of their minimum contracted volume.⁵⁰

2.43 As at May 2013, the Tasmanian Department of Infrastructure, Energy and Resources is currently assessing applications with the objective that the required contracted volumes will be exited.⁵¹

Tasmanian Forests Agreement legislation

2.44 The Tasmanian Forests Agreement legislation was passed by the Tasmanian Parliament on the 30 April 2013.⁵² An updated version of the Tasmanian Forests Intergovernmental Agreement was signed by the Prime Minister and the Premier of Tasmania on 2 May 2013, which builds on the original agreement and has a greater focus on implementing the Tasmanian Forests Agreement legislation.⁵³

46 DAFF, *Tasmanian Forest Contractors Exit Assistance Program website*, www.daff.gov.au/forestry/national/tfceap (accessed 15 April 2013).

47 ANAO, *Submission 7*, p.3.

48 Tasmanian Department of Infrastructure, Energy and Resources, *Forests website*, www.dier.tas.gov.au/forests (accessed 9 May 2013).

49 ANAO, *Submission 7*, p. 3.

50 Tasmanian Department of Infrastructure, Energy and Resources, *Sawmillers Exit Package website*, www.forestsagreement.tas.gov.au/responding-to-change/sawmillers-exit-package (accessed 13 May 2013).

51 Tasmanian Department of Infrastructure, Energy and Resources, *Sawmillers Exit Package website*.

52 *Tasmanian Parliament Hansard*, 30 April 2013, p. 96.

53 Commonwealth and Tasmanian Governments, *Tasmanian Forests Intergovernmental Agreement*, August 2011, p. 2.

2.45 The passage of the legislation released the remaining \$277 million of joint Commonwealth and state funds as promised under the original IGA.⁵⁴ As a result the following commitments will receive funding:

- employment and training support will receive \$25 million to assist forest industry workers made redundant on or after 1 June 2011 as a result of the forestry industry restructuring;
- Rural Alive and Well will receive \$1 million to continue to provide mental health counselling for affected forestry workers and their families;
- the economic diversification package will receive \$100 million of funding over the next four years;
- the Tasmanian Regional Sawmiller Structural Adjustment Grants Program will receive \$10 million to assist the structural adjustment of regional sawmillers to changing market conditions;
- conservation projects including support for the ongoing management of additional reserves, planning of the World Heritage boundaries, the establishment of Special Council and certification of the Tasmanian public forests, will receive approximately \$34 million in funding; and
- plantation management, plantation investment and manufacturing innovation will receive \$24 million to encourage investment in improved plantation management for sawlog production.⁵⁵

2.46 The Tasmanian Department of Infrastructure, Energy and Resources will implement the Transitional Support for Affected Workers, and Support for Harvest, Haulage and Silviculture Contractor Business Exits Program included under the Tasmanian Forests Agreement. The program, which is similar to the IGACEP, will receive funding of \$20 million and has two objectives:

- (i) to assist contractors affected by the sawmill exits including workers directly impacted by the native forest industry restructure; and
- (ii) support harvest, haulage, silviculture and associated contractor businesses who wish to voluntarily exit the industry.⁵⁶

2.47 The committee heard at the May 2013 Budget Estimates that DAFF will work with the Department of Sustainability, Environment, Water, Population and

54 Tasmanian Department of Infrastructure, Energy and Resources, *Responding to change website*, www.forestsagreement.tas.gov.au/responding-to-change (accessed 13 May 2013).

55 Refer to Appendix 6 for the funding details of each commitment, Commonwealth and Tasmanian Governments, *Tasmanian Forests Intergovernmental Agreement*, May 2013, pp 11–13.

56 Commonwealth and Tasmanian Governments, *Tasmanian Forests Intergovernmental Agreement*, August 2011, p. 11.

Communities, which is the lead agency, to monitor the compliance with the programs implemented under the Tasmanian Forests Agreement.⁵⁷

57 *Estimates Hansard*, 28 May 2013, pp 72–73.

Chapter 3

Issues

3.1 Although the findings of ANAO's Performance Audit Report No.26 of 2007-08 and of Performance Audit Report No.22 of 2012-13 were referred to the committee, the great majority of the evidence received by the committee focussed on the latter report. The issues that most concerned witnesses related to eligibility for grants and assessment of applications for grants under the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program (IGACEP). The effectiveness of the program and claims of fraud were also matters of significance for a number of witnesses. These matters are discussed in this chapter.

Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program

3.2 As discussed in Chapter 2, the IGACEP is a program under the *Tasmanian Forests Intergovernmental Agreement between the Commonwealth of Australia and the State of Tasmania* which provides \$45 million for forestry contractors to exit the timber industry.

3.3 The objectives of the IGACEP program, as set out in the *Grant Program Guidelines* (the Guidelines) dated October 2011, are as follows:

The program seeks to assist the Tasmanian public forest industry to adjust to industry downturn and to the reduced scale of native forest harvesting, through voluntary exit assistance to eligible harvest, haulage and silviculture contracting businesses. It is expected the reduced scale of harvesting will result in the order of 1.5 million fewer tonnes being harvested and hauled and a decrease in public forest silvicultural activities... The program does not seek to provide for the individual circumstances of every person or enterprise affected by the need for industry adjustment but seeks to assist transition by supporting voluntary exits.¹

3.4 The Guidelines cover such matters as the operation of the program, eligibility criteria, assessment processes and merit criteria. Some of these matters were of significance in the inquiry because of the possibly unintended consequences for some applicants.

3.5 Although the objective of the program essentially was to provide industry adjustment assistance for contractors to leave the industry, there was an associated

1 Australian Government Department of Agriculture, Fisheries and Forestry, Tasmanian Forests Intergovernmental Agreement: Contractors Voluntary Exit Grants Program, *Grant Program Guidelines*, October 2011, p. 2.

conservation objective as part of the Tasmanian Forests Intergovernmental Agreement (IGA). Mr Tom Aldred, who was the responsible First Assistant Secretary in DAFF at the relevant time, informed the committee that:

...in the negotiation of the IGA a downturn in the industry and the exiting of Gunns from the native forest industry allowed an arrangement to take place to deal with additional conservation outcomes that reduced the area of available public native forest. It did not in itself reduce the area of available private native forest, so in that sense a lot of the restructuring was focused on that public native forest.²

Eligibility

Gunns contractors

3.6 Evidence submitted to the inquiry showed that some forestry contractors who no longer had work due to the downturn in the industry did not meet the eligibility requirements for assistance through the IGACEP. Others may have received less than they expected. Former Gunns contractors were most adversely affected. Those contractors were aggrieved principally because they perceived that the program was intended primarily to assist former Gunns contractors to exit from the industry.

3.7 This perception is understandable. Mrs Wiggins, a former Gunns contractor, quoted from the Heads of Agreement to the IGA published on 24 July 2011:

The Tasmanian and Australian Governments agree that:

A package of immediate assistance will be provided to workers and contractors who are losing their jobs and livelihoods as a result of the current changes in the industry, namely the exit of Gunns Ltd from the native forest sector.³

3.8 Additionally, the Overview to the Guidelines stated that the IGA signed by the Prime Minister and the Premier of Tasmania on 7 August 2011 'acknowledges the Tasmanian forest industry is undergoing restructuring through changes in markets and community values and the decision of Gunn Ltd to exit the Tasmanian public forest industry'.⁴ DAFF's submission to the inquiry made a similar observation.⁵

3.9 Three former Gunns contractors apparently were not eligible for a grant because the program as finally agreed applied an eligibility criterion of 50 per cent

2 Mr Tom Aldred, *Committee Hansard*, 7 May 2013, p, 39.

3 Tasmanian Forest Agreement, Heads of Agreement, 24 July 2011, www.environment.gov.au/land/forests/pubs/heads-of-agreement.pdf, (accessed 30 May 2013). This may have been a draft document.

4 Australian Government Department of Agriculture, Fisheries and Forestry, Tasmanian Forests Intergovernmental Agreement: Contractors Voluntary Exit Grants Program, *Grant Program Guidelines*, October 2011, p. 1.

5 Department of Agriculture, Fisheries and Forestry, *Submission 9*, p. 7.

public native forests and 50 per cent private native forests (see below paragraphs 3.18 and 3.19). These contractors had been harvesting mainly in private native forests. The eligibility criteria required, among other things, that applicants had:

...under an ongoing contract or an ongoing arrangement, been conducting harvest, haulage or silvicultural operations in *Tasmanian public native forests*... This means that more than fifty percent of the native forest operations (including private native forest and excluding plantation forest) of a business must be in public native forest operations in at least one of the following four financial years: 2007-08, 2008-09, 2009-10 or 2010-11.⁶

3.10 The committee heard from two former Gunns contractors who were deemed not to be eligible for the package. One, Wiggins and Dean, was not eligible for a grant because its contracts included a greater than average proportion of private harvest blocks. Mrs Wiggins informed the committee that the contractor had fallen 'a mere 2000 tonnes short in this eligibility criterion'.⁷ Another Gunns contractor, Mr Darryl and Ms Penny Scott, submitted that:

Please note no PUBLIC native forest mentioned only native forest. We believed this package was to enable us (Gunns contractors) to leave the industry and we were excluded solely on the basis we had not logged the required 50% in PUBLIC native forest.⁸

3.11 Mrs Wiggins queried where and why the term 'public native forest' had appeared in the 'paperwork'.⁹

3.12 Mr Padgett, appearing for the Australian Forest Contractors Association, which was a party to the consultations leading to the Agreement, informed the committee that:

As you know, it did say in the statement of principles that the exit package would be designed around exiting contractors that were working in native forest for Gunns—that was it. When the IGA was brought down, as you are aware, the wording changed to 'public native forest'. Our view of that was that it was purely on the authority of the minister—perhaps the Prime Minister; we are not sure. But it was politically driven and it was forced into the agreement not to be changed.¹⁰

6 Australian Government Department of Agriculture, Fisheries and Forestry, *Tasmanian Forests Intergovernmental Agreement: Contractors Voluntary Exit Grants Program, Grant Program Guidelines*, October 2011, p. 3, emphasis added.

7 Mrs Marion Wiggins, *Committee Hansard*, 7 May 2013, p. 17.

8 Mr Darryl and Ms Penny Scott, *Submission 6*, p. 1.

9 Mrs Marion Wiggins, *Committee Hansard*, 7 May 2013, p. 17.

10 Mr Kenneth Padgett, *Committee Hansard*, 7 May 2013.

3.13 The committee raised this matter with the department. DAFF responded in an answer to a question on notice that the word "public" had been in the draft IGA shared with the signatories to the Statement of Principles:

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 2011.¹¹

3.14 Mr Bob Gordon, the then Managing Director of Forestry Tasmania (FT) stated that:

I do not know why there is an apparent focus on public native forest contracts when the discussion around the signatories table was about the Gunns contractors who effectively had no contractor volumes and were the most severely affected. Why that happened, I do not know...¹²

3.15 The question then arose as to whether the governments would have been aware that the program as finally decided might have adverse consequences for at least some former Gunns contractors. The following exchange with Mr Padgett is relevant:

ACTING CHAIR: So you did warn the government of the potential impacts of the changing of that wording...even though the government was claiming that the IGA reflected the statement of principles, it clearly was not?

Mr Padgett: It was a change to what was agreed in the statement of principles and we were not happy with it and we let them know that we were not happy with it. We were not sure of the ramifications, but we knew it would have ramifications down the track.

ACTING CHAIR: Were you told why it would not be changed?

Mr Padgett: No, we were not.¹³

3.16 The committee was informed that there were extensive consultations relating to the design of the program, especially between DAFF and the Tasmanian Government of Department of Infrastructure, Energy and Resources. Ultimately DAFF was not able to reach agreement on some design aspects of the program with its Tasmanian counterparts. Negotiation of elements also occurred between ministerial offices. The final guidelines were approved by the Australian Government Minister for Agriculture, Fisheries and Forestry on 26 October 2011.¹⁴

11 DAFF, answer to question on notice, received 27 May 2013, emphasis in original.

12 Mr Gordon, Committee Hansard, 7 May 2013, p. 12.

13 *Committee Hansard*, 7 May 2013, p. 27.

14 DAFF, *Submission 9*, p. 8.

3.17 Dr Mark Tucker, who was the responsible DAFF Deputy Secretary at the relevant time, speaking in relation to the consultations surrounding the program, explained that there was intensive activity on the weekend following the [final] meeting on Thursday 20 October 2011 and that DAFF did not participate in all activities. Dr Tucker remarked that 'obviously, with something of that nature, senior government people have to be happy in terms of the way that the agreement looks'.¹⁵ Another DAFF officer, Mr Aldred, stated that:

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.¹⁶

The 50/50 provision

3.18 As mentioned above, one of the eligibility criteria was that an applicant must:

...under an ongoing contract or an ongoing arrangement, been conducting harvest, haulage or silvicultural operations in Tasmanian public native forests... This means that more than fifty per cent of the native forest operations (including private native forest and excluding plantation forest) of a business must be in public native forest operations in at least one of the following four financial years: 2007-08, 2008-09, 2009-2010 or 2010-2011.¹⁷

3.19 Some witnesses were concerned that the criterion specified more than fifty per cent of activities in a public native forest. Mr Padgett, Director of the Australian Forest Contractors Association, informed the committee that the original proposal put to industry was that a contractor had to have done 90 per cent of its work in a public native forest. He indicated that on that basis no-one, except for contractors working for Forestry Tasmania,¹⁸ would have qualified for a grant. Mr Padgett continued as follows:

We negotiated, and we negotiated quite hard. But all negotiations must end, as we know, and when we got to 50 per cent that was as far as we as a group were able to negotiate. I can tell you that that in that process there were some pretty heated conversations with DAFF because we were very much of the view that they did not understand the full ramifications of it.¹⁹

15 Dr Tucker, *Committee Hansard*, 15 May 2013, p. 6.

16 Mr Aldred, *Committee Hansard*, 15 May 2013, p. 7.

17 *The Guidelines*, p. 3.

18 Note: Contractors working for Forestry Tasmania work almost exclusively in public native forests. (See Mr Gordon, *Committee Hansard*, 7 May 2013, p. 14.)

19 Mr Padgett, *Committee Hansard*, 7 May 2013, p. 28.

Ineligible applications

3.20 The ANAO reported that there was a high rate of ineligible applications, as businesses that were undertaking ineligible activities were also experiencing the impact of changes in forestry activity.²⁰

3.21 A company that had a contract with Gunns, Rod Watson Heavy Haulage, was deemed not to be eligible under the Guidelines. The company's business was moving harvesting contractors' heavy equipment to and from logging coups. The witness submitted that all the contractors for whom they provided this service received a grant but they did not, despite the fact that their business disappeared with the exit of the contractors. The company unsuccessfully sought a review and made an unsuccessful appeal to the Ombudsman. The reason given for this was that Rod Watson Heavy Haulage did not fit the criteria.²¹

Committee view

3.22 The original rationale for the IGACEP, as published in July 2011, was to assist contractors to exit from the forests industry due to changes in the industry, namely the exit of Gunns Ltd from the native forest sector. Gunns contractors were conducting forestry activities in both the public and private native forest sectors. By the time the IGA was signed in August of that year the program's sole focus was on public native forests.²² The rationale given for the program was then 'to adjust to industry downturn and to the reduced scale of native forest harvesting'.²³

3.23 In this context the committee notes the overview given in the program guidelines:

The [IGA] acknowledges the Tasmanian forestry industry is undergoing restructuring through changes in markets and community values and the decision of Gunns Ltd to exit the Tasmanian public native forest industry.

The viability of many harvest, haulage and silvicultural contracting business is directly impacted by these changes and the **Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program** (the program) seeks to assist these contractors by providing voluntary exit grants and by doing so, support restructuring to a smaller operating environment.²⁴

20 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 20.

21 Rod Watson Heavy Haulage, *Submission 4*, p. 1.

22 Commonwealth and Tasmanian Governments, *Tasmanian Forests Intergovernmental Agreement*, August 2011, p. 4.

23 *The Guidelines*, p. 2.

24 Australian Government Department of Agriculture, Fisheries and Forestry, *Tasmanian Forests Intergovernmental Agreement: Contractors Voluntary Exit Grants Program, Grant Program Guidelines*, October 2011, p. 1, emphasis in original.

3.24 The committee considers that the Commonwealth Government should consider addressing what appear to be the unintended consequences of this change for a small number of contractors. In that regard the committee is aware there are existing processes for the government to address unintended consequences of government programs.

Documentation

3.25 The ANAO reported that of the 61 applicants that the Advisory Panel assessed as eligible for a grant, ten applicants had been offered grant funding totalling \$3 595 863 despite not providing the required documentation to demonstrate eligibility, including financial information, evidence of ongoing arrangements and /or evidence of activity in public native forestry.²⁵

3.26 The ANAO's analysis of the program's administration found that:

...the department did not document key aspects of the panel's rationale for determining seven of the ten applicants as eligible. In particular, the evidence taken into consideration when applicants were deemed eligible without having submitted the required documentation, where a lower eligibility threshold was applied, or the basis on which the panel did not agree with the secretariat's advice regarding eligibility. The lack of documentation raised questions about whether equitable access was provided to the program.²⁶

3.27 This finding was a matter of concern to some witnesses, Mrs Wiggins, for example, stated that the finding:

...is pretty devastating when you have lost everything. The lack of documentation raised questions about whether equitable access was provided to this program. We are people that missed out through no fault of our own. We worked hard and we were just put in the wrong places at the wrong times. We need some answers. I think we are owed some answers.²⁷

3.28 The Chair of the Advisory Panel, commenting on 'two or three' of the ten applications, stated that:

We made a decision based on the fact that we thought it was fair in the situation where they basically did not have any money and they had provided as much information as they could. They were basically one document short of meeting the start line. They were in hardship. Yes, the

25 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 20.

26 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 20.

27 Mrs Wiggins, *Committee Hansard*, 7 May 2013, p. 17.

guidelines did not provide that flexibility, and yes, maybe it was compassion. We let them through.²⁸

3.29 In a more detailed response to a question taken on notice, DAFF informed the committee that:

The ANAO stated that 10 applicants had been offered grants without providing the required documentation to demonstrate eligibility and also considered that the program's guidelines did not include flexibility for discretionary decision making on eligibility. The department acknowledges that this should have been explicitly stated in the guidelines. However, the Advisory Panel considered the objective of the program and where there was reasonable evidence from other relevant sources, such as verification of subcontracting relationships in other applications, and considered this information was relevant to assessing the eligibility of the applicant.

The department made conditional offers to grantees that were not able to provide all the required information immediately. These conditions in the funding deeds allowed eligible businesses to access the assistance and to make a new start, while ensuring the interests of the Australian Government were protected. All successful grantees subsequently provided the necessary documentation to meet this requirement and payments were made only when all appropriate documentation was provided.²⁹

Committee view

3.30 The committee acknowledges that the IGACEP Advisory Panel may have been in a difficult position in view of the paucity of documentation that some otherwise eligible applicants were able to provide. Nevertheless, the actions breached the published guidelines and it is possible that contractors who were aware that they could not have met the guidelines in this regard did not apply for a grant. In any event, for those who were deemed ineligible, the award of a grant to contractors who did not meet the guidelines in full gave at least the appearance of inequity. DAFF must ensure that this situation does not arise again in its grants administration.

Allegations of fraud and non-compliance

3.31 The committee heard a number of allegations of fraud which were made *in camera* in relation to the IGACEP.³⁰ The committee understands that all the allegations that it heard have been brought to the attention of DAFF's Investigations and Security Team.

3.32 DAFF informed the committee that the department had received eighteen allegations of fraud from five individuals in relation to the IGACEP. It had referred

28 Mr Talbot, *Committee Hansard*, 7 May 2013, p. 43.

29 DAFF, answer to question on notice, received 20 May 2013.

30 There were no allegations of fraud in relation to the TFIDA programs. See Dr Cloney, *Committee Transcript*, 15 May 2013, p. 15.

eleven of these allegations to its forestry branch for compliance checking and assessed seven as requiring additional assessment by its Fraud and Security Team.³¹ The department has now contracted AusIndustry to investigate compliance issues.³²

3.33 Grants recipients were required to complete a funding deed and a Deed of Undertaking³³ signed by all directors/owners so that they could receive the initial 75 per cent of the approved grant. The additional 25 per cent was to be paid on provision of:

- an exit strategy for ongoing contracts or ongoing arrangements;
- proof of payment of all employees' entitlements;
- evidence that hire or lease arrangements for the businesses' forestry machinery had been terminated; and
- evidence that the business had ceased using its forestry machinery.³⁴

3.34 DAFF made a distinction between fraud and non-compliance in the following way:

...fraud is essentially when people misrepresent themselves to get benefits inappropriately from the Commonwealth Government... Compliance occurs once they have received a grant. There are conditions on that grant or deed. Are they or are they not keeping to those conditions? That is a compliance matter.³⁵

3.35 The department informed the committee that if there were evidence of non-compliance it could seek an injunction on any activities that are not compliant with the recipient's funding deed. It could also seek a return of funding that the recipient had received, as a debt due to the Commonwealth.³⁶

3.36 An issue of some significance for potential applicants was that a compliance plan had not been developed before the program was introduced. This was one of the weaknesses in the program that was identified by the ANAO.³⁷ Potentially this may

31 DAFF, *Submission 9*, p. 12.

32 Ms Freeman, *Committee Hansard*, 15 May 2013, p. 5.

33 A Deed of Undertaking, a form of Statutory Declaration, provides a means for the Commonwealth to pursue the directors or owners to repay grant funding if they breach the funding deed, even in the cases where the original business has been deregistered. See ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 14.

34 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 14.

35 Dr Tucker, *Committee Hansard*, 15 May 2013, p. 4.

36 Ms Freeman, *Committee Hansard*, 15 May 2013, p. 5.

37 Mr McPhee, *Committee Hansard*, 7 May 2013, p. 2.

have led some contractors to apply for a grant in ignorance of their having to give certain undertakings.

3.37 Mr Simpson, an Executive Director with the ANAO, informed that committee that before a program commences applicants should have an understanding of their compliance obligations:

At the end of the day, an applicant may make a decision. If they are having to comply for 10 years, provide a report every year for 10 years and have visits to their premises for \$20,000 or \$30,000, they may decide not to proceed on that basis.³⁸

3.38 DAFF submitted that the initial compliance plan for the IGACEP was first drafted in April 2012, well after the guidelines had been published. The compliance arrangements were finalised in December 2012, more than a year after the program guidelines were released. The department submitted that:

The ANAO's view is that a plan should have been in place at the beginning of the program. However, tight timeframes for finalising guidelines, advertising and assessing applications meant that the detail for a comprehensive compliance plan could not be finalised until a later time.³⁹

Committee view

3.39 The committee is not in a position to determine whether the allegations of fraud and non-compliance have merit, nor is it the committee's role to do so. Nevertheless, it is important for the integrity of the program and to allay people's concerns that DAFF resolve these matters as soon as possible.

3.40 Whilst acknowledging the tight time constraints imposed on the program's implementation, the committee is of the view that DAFF should have prepared compliance arrangements in a far more timely manner. The committee concurs with Mr Simpson's observation that as a general principle, applicants should be aware of a program's compliance arrangements prior to applying.

Recommendation 1

3.41 The committee recommends that DAFF thoroughly investigate all alleged cases of fraud and all alleged cases of non-compliance resulting from the two programs. The committee further recommends that DAFF resolve these matters as soon as possible.

38 Mr Simpson, *Committee Hansard*, 7 May 2013, p. 7. The committee notes that the draft funding deed provided to grantees stated amongst other things that the grantee must 'facilitate such visits by representatives of the Commonwealth as the Commonwealth reasonably requests for the purpose of assessing the Project'.

39 DAFF, *Submission 9*, p. 12.

Did the program meet its objectives?

3.42 In addressing this issue, DAFF has stated that the contractors exit program was not aimed at reducing logging in Tasmania's native forests but was intended to assist contractors to exit the sector which was experiencing a significant downturn. On its website the department has published the following comments:

The Tasmanian Forests IGA set in place arrangements to reduce the area of forest available for production and consequently the volume of wood produced from public native forests each year. The contractors exit program sought to assist the Tasmanian public native forest industry to adjust to industry downturn and the reduced scale of native forest harvesting that resulted from the IGA. In discussions with the Tasmanian Government it was considered that reduction in harvesting and haulage capacity in the order of 1.5 million tonnes would assist adjustment in that industry, given the reduction in native forest harvesting flowing from commitments in the 2011 Tasmanian Forests Intergovernmental Agreement.

The department provided 58 grants to eligible contracting companies and removed an estimated 1.4 million tonnes of contracted harvest capacity and 2 million tonnes of contracted haulage capacity from the native forest sector. All eligible companies under the program received an offer of funding. The department considers that the objective, to reduce capacity and thereby assist the sector to adjust, has been achieved and the expectation to remove in the order of 1.5 million tonnes of contracted capacity has been met.⁴⁰

3.43 It is difficult to reconcile DAFF's estimates with other published figures. Confusion has arisen because the Advisory Panel in its assessment process used actual 2009-10 tonnages of wood harvested or hauled rather than contracted tonnages. The ANAO reported that the Panel had advised that the 61 grants offered under the IGACEP would remove 865 628 tonnes of harvesting capacity (58 per cent of the target) and 973 718 tonnes of haulage capacity (65 per cent of the target).⁴¹ DAFF submitted figures to the committee of 819 888 tonnes harvested and 972 000 tonnes hauled. These tonnages related to actual tonnages harvested and hauled under contract in 2009-10. DAFF has estimated that these figures equate to 1.4 million and 2 million tonnes of contracted capacity, respectively.⁴²

3.44 The outcome is further confused because FT consequently contracted an additional 200 000 tonnes of harvesting and haulage to fulfil its existing orders. The corporation submitted that it had had significant concerns that the program could

40 DAFF, Tasmanian Forests Intergovernmental Contractors Voluntary Exit Grants Program, www.daff.gov.au/about/media-centre/tasmanian-forests-intergovernmental-contractors-voluntary-exit-grants-program, p. 2, accessed 3 June 2013.

41 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 23.

42 DAFF, *Submission 9*, pp 11–12.

potentially detrimentally affect its ability to meet its contracts and that it had communicated these concerns to DAFF as early as 30 August 2011.⁴³

3.45 Mr Gordon stated that because FT's concerns were not adequately addressed, too much harvest and transfer capacity was lost and the corporation had no alternative but to increase the capacity of other contractors to meet its commercial and legal obligations.⁴⁴ FT's concerns are discussed later in this chapter.

Committee view

3.46 The committee has found it difficult to assess with any great certainty whether the Government's expectation that 1.5 million fewer tonnes of wood would be harvested and hauled from Tasmania's public native forests as a result of the IGACEP was met. It is clear that a significant amount of excess harvesting and haulage capacity has been removed although not perhaps to the extent envisaged by the Government, however the impact of the program remains uncertain.

3.47 The committee would have been able to report more fully on the effectiveness of the IGACEP if the ANAO had been able to audit DAFF's key performance indicators. The Auditor-General, Mr Ian McPhee, informed the committee that the ANAO had recently been given the authority to conduct such audits, but had not been resourced for that function. Mr McPhee stated that:

...we are currently doing some pilot work to be able to see how we go about providing an opinion in relation to a department's key performance indicators. But, more generally, our performance audit program does look at agencies' reporting against key performance indicators, and the performance of the programs. We happen to think that it is an area that needs more focus on the part of the finance department and the government to make sure we understand more about the impact of government programs—whether they are achieving the objectives set by government—so it is even becoming an increasing focus within our performance audit coverage as well.⁴⁵

Recommendation 2

3.48 The committee recommends that the Department of Finance and Deregulation implement the Auditor-General's proposal to develop guidelines on the impact of government programs. The guidelines should ensure that the Parliament is able to assess whether programs are achieving the objectives set by government.

43 Forestry Tasmania, *Submission 2*, p. 2.

44 Mr Gordon, *Committee Hansard*, 7 May 2013, p. 8.

45 Mr McPhee, *Committee Hansard*, 7 May 2013, p. 5.

Forestry Tasmania's contracts

3.49 As stated above, FT informed the committee that as a result of the reduced capacity brought about by the program, it had been obliged to increase its contracts. Mr Gordon pointed out that the increase was of the same order as the capacity that had been retired from the industry by the exit of FT contractors. He stated that FT had not supported the exit of some contractors but they had received grants nevertheless. The additional capacity had been allocated to its existing contractors, 'that is, contractors that did not receive an exit grant and that were continuing to work in the forest industry'.⁴⁶ Mr Gordon informed the committee that this was done to increase the capacity of those people remaining to improve their viability.⁴⁷

3.50 This action gave rise to concerns from some contractors who were not contracted to FT. Mr Bennetto suggested that the required additional industry capacity could have been acquired by FT engaging former Gunns contractors who were not eligible for a grant or who wished to remain in the industry.⁴⁸

3.51 Mr Iles informed the committee that in effect some \$7 million dollars had been wasted. He stated that:

We do not know whose volume it was that came back, we do not know what price it was paid to be exited, so one can only presume it was \$35 a tonne. So far there is \$7,122,500 that the department has paid for no value whatsoever. They cannot pay these people beside me [former Gunns contractors] some money and they cannot pay me correctly. And yet they can exit volume out of the system and pay huge amounts of money for no value. I find that unbelievable.⁴⁹

3.52 Mr Aldred stated in response to questions about the effectiveness of the program and in particular whether the reinstatement of the FT capacity had effectively wasted some \$7 million from the program that:

We tried to take out contacting capacity, the capacity to do the work. A substantial number of players left the industry. That did not change the volume of wood that was to be available, and where some contractors may have been operating at 60 per cent capacity and going broke, they may have got up to 80 per cent as a result of others leaving the industry. That is an overall objective of the package—to assist adjustment...

Mr Gordon said that if a number of the contractors left, they would reallocate some of the volume to existing ones. That indeed might make

46 Forestry Tasmania, *Submission 2*, p. 3.

47 Mr Gordon, *Committee Hansard*, 7 May 2013, p. 10.

48 Mr Bennetto, *Committee Hansard*, 7 May 2013, p. 24.

49 Mr Iles, *Committee Hansard*, 7 May 2013, p. 24.

them more profitable and actually deliver the result that we were looking for through the program.⁵⁰

Assessment

Contracted versus actual volumes

3.53 The Advisory Panel's decision to assess applications on the basis of actual volumes harvested in 2009-10 rather than on contracted volumes was the cause of much disquiet. The ANAO reported that:

While DAFF considered that this approach [assessing applications on actual volumes harvested] ensured consistent treatment of all applications, it was not consistent with the program guidelines and the assessment plan, which indicated that actual tonnage would only be used if the applicant did not have an agreed 'annual tonnage'. Applicants were not advised of this determination, unless this aspect of the process was specifically questioned by an applicant as part of a review request.⁵¹

3.54 Mr Talbot, Chair of the Advisory Panel, advised the committee that Gunns contracts did not specify whether the contracted tonnage would come from public or private forests. This was in effect because Gunns was sourcing timber from public and private forests unlike FT which had ready access to public forests. Mr Talbot stated that:

You have a program that is supposed to be about public native forests, and if we ended up using contracted amounts in this case, we could be in a position where we were buying out quite a lot of private native forest harvesting, which was not the intent of the program.⁵²

3.55 In addition, the Panel decided to use actual tonnages because contracted volumes would have advantaged FT contractors whose contracts were in public native forests and disadvantaged the Gunns contractors. It was considered that this would be a more equitable approach.⁵³ Mr Talbot argued that the Panel's approach was consistent with the Guidelines because there was a provision in the first criterion that actual tonnages could be used where public native forest figures could not be identified.⁵⁴

50 Mr Aldred, *Committee Hansard*, 15 May 2013, p. 13.

51 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 21.

52 Mr Talbot, *Committee Hansard*, 7 May 2013, p. 41.

53 Mr Talbot, *Committee Hansard*, 7 May 2013, p. 38.

54 Mr Talbot, *Committee Hansard*, 7 May 2013, p. 38.

Committee view

3.56 Whatever the merits of DAFF's approach, the ANAO found that it was not in accordance with the Guidelines and the assessment plan. More importantly, the Panel did not advise applicants and others in the industry of the change.

\$35/tonne cap

3.57 A significant number of grants that were awarded were for lesser amounts than the amounts requested by applicants. These amounts were based on a capped \$35 per tonne of wood, whether harvested or hauled. The ANAO reported that the Advisory Panel set the cap between the median dollar per tonne sought by applicants (\$48.04 per tonne) and the mean dollar per tonne sought by applicants (\$24.62 per tonne).⁵⁵ In its report the ANAO stated that:

DAFF informed the ANAO that the use of a cap enabled the department to remove contractors and subcontractors from the industry at the lowest cost. However, the basis on which the value of the cap was determined as representing value for money for the Australian Government was not documented by the panel. Further, the arrangements established by DAFF to determine whether a funding offer that was lower than the amount nominated to exit the industry would be offered were not consistent with the process established in the program guidelines or the assessment plan.⁵⁶

3.58 The ANAO reported that the DAFF secretariat responsible for the program was advised by the department's Grants Policy Section that hidden caps should not be used; that the caps should be announced; and applied equitably to applicants.⁵⁷

3.59 The decision to implement a capped amount for both harvesting and hauling gave rise to controversy not only because a significant number of applicants received less than they had assessed they needed⁵⁸ but also because the cost of harvesting may be more than the cost of haulage, possibly by a factor of two to one.⁵⁹

3.60 Responding to a question from the committee in relation to the different costs of harvesting and hauling Mr Aldred stated that:

Certainly we were aware of the two for one proposal by some people. We did try to verify whether in the fact that could be used as an industry

55 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 22.

56 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 22.

57 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 79.

58 See, for example, Mr Iles, *Committee Hansard*, 7 May 2013, p. 24.

59 DM & SJ Iles, Pty Ltd, *Submission 8*, p. [2].

average. We were not able to verify that two to one was a good landing point.

We did reflect in the guidelines that our expectation was that a haulage company would be lower than a harvest company. So we provided some guidance in the guidelines for applicants on that along those lines. Bear in mind it was a reverse tender, so people were bidding and we were looking for value for money for the Commonwealth. It was not an entitlements program, where the overall structure and profitability of each individual enterprise was assessed. That is certainly one model; it has been used before in New South Wales but it was not the one that was used here.⁶⁰

3.61 In relation to some applicants receiving less than they requested (or needed), Mr Talbot stated that 60 per cent of the applicants received the amount they asked for.⁶¹ The use of the \$35 cap allowed the Panel to stay within the available budget of \$44.02 million and to recommend that all eligible applicants received some funding.

Committee view

3.62 Clearly, as the DAFF Grants Policy Section advised, a hidden cap should not have been used to ration grants. If a funding cap was to be used, applicants should have been informed, despite the apprehension that to do so might lead to amounts requested by applicants gravitating towards the cap. In the committee's view, funding caps are undesirable as they may lead to inequitable outcomes, but if they are to be used they should be specifically detailed in the Guidelines and thus be known to potential applicants.

Conclusions on the assessment process

3.63 The committee acknowledges the reasons why the Advisory Panel assessed the applications for grants under the IGACEP in the way that it did. However, in determining that grants should be assessed on the basis of actual rather than contracted tonnages, in determining a hidden cap to ration the grants for some applicants, and in accepting some applications in the absence of complete documentation the Advisory Panel exercised a discretion that it did not have under the Guidelines.

3.64 The committee agrees with the comment made by the Auditor-General at the hearing, namely:

Sometimes the guidelines do, themselves, allow for some latitude and moving away, but, alternatively, if the government has issued guidelines and wishes to change course then the appropriate response is to re-issue or to advise potential applicants of the changes so that everyone understands the new approach and the department obviously changes its ways to assess against the new requirements.

60 Mr Aldred, *Committee Hansard*, 7 May 2013, p. 51.

61 Mr Talbot, *Committee Hansard*, 7 May 2013, p. 50.

It is a complex area, and it is made even more complex when election commitments play into existing grant programs.⁶²

3.65 As a general rule the committee would not encourage a government department or agency to construct guidelines which would allow the administrators of a program to exercise significant discretion. There may be cases where it is permissible, but if the guidelines cannot be adhered to, the proper course of action is to revisit the guidelines.

3.66 Furthermore, the committee agrees with the Auditor-General's comments about the importance of equitable access to government grant programs:

...I am a strong believer in applicants having equitable access to government grants programs consistent with government policy requirements—that is, when the government specifies the eligibility requirements and the merit requirements for a particular grants program it is incumbent on agencies and departments to assess those applications in a fair and equitable manner.

Of course, where they depart from the published guidelines—where they do not follow the accepted practice—it generally has an impact on access and equity, and that is of considerable concern not only to my office but the parliament more broadly and the government, who expects applicants to be treated equitably within the program policy requirements for each program...⁶³

3.67 In the committee's view, DAFF's failure to re-issue the Guidelines after making three significant changes led to a range of inequitable outcomes for certain applicants and other contractors who chose not to apply.

Audit Report recommendations

3.68 The committee has summarised the ANAO's recommendations in its two reports in Chapter 2 of this report. Briefly, the two audits identified some similar problems in DAFF's administration of the programs, namely, that not all processes and procedures were followed in relation to:

- the establishment of sound governance arrangements;
- documentation of advisory bodies' assessment of applications;
- management of compliance with funding deeds; and
- reporting of program performance.⁶⁴

62 Mr McPhee, *Committee Hansard*, 7 May 2013, p. 3.

63 Mr McPhee, *Committee Hansard*, 7 May 2013, p. 7.

64 Mr McPhee, *Committee Hansard*, 7 May 2013, p. 2.

3.69 DAFF agreed with the recommendations but in a response to the report on the administration of IGACEP program stated that:

The report also recognises that the program was delivered in a challenging and condensed timeframe and notes the comments of the Joint Committee of Public Accounts and Audit in its Report 435 that the Government gives consideration to the capacity of agencies to comply with administrative requirements when delivering programs in compressed timeframes. The department considers that the timeframe along with the limited applicant group and the program's relationship to the broader range of initiatives designed to diversify the Tasmanian economy define the context in which the program was delivered.⁶⁵

Committee view

3.70 The committee accepts that DAFF was required to implement the government's program in what it describes as a compressed time frame.

3.71 However, the committee is concerned that deficiencies in DAFF's program management have been recurring for a significant period of time. The committee notes that DAFF agreed with the three recommendations contained in the ANAO's 2008 performance audit and that DAFF has subsequently introduced mechanisms to improve its management of its grants programs (see paragraphs 2.11 to 2.15).

3.72 Given that DAFF made changes after the audit of the TCFA programs, including the development of a comprehensive grants manual, the committee is concerned that similar weaknesses were found in the ANAO's 2013 report on the IGACEP.

3.73 On a related matter, Senator Colbeck recently wrote to the Auditor-General requesting an audit to assess the effectiveness of DAFF's monitoring of the implementation of ANAO and internal audit recommendations. The Auditor-General responded that the ANAO is 'currently conducting a cross-entity audit examining several public sector entities' implementation of our recommendations...'. With specific reference to DAFF, the Auditor-General indicated that 'on the basis of recent Parliamentary interest in the extent to which DAFF has responded to audit recommendations, specifically in relation to grants administration, and the concerns that you [Senator Colbeck] have raised, [the ANAO] will give careful consideration to the inclusion of DAFF in subsequent cross-entity audits.' The Auditor-General's correspondence is at Appendix 7.

3.74 The Auditor-General informed the committee that the ANAO selectively pursues a number of former audits through what it calls follow-up or follow-on audits to check that departments have implemented the recommendations as agreed.⁶⁶ The

65 ANAO, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*, Audit Report No.22 2012-13, p. 26.

66 Mr McPhee, *Committee Hansard*, 7 May 2013, p. 2.

number of such audits is necessarily constrained by the resources available to the ANAO. The committee understands, however, that the ANAO will continue to address the risks associated with DAFF's grants administration in the future. It fully supports that aim.

3.75 The committee considers that if the ANAO identifies any concerns with DAFF's implementation of the reports' recommendations, the ANAO should consider giving priority to a follow-up audit.

Recommendation 3

3.76 The committee recommends that the ANAO continue to include DAFF's administration of its grants programs in its future work programs.

Senator Bill Heffernan

Chair

Australian Greens' Additional Comments

1.1 The Senate Committee inquiry into the Auditor-General's reports into Tasmanian forest contractors exit grants programs raises several important issues. The Greens believe action needs to be taken to ensure public money is not again wasted on programs that churn money through the industry with negligible impact on overall industry structure and forest conservation outcomes. There has been a lack of accountability for public money and this should not be allowed to be repeated.

1.2 The Greens do not agree with the committee that it was difficult to assess whether the program met its objectives. The program did not meet its objective of retiring 1.5 million tonnes of harvesting and haulage volume because the Department of Agriculture, Fisheries and Forestry did not make that objective a focus of decisions on exit grants. The questions remain of why the department:

- (a) designed a program that didn't meet these objectives
- (b) designed performance criteria that didn't meet stated objectives
- (c) proceeded to issue grants with the knowledge that Forestry Tasmania intended to replace any retired volume it did not agree with?

1.3 Forestry Tasmania has already replaced more than 200,000 tonnes of capacity following the issue of grants. People were paid to retire volume and Forestry Tasmania took it up again simultaneously. What did the taxpayer achieve?

1.4 The department should not have proceeded with the grants program once it determined it had to abandon "contracted volumes" since it was at that stage it knew it couldn't meet the program objectives and that Forestry Tasmania intended to replace some of the retired volume. The department should have sought ministerial advice as to how to resolve the problem rather than, as one contractor pointed out at the public hearing, "so far there is \$7,122,500 that the department has paid for no value whatsoever".¹

1.5 Genuine industry restructures that require payouts of participants in the industry are worthy of government funding, but the Department of Agriculture, Fisheries and Forestry and relevant ministers have once again administered public money to programs for the Tasmanian forestry industry that simply move money around and prop up an unprofitable model. The public deserves a better explanation than "time pressures".

1.6 Ministers are ultimately accountable for the decisions made within their departments, regardless of whether they have delegated decision-making powers to a departmental official. Current practice is to resort to the ministerial "I wasn't told" defence, which has been the reply to both of the Auditor-General's reports. This is an

1 Mr Iles, *Committee Hansard*, 7 May 2013, p, 24.

unacceptable practice and encourages a culture of non-accountability. The department must explain whether or not the state and federal ministers:

- (a) signed off on allocating grant funds when no compliance requirements were in place
- (b) signed off on grants for ineligible applicants
- (c) were aware when they signed off on \$697,000 in grants to two contractors that the department knew these contractors were ineligible at the milestone 1 payment and proceeded with the milestone 2 payment regardless
- (d) were told that the objectives of the program and the eligibility criteria were to be breached.

1.7 Any future exit programs should be rigorously designed and audited to ensure public money is used for restructuring to permanently retire volume to allow the industry to move out of native forest logging into low-volume, high-value products which create jobs and further conservation goals.

The Greens recommend:

Recommendations

1 The Department of Agriculture, Fisheries and Forestry appoint an independent auditor to its internal audit committee.

2 The department be restructured to remove forestry from the Department of Agriculture, Fisheries and Forestry and its current responsibilities be re-allocated to the departments of Environment, Climate Change and Industry.

3 No government program be permitted to proceed unless compliance and risk management plans are finished before applications open, regardless of any political time limits that may be imposed and any prior approval from the Minister.

4 The Tasmanian Parliament Select Committee established to investigate the contractor payments also probe the process within Forestry Tasmania for deciding which contractors were to be supported and which contractors were to be allocated extra volume and the extent to which that opportunity to access extra volume was known to the contracting community.

5 The new federally-funded \$20 million contractor exit program to be administered by the Tasmanian Government to consider these contractors in the new round of applications.

6 Exit means exit. The new federally-funded \$20 million contractor exit program to be administered by the Tasmanian Government will be transparent and include clear compliance criteria before being issued and will ensure:

- (a) contractors leave the industry and grants received not be used for investment in the industry in any circumstances**
- (b) compliance criteria includes surprise visits to contractors**
- (c) a focus on retiring contracts permanently rather than shifting volume to other contractors**
- (d) contractors are prevented from working in the industry anywhere in Australia**
- (e) the amount of any grants previously received for purchase of equipment be deducted from the exit grant.**

Senator Christine Milne
Leader of the Australian Greens

Senator Peter Whish-Wilson
Australian Greens Senator for Tasmania

Appendix 1

Submissions Received

Submission Number	Submitter
1	Department of Infrastructure, Energy and Resources Tasmania
2	Forestry Tasmania
3	Rod Watson Heavy Haulage
4	Wiggins and Dean Logging Pty Ltd
5	ND Jackman Pty Ltd
6	Mr Darryl and Penny Scott
7	Australian National Audit Office
8	Ms Dennis Iles
9	Department of Agriculture, Fisheries and Forestry

Additional Information Received

- Received on 16 May from Forestry Tasmania. Correspondence to the committee clarifying statements made at 7 May 2013 hearing.
- Received on 20 May 2013, from Senator Peter Whish-Wilson. Correspondence to the committee clarifying statements made at 15 May 2013 hearing.
- Received on 20 May 2013 from SFM Forest Products. Correspondence.
- Received on 20 May 2013, from the Advisory Panel for the Tasmanian Intergovernmental Agreement Contractors Voluntary Exit Grants Program. Answers to Questions taken on Notice on 7 May 2013.
- Received on 24 May 2013 from the Department of Agriculture, Fisheries and Forestry. Answers to Questions taken on Notice on 15 May 2013.
- Received on 25 May 2013 from Mr Kenneth Padgett. Answers to written Questions taken on Notice on 7 May 2013.

TABLED DOCUMENTS

- Tabled by Mr Mark Tucker, Deputy Secretary, Department of Agriculture, Fisheries and Forestry. Appearing for the Advisory Panel for the Tasmanian Intergovernmental Agreement Contractors Voluntary Exit Grants Program on 7 May 2013 in Canberra. Minute Summary, 12 February 2012.

Appendix 2

Public Hearings and Witnesses

7 May 2013, Canberra, ACT

- ALDRED, Mr Tom, former First Assistant Secretary, Plant Biosecurity, Department of Agriculture, Fisheries and Forestry
- BENNETTO, Mr Nicholas, Company Director, Bennetto Contracting Pty Ltd
- CASS, Ms Barbara, Group Executive Director, Performance Audit Services Group, Australian National Audit Office
- GORDON, Mr Bob, Managing Director, Forestry Tasmania
- HOWLETT, Ms Claire, Assistant Secretary, Biodiversity Policy Branch, Department of Sustainability, Environment, Water, Population and Communities
- ILES, Mr Dennis, Private Capacity
- JACKMAN, Mr Noel, Director, ND Jackman Pty Ltd and Tas United Loggers
- McCULLOCH, Mr Colin James, Chief Executive Officer, Australian Forest Contractors Association
- McPHEE, Mr Ian, Auditor-General, Australian National Audit Office
- MURPHY, Mr Chris, Director, Department of Sustainability, Environment, Water, Population and Communities
- PADGETT, Mr Kenneth John, Director, Australian Forest Contractors Association
- RIDDELL, Mr Donald Ian, Senior Policy Analyst, Department of Infrastructure Energy and Resources, Tasmania
- SIMPSON, Mr Mark, Executive Director, Performance Audit Services Group, Australian National Audit Office
- TALBOT, Mr John, Assistant Secretary, Sustainable Agriculture, Department of Agriculture, Fisheries and Forestry
- TUCKER, Mr Mark, Deputy Secretary, Department of Agriculture, Fisheries and Forestry

- VINCENT, Edmond,
Private capacity
- WELLER, Mr Jason,
Director, Jason Weller Contracting Pty Ltd
- WIGGINS, Mr Ian,
Private Capacity
- WIGGINS, Mrs Marion,
Private Capacity

15 May 2013, Canberra, ACT

- ALDRED, Mr Tom, First Assistant Secretary, Plant Biosecurity,
Department of Agriculture, Fisheries and Forestry
- CLONEY, Dr Mark, Assistant Secretary, Business Assurance and Risk,
Department of Agriculture, Fisheries and Forestry
- FREEMAN, Ms Fran, First Assistant Secretary, Climate Change Division,
Department of Agriculture, Fisheries and Forestry
- McNAMARA, Mr Paul, Assistant Secretary, Forestry Branch,
Department of Agriculture, Fisheries and Forestry
- TUCKER, Mr Mark, Deputy Secretary,
Department of Agriculture, Fisheries and Forestry

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

October 2005

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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.

Appendix 4
Tasmanian Forests Statement of Principles to Lead to an Agreement

TASMANIAN FORESTS STATEMENT OF PRINCIPLES TO LEAD TO AN AGREEMENT

To resolve the conflict over forests in Tasmania, protect native forests, and develop a strong sustainable timber industry.

The parties to these Principles:

- Timber Communities Australia Ltd (TCA)
- The Construction, Forestry, Mining and Energy Union (CFMEU)
- The National Association of Forestry (NAFD)
- The Forest Industries Association of Tasmania (FIAT)
- The Australian Forest Contractor's Association (AFCA)
- The Tasmanian Forest Contractor's Association (TFCA)
- Environment Tasmania Inc (ET)
- The Wilderness Society (TWS)
- Australian Conservation Foundation (ACF)
- Tasmanian Country Sawmiller's Federation (TCSF)

The parties to the Principles seek from State and Federal governments:

- Support for and delivery of all principles in full;
- Interim support for the development of a plan to deliver the Principles, including verification¹ of resource constraints and HCV boundaries;
- Implementation of the Principles through an agreed, fully-funded package and timeline that maximises benefits and reduces negative impacts;
- Immediate interim assistance for Tasmanian harvest, haulage and silvicultural contractors;
- To determine with industry, a guaranteed sustainable quantity and quality of wood supply within 3 months that is outside of the identified high conservation value forests, for the period of the negotiations, in order to provide certainty for the industry, workers and communities.
- A progressive implementation of a moratorium on the logging of high conservation value forests commencing within 30 days – ensuring that priority, (ie those in the most advanced stages of planning for harvesting) HCV coupes identified by ENGO's² are the first to be addressed. The full moratorium is to be completed within 3 months. Any necessity for any proposed variation to this due to unavoidable planning constraints has to be independently verified.
- To provide exit assistance for industry where required; and
- Not to accept new entrants into the Tasmanian industry, nor enter into new contractual relationships beyond parties who are currently in contractual relationships with the state while the negotiations are underway unless by the mutual agreement of all parties³.
- Accept that delivery of these Principles will require joint agreement of the parties to timelines and funding.
- To develop an agreed stakeholder-led implementation process with a finalised full agreement within 12 months.

¹ Draft verification process document under construction

² ENGO's in this document means those environmental non-government organisation's who are parties to this document

³ No party shall be required to accept a Principle which would otherwise apply to it where to do so would cause a breach of an existing contract or statutory obligation.

Tasmanian forests Statement of Principles to lead to an Agreement

PRINCIPLES

The parties agree to the following:

General Wood Supply	Provide a sustainable resource supply profile to industry based on an agreed minimum quantity and quality requirement for industry. This will be underpinned by legislation.
Native Forest Wood Supply	Subject to the provisions of the transition, as legislated Native Forest entitlements are handed back, ensure these entitlements will not be allocated nor licensed to new players.
HCV Forests	Immediately protect, maintain and enhance High Conservation Value Forests identified by ENGO's on public land.
Transition	Transition the commodity (non speciality) forest industry out of public native forests into suitable plantations through a negotiated plan and timeline.
Industry	Create a strong sustainable timber industry including the development of a range of plantation based timber processing facilities including a pulp mill. There will need to be stakeholder consultation and engagement with the proponent, ENGO's and the community.
Speciality Timbers	Provide for ongoing speciality timber supply including eucalypt for our Tasmanian high value furniture and craft industries through a negotiated plan and timeline.
Plantations	Support sustainable and socially acceptable plantations including agreed reforms and new agro-forestry outcomes, including pursuing certification.
Private Forests	Encourage and support, but not mandate, private forest owners to seek assistance for certification; and protect, maintain and enhance high conservation value forests on their properties.
Communities Impacted	Support impacted rural and regional communities, workers, contractors and businesses, through a range of economic development, financial assistance, compensation and retraining measures.
Community Engagement	Engage and involve the broad Tasmanian community in the development and implementation of a durable solution to the Tasmanian forest conflict.
Tourism	Develop Tasmania's nature-based tourism industry in line with these Principles.

Tasmanian forests Statement of Principles to lead to an Agreement

Planning	Develop a fully-funded, independent, scientifically-led landscape conservation, restoration and integrated-catchment management program, and associated governance and regulatory improvements.
Government	Reform and support government agencies, policies and legislation as necessary for the implementation of an agreement associated with these Principles.
Climate Change	Seek funding for improving carbon outcomes as a result of delivering these Principles.
Biomass	In Tasmania, only permit plantation forest processing and plantation harvesting residues to be used as biomass for RECs.
Certification	Encourage Forestry Tasmania to firstly obtain Controlled Wood accreditation on delivery of the moratorium, secondly, obtain full FSC certification on resolution of an FSC National Standard and once an agreement based on these Principles has been finalised.
Durability	Undertake to ensure all elements of this agreement are fulfilled on a durable basis.
Legislation	Require State and Federal legislation to implement agreed outcomes arising from these Principles including appropriate review mechanisms, milestones and sanctions.

Appendix 5
Tasmanian Forests Intergovernmental Agreement
Contractors Voluntary Exit Grants Program
Grants Program Guidelines
October 2011



Australian Government

**Department of Agriculture,
Fisheries and Forestry**

Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program

Grant Program Guidelines

October 2011

For further information:

Telephone:
(02) 6272 5079

Fax:
(02) 6272 4367

Email:
IGACEP@daff.gov.au

Postal address:
Tasmanian Forests Intergovernmental Agreement
Contractors Voluntary Exit Grants Program
Forestry Branch
Climate Change Division
Department of Agriculture, Fisheries and Forestry
GPO Box 858, CANBERRA ACT 2601

Physical address:
18 Marcus Clarke Street, CANBERRA ACT 2601

Program information, guidelines and related forms are available at
www.daff.gov.au/forestry/IGACEP

TASMANIAN FORESTS INTERGOVERNMENTAL AGREEMENT CONTRACTORS VOLUNTARY EXIT GRANTS PROGRAM

1. Overview

The Tasmanian Forests Intergovernmental Agreement (the Agreement) was signed by the Prime Minister of Australia and the Premier of Tasmania on 7 August 2011.*

The Agreement acknowledges the Tasmanian forestry industry is undergoing restructuring through changes in markets and community values and the decision of Gunns Ltd to exit the Tasmanian public native forest industry.

The viability of many harvest, haulage and silvicultural contracting businesses is directly impacted by these changes and the **Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program** (the program) seeks to assist these contractors by providing voluntary exit grants and by doing so, support restructuring to a smaller operating environment.

As part of the Agreement, funding of \$45 million has been allocated for grants and delivery costs for voluntary exits from Tasmanian public native forest operations for haulage, harvest and silvicultural contractors.

The program will provide **voluntary exit grants** to harvest and/or haulage and/or silvicultural contracting businesses in the Tasmanian public native forest harvest, haulage and silvicultural contracting sector who wish to voluntarily leave the industry. All funding is provided in the 2011-2012 financial year.

This program is separate to the **Tasmanian Forest Contractors Exit Assistance Program** (TFCEAP) run by the Commonwealth Government in the 2010-2011 financial year under which 29 businesses accepted exit assistance.

Due to the increased size of the program, and higher potential to impact on small businesses in other states, contracting businesses voluntarily exiting under this program will be required to exit from their public native forest operations in Tasmania and not re-enter the forest industry nationally for 10 years except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector.

These guidelines provide details on the program, which is administered by the Australian Government Department of Agriculture, Fisheries and Forestry (the department). Under these guidelines references to the Australian forest industry includes the forest industry in Tasmania and all other states and territories.

*The Heads of Agreement which preceded the Tasmanian Forests Intergovernmental Agreement of 7 August 2011 was agreed by the Prime Minister and Premier of Tasmania on 24 July 2011.

2. Objectives

The program seeks to assist the Tasmanian public native forest industry to adjust to industry downturn and to the reduced scale of native forest harvesting, through voluntary exit assistance to eligible harvest, haulage and silvicultural contracting businesses. It is expected the reduced scale of harvesting will result in the order of 1.5 million fewer tonnes of wood being harvested and hauled and a decrease in public native forest silvicultural activities. The integrated nature of harvest and haulage means that it is desirable to exit an approximately equal amount of harvest and haulage capacity from the industry so as to minimise supply disruption and business failures because of disproportional exiting of sector capacity. The program does not seek to provide for the individual circumstances of every person or enterprise affected by the need for industry adjustment but seeks to assist transition by supporting voluntary exits.

The Contractors Voluntary Exit Grants Program is not designed to compensate for contracts lost or cancelled. Assistance is provided to support the contracting sector and communities to adjust to a changed operating environment for public native forest logging in Tasmania, driven primarily by commercial decisions. Payments will be made against an assessment of the merit of applications.

3. How the program will operate

Applications are invited from eligible businesses (see section 4 below). Only one grant can be paid to an eligible business (see section 4) under this program regardless of the number of contracts that the business holds or the number of applications made on behalf of the business. Businesses which subcontract to a contract holder (see definitions in section 4) or to another subcontractor can apply for the program in their own right.

This is a competitive grants program. Suitability will be determined by ranking applicants according to the merit criteria and through an assessment of the application against the program's objectives (see section 6). If applications from eligible businesses exceed the funding allocation available some of the applicants who are eligible may not receive grants.

Voluntary exit assistance grants will be made in two payments before 30 June 2012. The first payment will be 75 per cent of the total approved amount and will be made on the execution of the Funding Deed and the execution of a Deed of Undertaking (see below). The second payment of 25 per cent will be paid before 30 June 2012 on provision of an exit strategy for ongoing contracts or ongoing arrangements (see page 8), proof of payment of all employees' entitlements and demonstration (including proof of sale where applicable) that the business's forestry machinery will not be used by the grant recipient in the forest industry nationally for 10 years except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector and demonstration that the business's forestry machinery is not being and will not be hired out or leased out in the forest industry nationally for 10 years.

Applicants must meet all program requirements before 31 May 2012, to receive the payments.

Applicants are asked to nominate an amount to voluntarily exit the industry. Individual grants will be capped at \$3 million GST exclusive.

The Commonwealth reserves the right to make an offer lower than the amount nominated by the business based on an assessment of industry financial information.

Harvest and haulage businesses will be required to provide information to assist the department in determining the tonnage of harvested and hauled wood of each harvesting and haulage business linked to any Tasmanian public native forest contract that is proposed to be terminated.

Businesses are also required to nominate all individuals (Nominated Individuals) who are directors or owners of the business. In the case of a partnership, all partners must be nominated.

The Nominated Individual(s) will sign the Funding Deed (see section 8 below) and will be required to enter into a Deed of Undertaking under which they will pledge not to re-enter forest industry nationally for 10 years except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector.

The Australian Government reserves the right to call for a second round of applications if the applications made do not represent value for money for the Commonwealth or there is insufficient take-up of assistance. The Australian Government also reserves the right not to proceed on this funding round if the overall response does not meet the program's objectives.

Key dates for the program

- Applications open on 26 October 2011.
- Applications close on 24 November 2011 at 5pm Australian Eastern Daylight Time.
- It is anticipated that a decision on grant recipients will be made in early 2012.
- Funding for the program will end on 30 June 2012.

4. Who is eligible to apply?

Eligible contracting business

To be eligible to apply for a voluntary exit grant a contracting business, must have:

- (a) not received a grant under the Tasmanian Forest Contractors Exit Assistance Program 2010-2011; and
- (b) an ongoing contract(s) or ongoing arrangements (see definitions on pages 4-5) to conduct contracted operations (see definition on page 4) in Tasmanian public native forests at 24 July 2011 and can provide evidence of that contract or arrangement; and
- (c) under an ongoing contract or an ongoing arrangement, been conducting harvest, haulage or silvicultural operations in Tasmanian public native forests (see definitions on pages 4-5). This means that more than fifty percent of the native forest operations (including private native forest and excluding plantation forest) of a business must be in public native forest operations in at least one of the following four financial years: 2007-08, 2008-09, 2009-2010 or 2010-2011; and
- (d) at 24 July 2011, not have been sold (written offer of a sale exchanged but not necessarily settled), or be under receivership or be in bankruptcy administration; and
- (e) an Australian Business Number (ABN) held at 24 July 2011; and
- (f) provided information requested in the application form including copies of tax returns, verified financial information and information on business arrangements related to the contracted operations (see definitions on page 4).

Definitions

Contracted operations: harvest, haulage and silvicultural operations conducted under an ongoing contract or ongoing arrangements by a contracting business.

Contracting business: a business that undertakes contracted operations utilising capital equipment owned by the business such as harvesting equipment or trucks. In this case ownership includes capital equipment under financing or leasing arrangements. Employees of contracting businesses are not contracting businesses.

Contract holder: a business that has entered into a contract or arrangement with a principal.

Ongoing arrangements: arrangements (or an arrangement) that existed prior to 24 July 2011 and were still active at 24 July 2011 that were with a principal, a contract holder or a subcontractor to a contract holder, and under which arrangements the principal, a contract holder or a subcontractor to a contract holder, may direct the business to undertake harvest, haulage or silvicultural operations in Tasmanian public native forests, including anything taken to be an ongoing arrangement under the first dot point below. An arrangement which ceased or was terminated or was inactive prior to 24 July 2011 is not ongoing.

- If the harvesting operations and/or haulage operations and/or silvicultural operations provided by a business under an arrangement were suspended through a directive or action of the principal, a contract holder or a subcontractor to a contract holder and the business can provide evidence of that action or directive (such as setting a zero quota) which suspended harvesting operations and/or haulage operations and/or silviculture operations on 24 July 2011 or within the period 1 January 2011 to 24 July 2011, the business will be taken to have ongoing arrangements. Evidence required in these circumstances is a letter from the principal or the contract holder or a subcontractor to the contract holder setting out the circumstances in which the contracted operations have ceased although the arrangement is still ongoing.
- If operations under the arrangement were suspended, other than in the circumstances described in the first dot point, on 24 July 2011 or at any time prior to 24 July 2011 through a decision or act of the business then the business will be taken to not have had an ongoing arrangement.
- For the avoidance of doubt, any arrangements that were entered into on or after 24 July 2011 will not be taken to be ongoing arrangements.

Ongoing contract: a contract that existed prior to 24 July 2011 and was still active at 24 July 2011 that was with a principal, a contract holder or a subcontractor to a contract holder and under which contract the principal, a contract holder or a subcontractor to a contract holder, may direct the business to undertake harvest, haulage or silvicultural operations in Tasmanian public native forests, including anything taken to be an ongoing contract under the first dot point below. A contract which has expired or was terminated prior to 24 July 2011 is not ongoing.

- If harvesting operations and/or haulage operations and/or silvicultural operations provided by a business under a contract were suspended through a directive or action of the principal, contract holder or a subcontractor to a contract holder and the business can provide evidence of that action or directive (such as setting a zero quota) which suspended harvesting operations and/or haulage operations and/or silviculture operations on 24 July 2011 or within the period 1 January 2011 to 24 July 2011, the business will be taken to have an ongoing contract. Evidence required in these circumstances is a letter from the principal, the contract holder or a subcontractor to a contract holder setting out

the circumstances in which the contracted operations have ceased although the contract is still ongoing.

- If operations under a contract were suspended (other than in the circumstances described in the first dot point) on 24 July 2011 or at any time prior to 24 July 2011 through a decision or act of the business then the business will be taken to not have had an ongoing contract.
- For the avoidance of doubt, any contracts that were entered into on or after 24 July 2011 will not be taken to be ongoing contracts.

Principal means a commercial enterprise that holds public native forest harvest rights and contracts other businesses to undertake the harvest and/or haulage of native forest logs from Tasmanian public native forests or silvicultural operations in Tasmanian public native forests.

Tasmanian public native forests means publicly owned Tasmanian State forests that are not plantations and are not private native forests.

5. What qualifies for funding?

Eligible contracting operations are the harvest of native forest **logs** from Tasmanian public native forests and the haulage of native forest **logs** from Tasmanian public native forests and silvicultural operations undertaken in Tasmanian public native forests.

Silvicultural operations are defined as operations to establish or manage trees in Tasmanian public native forests. These operations include seed collection for re-sowing public native forest, seed sowing in public native forest, the planting and cultivation of trees such as site preparation in Tasmanian public native forests but exclude activities for the purposes of plantation management, the preparation of land for plantation management or the operation of plant nurseries.

Applications will not be accepted for contracting operations other than for harvest of logs and/or haulage of logs and/or silvicultural operations in public native forests in Tasmania as described in the preceding paragraphs in this section and in definitions under Section 4.

Subcontracting businesses that undertake harvest and/or haulage and/or silvicultural operations are eligible to apply directly for voluntary exit assistance.

Harvest, haulage and silvicultural operations, which are conducted outside of Tasmanian public native forests as defined, such as in plantations or in private native forests are not eligible for this program.

Roading and other contracted operations such as weed control, forest inventory activities, forest fuel reduction, firebreak maintenance and fire control operations are not eligible for this program.

6. Merit and assessment criteria for voluntary exit grants

Applications will be assessed against the merit criteria below and on an overall assessment by the advisory panel against the program's objectives. The advisory panel is described in section 10.

Merit criteria - harvest and haulage

Each criterion is weighted. The weighted scores for all criteria will be added together and a total score used to determine the applicant's ranking against the criteria. The criteria for harvest and haulage are weighted as follows: criterion 1 (40%); criterion 2 (40%); and criterion 3 (20%).

Criterion 1. Reduction in tonnage (40%). The difference between the business's actual delivered harvest and/or haulage tonnage from Tasmanian public native forests, as defined in section 4, for the period 1 July 2010 to 30 June 2011 and the business's annual agreed tonnage from Tasmanian public native forests under ongoing contracts or ongoing arrangements. This calculation will be turned into a percentage reduction for scoring purposes. Where a business does not have an annual agreed tonnage in its contract or arrangements it will be based on the difference between actual delivered tonnage for the period 1 July 2010 to 30 June 2011 and actual delivered tonnage for the period 1 July 2009 to 30 June 2010.

This criterion seeks to take account of the reduction in business operations from industry restructuring (for example the withdrawal of Gunns Ltd from native forest logging and/or activities codified in the Agreement). The highest percentage in reduction would be scored highest.

Criterion 2. Nominated amount (40%). The dollar amount nominated by an applicant to voluntarily exit divided by the business's annual agreed tonnage from Tasmanian public native forests under ongoing contracts or ongoing arrangements, as defined in section 4, for the period 1 July 2009 to 30 June 2010. Where a business does not have an annual agreed tonnage in its ongoing contract or ongoing arrangements the actual delivered tonnage for the period 1 July 2009 to 30 June 2010 will be used. This provides a value per tonne. The lowest value will be scored highest.

Criterion 3. Supply chain exit (20%). A supply chain includes the principal, contract holders and subcontractors. For this criterion support means a signed statement included with the application form showing the agreement of the principal and/or contract holder and/or subcontractors in the supply chain for the business to exit. Where a business can demonstrate that it existed prior to 24 July 2011 and was still active at 24 July 2011 and:

(a) this exit is supported by the principal and the contract holder and all the subcontractors in the supply chain, the business will receive the full score under this criterion.

(b) this exit is supported by either the principal and the contract holder or all the subcontractors in the supply chain, the business will receive half the score under this criterion.

(c) this exit is not supported by the principal and the contract holder and is not supported by all the subcontractors in the supply chain, the business will receive no score under this criterion. For the sake of clarity this means that if the business is supported by some but not all subcontractors and not supported by the contract holder it will receive no score for this criterion.

Merit criteria - silviculture

Each criterion is equally weighted. The scores for each criterion will be added together and a total score used to determine the applicant's ranking against the criteria.

Criterion 1. Reduction in hectares (50%). The difference between actual hectares of contracted operations in Tasmanian public native forests, as defined in section 4, for the period 1 July 2010 to 30 June 2011 and the business's actual hectares of contracted operations for the period 1 July 2009 to 30 June 2010. This calculation will be turned into a percentage reduction for ranking purposes. This criterion seeks to show the reduction in business operations from industry restructuring and associated with actions codified in the Agreement. The highest percentage in reduction would be scored highest. Given the varying scope and nature of silvicultural contracting businesses the panel will verify the percentage reduction through financial statements required (section 7 below).

Criterion 2. Nominated amount (50%). The dollar amount nominated by an applicant to voluntarily exit would be divided by the average of actual hectares of contracted operations in Tasmanian public native forests, as defined in section 4, for the period 1 July 2009 to 30 June 2010. The lowest value will be ranked highest.

Assessment

The advisory panel will make an overall assessment of all applications against the program's objectives and the criteria set out above. On the basis of the assessment set out below the panel may recommend a funding offer to the applicant that is lower than the applicant's nominated amount. The panel may also request further information from the applicant.

Harvest and haulage

In making assessments each application will be assessed by the panel against the total tonnage of wood expected to be reduced through processes codified in the Agreement. This is expected to be in the order of 1.5 million tonnes but may vary between harvested wood and hauled wood.

It is expected that given overall business costs and structures, the nominated amount submitted by a haulage business would usually be lower than for a similar-sized harvest business; the panel will validate this through financial statements required (section 7 below).

Silviculture

It is expected that given overall business costs and structures, the nominated amount submitted by a silviculture business would usually be lower than for a similar-sized harvest or haulage business; the panel will validate this through financial statements required (section 7 below).

All applicants

The panel will seek where possible to exit complete contract chains. In determining contract chains, the panel may seek verification of ongoing contracts and arrangements by a contract validation process that may request the assistance of and information from forest principals and/or contracting businesses.

The panel may assess your nominated amount in conjunction with an assessment of your business financial statements (as set-out in section 7) over the two financial years (2009-2010 and 2010-2011) to determine whether the amount nominated to voluntarily exit corresponds with industry financial information on business activity and earnings.

The assessment process is set out in section 10.

7. How to apply?

The program will be advertised in The Australian newspaper and major Tasmanian newspapers and on the department's website (www.daff.gov.au/forestry/IGACEP) along with critical dates.

Please read these guidelines carefully as they explain your eligibility to apply for a voluntary exit grant. If you need clarification on your eligibility, please contact the Program Manager on 02 6272 5079. Any clarification given by the Program Manager does not constitute an indication of any particular outcome of the assessment process in relation to any application you may subsequently lodge.

Applications for voluntary exit assistance should use the application form available on the department's website. As the program is a competitive one, your application will be assessed on the information you provide. It is your responsibility to correctly fill out the application form and to provide all requested information. Clearly presented information will assist the advisory panel to confirm your claims.

The department will use information in the application form to assess your application for funding under the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program. Details on other aspects of the Tasmanian Forests Intergovernmental Agreement including on assistance to employees can be found at <http://australia.gov.au/content/tasmanian-forests-agreement>. You are not obliged to provide any of the information, but if you do not, it may affect the ability of the department to assess your application and/or your eligibility (see section 4 (f) above). Please note that the information you provide may be given to other agencies, organisations and consultants for assessment, reporting requirements and/or as authorised or required by law. By completing the application form, you consent to your information being used in the manner stated above.

Please note: for all applicants, as part of your application, you will be asked to provide documentation showing:

- proof of business registration (ABN registration);
- details of all business owners, directors and partners including copies of business documents such as company statements setting out this information;
- detailed information on the forestry machinery owned (including machinery which is the subject of a financing arrangement) by the business;
- copies of business tax returns for 2009-2010 tax year and, if available, for 2010-2011 year – otherwise verified financial statements (income statements, interest expenses and balance sheets) for the business for 2010-2011 are required;
- copies of income statements, interest expenses and balance sheets for the business for 2009-10 and 2010-2011 financial years verified by a qualified accountant being a certified practising accountant (CPA) or a chartered accountant (CA), whether or not copies of tax returns have been provided for those years;
- business activity statements for 2009-2010 and 2010-2011 financial years;
- copies of ongoing contracts held with a principal, a contract holder or a subcontractor to a contract holder – see section 4 above. These contracts must show start and end dates for the contract to show that the contract was ongoing at 24 July 2011. Where applicable the contract number should be provided. Where a copy of an ongoing contract is not available, a letter from the principal, a contract holder or a subcontractor, detailing the ongoing nature of the contract and start and end dates of that contract are required;

- copies of ongoing arrangement(s) - see section 4 above. Where the ongoing arrangement(s) are not written, a letter is required from the other party to the arrangements setting out that the arrangements were ongoing at 24 July 2011;
- details of the business's employees;
- details of funding received under other Commonwealth forestry grants programs; and
- agreement of all business partners/owners/directors to the application.

Harvest and/or haulage businesses

- documents showing evidence of contracted operations in Tasmanian native forests and providing the split (tonnage and percentage) of operations in public native forest and in private native forest for at least one of the financial years 2007-2008, 2008-2009, 2009-2010 and 2010-2011 as per eligibility criterion (c) section 4.
- documents showing the actual tonnage of the business from Tasmanian public native forest over 2009-2010 and 2010-2011 financial years such as a letter from the principal or a letter from a contract holder, or a letter from a subcontractor to the contract holder;
- for a contract holder, documents showing details of any subcontractors which provide harvest and haulage services to meet the contract requirements, and provide details of actual harvest and/or haulage tonnages for the contract holder and each of the subcontracting businesses for the financial years 2009-2010 and 2010-2011; and
- for a subcontractor to a contract holder which provides harvest or haulage services to meet contract requirements, documents showing details of the contract holders it works for and also provide details of other businesses which provide services to it such as where it further subcontracts part of its work to other businesses. Provide details of actual harvest and/or haulage tonnages for 2009-2010 and 2010-2011 financial years for the subcontracting business and for the businesses it further subcontracts to and for the businesses subcontracted to it.

Silvicultural businesses

- documents showing evidence of contracted operations in Tasmanian native forests and providing the split (hectares and percentage) of operations in public native forest and in private native forest for at least one of the financial years 2007-2008, 2008-2009, 2009-2010 and 2010-2011 as per eligibility criterion (c) section 4.
- contracts or letters or other documents showing actual hectares of contracted operations undertaken for 2009-2010 and 2010-2011 financial years.

Copies of original documents are to be authenticated by a person listed as suitable for witnessing a Commonwealth statutory declaration or if indicated, by a qualified accountant. The application form provides a list of suitable witnesses for authentication of documents.

Signed electronic or hard copy applications should be received by 5pm AEDT, 24 November 2011.

Applications must be submitted to IGACEP@daff.gov.au or to:

Postal address:

Tasmanian Forests Intergovernmental
Agreement Contractors Voluntary Exit
Grants Program
Forestry Branch
Climate Change Division

Physical address:

Tasmanian Forests Intergovernmental
Agreement Contractors Voluntary Exit
Grants Program
Forestry Branch
Climate Change Division

Department of Agriculture, Fisheries and Forestry
GPO Box 858
CANBERRA ACT 2601

Department of Agriculture, Fisheries and Forestry
18 Marcus Clarke Street
CANBERRA ACT 2601

When submitting your application electronically, please check the size of the email. If the email size is above 7 Mb, please send the application and attachments in more than one email.

Applicants will be sent an acknowledgement by the department within 10 working days of the receipt of an application.

Applications received after the closing date may not be accepted, unless the lateness is solely due to the department's mishandling.

8. What are the conditions?

If your business is awarded funding, you will be required to sign a Funding Deed. A draft Funding Deed is available on the department's website at www.daff.gov.au/forestry/IGACEP.

The business will undertake to exit from their public native forest operations in Tasmania and will not be able to re-enter the forest industry nationally for a period of 10 years except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector. Re-entry means to buy, start or acquire another forestry business and/or forest contract and/or arrangement. This will apply so that a haulage business must not start, buy or acquire another haulage or harvest or silvicultural business and/or contract and/or arrangement; a harvest business must not start, buy or acquire another harvest or haulage or silvicultural business and/or contract and a silvicultural business must not start, buy or acquire another silvicultural, haulage or harvest business and/or contract and/or arrangement.

The Nominated Individual(s) will also be required to sign a Deed of Undertaking (available on the department's website) under which they pledge to not re-enter the forest industry nationally for 10 years except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector. This undertaking will apply so that Nominated Individuals of a haulage business must not start, buy or acquire another haulage or harvest or silvicultural business and/or contract and/or arrangement; Nominated Individuals of a harvest business must not start, buy or acquire another harvest or haulage or silvicultural business and/or contract and/or arrangement and Nominated Individuals of a silvicultural business must not start, buy or acquire another silvicultural, haulage or harvest contract and/or business and/or arrangement.

No legally-binding relationship exists until a Funding Deed is signed by all parties. The Funding Deed will contain the terms and conditions of funding. Successful applicants should seek independent legal advice before entering into a Funding Deed.

If a successful applicant fails to comply with any requirement in the Funding Deed, the applicant may be required to repay some or all of the grant monies received.

It is a condition of payment that the successful applicant will agree to:

- exit the Tasmanian public native forest industry within two months of the date the funding deed is executed;

- provide an exit strategy. This strategy sets out how the business intends to approach the termination of ongoing contracts or ongoing arrangements with the relevant principal or other businesses and includes a letter from the principal or other businesses supporting the termination of the business's existing contracts or existing arrangements;
- pay all employee entitlements on receipt of the initial exit grant payment;
- not use, for 10 years, the business's forestry machinery in the Australian native forest harvest, haulage and silvicultural contracting sector and/or the Australian plantation forest harvest, haulage and silvicultural contracting sector except to the extent of existing contractual arrangements in the mainland sector or the Tasmanian private native forest sector or the Tasmanian plantation sector. Sale of this machinery is permitted unless there are obligations not to dispose of assets in relation to specific items of machinery funded under the Tasmanian Community Forest Agreement Industry Development Program, in which case, any sale or disposal of assets must be in accordance with the applicant's obligations under that program; and
- not hire out or lease out the forest machinery of the business to another business or person for utilisation in the Australian forest industry before re-entry is permitted and terminate any pre-existing hiring out or leasing out arrangements for the forest machinery of the business in the Australian forest industry; and
- not re-enter within 10 years of receiving the initial exit grant payment the Australian native forest harvest, haulage and silvicultural contracting sector and/or Australian plantation harvest, haulage and silvicultural contracting sector except to the extent of existing contractual arrangements in the mainland sector or Tasmanian private native forest sector or the Tasmanian plantation sector; and
- must provide this information to the department by 31 May 2012 (for payment by 30 June 2012).

The Nominated Individuals for the successful applicant will agree to:

- not use, for 10 years, the business's forestry machinery in the Australian native forest harvest, haulage and silvicultural contracting sector and/or the Australian plantation forest harvest, haulage and silvicultural contracting sector except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector.
- not hire out or lease out the forest machinery of the business to another business or person for utilisation in the Australian forest industry before re-entry is permitted and terminate any pre-existing hiring out or leasing out arrangements for the forest machinery of the business in the Australian forest industry; and
- not re-enter the Australian native forest harvest, haulage and silvicultural contracting sector and/or Australian plantation harvest, haulage and silvicultural contracting sector within 10 years of receiving the initial exit grant payment except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector; and
- must provide this information to the department by 31 May 2012 (for payment by 30 June 2012).

Given these conditions, before submitting an application for grant under this program, eligible businesses and Nominated Individuals should seek their own advice about making an application and entering into the funding deed and/or deed of undertaking.

It is a condition of exit grant that the Nominated Individuals for successful applicants will need to notify the department if events or circumstances indicative of a return to forestry contracting occur. If an exit grant recipient (that is the successful applicant) or the grant recipients

Nominated Individuals buy or acquire or enter into a forestry contract or arrangement, become an owner of or run an Australian native forest harvest, haulage or silvicultural contracting business and/or Australian plantation harvest, haulage or silvicultural contracting business, in breach of their undertaking, the amount of the exit grant paid to the successful applicant, or a part of it, may be recoverable by the Commonwealth as a debt due to the Commonwealth. Ownership of shares in a listed public company does not constitute ownership of an Australian native forest harvest and/or haulage and/or silvicultural contracting business or an Australian plantation forest harvest and/or haulage and/or silvicultural contracting business.

To receive the second grant payment of 25 per cent of the grant amount, the grant recipient must be able to demonstrate that:

- the business has provided an exit strategy; and
- the business has met employees' entitlements such as wages, superannuation payments, long service leave, recreation leave and statutory redundancy payments. Following payment of the first grant amount, a form will be provided to successful applicants, for them to complete setting out the names of employees and entitlements paid. This will need to be signed by a qualified accountant and provided to the department before a second payment will be made; and
- the business's forestry machinery will not be used by the grantee and/or Nominated Individuals in the forest industry nationally for 10 years except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector. Sale of this machinery is permitted unless there are obligations not to dispose of assets in relation to specific items of machinery funded under the Tasmanian Community Forest Agreement Industry Development Program (see below); and
- the business has terminated any contracts or arrangements to hire out or lease out its forest machinery in the Australian forestry industry and the business and/or Nominated Individuals will agree not enter in to new contracts or arrangements to hire out or lease out forest machinery of the business in the Australian forestry industry within 10 years.

If these conditions are not met, the second payment will not be made and the amount of grant already paid to the business may be recoverable by the Commonwealth as a debt due to the Commonwealth.

Funding under previous forestry grants programs

If a business offered a grant under this program has received a grant under the Tasmanian Community Forest Agreement Industry Development Program (TCFA IDP), and has incurred a debt to the Commonwealth through not meeting conditions of the agreed funding deed for that program, the Commonwealth may include terms in the funding deed that allow it to recover monies owing to the Commonwealth from the funding awarded for this program.

Specifically, funding deeds for TCFA IDP to assist in the purchase of forest machinery required the grant recipient not to dispose of assets for a period of time. If grant recipients have disposed of assets acquired under that program, in contravention of the terms of the funding deed including without the Commonwealth's knowledge, the Commonwealth may seek to recover funding. Procedures for disposal of assets under that program can be found on the department's website at: <http://www.daff.gov.au/forestry/national/info/cfa/procedures>.

9. Publication of grant information

Certain information on grants is required by Commonwealth policy to be published on the department's website. This information includes, but is not limited to:

- name of successful applicant;
- amount of funding received;
- type of grant;
- term of grant; and
- funding location.

By submitting an application for funding under this program, the applicant consents to publication of the above information by the department if they were awarded funding under this program.

10. How are applications assessed?

The department will initially check whether the application includes all the evidence and documentation required. If the application provides adequate evidence or documentation, the department will refer the application to an advisory panel which will assess the eligibility and merit of your application.

If the department considers that proof of the applicant's eligibility and/or merit has not been provided, the department may, in its absolute discretion, exclude the applicant from further consideration or request the applicant supply further information within five working days. If this proof is received within the specified period the department will forward the application to the advisory panel. If the proof is not received within the specified period, or if the proof is still incomplete, the department may exclude the application or may forward the incomplete information to the advisory panel, for the panel to make a recommendation on eligibility and/or merit.

The department reserves the right to seek clarification from an applicant at any stage of the assessment process.

The advisory panel will assess voluntary exit grant applications against the program's objectives, eligibility criteria, the merit criteria and assessment criteria (set out in section 6).

Clear and accurate information will assist the advisory panel in confirming an applicant's claims.

This is a competitive grants program. The decision maker has the discretion in determining whether or not a particular applicant receives funding and may or may not impose conditions on the grant awarded.

The advisory panel will review the claimed harvest and haulage tonnage of applicants to confirm they are generally in line with the tonnage expected to be removed through current restructuring in the Tasmanian public native forest sector, that is, approximately 1.5 million tonnes of wood. The panel may refer to an applicant's financial statements in order to test the veracity of the applicant's claims. The advisory panel may recommend a limit of overall funding in line with expected tonnage and may recommend an offer of an amount lower than the amount nominated by the applicant to voluntarily exit. The advisory panel may request further information from applicants.

All applications are assessed together at the same time for the grant funding. Please check that your application form has included all the requested information and has been completed accurately. Further information will not be accepted after the specified time unless requested by the department.

All applicants will be advised of the outcome of their application in writing. Applicants should be aware that the department is required to publish information about successful recipients on its website (see section 9 above for further information). Further, the Minister for Agriculture, Fisheries and Forestry may announce successful applicants.

11. Who is selecting the suitable applicants?

The decision maker for the program is the Minister for Agriculture, Fisheries and Forestry or his delegate. The Minister, or his delegate, will make the final decision on funding, taking into consideration the recommendations of the advisory panel.

The advisory panel will have three members. The panel members will have expertise in one or more of the following: government policy including on forestry and grants administration. Financial, legal (contract validation) and other expertise may also be sought by the panel, if required.

Panel members will be required to agree to a panel Code of Conduct and will be required to sign a declaration of interests.

12. Complaints handling process

The assessment of applicants necessarily involves judgments of the merits of applications in a competitive and discretionary process. Unsuccessful applicants are encouraged to resolve any concerns they may have with the program area in the department by contacting 02 6272 5079. The complaint may then be reviewed by an independent area of the department. If no resolution is achieved, an applicant can apply to the Commonwealth Ombudsman. The Ombudsman will usually not investigate a complaint unless the matter has first been raised with the department and the department has been provided with a reasonable opportunity to respond.

The Commonwealth Ombudsman can be contacted on: Phone – Toll free: 1300 362 072

Email: ombudsman@ombudsman.gov.au

Website: www.ombudsman.gov.au

13. Additional information

Applicants should be aware that receipt of funding from this program may result in the business being ineligible for support from other government programs.

Applicants are advised that funding may have taxation implications and that they should seek independent taxation and financial advice from a suitably qualified professional prior to submitting their application.

Applicants are also advised to seek advice on the legal implications of their acceptance of an exit grant, if exiting the industry has possible impacts on current legal obligations.

GST is payable on grants and the funding deed will include GST where applicable.

14. Contact us

Further information on the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program is available from:

Tasmanian Forests Intergovernmental Agreement
Contractors Voluntary Exit Grants Program
Program Manager

Forestry Branch

Climate Change Division

Australian Government Department of Agriculture, Fisheries and Forestry

GPO Box 858

CANBERRA ACT 2601

Tel: (02) 6272 5079

Fax: (02) 6272 4367

Email: IGACEP@daff.gov.au

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Appendix 6
Tasmanian Forests Intergovernmental Agreement
May 2013
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Schedule A

Tasmanian Forests Funding Commitments

Item	Commitment	Purpose/Comments	Total \$m	Cwth \$m	State \$m	Provided under 2011 IGA \$m	Available under IGA 2013 \$m
Employment and Training Support for Affected Workers	At least \$14 m (up to \$25 m)	To provide immediate employment and training support for redundant forest workers in Tasmania (subject to demand).	25.0	25.0	0.0	25.0*	0.0
Mental Health Counselling for Affected Forestry Workers and their Families	\$2 m	Provide mental health counselling and community wellbeing services for forest workers and contractors, their families and associated businesses adversely affected by the current forestry industry changes (through Rural Alive and Well).	2.0	1.5	0.5	1.0	1.0
Buyback of contracts for peeler billets	Agreed to be met from Commonwealth	Buyback of contracted volumes of peeler billets to assist in transitioning to a new minimum supply volume.					
Tasmanian Native Forests High Quality Sawlog Contract Buyback Program	Up to \$15 m	Voluntary buyback of contracted volumes of High Quality Sawlogs to assist in transitioning the industry to a new legislated minimum aggregate supply quantity.	15.0	15.0	0.0	15.0*	0.0
Tasmanian Regional Sawmiller Structural Adjustment Grants Program	\$10 m	To assist structural adjustment by regional sawmillers not eligible under high quality sawlog buyback, to changing market conditions.	10.0	10.0	0.0	0.0	10.0
Transitional Support for Affected Workers and Support for Harvest, Haulage and Silviculture Contractor Business Exits	\$20 m	To assist employees and contractors that might be affected by sawmill exits. This will include transitional support payments (through ForestWorks) to workers directly impacted by native forest industry restructuring, and support for harvest, haulage, silviculture and associated contractor businesses who wish to voluntarily exit the industry. This is in addition to ongoing support for workers under the lapsed IGA through Job Services Australia and other providers.	20.0	20.0	0.0	0.0	20.0

Item	Commitment	Purpose/Comments	Total \$m	Cwllth \$m	State \$m	Provided under 2011 IGA \$m	Available under IGA 2013 \$m
Sustainable Solutions for More Efficient Use of Harvesting and Processing Residues	\$13 m	\$1 m for completion of detailed residues study to investigate environmentally and economically sustainable residue solutions (initial \$1 m funded from Economic Diversification Package). \$12 m for immediate solutions agreed by both governments and examination of future commercial applications.	13.0	13.0	0.0	0.0	13.0
Economic Diversification Package	\$120 m over 15 years	Fund regional development projects. \$24 m worth of projects already funded. \$2 m will be used towards a specialty timber study and \$1 m towards a residues study. Remaining \$93 m available to support additional projects.	120.0	120.0	0.0	27.0	93.0
<i>Special Species Timber Study</i>	\$2 m	<i>To undertake a Special Species Timber Study.</i>	2.0	2.0	0.0	2.0	0.0
<i>Residues Study</i>	\$1 m	<i>To undertake a detailed Residues Study.</i>	1.0	1.0	0.0	1.0	0.0
Rescheduled harvesting	\$4.8 m pa ongoing	To enable harvesting of areas essential for wood supply for industry (funding provided for 3 years).	14.4	0.0	14.4	0.0	14.4
Manufacturing innovation and Plantation Management	\$8 m	To encourage improved plantation management for sawlog production.	8.0	0.0	8.0	0.0	8.0
Plantation Manufacturing Innovation and Investment	\$16 m	To assist industry to transition to greater use of plantation timber in the longer term and to encourage investment in improved plantation management for sawlog production.	16.0	16.0	0.0	0.0	16.0
Support for reserve management (ongoing)	\$7 m pa from 2013-14 indexed to CPI, plus additional \$2m pa indexed to CPI from 2014-15	Support for the ongoing management of additional reserves.	32.0	32.0	0.0	7.0	25.0

World Heritage planning	\$2 m	Funding will be provided to: support the preparation and implementation of the Tasmanian Wilderness World Heritage Area boundary extension; develop a contemporary management plan for the Tasmanian Wilderness World Heritage Area; and prepare accurate reserve maps for the new areas of reserve under Tasmanian Forest Agreement 2012.	2.0	2.0	2.0	2.0	2.0	0.0	0.0
Special Council, communications, FSC certification	\$7 m	To support these essential durability elements: Forest Stewardship Council (FSC) certification of Tasmanian public forests; establishment of the Special Council and its role in durability monitoring and reporting; and a communications program to promote the Agreement and Tasmanian forest products.	7.0	3.5	3.5	0.0	0.0	0.0	7.0
Transition Support Payments (ForestWorks Ltd)	\$15 m	Provide transition support payments to workers directly impacted by the industry restructuring, including employees of contractors who were made redundant as a result of Gunns Ltd's exit from native forest processing.	15.0	0.0	15.0	0.0	0.0	15.0	0.0
Voluntary contractor exits	\$45 m	Provide assistance for voluntary exits from public native forest operations for haulage, harvest and silvicultural contractors.	45.0	45.0	0.0	45.0	0.0	45.0	0.0
Implementation of the 2011 IGA	\$28 m	Assist the State to facilitate the implementation of the lapsed IGA.	28.0	28.0	0.0	28.0	0.0	28.0	0.0
Transitional funding	Up to \$15 m	For roading, forest practices plans etc related to rescheduling; plus funding for movement of residues from south to north in short term to Forestry Tasmania.	15.0	0.0	15.0	0.0	15.0	15.0	0.0
TOTALS			387.4	331.0	56.4	178.0	209.4	178.0	209.4

*Funding not yet fully expended under 2011 IGA and still available under IGA 2013.