

FORESTRY TASMANIA'S RESPONSE TO THE AUDIT OF INTENSIVE FOREST MANAGEMENT OUTCOMES, FUNDED UNDER THE TASMANIAN COMMUNITY FOREST AGREEMENT.

Forestry Tasmania has reviewed the report titled "Performance Evaluation of the Tasmanian Community Forest Agreement Intensive Forest Management Programme" prepared by Plantall Forestry Consultants (Plantall).

The report was commissioned by the Australian and Tasmanian Governments as a response to the second five-yearly review of the Tasmanian Regional Forest Agreement. As part of the Governments' response, it was agreed to facilitate performance evaluation and financial audits of the intensive forest management programme and to publish these audits on the relevant Government websites.

The objective, scope and expected outcomes of the performance evaluation undertaken by Plantall are described below.

OBJECTIVE

- To confirm that the TCFA IFM activities, as reported in the annual acquittals by Forestry Tasmania, have been undertaken in compliance with the quality standards set out under the organisation's Australian Forestry Standard (AS4708) and ISO14001 compliant integrated quality management system.

REVIEW SCOPE

This audit will:

1. Review Forestry Tasmania's quality management system processes and information underlying the annual IFM acquittal reports, and quality standard monitoring for IFM activities.
2. Perform on-ground verification audits on an appropriate sample of TCFA IFM coupes to ensure that the reported TCFA IFM activities have been undertaken, and conducted to a prescribed and acceptable standard.
3. Provide a report on the consultant's finding in relation to the scope of the audit.

EXPECTED DELIVERY / OUTCOMES

The Tasmanian and Australian Governments expect the consultant will provide a comprehensive report, containing:

1. a brief description of the TCFA IFM Programme;
2. a description of the review process that was undertaken in providing the performance audit opinion;
3. a description of the methodology within the process for undertaking the review process;

4. the findings from the on-ground verification confirming Forestry Tasmania's reporting of TCFA IFM activities through their annual acquittal statements to 30 June 2011;
5. a professional opinion on the adequacy and appropriateness of Forestry Tasmania's implementation of the TCFA IFM Programme;

PURPOSE OF TCFA IFM FUNDING

The TCFA fund allocated \$115M to Forestry Tasmania for the provision of intensive forest management. The funds were to be expended as follows:

- To establish and high prune and fertilise 16,000 hectares of hardwood plantation on State forest – 16,000 hectares @ \$6,000/hectare = \$96M
- To accelerate the Programme to upgrade existing hardwood plantations on State forest to high prune, high value solid wood status – 6,000 hectares @ \$2,500/hectare = \$15M
- A programme of eucalypt regrowth thinning on State forest – 2500 ha @ a total cost of \$4M

The combination of the three elements above were designed to provide for the long term maintenance of the annual supply of 300,000 m³ of hardwood veneer and sawlog, with sufficient safety margin to secure that supply, and underpin future industry development. The TCFA IFM programme had the aim of increasing productivity of State forest from a reduced area of land available for wood production as a result of increased forest reservation resulting from the TCFA in 2005.

Due to the decision by Forestry Tasmania to cease conversion of native forests from 2007 to meet changed requirements of AS4708 Australian Forestry Standard, agreement was reached with the Department of Infrastructure, Energy and Resources (Tasmania) in 2009-10 to a change in the allocation of funds. The initial allocation of \$15M for the "acceleration" of existing plantations was increased to \$20M in 2010-11 by transfer of \$5M from new plantation establishment. The allocation to regrowth thinning was increased from \$4M to \$6M at the same time.

FORESTRY TASMANIA INVOLVEMENT IN THE AUDIT PROCESS

The performance evaluation audit was undertaken by Plantall Forestry during April and May 2012, including two weeks of office and field visits to Forestry Tasmania facilities between 16 and 27 April.

Forestry Tasmania provided all information and access to staff and sites as requested from the auditor by adopting an "open book" approach to the audit. Forestry Tasmania staff accompanied the auditor on field visits to provide information on completed works, management regimes, decisions about past and future management and other information as requested.

FORESTRY TASMANIA RESPONSE TO FINDINGS AND RECOMMENDATIONS OF THE AUDITOR

FINDINGS

Forestry Tasmania acknowledges that the auditor found that “the Intensive Forest Management programme has been delivered by Forestry Tasmania and is ongoing.”

The auditor found that the plantations had been generally well established and that existing plantations had been pruned and fertilised to a high standard. In such a large programme there were only a few issues of note which led to areas of concern, opportunities for improvement or non-compliance. Forestry Tasmania has noted these and, where possible, will take action to rectify in current and ongoing operations.

The auditor found that there were “substantial decreases in the areas of plantation being managed to produce high quality sawlog and veneer logs due to regime change in areas of new plantation.” Forestry Tasmania acknowledges this fact and factored it in to the original planning of the TCFA programme. At the time of implementation of the TCFA programme there was still uncertainty around the productivity potential of converted native forest sites and their potential for plantation production. Forestry Tasmania relied on an objective assessment of site productivity taking into account existing vegetation and soil properties (see Laffan 2000¹). It is only after plantations have been established, that the growth potential becomes evident. In most cases, where growth was inadequate, this was confined to sections on a plantation coupe and the majority of the coupe has continued to be managed on a sawlog regime.

The auditor also found that timely thinning of treated plantations is critical to future sawlog supply. Forestry Tasmania is aware of this issue but plantation thinning was not funded by the TCFA IFM programme, nor was it in the scope of the audit. Forestry Tasmania is making efforts to find markets to enable a thinning programme to be implemented, but is facing difficulties as described below.

The auditor found that Forestry Tasmania had under-reported its delivery of the IFM programme to the extent of 304 ha for plantation establishment, 4,202 ha for pruning and 2,407 ha for fertilising for the period until 2010-11. The audit report indicates Forestry Tasmania over-reported its delivery for native forest thinning by 1,304 ha over the same period; however this figure excludes thinning in 2005. When the 2005 area (1,078 ha) is taken into account, the over-reported delivery is 226 ha. Forestry Tasmania will adjust its reporting to reflect the audit findings and notes that this will bring forward Forestry Tasmania’s acquittal against the TCFA programme.

¹ Laffan, M.D. 2000. A rapid field method for assessing site suitability for plantations in Tasmania’s State forest. *Tasforests* 12: 83- 103.

Table 1 provides a summary of the adjusted areas treated under the TCFA IFM programme, based on the audit report. These areas will be used as the baseline for future reporting of progress of the TCFA IFM Programme.

Table 1. Areas treated under the TCFA Intensive Forest Management Programme, as at 30/6/2012, based on the findings of the independent audit.

Operation	New Plantations (ha)	Existing Plantations (ha)		Native Forest Thinned (ha)
		Pruned	Fertilised	
	Established			
	13,455	28,767	20010	3504 ¹

¹Includes 1,078 of thinning undertaken in 2005 and recorded in District Operation Reports

RECOMMENDATIONS

- 1. That Forestry Tasmania develops ways to tag each operation comprising the Annual Acquittals of TCFA.**

FORESTRY TASMANIA RESPONSE:

Agree. This will be done from 2011-12 onwards until all funds are acquitted.

- 2. That a procedure should be developed by Forestry Tasmania in consultation with DIER to retrospectively adjust Annual Acquittals if Regime Changes or improved information becomes available.**

FORESTRY TASMANIA RESPONSE:

This recommendation should be considered under any future programme but was not part of the TCFA IFM programme, which is now virtually complete. Under the current programme, Forestry Tasmania did not plant areas that it did not think would achieve the target of producing plantations that would be able to be fertilised and pruned for future sawlog production. The funds were acquitted at establishment and there is no requirement or capability to make a retrospective adjustment based on later performance. The consultant found that eight percent of new plantations were underperforming, due to a range of factors including drought, inappropriate site selection, weed competition, animal browsing and insect predation. The funds provided for additional fertiliser to be applied to some of these areas, based on scientific evidence that site productivity could be boosted to achieve adequate growth rates on sites that would not achieve growth targets under normal circumstances.

- 3. When the plantation management Regime Changes away from high quality sawlog production any unspent TCFA funds allocated to that area should be redistributed to other areas to promote sawlog production.**

FORESTRY TASMANIA RESPONSE:

Agree. Forestry Tasmania has been doing this, insofar as additional fertiliser was applied to some areas (see above) and the pruning and fertilising of existing plantations was expanded. The consultant also suggested that previously cleared land could have been planted. However Forestry Tasmania has very limited access to such land and no funds were allocated for land purchase under the IFM programme.

- 4. Every endeavour should be made to capture additional markets for thinning products as a priority.**

FORESTRY TASMANIA RESPONSE:

While Forestry Tasmania regards this recommendation as beyond the scope of the report, it is in general agreement and has been taking actions to capture markets.

The main reason for the recent delay in thinning was the withdrawal by Gunns Ltd from a 20-year contract with Forestry Tasmania, commencing in 2007, to take products from plantation and regrowth thinning to supply export woodchip markets and a proposed Tasmanian pulp mill.

Forestry Tasmania is actively seeking alternative markets for logs derived from plantation and regrowth thinning. This includes supplying plantation logs for rotary peeled veneer and export pulpwood, and developing new manufacturing technologies that could utilise plantation and regrowth peeler logs not meeting Ta Ann (Tasmania) specifications.

- 5. That targets and standards be set for thinning New and Existing Plantations and that progress towards these targets be reported in Annual Acquittals.**

FORESTRY TASMANIA RESPONSE:

Forestry Tasmania regards this recommendation as beyond the scope of the report and that of the TCFA funded programme. There was no requirement or funding in the TCFA IFM program for plantation thinning and therefore there should be no requirement to report on this in annual acquittals. Thinning progress is monitored in Forestry Tasmania internal quality standards reporting which is in compliance with the quality standards set out under the organisation's Australian Forestry Standard (AS4708) and ISO14001 compliant integrated quality management system.

6. That a more reliable system of recording native forest thinning achievements be developed by Forestry Tasmania.

FORESTRY TASMANIA RESPONSE:

Forestry Tasmania recognises the problems of recording native forest thinning progress using an area based method due to the differences in age class, retention objectives and a number of other silvicultural constraints. As a means of overcoming these issues Forestry Tasmania uses data from its sales system, which has reliable data on log sales from each coupe. The native forest thinning programme was acquitted on the basis of \$1,600/ha, with an underlying assumption that an average 100t/ha would be harvested across the IFM programme.

7. That even age regrowth forests with access to markets be thinned as a priority activity.

FORESTRY TASMANIA RESPONSE:

See response to recommendation 4. Forestry Tasmania is constrained by existing markets and in recent times, reduced contractor availability as a result of the TFIGA process.

Table 22 of the audit report notes that annual acquittals of native forest thinned areas amounts to 3,760 ha. FOD records show 2,426 ha thinned. In 2005 there were no FOD records for native forest thinning, however 1,078 ha was thinned according to District Operations Reports, leading to a total of 3504 ha of actual native forest thinning. Therefore, the initial target of 2,500 ha of native forest thinning has been exceeded. The re-allocation of IFM funding in 2010/11 increased the funding for regrowth thinning from \$4M to \$6M. The 3504 ha of thinning to the end of June 2012 allows the acquittal of \$5.6M and indicates that \$0.4M remains, which could be used for a further 250 ha of native forest thinning if markets become available.

Additional native forest thinning must be commercially viable and operationally feasible. It is beyond the scope of the TCFA funding arrangement.



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