

GOVERNMENT BUSINESS ENTERPRISES ACT 1995

MINISTERIAL CHARTER

June 2015

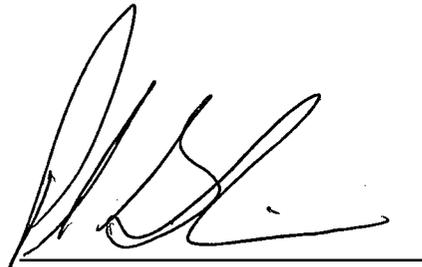
FORESTRY TASMANIA

This Ministerial Charter is jointly approved by:



**Minister for Resources
(Portfolio Minister)**

Date: 8/IX/2015



Treasurer

6.9.15.
Date:

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I. INTRODUCTION

- This Ministerial Charter has been prepared by the Minister for Resources and the Treasurer, following consultation with Forestry Tasmania in accordance with Section 36 of the *Government Business Enterprises Act 1995*.
- The Charter sets out the Government's broad policy expectations and requirements for Forestry Tasmania.
- It should be read in conjunction with the following Acts:
 - *Forest Management Act 2013*;
 - *Forestry (Rebuilding the Forest Industry) Act 2014*;
 - *Forest Practices Act 1985*; and
 - *Government Business Enterprises Act 1995*.
- This Charter takes effect from the date it is signed and remains in effect until it is amended or revoked.
- This Charter will be reviewed by no later than 30 June 2016.
- The Charter is to be tabled in Parliament by the Portfolio Minister and published on the website of Forestry Tasmania.

2. PURPOSE AND STRATEGIC EXPECTATIONS

2.1 Principal Purpose

- The principal purpose of Forestry Tasmania is to manage and control all permanent timber production zone land and to undertake forest operations on permanent timber production zone land for the purpose of selling forest products.

2.2 Principal Objective

- Pursuant to legislative requirements, the Portfolio Minister and Treasurer expect Forestry Tasmania to:
 - be a successful business operating in accordance with sound commercial practice and as efficiently as possible; and
 - achieve a sustainable commercial rate of return having regard to the social and economic objectives of the State, as agreed with the Portfolio Minister and Treasurer.

2.3 Strategic Expectations

In undertaking its core business, the Portfolio Minister and Treasurer expect Forestry Tasmania to:

- have regard to the following principles:
 - Forestry Tasmania as a Government Business Enterprise (GBE) must be financially self-sustaining. This does not preclude it receiving funding to efficiently deliver Government services such as fire management, or the provision of public access to the forest estate;
 - the public forest estate will continue to be managed appropriately for the benefit of the multiple users of the resource;
 - the growth of the forestry industry in Tasmania will be based upon long-term sustainable commercial harvesting and utilisation of the public and private forestry estates; and
 - the opportunities for the private sector to capture the commercial and value adding opportunities available from both the public and private forestry estates are to be maximised.
- retain Australian Forestry Standard certification and work towards the achievement of Forest Stewardship Council (FSC) certification;
- implement the reforms arising from the review of Forestry Tasmania, as advised in writing to it by the Minister and the Treasurer from time to time; and
- build and maintain stakeholder trust and support, including by acting in a socially responsible manner and taking all reasonable steps to minimise the risk of adverse effects on the environment that may result from Forestry Tasmania's activities.

The Portfolio Minister and Treasurer note that to meet some of these expectations and implement the reforms arising from the review of Forestry Tasmania will require a significant transition for Forestry Tasmania.

2.4 Compliance with Government Policies

In pursuing the strategic objectives in the context of the Government's directions, and undertaking its functions and exercising its powers, Forestry Tasmania shall act in accordance with:

- the governance framework for Government businesses;
- Treasurer's Instructions and guidelines that are applicable to Forestry Tasmania;
- the Inter-Agency Fire Management Protocol; and

- other Government policies specifically applying to Forestry Tasmania as advised in writing by the Portfolio Minister and the Treasurer.

3. NATURE AND SCOPE OF OPERATIONS

3.1 Core Activities

- The core activities undertaken by Forestry Tasmania are:
 - land and native forest management;
 - sales of forest products;
 - fire management; and
 - roading.

These activities are detailed in Schedule 1.

3.2 Other Activities

- The Portfolio Minister and the Treasurer have agreed that Forestry Tasmania may undertake the following other activities:
 - nursery operations at Perth to produce eucalypt and radiata pine seedlings for planting in its own plantations, and also for sale to other landowners;
 - negotiation and management of transport contracts with external parties to allow Forestry Tasmania to sell timber on a mill door basis;
 - commercial operation of the Tahune AirWalk tourism site;
 - management of the Newood Huon and Smithton sites;
 - direct exports and development of agreed infrastructure to support export of residue products, including logs and woodchips, while market constraints that are limiting private sector investment remain;
 - commercial establishment, pruning, thinning and fertilising of plantations;
 - provision of professional and technical services to external customers on commercial terms to capitalise on the specialist expertise held within Forestry Tasmania's staff and on its intellectual property; and
 - direct sales of special species timber on commercial terms.
- The Portfolio Minister and Treasurer may request Forestry Tasmania to prepare and submit for approval an exit strategy for an agreed other activity it is undertaking. Once approved by the Portfolio Minister and Treasurer, Forestry Tasmania must implement the exit strategy within the timeframe approved in the strategy.

- The Portfolio Minister and Treasurer may allow Forestry Tasmania to conduct other activities on a case-by-case basis where supported by a compelling business case. Written approval of the Ministers must be obtained before undertaking any such activities.

3.3 Non-commercial Activities

- Forestry Tasmania's non-commercial activities are:
 - any activity that has been declared a community service obligation by the Treasurer; and
 - any activity that the Portfolio Minister and Treasurer agree would be non-commercial and direct Forestry Tasmania to perform.
- Non-commercial activities are listed in Schedule 2 of this Charter.
- Where Forestry Tasmania is required to perform non-commercial activities, those activities are to be:
 - performed in an efficient and effective manner; and
 - costed and funded in accordance with arrangements as agreed with the Treasurer. If no arrangement is in place, the non-commercial activity is to be funded by the business.

3.4 Business Presence Outside the State

- Forestry Tasmania is not expected to operate outside Tasmania.
- Forestry Tasmania must seek the written approval of the Portfolio Minister and the Treasurer before establishing a new business presence outside Tasmania. Any request must be accompanied by a compelling business case.

4. FINANCIAL AND COMMERCIAL MANAGEMENT EXPECTATIONS

4.1 Financial Performance

- The Portfolio Minister and Treasurer expect Forestry Tasmania to:
 - meet its financial and commercial targets, including target dividends, as set out in the annual Statement of Corporate Intent agreed with the Portfolio Minister and the Treasurer. Target dividends are to be agreed during the corporate planning process;
 - implement the business strategies contained in the Corporate Plan in order to meet the agreed long term performance targets for the organisation, consistent with the Government's expectations;
 - be proactive in identifying and implementing operational efficiencies and productivity measures to enhance financial performance;

- keep the Portfolio Minister and the Treasurer, along with the Department of Treasury and Finance (Treasury), as principal financial advisor to the Treasurer, and the Department of State Growth, as principal forest policy advisor to the Portfolio Minister, informed of any significant issues impacting on the business, especially its financial performance targets; and
- co-operate with the Government to identify and implement a pathway to financial sustainability.

4.2 Customer Service

- In delivering its services, the Portfolio Minister and the Treasurer expect Forestry Tasmania to take account of contemporary practice and other management developments in the industry in which it operates and the commercial sector generally.
- Forestry Tasmania is to have in place and follow a customer service charter which is to be publicly available.

4.3 Reporting

- The Portfolio Minister and the Treasurer expect Forestry Tasmania to comply with any relevant reporting requirements specified in any guidelines issued by Treasury.

4.4 Pricing

- The Portfolio Minister and Treasurer expect Forestry Tasmania to set prices, fees and charges which:
 - meet the objectives of efficiency, and financial sustainability; and
 - to the extent possible, move towards a commercial return on assets employed as set out in the Statement of Corporate Intent.

4.5 Borrowings and Investment Activities

- The Portfolio Minister and Treasurer expect Forestry Tasmania's borrowings to be consistent with the Debt Maturity Structure guidelines and any direction given under the *Tasmanian Public Finance Corporation Act 1985*.
- When investing any surplus funds, Forestry Tasmania should provide the Tasmanian Public Finance Corporation with the opportunity to offer its services.
- Capital structure and debt levels should be maintained at a level that is consistent with the overall strategic portfolio objectives of the Government.

4.6 Capital Asset Management

- The Portfolio Minister and the Treasurer expect Forestry Tasmania to:
 - develop Asset Management Plans reflecting prudent commercial practice;
 - regularly review its asset holdings with the aim of identifying surplus non-performing and non-core assets. The disposal of any undertaking or asset is to be in accordance with the provisions of the Government Business Enterprises Act; and
 - subject any capital investment proposal to rigorous and considered analysis prior to any decision to commit resources.
- The Portfolio Minister and Treasurer, along with Treasury and the Department of State Growth, as advisors, are to be notified of any proposed major new capital investments.
- All major capital investment decisions must be approved in writing by the Portfolio Minister and Treasurer prior to any significant expenditure being incurred.

4.7 Risk Management

- The Portfolio Minister and Treasurer expect Forestry Tasmania to have in place risk management strategies that recognise the Government is a long-term risk-averse investor, identify business and financial risks, and provide for their ongoing management in a manner that is commensurate with the risk profile of the Government.

5. OTHER

5.1 Director Appointment Process

- The Portfolio Minister and the Treasurer expect Forestry Tasmania to work cooperatively with relevant Director Selection Advisory Panels to ensure that the appointment process results in a balance of renewal and continuity of Board membership.

5.2 Employee and Industrial Relations

- The Portfolio Minister and the Treasurer expect Forestry Tasmania to:
 - adhere to any Government policy guidelines in regard to Executive remuneration including bonuses or other forms of rewards;
 - be cognisant of any Government policy in regard to employee remuneration, consistent with contemporary public sector wages policy; and
 - promote a high level of safety throughout the organisation, taking all practical steps to provide its employees and employees of its contractors with safe working conditions.

- The Portfolio Minister and the Treasurer are to be notified of any significant changes to the employee relations policy of Forestry Tasmania, including the finalisation of any workplace or industry agreements.

5.3 Integrity and Ethics

- The Portfolio Minister and Treasurer expect the Board, management and employees of Forestry Tasmania to exhibit the highest level of integrity and professionalism in undertaking their duties.

5.4 Significant Developments

- The Portfolio Minister and Treasurer, along with Treasury and the Department of State Growth as their advisors, are to be kept informed of any matters of significance. Specifically, the Portfolio Minister and Treasurer expect to be notified of any adverse developments which may:
 - prevent the achievement of financial performance objectives; or
 - significantly affect the financial viability or operating ability of Forestry Tasmania; or
 - significantly impact on Government policy, client relations, industry and environmental issues.

5.5 Provision of Information

- The Treasurer and Portfolio Minister expect to be:
 - informed of any potential material transactions not in the ordinary course of business before they take place;
 - informed well in advance of any material or significant events, transactions or other issues relating to the business which could have a wider public interest; and
 - provided with any information requested, or reports provided, to be accurate, and provided in a timely manner.

SCHEDULE I

CORE ACTIVITIES

Forestry Tasmania performs the following core activities:

- Land and native forest management, comprising:
 - maintenance of the management systems, procedures, internal audit programs and information required to meet regular audit requirements under the various certification systems applicable to Forestry Tasmania's forest and land management;
 - identification of conservation values on permanent timber production zone land;
 - forest establishment including site preparation, regeneration burning, sowing / planting, quality standards monitoring and remedial treatments including weed and pest control;
 - property management including management of the leases, apiary sites, licences, joint ventures, easements and registered forestry rights on permanent timber production zone land;
 - quality standards monitoring;
 - seed cultivation, collection, storage and management;
 - surveillance of diseases and of plant and animal pests in production forests, and the planning, conduct and monitoring of remedial actions when deemed necessary;
 - inventory planning and mapping for the identification of forest types and other values;
 - preparation of long term sustainable yield estimates, based on field inventory measurements, growth and yield models, specialised forest type mapping, conservation value mapping, spatial overlay analysis, feedback from post harvest assessment and internal reporting and management;
 - preparation, reporting and ongoing review of three to five year wood production plans based on the outputs from strategic planning and on forecast market requirements and consultation with stakeholders; and
 - research and development to support ongoing forest management and wood production activities.

- Sales of forest products, comprising:
 - commercial sale of timber from permanent timber production zone land; and
 - to the extent required to achieve commercial sale of timber:
 - management of harvesting timber from permanent timber production zone land;
 - identification, management and harvest of special species timber and management of the Huon pine log stockpile on commercial terms;
 - preparation, approval and monitoring of Forest Practices Plans for each individual coupe to be harvested and regenerated (including for roadlines and for quarries); and
 - pre harvest preparation planning of each coupe to be harvested, as well as pre harvest briefings for the harvest contractor.

- Fire management, comprising:
 - monitoring fuel levels across the forest estate and planning and conducting low intensity fuel reduction burns in permanent timber production zone land and, where relevant, on other tenures in association with the relevant land owner or manager;
 - establishment and maintenance of firebreaks;
 - prevention, preparation and detection of wildfires in permanent timber production zone land; and
 - wildfire suppression on permanent timber production zone land and on adjoining lands, including coordinating the use of contractors' heavy ground equipment and operators and, where relevant, aircraft operations.

- Roading, at the standard required for wood production, comprising of:
 - construction of roads (including related bridges and culverts) used for wood production and fire fighting access; and
 - maintenance of roads(including related bridges and culverts) used for wood production and fire fighting access.

SCHEDULE 2

NON-COMMERCIAL ACTIVITIES

Forestry Tasmania performs the following non-commercial activities as defined in Clause 3.3:

- hazard reduction burns and assistance with hazard reduction burns coordinated by other State entities, at the request of the Government for whole of State purposes, that Forestry Tasmania would not undertake as part of its commercial or good neighbour activities;
- assistance with State fire management in the prevention, preparation and detection of wildfires including:
 - providing specialised training for staff and maintaining specialist plant, communications equipment and other equipment;
 - maintaining access and signage to water intake locations;
 - manning fire tower lookouts and conducting regular aerial surveillance during the high fire danger period, as well as maintaining appropriate weather records at each relevant location;
 - preparation of annual fire management plans for each region;
 - research into emerging firefighting techniques and equipment, relative to vegetation fires and (in particular) to forest fires; and
 - participation in inter-agency committees to develop communication protocols and tactical/operational policies for forest firefighting.
- supervision and conduct of wildfire suppression on non production forest and on adjoining lands in accordance with the Inter-Agency Fire Management Protocol, including coordinating the use of contractors' heavy ground equipment and operators and, where relevant, aircraft operations;
- management of agreed sites in permanent timber production zone land for public recreation. Including planning, construction, maintenance, servicing, signage, publicity and administration for those sites and for access to them;
- maintenance of agreed forestry roads (including related bridges and culverts) to a higher standard than is currently required by Forestry Tasmania for wood production to allow for continued public access and fire fighting access;
- identification, management and harvest of special species timber and management of the Huon pine log stockpile on non-commercial terms;
- ongoing provision of agreed forest education activities;
- ongoing provision of agreed non-commercial tourism activities; and
- ongoing facilitation of agreed forest research activities at Warra Long Term Ecological Research site.