

Department of Infrastructure, Energy and Resources

OFFICE OF THE SECRETARY



Stephen Palethorpe
Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Palethorpe

Thank you for your invitation of 22 March 2013 to provide a submission to the Senate Standing Committee on Rural and Regional Affairs and Transport Inquiry into the Tasmanian Forestry Grants Program.

Please accept this letter as a submission to the Inquiry on behalf of the Tasmanian Government.

I note that the Committee's Terms of Reference are to inquire into the findings of the Commonwealth Auditor General's report 26 of 2007-08, *Performance Audit Tasmanian forest industry development and assistance programs*, and report 22 of 2012-13, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*.

The programs that are the subject of these audit reports were implemented and administered by the Australian Government Department of Agriculture, Fisheries and Forestry (DAFF) to meet commitments made by the Australian Government in the 2005 *Tasmanian Community Forest Agreement* (TCFA) and the 2011 *Tasmanian Forests Intergovernmental Agreement* (TFIA) respectively. Both of these agreements were signed by the Prime Minister of Australia and the Premier of Tasmania.

These programs formed a critical component of both agreements. Each agreement had different program objectives. The implementation of the programs was vital to the achievement of these objectives.

The Tasmanian Government considers that overall the programs were implemented by DAFF to meet the Governments' objectives at the time.

The three TCFA \$56 million industry development and assistance programs were implemented over the period 2005-2009 to assist the forest industry in Tasmania to add value, improve efficiency and competitiveness. In accordance with clause 53 of the TCFA and as stated in the Auditor General's report the Tasmanian Government, through the then Department of Economic Development (DED), assisted DAFF in the joint management of the hardwood industry and country sawmillers programs. The Australian Government administered the softwood industry component of the program in consultation with the State.

The objectives, funding and administrative arrangements for these programs were set out in a Memorandum of Understanding signed by the responsible Ministers in the Commonwealth and State governments. The 2007 – 08 audit report accurately describes the level of involvement of the

Tasmanian Government in the development of the program guidelines, the assessment of applications for grants and making recommendations to Ministers for approval of grants.

I note the findings and recommendations of Report 26 are mostly concerned with DAFF's administration of the Program. I also note DAFF's positive response to these recommendations and agree with DAFF's assessment that the programs met the Governments' then objectives by leveraging a significant investment from industry and assisting forest companies to adjust to the changing nature of the Tasmanian timber resource.

The TFIA Forest Contractors Voluntary Exit package was implemented by DAFF in 2011-12. Again the Auditor General's report accurately describes the involvement of the Tasmanian Government in the development and implementation of this program. I note in particular that the report states that there were a range of strongly held views from stakeholders on the design of this program. The Tasmanian Government had a different view from the Australian Government on some of the assessment criteria, and hence was disappointed that some businesses did not receive assistance under the program.

The report examined the methods used by the Advisory Panel and notes that the Panel included an officer of the Tasmanian Government. It should be noted that this officer, who is a staff member of my Department, operated as a member of the Panel within the terms established by DAFF. At no time did this person provide any information to the Tasmanian Government on the applications or the Panel's deliberations. Hence, I am not in a position to comment on the assessment processes or DAFF's management of the program.

I note that both audit reports were primarily to assess DAFF's implementation and administration of these programs. As such the reports do not specifically review the limited involvement of the Tasmanian Government or its officers in these processes. However, I note that neither audit report made any adverse finding on the role of the Tasmanian Government. To the contrary the report reflects positively on the cooperative development of agreed guidelines and assessment procedures by both governments.

Please let me know if there is any way I can assist the Committee. I look forward to the Committee's report.

Yours sincerely

NORM MCILFATRICK
SECRETARY

April 2013