

The Parliament of the Commonwealth of Australia

Northern Territory Forestry Program

Report from the House of Representatives
Standing Committee on Expenditure

May 1978

MEMBERS OF THE COMMITTEE

<i>Chairman:</i>	The Hon. K. M. Cairns, M.P.
<i>Deputy Chairman:</i>	The Hon. F. E. Stewart, M.P.
<i>Members:</i>	Mr K. J. Aldred, M.P. Mr J. J. Brown, M.P. Mr D. M. Connolly, M.P. ¹ Mr J. S. Dawkins, M.P. Dr H. R. Edwards, M.P. Dr R. E. Klugman, M.P. Mr B. Lloyd, M.P. Mr S. A. Lusher, M.P. Mr R. M. McLean, M.P. Mr P. F. Morris, M.P.
<i>Clerk to the Committee:</i>	Mr M. E. Aldons
<i>Adviser to the Committee:</i>	Mr C. Walsh

MEMBERS OF THE SUB-COMMITTEE

<i>Chairman:</i>	The Hon. K. M. Cairns, M.P.
<i>Members:</i>	Mr J. J. Brown, M.P. Mr R. M. McLean, M.P.
<i>Clerk to the Sub-Committee:</i>	Mr P. G. Bush
<i>Adviser to the Sub-Committee:</i>	Mr K. P. McGrath

1. Chairman of the Joint Committee of Public Accounts who, in accordance with Clause (2) of the Resolution of Appointment is a member of the Expenditure Committee.

TERMS OF REFERENCE

The House of Representatives Standing Committee on Expenditure was appointed to:

- (a) consider any papers on public expenditure presented to this House and such of the estimates as it sees fit to examine;
- (b) consider how, if at all, policies implied in the figures of expenditure and in the estimates may be carried out more economically;
- (c) examine the relationship between the costs and benefits of implementing government programs; and
- (d) inquire into and report on any question in connection with public expenditure which is referred to it by this House.

RECOMMENDATIONS

The Committee recommends that:

1. given the dearth of useful research into all aspects of planting, protection, processing and marketing, the planting of softwood be discontinued.
2. should it be decided that partial or total Territorial self-sufficiency in timber products is desirable, at least ten years of research into all the factors in (1) above be undertaken to establish the feasibility of a revised planting program and the form that program should take.
3. when, and if, a forestry program is recommenced in the Northern Territory, its policy objectives be clearly set out and adhered to and program budgeting in relation to the objectives be precise.
4. the forestry section of the Department of the Northern Territory be substantially disbanded and the expertise and Northern Territory experience of its staff availed of elsewhere.
5. the exploitation of native timbers on Aboriginal reserves for local use only, be continued if the local Aboriginal council so desires with suitable training equipment and technical assistance provided by the Department of Aboriginal Affairs.
6. existing softwood plantations on Melville Island be maintained but, subject to (2) above, not expanded and the Howard Springs and Gunn Point plantations be written off as production areas.
7. management programs of native forests be discontinued and only major access roads be maintained for transport purposes, except to the extent that forestry work at established centres is integral to Aboriginal training and employment.
8. the Government, in negotiating the estimates of expenditure for the Northern Territory for the financial year 1978-79, having regard to the evidence placed before this Committee and to the Committee's findings, substantially reduce funding for the Northern Territory forestry program.
9. in subsequent years, the level of Commonwealth Government financial assistance for softwood plantation operations in the Northern Territory be decided on the same basis as now applies to the States of Australia i.e. under the terms and conditions of the *Softwood Forestry Agreements Act 1978*.

INTRODUCTION

The matter of the Northern Territory Forestry Program was referred to this Committee by the House of Representatives Standing Committee on Environment and Conservation which had been conducting preliminary studies during the Thirtieth Parliament for a possible inquiry into arid zone forestry.

Concerned at allegations of inefficiencies in the forestry program administered by the Department of the Northern Territory (the Department) a sub-committee of that Committee visited Darwin and Maningrida in June 1977 and subsequently referred their findings to the Standing Committee on Expenditure for further examination. On 15 March 1978 the Committee forwarded to the Department a detailed questionnaire concerning the past and present operations of the forestry program and subsequently resolved on 12 April 1978 that a sub-committee be appointed to conduct a formal inquiry.

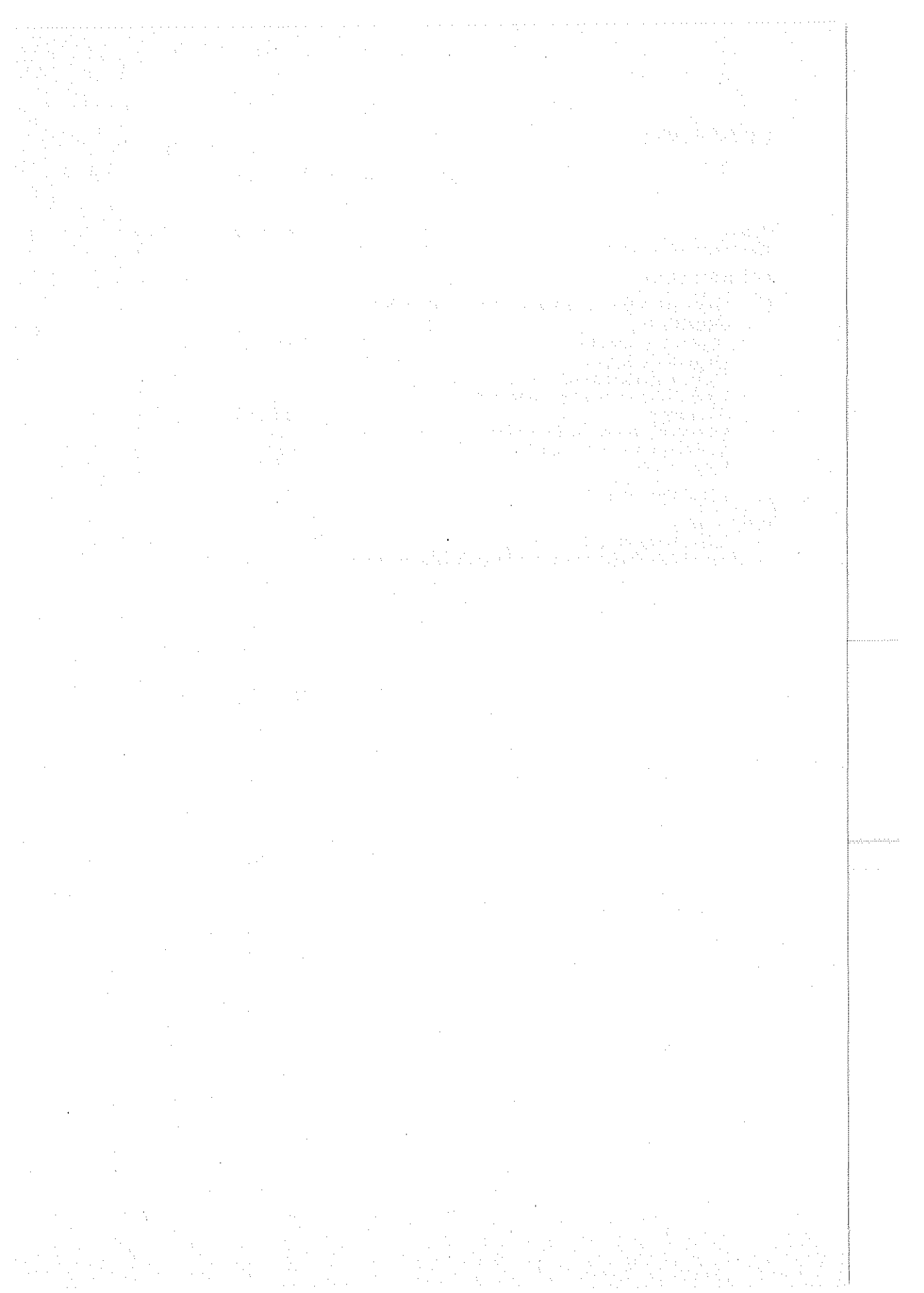
Realising that the responsibility for the administration of the forestry program would be transferred to the Northern Territory Executive from 1 July 1978 the Committee set itself the task of completing the inquiry and tabling its report before that date.

Public hearings were held in Darwin on 26 April 1978 and in Canberra on 12 May 1978 with inspections of forestry operations on 27 and 28 April. Published evidence is available for inspection at the Committee Office of the House of Representatives and the National Library. A list of witnesses appearing before the Committee and a list of persons and organisations making written submissions is at Appendix 1.

This report has been the work of a sub-committee of three members comprising the Hon. Kevin M. Cairns, M.P. (Chairman) Mr John Brown, M.P. and Mr Ross McLean, M.P. The Committee wishes to acknowledge the significant contribution made to the conduct of this Inquiry by the members of its secretariat and in particular wishes to express its appreciation for the invaluable services rendered by Mr K. P. McGrath, an Australian forester of international standing.

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CHAPTER I

THE NORTHERN TERRITORY FORESTRY PROGRAM

Objectives of the Inquiry

1. The objectives of this inquiry were to establish:
 - (a) to what extent the Northern Territory Forestry Program was achieving its aims as expressed in the Government's policy;
 - (b) the level of efficiency of the management of the program;
 - (c) whether the present level of expenditure could be justified by achievements to date; and
 - (d) the desirability of continuing the program and if so, in what form.

Program Objectives

2. In examining expenditure on the forestry program the Committee took as its starting point the stated policy objectives for the program in its various forms since 1959.

3. Originally entitled 'The Forestry Programme on Reserves for Wards', combining forestry production aims with the training of Aborigines, the program has since developed into a routine production exercise of some magnitude, whose stated objectives are:

- the development of wood production to meet the requirements of an expanding population and a potential export market by:
 - the identification and, where appropriate, reservation of potentially productive forest land;
 - the development, management and protection of potentially productive forest land;
 - the establishment of forest and timber industries based on the sustained yield management of Territory forests;
- the conservation of forest land for both production and other forest values including soil, water, wildlife and recreation;
- the creation of employment and training opportunities for Aborigines in rural areas.

4. This statement of objectives, in the broad terms in which it was expressed, was accepted by the Committee as the framework against which the achievements of the program to date would be assessed. Given the almost total dependence of the Northern Territory on timber supplies from the Australian States and from Malaysia, and the high prices of these supplies, the Committee would not question the desirability of achieving the policy objectives if the forestry program could be seen to be economically viable. The Committee was however intent on assessing the efficiency of the administration of the program and the level of expenditure which could be justified to realise the policy objectives.

5. With the benefit of hindsight the Committee will comment later in this Report on the adequacy and relevance of the forestry program policy set out above.

Program Implementation

6. The Committee was most disturbed by the lack of precision, in fact the confusion and factual discrepancies in the basic technical research, program analysis and administration which were to achieve the objectives. The Committee was left with the impression of a program with predominantly the social functions of providing employment and training for Aborigines drifting over the years into a substantial routine production program without sufficient regard to such procedures as:

- (a) adequate research into soil types, seeding and planting technology, growth rates of suitable species, silvicultural techniques, termite eradication methods;
- (b) realistic resource surveys, taking into account not only the standing volumes of native timber but their accessibility and the uses for which the timber could be exploited with existing technology on a commercial or semi-commercial basis;
- (c) benefit-cost analyses of exploitation of native and plantation species, based on the results of research, not on unrealistic assumptions;
- (d) market surveys, to define which timbers recorded in (b) above would be acceptable to the Territory market;
- (e) an evaluation of other costs involved in plantation or exploitation of native forests on Aboriginal land, such as the payment of royalties.

7. The Committee was unable to obtain evidence to suggest that any reasonable attention had been paid to these procedures which are fundamental to this type of program. In fact the contrary was true and it would appear the programs which the Department claimed had cost approximately \$10m to date had been initiated in an *ad hoc* fashion and had produced results which could most generously be described as disappointing.

8. To illustrate this point we would refer to the planting of Cypress pine (*Callitris intratropica*) which was the only species planted on a commercial scale until 1974. With an original benefit-cost ratio of 1 : 2.7 it was given a rosy economic prospectus as late as 1971 only to be virtually abandoned as a plantation species a mere three years later, by which time the benefit-cost ratio had been progressively downgraded below 1 : 1. Its replacement, Caribbean pine (*Pinus caribaea*) was proceeded with, having nevertheless little more than a superior early growth rate to recommend it and once again prior research on its growth rate and general suitability to Northern Territory conditions was negligible.

9. A total reassessment of the program's aims and management methods should have been provoked by the disappointing early growth rate and resultant uncertainty of long-term adaptability of Caribbean pine on Melville Island, and its dramatic failure at Gunn Point and Howard Springs, where its susceptibility to termite attack was witnessed. Despite claims by the Department of the Northern Territory that this was done and the program turned into a 'holding operation' only from 1975, pending a forestry policy decision by the Northern Territory Executive, evidence and our own observations showed that the planting program continued at a level of activity not compatible with a 'mothball' policy. A complete disregard on the part of management for actual plantation results is indicated by the continued drawing-up of management plans, the construction of new and expanded nursery facilities on Melville Island and negotiations with the Northern Land Council on land for future plantations.

Native Timber—Resource Information

10. Once again, fundamental data on the type, volumes and accessibility of native timber stands which should have been the starting point for an exploitation program for the native forests was not available in any meaningful form. The Committee had difficulty in reconciling native timber resource figures provided by the Department indicating a total merchantable sawlog volume of 100-200 times the current annual demand of the Darwin market' with the total dependence on 'uncertain and costly' supply from other Australian States and South-East Asia. This despite twenty years of forestry activity in the Territory.

11. Despite observations by people involved in the forestry industry for almost a century, which showed negligible commercially exploitable resources, a considerable amount of time, effort and funds had been put into sophisticated resource assessment work and the tabulation of results as presented to this Committee suggested that the 'Top End' could stand comparison with the best forests of the southern States. The matter was somewhat clarified when it was revealed that the Department would not stand by its own figures presented to the Committee in evidence and stated that apart from a very small component of useful Cypress pine the 'resource' overall was one of Eucalypt hardwoods which were neither the type nor the quality that the local market had ever been prepared to accept. The Committee can only conclude that the offer of such a statistical tabulation (even if one were prepared to accept the figures as accurate) as the dimensions of an exploitable resource is little more than sophistry.

12. To give one example of the inconsistencies in resource assessments, the Department in 1974 informed the Forwood Conference that the anticipated production of hardwood sawlogs in the Territory in 1980 would be 58 000 cu. metres. Despite criticism from foresters this figure, again for 1980 production, was raised in 1977 to 82 000 cu. metres. The Committee is now informed that the figure has been revised in 1978 to zero.

13. Formal evidence received by the Committee would support the early assessment of the Northern Territory timber resources and potential for forestry development made by Mr W. Bateman of the Forestry and Timber Bureau who after four years extensive study concluded in 1954 that: 'the stage has now been reached when most of the readily accessible resources have been exhausted'² and 'summing up, the general picture of the forest growth on the areas examined to date is most unimpressive. Burning and exploitation have, in most instances, reduced to a very low level such few forest areas of economic value as did originally exist'.³

14. This view would seem to be supported by the fact that 23 years later, and 18 years after the commencement of the original forestry program forwards the total volume of sawn timber produced in the Territory in 1977 amounted to 240 cu. metres, or less than 2 per cent of the total consumption of sawnwood for that year.⁴

15. Nevertheless the staff structure of the forest service has developed, in parallel with the various State services, as one which similarly had large natural resources to exploit and develop. Its practical performance, in contrast, appears to have amounted to no

1. Given as 25 000 cu. metres/p.a.—Evidence p.30

2. F. & T.B. Leaflet, No. 27, 1955, p. 6.

3. Ibid p. 12.

4. Timber Supply Review vol. 27, No. 4, Dec. 1977.

more than a small plantation establishment, together with the injection of a forestry element into the social service of a few Aboriginal centres. The Committee neither heard nor saw evidence to suggest overall success in any of these performances.

Expenditure

16. The Committee was disturbed by the fact that it was unable to obtain accurate total figures of expenditure for the forestry program which it considers should have been planned and managed as an essentially commercial activity, despite claims by the Department to the contrary.

17. Although it had been stated by the Department of the Northern Territory that 'total costs' of the forestry programs since 1959 were 'of the order of \$10m' (with revenue to date of \$150 000) it was revealed in questioning that this excluded the clerical and administrative costs of the Forestry Section and its predecessors. Also ignored were costs incurred by other government agencies, particularly the Department of Construction which was responsible for capital works and some repair and maintenance and the Department of Aboriginal Affairs.

18. Other agencies which incurred substantial expenditure in the interests of Northern Territory forestry were the Forest Research Institute and its successor, the Division of Forest Research of the CSIRO. While the Committee has no figures of expenditure by the Institute the Division of Forest Research spent almost \$1m between 1 July 1975 when it took over the research functions and 30 April 1978. Some indication of CSIRO's current priorities was given by the Chief of the Division of Forest Research who informed the Committee that while the Division would continue to maintain a presence in the Northern Territory, it was nevertheless its intention to reduce the Darwin establishment in favour of the development of a regional station in Southern Queensland.

19. Although no evidence was taken from the Department of Construction the Department of Aboriginal Affairs was able to provide the Committee with figures on grants for Aboriginal timber enterprises and forestry operations, which were entirely related to the exploitation of the native forests, totalling \$870 000 since 1971 compared with revenue of \$33 000. Only one of the five sawmills for which the grants were made is still operating on a limited scale at Lake Evella. The benefits of these operations to the Aboriginal people are discussed later in this Report.

20. Further questioning of the Department at the second public hearing in Canberra on 12 May 1978, on the documents supplied to the Committee in answer to its preliminary questionnaire revealed that the Forestry Branch's expenditure, without taking into account any of the omissions referred to above was closer to \$14 m since 1959.

21. Given its own priorities in wishing to report on this inquiry before the transfer of powers to the Northern Territory Executive on 1 July 1978, the Committee was unable to obtain full true costs but estimates that total expenditure of public funds on, or generated by, the forestry programs would be in excess of \$30 m.

22. This lack of information on the total costs of a program misrepresents the size of that program. As a result the Parliament approves programs without all the relevant costs being placed before it and this Committee's task in selecting new references is also made unnecessarily difficult. Through its examination of the questionnaire answers the Committee was able to establish that the stated program costs on which parliamentary approvals were presumably given were incomplete, if not misleading, ignoring the costs

necessarily incurred by associated agencies. Although the practice of the Department in this procedure was consistent with past Public Service practice in the preparation of its estimates the Committee was concerned at the implications for parliamentary scrutiny of government decision-making and budgeting of what it considers to be a loose approach to formulating program estimates.

Benefits of Forestry to Aboriginals

23. Since virtually all of the areas considered by the Department to be viable forestry resources or potential plantation areas are on Aboriginal reserves, the attitudes of the traditional owners should have been taken into account in assessing the potential of the programs. However, evidence suggests that, in the past, the Department in respect of forestry development on Aboriginal lands for Aboriginal people failed to involve them in the management of the programs or to gain their co-operation. Furthermore, draft proposals for future administration of forestry programs on Aboriginal lands by the Department, submitted in evidence by the Northern Land Council, suggest that similar attitudes to those implemented in the past prevail within the Department.

24. The alleged benefits to the Aboriginal people of training and employment in past forestry operations are also questioned by the Committee. The evidence indicates that the skills provided were of a basic mechanical type and that the development of management and entrepreneurial skills in forestry operations was limited. The Northern Land Council considers, and the Committee agrees, that the local Aboriginal people should derive more than day labour work experience from such projects.

25. Evidence reveals that at Maningrida, where a major sawmill facility was installed in 1971 at a cost variously estimated at \$140 000 and \$250 000, at 1971 costs and operated at a small fraction of its capacity until 1977 when it closed down, there is little prospect of the sawmill re-opening for any purpose other than to mill a small quantity of timber for local needs. The possibility of re-opening the mill to provide employment and income was discounted. This appears to be the likely direction, rather than commercial operations, for the majority of reserves.

26. The Committee questions the wisdom of training large numbers of Aboriginals to develop skills for a forestry enterprise which, on the evidence available, could never be economically viable. This is confirmed by the fact that the Department of Aboriginal Affairs has spent \$370 000 in grants for forestry operations at Maningrida since 1975 for a total revenue of \$1500. Similar patterns of expenditure and revenue were given for other reserves.

27. Training programs should probably be attuned to the local needs and to small export operations in the very few cases where this may be feasible, such as at Lake Evella, or in the future, on Melville Island, should it be the expressed wish of the Aboriginal people. However, before any further action is taken in this direction, the Committee considers that there should be a full assessment of the needs and aspirations of the Aboriginal people in respect of forestry operations on their lands, including detailed consultations with the people and consideration of possible developments proposed by and acceptable to the Aboriginal communities.

Administration of the Program

28. In commenting on the administration of the forestry program the Committee is fully aware of the historical background, particularly the role of the Forestry and Timber Bureau in the inception, the development and the promotion of the program to 1975. Therefore in stating that the Committee cannot be too critical of the administration of the forestry programs, it refers not only to the Department of the Northern Territory, but in large part to the Bureau. The Committee was unable to find any reason as to why management, faced with the data on poor native resources and unsuccessful plantation programs, showed continued reluctance to downgrade or redirect the resources available to it.

29. It is recognised that some factors beyond the control of the administration militated against the success of the program, such as the changing attitudes of Aboriginals towards their involvement in forestry. Nevertheless the Committee believes that these factors were incidental to the program's failure to achieve its goals. The real problem was that the program's goals were unrealistic, given the lack of suitable native timbers and the failure of plantation species, ill-researched as they were, to adapt to Territory conditions.

30. The Committee also wishes to place on record its concern at evidence which suggested that efforts from within the management and research structure of the Department to have the program critically reassessed were ignored and suppressed by senior management. The Committee's findings indicate that departmental review of the program in any realistic, practical manner was lacking and finds no justification for the stifling of attempts to implement such procedures internally.

Program Revision

31. Early in this Report it was stated that the Committee had set out to take the stated forestry program objectives as given and examine the program against those objectives. However as the inquiry proceeded it became patently obvious that, desirable as the achievement of these objectives might be, they were unrealistically ambitious and based on misleading advice which disregarded the real situation of the native forests and plantation potential.

32. In this regard it should be noted that while the Committee is prepared generally to take stated policies as given, it has, on a previous occasion informed the House that '... in some cases the existence of waste, extravagance or an obvious poor use of scarce resources could lead to judgements about the policy itself'.⁵

33. While it is possible to accept in principle that the Territory should reach a state of self-sufficiency in timber supplies the Committee received no evidence to show that this is economically feasible.

34. The questions which must be asked in any consideration of the future of the forestry program are:

- (1) Is it really necessary for the Territory to become self-sufficient in timber resources; and
- (2) If so, is the Territory prepared to commit the substantial funds necessary in an attempt to achieve this over a very long period of time.

5. Australian Parliament, *Accommodation for Married Servicemen, Report from the House of Representatives Standing Committee on Expenditure*, Parl. Paper 99, 1977 (Canberra, 1977) p. x.

35. In deciding these questions it should be borne in mind that in addition to the risks to forestry investment which occur elsewhere in Australia, the Territory has particular problems caused by the frequency of fires, termite attack and cyclone devastation. The risks are not negligible.

CHAPTER II

RECOMMENDATIONS

36. The Northern Territory forestry program(s) continued for almost 20 years without adequate scrutiny by the Parliament and this Committee is pleased to be able to discharge its responsibilities before the program is transferred to the control of the Northern Territory Executive from 1 July 1978.

37. The Committee recommends that:

- (a) given the dearth of useful research into all aspects of planting, protection, processing and marketing, the planting of softwood be discontinued.
- (b) should it be decided that partial or total Territorial self-sufficiency in timber products is desirable, at least ten years of research into all the factors in (a) above be undertaken to establish the feasibility of a revised planting program and the form that program should take.
- (c) when, and if, a forestry program is recommenced in the Northern Territory, its policy objectives be clearly set out and adhered to and program budgeting in relation to the objectives be precise.
- (d) the forestry section of the Department of the Northern Territory be substantially disbanded and the expertise and Northern Territory experience of its staff availed of elsewhere.
- (e) the exploitation of native timbers on Aboriginal reserves for local use only, be continued if the local Aboriginal council so desires with suitable training equipment and technical assistance provided by the Department of Aboriginal Affairs.
- (f) existing softwood plantations on Melville Island be maintained but, subject to (b) above not expanded and the Howard Springs and Gunn Point plantations be written off as production areas.
- (g) management programs of native forests be discontinued and only major access roads be maintained for transport purposes, except to the extent that forestry work at established centres is integral to Aboriginal training and employment.
- (h) the Government, in negotiating the estimates of expenditure for the Northern Territory for the financial year 1978-79, having regard to the evidence placed before this Committee and to the Committee's findings, substantially reduce funding for the Northern Territory forestry program.
- (i) in subsequent years, the level of Commonwealth Government financial assistance for softwood plantation operations in the Northern Territory be decided on the same basis as now applies to the States of Australia i.e. under the terms and conditions of the *Softwood Forestry Agreements Act 1978*.

K. M. CAIRNS
Chairman

24 May 1978

APPENDIX 1

(a) LIST OF WITNESSES

CAMERON, Mr D. M.	Officer in Charge, Northern Territory Regional Station, Division of Forest Research, CSIRO, Winnellie, Northern Territory
DAY, Dr M. F. C.	Chief of Division of Forest Research, CSIRO, Canberra
GALVIN, Mr J. A.	Principal Forestry Officer, Forestry, Fisheries and Land Conservation Branch, Department of the Northern Territory, Darwin
HAUSER, Mr J. P.	Assistant Secretary, Forestry, Fisheries and Land Conservation Branch, Department of the Northern Territory, Darwin
HAYNES, Mr C. D.	68 Boldrewood Street, Turner, A.C.T.
HOOPER, Mr F. J.	Forestry, Fisheries and Land Conservation Branch, (Forest Management) Department of the Northern Territory, Darwin
HUNTER, Mr J. C.	Department of Aboriginal Affairs, Canberra, A.C.T.
LACEY, Mr C. J.	4 Wehl Place, Kambah, A.C.T.
LYNAGH, Mr N.	Acting First Assistant Secretary, Management Services, Department of the Northern Territory, Darwin
MALONE, Mr L. A. J.	First Assistant Secretary, Land and Mining Policy Division, Department of Aboriginal Affairs, Canberra, A.C.T.

(b) LIST OF PERSONS AND ORGANISATIONS MAKING SUBMISSIONS

ARCHER, Mr G. R.*	Private Bag 2, Meadows, S.A.
HAYNES, Mr C. D.	68 Boldrewood Street, Turner, A.C.T.
LACEY, Mr C. J.	4 Wehl Place, Kambah, A.C.T.
N.T. Environment Council Inc.	1st Floor, Royal Globe Building, Cavenagh Street, Darwin
Northern Land Council	P.O. Box 3046, Darwin
WILSON, Mr C.*	5 Kersley Avenue, Glengowrie, S.A.

* Denotes confidential submission

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