



LEGISLATIVE COUNCIL

SELECT COMMITTEE ON MATTERS RELATING TO THE TIMBER INDUSTRY IN THE LIMESTONE COAST

Watarru Room, Old Parliament House, Adelaide

Tuesday, 17 March 2020 at 9:50am

BY AUTHORITY OF THE LEGISLATIVE COUNCIL

WITNESS

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MEMBERS:

Hon. C.M. Scriven MLC (Chairperson)
Hon. D.G.E. Hood MLC
Hon. F. Pangallo MLC
Hon. D.W. Ridgway MLC
Hon. R.P. Wortley MLC

WITNESS:

SPEED, JULIAN, Chief Executive Officer, ForestrySA

115 The CHAIRPERSON: Welcome, Mr Speed; sorry for the delay in calling you in today. The Legislative Council has given the authority for this committee to hold public meetings; however, due to the current situation concerning COVID-19 the committee has resolved to exclude strangers from the gallery. The proceedings will be broadcast to the public online via the Parliament SA website.

A transcript of your evidence today will be forwarded to you for your examination for any clerical corrections. Should you wish at any time to present confidential evidence, please indicate and the committee will consider your request. Parliamentary privilege is accorded to all evidence presented to a select committee; however, witnesses should be aware that privilege does not extend to statements made outside this meeting. All persons, including members of the media, are reminded that the same rules apply as in the reporting of parliament.

I will introduce you to the members of the committee. I am Clare Scriven (we have met before); the Hon. Russell Wortley is on my left; the Hon. Frank Pangallo is on my right; and the Hon. David Ridgway. Welcome to the committee. Do you have an opening statement at all?

Mr SPEED: I do, yes. I should say from the outset that I will keep this relatively brief given, as reflected in my written submission, I feel that only some parts or some aspects of the scope of the committee's areas of interest are applicable to ForestrySA: others are possibly not.

By way of background, the South Australian Forestry Corporation, which trades as ForestrySA, is responsible for the management of state-owned commercial plantation forests in the Mount Lofty Ranges region. Under its charter, ForestrySA also performs a range of non-commercial activities on behalf of government. As the committee would be aware, ForestrySA no longer has any management responsibilities for any commercial forestry assets in the Limestone Coast region. It's important to point out that the former ForestrySA plantation assets in the region are managed by OneFortyOne Plantations under the conditions of sale of the forward rotations.

It's worth noting, though, that ForestrySA's community service obligations include some regional responsibilities, so management of public access to these leased plantation areas, as well as native forest reserve management and community fire protection activities in the region. For these reasons, ForestrySA remains an active regional participant in the Limestone Coast forestry industry and thus it is appropriate for us to make this appearance.

On ForestrySA's behalf, I'm happy to try to answer any questions or address areas where any value may be obtained. I would perhaps note a couple of areas that might be best addressed by other participants, and I know some of these have been covered in the written submissions. Around the references to exports of wood fibre and, by extension, the compliance to the conditions of sale of the former state-owned forests, ForestrySA really doesn't have any direct oversight over that issue.

Also, the volume of radiata pine log being exported from the Limestone Coast region by all growers—again, I'm assuming that there are statistics either available or able to be estimated—that's probably outside ForestrySA's area as well, but I'm happy to give any input that I can. These are best answered by those who have direct access to this relevant data.

ForestrySA doesn't have an active role in administering or managing the contractual arrangements with OneFortyOne relating to the management of the commercial plantations, but we do have some common responsibilities and interests around fire protection and fire response protocols and management of adjacent areas to the plantations, and access to these areas—plantations and adjacent areas—by the public. There are, however, I think, several sort of repetitive themes throughout the topics that have been identified in our submission, and a range of submissions, and probably some possible solutions identified for exploration which I think are reasonably valuable.

If I can make a comment on the exporting of wood fibre, not necessarily from the Limestone Coast region, but I can speak to the region in which we operate. ForestrySA does not export wood fibre directly at all but we have done, including some direct and indirect exports via Port Adelaide over the past five years. For the most part this was necessitated by the production of some log which is unmerchantable via our domestic processes—they don't have the equipment to process those log types—and, more significantly, there have been now four fire events in recent years that have caused ForestrySA to find export markets for burnt log.

A recent example at the Cudlee Creek fire: the equivalent of about 40 per cent of our annual, sustainable cut, our normal annual sales volume, was burnt in that one event and will be likely exported in the short to medium term as a result because not all burnt material can be processed at all by our local domestic industry. That is reflected on a larger scale in the Limestone Coast, I understand.

Further then, it is necessary for some export of log fibre because there are other situations where the product is not merchantable through our existing local network. By extension, I suppose, there will be times in pricing cycles where export parity pricing either cannot or is not matched by the domestic industry, and logic says that what has happened is those logs have gone for export where it has been more profitable for the forest grower for that to happen.

Moving on from that to opportunities that we see to strengthen the industry, the missing link is not a simple outcome to manufacture, but it is a simple one to describe and that is, the local value-adding process and capacity is the missing link in this. So if there were active pulp mills for smaller log types, biochar, biofuel or other energy conversion-type projects which would make available our fuel to those projects, then it would be a logical place to put them.

Log and any wood product is a typical low-grade commodity where the high component of the finished product cost is in transport so it is expensive to transport logs, wood chips—anything that is light and bulky—so some consideration to more local value-adding processing is necessary because you just can't transport this product hundreds of kilometres without taking a big chunk of net profit off as an operational reality.

So by investigating some of those value-adding opportunities more locally, a greater proportion of wood fibre would become readily merchantable meaning, in forestry terms, the level of recovery would increase so instead of being able to sell 60, 70, 80 per cent of an individual tree, it would go to 95 per cent perhaps instead. That is the single biggest, I guess, economic factor for the owner of the asset.

Also, the amount of wastage that is currently seen, because of the unmerchantable product sitting in every tree, makes a big difference to things like environmental costs and fire risk. Any waste product does have to be dealt with in some way or another so that leads to heaping up and burning of residues. It leads to concerns about fire risk because of the increased fuel load across the landscape in general, so social acceptance of our industry would be increased if there were better, more environmentally friendly ways that were economic to increase recovery of an individual tree.

Promotion of the economic contribution of industry to the community was the other point that I picked out that is relevant to ForestrySA. The industry, I don't believe, has come far enough in community education about the benefits. I am not talking about the economic restrictions now but the social licence aspect of the industry in that most of the participating organisations are aware of, I guess, the green credentials but that is not necessarily something that is shared with the general public. ForestrySA is in an almost unique position to offer exposure of the sector, the forestry

industry, to the general public. Having around 300,000 visitors a year to our Mount Lofty Ranges and Green Triangle forest areas does present its own opportunity to offer some education.

We certainly do what we can to exploit those opportunities for public messaging and community engagement programs, so things like school programs, volunteers, interested community conservation groups, an increase in recreation through things like walking, orienteering, mountain biking—those types of activity which we both want to but also have an obligation to educate about the forestry industry when they visit, regardless of whether they are visiting a plantation area or a walk through a native forest area.

Examples of our future plans to improve in these areas include ongoing discussions with some of the other public land managers, so DEW and SA Water are the obvious agencies with some similarities to us. ForestrySA is an active participant in the opening of the reservoirs project and that alone is expected to increase visitation in some areas. ForestrySA carries some responsibility for managing plantations in some of those water reservoirs. Greater transparency around the purpose and the nature of plantation forestry: why is it here? As a visitor, why do you see trees being cut down? How do we explain that? At the very least, not being an environmentally unfriendly approach, we can do much better in social acceptance, I think.

116 The CHAIRPERSON: In terms of the renewable aspects of the whole industry?

Mr SPEED: Yes, that's right. The industry itself has tried to use the branding of The Ultimate Renewable and most of the industry association members like ourselves are adopting that and using it as widely as we can. Being a public land manager, we are in a pretty fortunate position where we naturally have a fair bit of visitation. Also, our proximity to a large population base is an unusual thing for a forestry company to have, so that's why we should be taking advantage of that.

117 The CHAIRPERSON: That completes your opening statement?

Mr SPEED: I have a little bit more, if that's okay.

118 The CHAIRPERSON: Yes, if we can do it fairly quickly, thank you.

Mr SPEED: Just in the other related matters, in general terms, what I had raised was where the industry players sit within the National Forest Industries Plan. It's moving pretty quickly in this space. From what I understand, only last month, during February, the federal government released a discussion paper which the industry association has responded to with supporting comments on this discussion paper.

ForestrySA is generally in agreement with the important positions around the Emissions Reduction Fund proposed amendments. Probably the bit I would like to pick out of that, though, is that ForestrySA would lend its support to these initiatives under the proviso that the Regional Forestry Hubs and other areas where 'compelling' is what has been identified as the target regions for expansion of the industry.

There are other areas where 'compelling' is a really important part of this for us, because those benefits I have just been talking about are logical, and we are in a good position to take part in the expansion of the industry. But limiting it to forestry hubs would naturally exclude our area and plenty of others. Even the Limestone Coast area at the moment is not particularly well defined by the forestry hub that is emerging in the industry.

119 The CHAIRPERSON: Although the forestry hub is planned to be based in Mount Gambier, I understand.

Mr SPEED: Yes, that's my understanding. I guess it's important that that initiative around including other areas where 'compelling' would lend itself to farm forestry, for example, being expanded in other areas like the Fleurieu Peninsula, is not an issue particularly for the Limestone Coast. But any areas where expansion can be enhanced by some of these policy tools would be a good thing. Thank you.

120 The CHAIRPERSON: Thank you for that overview, Mr Speed. Just to outline our approach, as you would be aware, the scope of the inquiry is very broad, so today is a bit of an introduction in some senses. We may invite you to come back at a future time around some specifics. We are looking at water a little bit down the track, so while we will have some introductory questions

about that today, we may have some further questions down the track as that is something that will be looked at. We are looking at portions of the inquiry in achievable chunks, essentially. Just to confirm, you have—and when I say 'you', take that as ForestrySA—no role in monitoring the compliance of OneFortyOne with the contract sale document. Is that correct?

Mr SPEED: With the contract of sale document, that's correct. There are some ancillary documents. There is a deed of operations, which is established between the state and OneFortyOne, which would spell out OneFortyOne's fire protection obligations. So, ForestrySA does have a role to play as the government's agent in that sense, though that's not directly related to the management of the commercial plantation.

121 The CHAIRPERSON: Yes, but the fire operations is part of your role. Is it a compliance responsibility; is that your role in that?

Mr SPEED: Yes, it certainly carries some compliance aspects in that the Fire and Emergency Services Act obligations would rest with ForestrySA for the areas defined under that operations deed.

122 The CHAIRPERSON: What other role do you have in that?

Mr SPEED: In that agreement with OneFortyOne?

123 The CHAIRPERSON: Yes.

Mr SPEED: The other major aspect of it is the management of public access to the plantation areas. We have no operational control of the leased areas, in the commercial forestry sense. We do have the responsibilities for controlling and managing public access to the plantations. Obviously, we have an obligation to work closely with OneFortyOne to achieve that because they are operational areas; for example, access to the event that we have set up, called Ghost Mushroom Lane, where night-time visitors come to look at the glowing mushrooms, is in a plantation area, leased by OneFortyOne. The visitation experience is managed by ForestrySA.

124 The CHAIRPERSON: Is that reported on, those compliance activities and any other public access activities? Is there a publicly available report?

Mr SPEED: Yes, all of the non-commercial activities that are funded under ForestrySA's community service obligation arrangements are reported on via a memorandum of administrative arrangement between ForestrySA and PIRSA, as the government's representative, for all of the community service obligations. That is not limited to anything in the Limestone Coast, but it includes that, yes.

125 The CHAIRPERSON: Is that a document you can table for the committee, or the committee can access?

Mr SPEED: There is an annual report on our community service obligation activities, so if you would like one or more of those—

126 The Hon. D.W. RIDGWAY: That would be available on the website, would it?

Mr SPEED: Yes.

127 The CHAIRPERSON: Could you just liaise with the secretary after the meeting so that we can get the exact name of the national report that you have put a submission in to, and access that as well for the information of the committee?

Mr SPEED: Sorry, could you just repeat that?

128 The CHAIRPERSON: The national report that you said that you have given a submission to—the federal investigation around CFI and so on.

Mr SPEED: No, sorry, I didn't mean to say that we have made a submission. The industry organisation, the Forest Products Association, has responded to a government information paper on that recently, which was only last month, I understand. It wasn't ForestrySA—

129 The CHAIRPERSON: Thanks for that clarification.

Mr SPEED: —but we are a member of that association.

130 The CHAIRPERSON: Yes, so we will perhaps get a copy of that, in any case. At the time when ForestrySA was looking after the forest now leased by OneFortyOne, what was the average length of contract, or scope of lengths of contracts?

Mr SPEED: Log supply contracts?

131 The CHAIRPERSON: Yes.

Mr SPEED: I'm sorry, I don't have an accurate answer for that. I have never been involved in it myself. I wasn't with the organisation prior to ForestrySA no longer managing those areas. From what I understand—I have seen lots of five-year and 10-year log supply agreements. For context, certainly both of those time frames would have been realistic supply contracts in the past, but I wouldn't tell you what the average was.

132 The Hon. R.P. WORTLEY: Could you take that question on notice?

Mr SPEED: Sure, yes.

133 The CHAIRPERSON: When did you join ForestrySA, Mr Speed?

Mr SPEED: In 2015.

134 The CHAIRPERSON: You may need to take these questions on notice as well. What is your understanding of the thinning programs prior to the sale of the forward rotations? There is discussion that ForestrySA's thinning programs were, if you like, out of date or running behind prior to the sale. Do you have a comment that you can make about the accuracy of that?

Mr SPEED: No, I don't, I am sorry, but I can again take that on notice. I am not sure how to present that data. Is it a general question of whether ForestrySA had kept up its thinnings program prior to the forward sale?

135 The CHAIRPERSON: Both kept it up and what that program was. Were they done three times over a 10-year period? Were they done more or less? What was the program and was that up to date at the time?

Mr SPEED: Okay.

136 The CHAIRPERSON: You would be aware, obviously, of some of the concerns of small manufacturers being unable to access fibre for both their existing and potentially expanded operations. Some of this will go beyond the Limestone Coast, but you talked about, for example, 40 per cent of the Cudlee Creek saleable area being burnt and that will likely be exported. Currently, what obligation is ForestrySA under to offer fibre to domestic customers?

Mr SPEED: ForestrySA has an obligation to supply fixed volumes to each of our domestic customers, plus or minus a reasonable variation. To answer that question, there is no obligation at all to supply that particular wood fibre to anybody, but we certainly do have obligations to supply the contracted tonnage or cubic metre supply volumes to each of our customers. Each of those is a different supply volume, obviously, but we have five long-term supply agreements in place now. It depends on your definition of 'long-term', but between three years and 10 years.

137 The Hon. D.W. RIDGWAY: That's from the Hills?

Mr SPEED: Yes.

138 The CHAIRPERSON: Do you have any in the Mid North now or has that all gone?

Mr SPEED: One of those is a Mid North based processor, but the supply is from the Adelaide Hills, yes. Each of those contracts has a loosely fixed volume commitment in it. Outside of that, the log supply agreements specify product type, not location or any particular log parcel. It has never been the case, as far as I know.

139 The CHAIRPERSON: Are there going to be any opportunities for processors in the South-East to access or be offered that damaged wood, if it is economically viable?

Mr SPEED: That has already been offered to the open market. We have run a competitive process for that, so yes, there has been an opportunity for anybody in the country to

participate, but we did not receive any interest from the proportion that was actually burnt—sorry, I am just thinking to make sure I get this right.

140 The Hon. D.W. RIDGWAY: I assume in that tender process, freight back down to Mount Gambier is always going to be a burden. If they have to take a log to Port Adelaide, it's 50 kilometres; 450 kilometres down to Mount Gambier is always going to be an issue, I assume.

141 The CHAIRPERSON: Exactly; the economic viability.

Mr SPEED: Yes, that's right. We have had some interest in log from the Adelaide Hills by South-East based processors in the past, and we are aiming to progress some of that right now. But, I think the lower value and higher cost burden of burnt log logically would exclude any of those processes, and we didn't receive any material interest from any South-East processors for that log, no.

142 The CHAIRPERSON: What is your involvement with the state-based Forest Industry Advisory Council?

Mr SPEED: Very little. We don't have an active role in that process at all.

143 The CHAIRPERSON: ForestrySA is not a member of the committee?

Mr SPEED: No.

144 The CHAIRPERSON: Do you have reports from the committee or from the minister about the operations of that?

Mr SPEED: No, I don't. I am generally, I guess, informed of any of the large material items that unfold within industry just by being a member of the industry; but no, I don't believe there is any formal reporting mechanism out of the advisory council to ForestrySA.

145 The Hon. D.W. RIDGWAY: Do you think there should be?

Mr SPEED: No, I don't. I think reporting any outcomes, in a public sense, to the industry should be made available to ForestrySA equally. I think there's probably a division between any policy and industry outcomes. ForestrySA does sit on the industry side of that, not the policy side of it, so I think it's probably reasonable.

146 The CHAIRPERSON: I have a number of other questions, of course, but Mr Ridgway does need to leave at 10.30.

147 The Hon. D.W. RIDGWAY: I have three relatively quick questions. There's almost been this sort of arm wrestle, if you like, between exporting logs and local processes. Some people have said, 'Oh, we should ban the export of logs.' In your opinion, what would happen if the export market was not available for those logs?

Mr SPEED: For ForestrySA?

148 The Hon. D.W. RIDGWAY: Yes, ForestrySA and, more generally, the industry.

Mr SPEED: It's more pronounced for ForestrySA than it is for Limestone Coast businesses, I think, because we simply do not have any local processes that have the capacity to take product from thinnings, for example. Generally, that's small log. It is not high recovery, it's not high-value for that reason. None of our customers can viably take a log from thinnings.

Therefore, what would happen is what did happen for the 15 years up until 2014, that is, that we didn't thin our forests properly because there was no viable way of doing so. So the estate management was pretty poor in that way because it's unviable to actually carry out the proper management techniques. The export market, either directly or indirectly, for us has enabled us to manage our estate properly.

149 The Hon. D.W. RIDGWAY: You talked earlier in your evidence around farm forestry both in the Limestone Coast and in the Hills. Are there any, from ForestrySA's perspective, barriers? What are the issues around farm forestry?

Mr SPEED: Probably land use competition from other industries. It is easier and it is a faster return and, I guess, less cash flow risk for one of our neighbours at Delamere to enter a grazing licence with his beef farming neighbour than it is to establish 20 hectares of trees.

150 The Hon. D.W. RIDGWAY: The price of lamb and beef today, that's record high prices, so it would be hard to compete, I would expect. Obviously, ForestrySA has gone under some sort of changes over the breadth of the forward sale of the rotations. What's the sort of financial position of ForestrySA from an asset point of view? As at now, in 10 years' time, how's it looking?

Mr SPEED: From an asset base point of view—I guess we are talking about the balance sheet—it hasn't changed a whole lot. The value of the commercial estate is rising because we are managing the estate properly now. We have had about four consecutive years of valuation increase, which is a good thing. The long-term supply agreements with domestic customers, that I talked about, have been traditionally underpriced, and we know that by doing comparisons with what else is happening in the industry. There is still some financial constraint on the business by maintaining and fulfilling our obligations under those contracts.

151 The Hon. D.W. RIDGWAY: You talked about sufficient volume to have processors in the Hills. The forestry estate that ForestrySA manages in the Adelaide Hills and Limestone Coast is different because it's a forestry industry area. What size does the estate need to be in the Hills to actually underpin a couple of processors locally up in the Hills, where they can process the small stuff and also a sawmill that can do the big logs? Or is it now not viable to have a process in the Hills and we are always going to have to either truck them to Mount Gambier or export them?

Mr SPEED: Until it's happened I can't be proven right or wrong on this, but I suspect an annual volume approaching 150,000 tonnes a year, which we are getting close to, is probably reasonable to sustain an industry. One of the real problems is that, as I said to you before, we have five log supply agreements. If we had one or two, with a more consolidated processing base—one or two larger players instead of five smaller ones—it would certainly be much more sustainable than it is today.

Going back to your question about the financial position, ForestrySA is now on the verge of making a profit out of its commercial forestry operations but has not done so for the past, certainly, five years, I can say—in my time.

152 The Hon. D.W. RIDGWAY: My recollection at the time of the sale of the forward rotations, that if the Hills were included the price was less than if you didn't include them because of that concern about being isolated and away from Mount Gambier, the freight component. That was my recollection of it at that time. That and the Mid North forests, if they were included in the parcel I think that the value of the asset was going to be less—it was unlikely to have a profit, the price that would be paid would be less.

Mr SPEED: I haven't been privy to that, but I've heard the same thing.

153 The Hon. D.W. RIDGWAY: I wasn't privy—I wasn't part of the government then—but certainly that's the sort of anecdotal evidence we had then. Thank you. They are the only questions I have, and I am sorry I do have to get away.

154 The Hon. F. PANGALLO: Thanks for coming in, Mr Speed. Can I just ask you: you mentioned about the thinning of the forests, that issue there. Has there been a rethink about that and any policy regarding thinning of our forests since the bushfires?

Mr SPEED: Since the recent bushfires or—

155 The Hon. F. PANGALLO: Yes.

Mr SPEED: No, but there was prior to that. So for the last four years, probably, ForestrySA has been on a really strong management regime for the estate, underpinned by our ability to market most of the product that we create through our harvest program. There hasn't been a change recently, but we don't believe there needs to be, whereas if you compare the status quo with 10 years ago, certainly there has been, yes.

156 The Hon. F. PANGALLO: So ForestrySA has the responsibility for clearing on their own estates, I gather? Clearing undergrowth and all that—

Mr SPEED: Yes.

157 The Hon. F. PANGALLO: —to prevent situations like we saw in the bushfires.

Mr SPEED: Yes.

158 The Hon. F. PANGALLO: So you do that?

Mr SPEED: We have got fire management responsibilities, yes.

159 The Hon. F. PANGALLO: And there's been no cutback on any prescribed burns or clearing or anything like that?

Mr SPEED: There hasn't been any cutbacks. We certainly have struggled to complete prescribed burns during last year because—

160 The Hon. F. PANGALLO: What's the reason for that?

Mr SPEED: Mostly the available windows.

161 The Hon. F. PANGALLO: What, regarding the weather?

Mr SPEED: Yes, mostly. So prescribed burns are a very dynamic thing. We can prepare all we like—and the other land management agencies would treat this the same way in that the agencies would have a list or a file full of plans ready to go, but the weather conditions today may not suit the plan for today so it doesn't get done. The weather conditions may suit Thursday, but there are no crews available Thursday. So we certainly have had a struggle trying to implement all of our planned prescribed burns.

What we have managed to do under much more close management, I suppose, is our residue burns. So that probably represents a bigger fuel reduction obligation and opportunity for ForestrySA than the prescribed burns, because forestry as an industry does create a heavy fuel load. So we have certainly kept on top of our residue management, which is a pretty immediate risk if it is ignored.

162 The Hon. F. PANGALLO: Did you have any estates on Kangaroo Island?

Mr SPEED: No.

163 The Hon. F. PANGALLO: Have you any concerns—you were talking about public access to our reservoirs that the government has brought in. Has ForestrySA expressed any concerns about public access into areas where there are forest estates in relation to the security of that?

Mr SPEED: Where there are estates on the reservoirs?

164 The Hon. F. PANGALLO: In reservoirs, yes. I mean, would you have concerns about security? The reason I am asking this question is basically for the potential for deliberate fires to be lit, for instance.

Mr SPEED: Not specifically related to the reservoirs, because we have our forests open to the public. The other 10,000 hectares, give or take, is in the same situation. Certainly, we have plenty of concerns about the way we manage public access. That's why we have a close working relationship with the CFS and SAPOL.

We have a team of rangers who have compliance functions, including being mindful of public interaction and fire risk. I don't see the risk being too much different on reservoirs than outside of it other than, perhaps, there is opportunity for increased visitation in those areas. Certainly, there are very busy spots at Kuitpo and Mount Crawford as it is.

165 The Hon. F. PANGALLO: I don't know whether your department has considered this, even though we are in early days, but what impact will this coronavirus (COVID-19) crisis have on our forestry industry and exports? Have you taken any consideration of what it could do?

Mr SPEED: We are certainly taking it into consideration, but the feedback is changing daily, as you would be aware. We are fully prepared for some business interruption. Whether it is only export-related sales or domestic remains to be seen.

We have internally covered the possibility of a health risk or a virus outbreak at one of the sawmills where there are perhaps 30 people in an enclosed space and that, I guess, is as likely as any other workplace. That would certainly have an impact on ForestrySA. We would survive that circumstance by reducing supply of that particular product type. We would have to stand down

one or two contractor operations in order to do that. We have been in discussions with them, and I guess that everybody in the industry is aware that it's a possibility.

166 The Hon. F. PANGALLO: What is your main export market?

Mr SPEED: We don't actually export anything at all. There are Australian-based exporters who take our product—

167 The Hon. F. PANGALLO: But what are the main export markets for it?

Mr SPEED: Most of the smaller log, which is the majority of our product that goes there—

168 The Hon. F. PANGALLO: China?

Mr SPEED: Sorry, destination?

169 The Hon. F. PANGALLO: Yes.

Mr SPEED: Yes, China would be the biggest one by far.

170 The CHAIRPERSON: India as well?

Mr SPEED: I'm not aware of any of our product going to India. China and South Korea are the only two that I'm aware that our products have ended up at.

171 The Hon. F. PANGALLO: But this could impact if there's a lockout, for instance, where not only are they closing their borders to people entering but perhaps even exports?

Mr SPEED: Yes, we are fully expecting there to be some disruption to the export component of our business. We are already hearing stories about ships being delayed, letters of credit being more difficult to secure, people less willing to take the risk of sending an unsecured sale of cargo offshore from Australia. We haven't been impacted as yet, but we are—

172 The Hon. F. PANGALLO: Preparing for it?

Mr SPEED: We are preparing for it, yes.

173 The CHAIRPERSON: You mentioned earlier, and in your submission, bioenergy. What work is currently underway to look at bioenergy from fibre residues, and what involvement does ForestrySA have in that?

Mr SPEED: Very little direct involvement, although I have taken an interest in the possibility of some research in that area benefiting us directly. I have specifically asked PIRSA's forestry division for the inclusion of some biofuel-related research to be carried out under the Forestry Industry Advisory Council. Indeed, I have asked the question as to whether that topic is included in their schedule of work to be investigated. I have received a positive response and I have been assured that that is on the table.

Likewise, we have a reasonably close working relationship with the new Forest Research Mount Gambier organisation based at UniSA because we have a research funding agreement with them, and I am aware that UniSA have their own plans for research in that area. It's logical that there shouldn't be too much overlap between what the advisory council and the research bodies are doing—and I hope there isn't—but that's my understanding.

174 The CHAIRPERSON: Are you aware of how far into the future funding has been provided to that research institute?

Mr SPEED: There is no future funding, but there is an agreement in place that covers the funding of that institution up until 30 June 2021.

175 The CHAIRPERSON: Are you aware of any funding beyond June 2021?

Mr SPEED: No, I'm not.

176 The CHAIRPERSON: Do you think that's an issue?

Mr SPEED: If it's not funded beyond that date then, yes, certainly there would be some shortfalls in the research that would be able to be carried out. The nature of research is that

quite often there will be a list of projects on the go and very rarely would they be all neatly completed at the expiry date of the funding agreement, so I have no doubt there will be some interruptions to research programs if it was discontinued.

177 The CHAIRPERSON: So some certainty around funding, in your opinion, would be a useful thing for the future of the industry?

Mr SPEED: Yes.

178 The CHAIRPERSON: Moving to farm forestry, you have talked a little bit about potential future farm forestry, but my understanding is that there are a number of farm forestry agreements that were put in place in the early 2000s, probably under the MIS schemes. First of all, can you tell me what the status of those farm forestry agreements is and the role that ForestrySA has in them?

Mr SPEED: In the Limestone Coast?

179 The CHAIRPERSON: Yes.

Mr SPEED: ForestrySA has no remaining role to play in any of them, as far as I'm aware. If I could take that on notice, I will get back to the committee on whether there are any of those still outstanding. My understanding is that the vast majority of landholders had either harvested those trees and had them sold and disposed of years ago, or the land has changed owners, or they are no longer interested in doing anything about it because there has been a fire and the trees are gone or something else has happened to them in the meantime.

ForestrySA established most of those agreements in the early 2000s. The agreements were basically a first right of refusal, so ForestrySA retained the right to take that product to market, use its existing harvest and transport contractors, and use its existing relationships with wood processors in order to deliver that product and take a management fee for that service. With ForestrySA not having any existing relationships with harvest and transport contractors or wood processors any longer, it doesn't make sense for ForestrySA to be handling any of those if they do remain but, as I said, I would be happy to get back to the committee on whether any of them are still unresolved.

180 The CHAIRPERSON: I was given—it hasn't been provided to the committee, although I'm happy to do so—a list of farm forestry agreements that are still in existence. Previously, when we have asked PIRSA about them, they have said they are ForestrySA's responsibility and they haven't been able to provide very much in the way of information. It listed a number. If the owner is the same owner, does that mean that those agreements are in place indefinitely or would they have had an end date?

Mr SPEED: I believe that they were inconsistent, in that some did have end dates and some did not.

181 The CHAIRPERSON: What oversight—line of sight—does ForestrySA have on those agreements?

Mr SPEED: ForestrySA has copies of any agreements that were established. It's part of our record keeping, so we have them. I believe that all of the landowners have been contacted in the past year or so in order to ascertain their interest in doing anything about them, but I will reiterate that ForestrySA's role was facilitating a flow of product from the grower to a processor. We don't have the relationships or commercial expertise in that region to do that anymore. I don't think ForestrySA has a realistic claim to try to earn a fee out of those landholders now when we are not able to provide those services.

182 The CHAIRPERSON: I appreciate that it may not make sense. I guess what I'm trying to get at is whether there is a contractual obligation on those landowners to still offer that resource where it exists to ForestrySA in the first instance.

Mr SPEED: No, certainly ForestrySA would be releasing landowners from those contracts if they want to pursue a sale elsewhere—that is the issue to be sorted out if it has not yet been sorted out. We have no interest in holding landowners to a contract that we can't assist them with.

183 The CHAIRPERSON: But they would still be required to contact you prior to disposing of that timber, if they are under one of those agreements. Would that be correct?

Mr SPEED: Yes, but I believe most of that contact would have already been made.

184 The CHAIRPERSON: Can you table for the committee the correspondence that was sent to individual landowners about those farm forestry agreements—not necessarily each individual one.

Mr SPEED: An example?

185 The CHAIRPERSON: Yes, thank you. Can you provide to the committee the outcomes of how much land is still under such agreements and how much total volume is in existence, as in it hasn't been burned and it hasn't been harvested? If they were early 2000s, if they were *pinus radiata*, most likely they wouldn't have been harvested as yet, if they were looking for a full return, given that it is fewer than 20 years, for what is usually, I understand, roughly a 30-year rotation.

Mr SPEED: We could certainly provide estimates of that. In some cases, we have found it very difficult to get a response from the landowner after many years. We would need access to the property in order to do some sort of assessment of what is standing there, but if you are happy, some standard formulas could be used for context.

186 The CHAIRPERSON: Yes. So that would result in an estimate of what is available?

Mr SPEED: Yes.

187 The CHAIRPERSON: Thank you. Where the land has been sold, would that automatically extinguish the farm forestry agreement?

Mr SPEED: Yes, it would.

188 The Hon. R.P. WORTLEY: Mr Speed, what role did ForestrySA play in the formulation of the current water licensing regime?

Mr SPEED: No role, as far as I am aware.

189 The Hon. R.P. WORTLEY: Are you involved in any monitoring of water?

Mr SPEED: No, we are not. There may have been a role in the past that I am not aware of, but I have no knowledge of any involvement in it whatsoever.

190 The CHAIRPERSON: Could I break in there, Hon. Mr Wortley? You say that it had no role in the development of the water licensing. So in all the discussions around water usage by forestry and so on, you are saying that ForestrySA provided no advice on the formulation of that policy back in the—

Mr SPEED: As far as I am aware.

191 The Hon. R.P. WORTLEY: Could you maybe just check back and see whether there was any involvement and provide that to the committee?

Mr SPEED: Yes.

192 The Hon. R.P. WORTLEY: You are not involved in any plans in the future for changing the current water regime at all?

Mr SPEED: No; without any commercial plantation area in the region, we don't have a reason to be involved.

193 The CHAIRPERSON: Can you clarify that none of your non-Limestone Coast plantations—which, of course, is most of them, if not all—are under water licensing restrictions?

Mr SPEED: No, they are not.

194 The CHAIRPERSON: Thank you. I appreciate we have gone past the time you were expecting to be here, but I want to go back to the bioenergy before we wind up. There was a bioenergy roadmap, I think it was called, a few years ago. Are you aware of any work that has progressed from that in regard to forestry?

Mr SPEED: Not specifically from the road map, although I can envisage the same thing. I recall seeing it, and I assume that that did contribute to some of the industry research projects that would have either been carried out or been started by the various research institutions. I can't comment on how well they have progressed to date, though.

195 The CHAIRPERSON: Thank you. If there are no other questions, thank you very much for your attendance. As I mentioned, we will provide you with a transcript for any clerical corrections. Thank you for coming today.

Mr SPEED: Thank you.

THE WITNESS WITHDREW