

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Inquiry into VicForests operations

Melbourne — 17 July 2017

Members

Mr Bernie Finn — Chair

Mr Khalil Eideh — Deputy Chair

Mr Jeff Bourman

Mr Mark Gepp

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

Mr Luke O'Sullivan

Participating members

Mr Greg Barber

Ms Samantha Dunn

Mr Cesar Melhem

Mr Gordon Rich-Phillips

Witnesses

Mr David Webster, Deputy Secretary,

Mr Ben Stewart, Special Advisor, Commercial, and

Mr Stephen Canterbury, Assistant Director, Shareholder Advisory Services, Department of Treasury and Finance.

The CHAIR — Welcome to the public hearing of the economy and infrastructure committee. All evidence given at this hearing is protected by parliamentary privilege; therefore you are protected against any action for what you say here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege — in fact there is a fair chance they will not be. I would ask you to address the committee for 5 to 10 minutes, and then we will open it questions. Over to you, gentlemen. Thank you.

Mr WEBSTER — Thank you very much, Chair. With me today are Ben Stewart, Special Advisor, Commercial Division, Department of Treasury and Finance, on my left, and to my right, Stephen Canterbury, Assistant Director, Shareholder Advisory Services, Department of Treasury and Finance. Thanks for the opportunity to present to you this morning. We provided the clerk with a copy of our presentations, so if you do not mind handing it out for me, that would be great.

Slide 1: VicForests was established in 2003 by an Order in Council under the State Owned Enterprises Act 1992. VicForests's role is to undertake on a commercial basis the sale, supply and regeneration of timber resources from areas of Victorian state forests set aside for wood production. That is very clearly set out in the order in council, together with the various other duties as well, which I will come to in slide 2.

In 2015–16 VicForests generated revenue of \$112 million and a net profit after tax of \$4.7 million and has about 110 staff. The Minister for Agriculture is the relevant minister who oversees VicForests from a policy and operational perspective, and DEDJTR assists the Minister for Agriculture in that role. The Treasurer, however, is the shareholder minister who oversees VicForests from a financial and commercial perspective, and DTF supports the Treasurer in that role for around 30 commercial entities, including VicForests. The Treasurer and the Minister have joint responsibility for the appointment of VicForests board members.

Just over to slide 2: it is important to remember from a commercial point of view VicForests is not a Corporations Law entity, and the Order in Council includes responsibilities around operating the business or pursuing undertakings as efficiently as possible, consistent with prudent commercial practice. It must be commercially focused and deliver efficient standalone, value-for-money services and must operate in a framework consistent with Victorian government policies and priorities.

To summarise and to look at the terms of reference, as the Treasurer is the shareholder minister rather than the relevant minister, he and DTF do not input into the day-to-day operations or the portfolio policy settings of VicForests. The terms of reference to me appear to relate predominantly to VicForests operations, so I do not have any specific comments as to DTF's responsibilities and how they interact with your terms of reference, but I will present on how DTF oversees VicForests. I will also touch on indemnities. I know that has come up previously to this inquiry, and I will overview the whole-of-government responsibilities in relation to indemnities as well.

In terms of DTF's oversight role, we have corporate planning performance reporting guidelines which set out how DTF oversees all of the commercial business. The Treasurer is shareholding minister, including for VicForests. Commercial businesses like VicForests are required to submit annually a draft corporate plan, which is then commented on and comes back in a final corporate plan to the Treasurer every year. Our review of those includes a review of the key strategies, KPIs and financial forecasts, very much from a financial and commercial oversight. VicForests then reports to DTF quarterly on their performance against what was forecast in the corporate plan just so we see how they are tracking financially, and the Treasurer determines VicForests's dividends back to government in consultation. For example, in 2014–15 VicForests's paid a \$1.5 million dividend on its 2014–15 profit. We work jointly with DEDJTR on board appointments and board remunerations typically. We also provide advice to the Treasurer on VicForests's annual borrowing requirements and approvals.

Over the page we just touch on indemnities. Separate from the corporate governance and performance monitoring of all commercial entities, DTF also provides advice to the Treasurer on all indemnities for government-owned entities. So the policies are quite well set out in the Government Policy and Guidelines, June 2008. I am happy to provide those to the committee as well.

The Treasurer is empowered under section 40D of the Financial Management Act to execute indemnities for public bodies on behalf of the state government. The Treasurer has absolute discretion to grant or deny the provision on indemnity on behalf of the state. However, it is not done lightly; it is in fact quite rare. We administer the guidelines I just touched on that establish groundwork for the provision of indemnities. The

guidelines inform departments and agencies that a Treasurer's indemnity will generally only be granted in exceptional circumstance — say, where the risk is unique or extraordinary in nature and no commercial insurance is available or is only available on exceptional terms. In advising the Treasurer on individual indemnity requests DTF considers a couple of things, including the extent to which the request meets the requirements set out in the indemnity guidelines, potential benefits for the state of granting indemnity and the potential liability to the state arising from an indemnity.

Just in terms of indemnities and state bodies in general, the director's duties and responsibilities for a state body are different to a Corporations Law entity. Primarily the director's responsibilities derive from the Order in Council for VicForests — the Order in Council under the State Owned Enterprises Act — and the Public Administration Act as well. The duties set out in section 79 of the Public Administration Act include a duty to exercise functions in a financially responsible manner, and the courts have no inherent jurisdiction to wind up statutory authorities such as VicForests, which also can impact on our views on whether it is appropriate or not to give indemnities. On that note I am happy to take questions.

Mr O'SULLIVAN — Thanks, gentlemen, for coming in to the hearing today. I just want to take up Mr Webster's point in relation to the indemnities just to get a bit more background about the indemnity for VicForests. In terms of the indemnity, obviously one of the complications in this space is that there was a change of government after the initial indemnity was put to the former Treasurer and, obviously, at that time to DTF. In terms of that indemnity, was the same advice provided to the former Treasurer as was provided to the current Treasurer in relation to that indemnity each side of the election?

Mr WEBSTER — I am unable to comment on advice given to the former government. The policies and guidelines around indemnities did not change over that period, so I would expect DTF advice to be consistent with the policies of government at the time.

Mr O'SULLIVAN — Okay. We have heard evidence presented to this committee in relation to the indemnity and the fact that it was not signed by the former Treasurer, and I understand you said you cannot make comment on what happened before the last election. That is fair enough. Was there anything that would have precluded the current Treasurer from signing that indemnity upon the new government coming to office?

Mr WEBSTER — You would have to ask the Treasurer that question.

Mr O'SULLIVAN — In terms of advice that was given, you said the advice would have been consistent for the previous Treasurer as it was for the new Treasurer. Therefore would it be fair for this committee to assume that whatever advice was given to the former Treasurer was given to the current Treasurer and therefore there was really no barrier in terms of the current Treasurer not signing the indemnity?

Mr WEBSTER — I cannot comment on advice given to the Treasurer as — —

Mr O'SULLIVAN — But we can assume, from what you have said, that it was the same or that the advice would have been consistent.

Mr WEBSTER — The policy did not change, to my knowledge, over the period.

Mr O'SULLIVAN — Okay. In terms of the timber supply that the indemnity would have provided some sort of a guarantee for to VicForests, obviously the indemnity was that there was a certain amount of timber available for the industry at that time. It seems to me that if you were to follow it logically and if there was enough timber for the indemnity to be put in place, potentially for the end of 2014, the same timber has not disappeared. So why would it be appropriate that the timber was available back in 2014 but is not available for the industry now in 2017?

Mr WEBSTER — Indemnities actually do not go to timber supply. Indemnities go to financial liabilities, so you can indemnify somebody for a financial liability arising in a particular circumstance. The question of timber supply is secondary to that.

Mr O'SULLIVAN — Yes, I understand that, but I would assume that if an indemnity was put in place in relation to a timber supply, which obviously has financial implications one way or another, that indemnity would not have been put on the table unless there was a timber supply in place that would have been sufficient

and that would have covered off the indemnity in terms of the financial aspects of that indemnity in the first place.

Mr WEBSTER — In terms of when directors apply for an indemnity, that may well be in parallel to them finalising negotiations around new commercial arrangements et cetera, but in terms of our assessment of the need for an indemnity or the desirability for the state to bring an indemnity our advice would not consider the policy settings around what timber is available or not available.

Mr O'SULLIVAN — I just want to move on to the most recent report — it was only released last week — in relation to the Leadbeater's possum. As part of that report it basically has given us the indication that there is about a \$15 million reduction in the amount of money available, or that VicForests will contribute, in terms of timber supply or in terms of sales — \$15 million less than what it would have been last year — as a result of the Leadbeater's possum. What is the future of VicForests with a \$15 million deduction in terms of their financial position?

Mr WEBSTER — In terms of looking at the corporate plan and what opportunities there are for potentially reacting to changes in circumstances I have not actually seen the latest corporate planning cycle for VicForests, so I think it is premature to speculate on what may or may not be in that corporate plan.

Mr O'SULLIVAN — We have heard, then, and from your own presentation, that VicForests have been making a profit after tax of, what, \$4 million that they paid in dividends off the — what was it — \$115 million; was that the initial figure in terms of their revenue?

Mr WEBSTER — Revenue in 2015–16, \$112 million; net profit after tax of about \$4.7 million.

Mr O'SULLIVAN — Okay. So in terms of a \$15 million reduction as a result of the exclusion zones in revenue, will that mean that they would now make a loss?

Mr WEBSTER — I could not speculate. I have not had any information or due diligence around that \$15 million number.

Mr O'SULLIVAN — Have you sought advice from the department as to what might happen if they were to have a loss in the current financial year — or it could even be in the last financial year that there could be a loss?

Mr WEBSTER — My understanding is the existing timber supply agreements covered the last financial year, so in terms of the practical implications of changes in financial performance that will obviously flow through to the potential dividends available to future governments.

Mr O'SULLIVAN — Is VicForests likely to remain a viable entity if it is making a loss? Is it something where DTF would start to consider whether it is worth having it in place if it is making a loss, or would you just expect the government would have to carry that loss?

Mr WEBSTER — In terms of why VicForests was set up I refer you back to the Order in Council. In terms of the Order in Council, as well as operating the business as efficiently as possible consistent with prudent commercial practice, it must operate in a framework consistent with Victorian government policy and parameters.

Mr O'SULLIVAN — I will go to that if I can. One of the other parameters is it must work in a financially prudent manner. 'Commercially focused' are the words that you had in your presentation. In terms of the priority of those two points: does the commercially focused take precedence over government policy, or does government policy take precedence over the commercially focused aspect of VicForests?

Mr WEBSTER — I think you would need to take legal advice on that, but my read would be that they are a balance, and operating in a framework consistent with Victorian government policy and practice is not inconsistent with operating as efficiently as possible, and as efficiently as possible is to make the best use of the circumstances you find yourself in.

Mr LEANE — Thank you for assisting us in our inquiry today. I just want to go over a few things from your verbal submission if that is okay. I was telling a couple of my colleagues I have committee-itis, so please forgive me if I paraphrase you wrongly, because you were speaking quickly.

The CHAIR — You would never verbal anybody, Mr Leane. No — surely not.

Mr LEANE — You were speaking faster than my consciousness can digest at this point in time. You mentioned the Treasurer, and that there are 40 commercial entities that the Treasurer has similar responsibilities over.

Mr WEBSTER — Around 30.

Mr LEANE — Can you give an example of some of those entities?

Mr WEBSTER — State Electricity Corporation of Victoria, State Trustees.

Mr CANTERBURY — VicTrack, V/Line, Development Victoria, Federation Square — a range of businesses with a commercial focus.

Mr WEBSTER — Water companies.

Mr CANTERBURY — Yes, all four metro and the 15 regional water businesses as well.

Mr LEANE — I imagine in the case of VicForests that VicForests has a board.

Mr WEBSTER — Correct.

Mr LEANE — And the people on that board would have responsibilities as far as the financial health of a company or proprietary or anything that goes with being a board member in any sort of financial entity. They would have the same responsibilities and onus on them as anywhere else.

Mr WEBSTER — Similar but not exactly. Most people are familiar with a Corporations Law entity, which is obviously a Commonwealth Act. VicForests has been set up under the State Owned Enterprises Act, so the duties and responsibilities of the directors of VicForests are as set out in the Order in Council, the State Owned Enterprises Act and the Public Administration Act of Victoria. So they are similar to but are different from corps law entities.

Mr LEANE — Do those acts that you mentioned have provisions that assist in putting the board at arm's length of government?

Mr WEBSTER — There are items in those Acts which set out the duties and responsibilities of directors, and I have set out a few of them in terms of what is in the order in council on stage 2. There are other parts of those acts which go to such things as ministerial directions, et cetera. So they are different to Corporations Law entities in how they interact with their shareholders and also their portfolio ministers.

Mr LEANE — To your knowledge — and I suppose as far as DTF is concerned — do you believe the board members have been fulfilling their duties and their proprieties the way they should be?

Mr WEBSTER — I have seen no evidence to the contrary.

Mr LEANE — This is getting back to me not necessarily digesting exactly what you said. You mentioned last financial year \$110 million went to the — —

Mr WEBSTER — One hundred and twelve million in total revenue, net profit after tax of about \$4.7 million.

Mr LEANE — So that \$110 million goes towards a boost in the economy as well?

Mr WEBSTER — Yes.

Mr LEANE — Let us go back to indemnities. Does the buck stop with the Treasurer, whether it gets signed off on?

Mr WEBSTER — Yes. In my understanding he has got absolute discretion as to whether indemnity is given or not.

Mr LEANE — Getting back to Mr O’Sullivan’s question: the previous Treasurer could have signed off on the indemnity being discussed — could have because the Treasurer has that responsibility and right.

Mr WEBSTER — Yes.

Mr LEANE — You mentioned that the indemnity does not go towards timber supply.

Mr WEBSTER — The indemnity is a financial instrument.

Mr LEANE — So when it comes to timber supply I would imagine that even if it did go to timber supply, it would be in a position of being irresponsible to guarantee that there would not be a reduction of timber supply going forward. There are bushfires, there are other circumstances that can affect the supply of timber to the forestry industry on a year-to-year basis.

Mr WEBSTER — That is a portfolio question better directed at DEDJTR.

Ms DUNN — Thank you for your presentation today, gentlemen. I wanted to turn briefly to a new matter that has arisen since we commenced this inquiry, and that is in relation to the purchase of the mill at Heyfield, Australian Sustainable Hardwoods. It is my understanding that the state government are certainly on record as saying that they are purchasing the mill. There have been reports in the newspaper that Vincent Hurley, the mill boss, along with three other managers will be buying that mill in some sort of arrangement with government. I am just wondering if you can shed any light on whether those four people involved would be Ron Goldschlager, Vince Hurley, Garry Henthorn and John McConnachie, who will in fact end up with 51 per cent of Heyfield in this arrangement being struck with the state government at the moment.

Mr WEBSTER — I am a bit stretched to see how that fits in with the terms of reference. The matters under negotiation are still subject to due diligence, and they are commercial in confidence, so I would have to take advice on our ability to answer those questions.

Ms DUNN — Thank you for that. I guess my interest in relation to this is that this inquiry is into VicForests, and if we have a government that owns a mill, they are in fact involved in the supply of the timber to that mill, the milling of that timber and the retailing of that timber against the private sector. I think that probably can fit, in terms of VicForests and their scope of operation, into what seemingly looks like a classic case of vertical integration. In saying that, I understand commercial in confidence, but it is taxpayers money. Where do taxpayers have comfort and assurance that there is rigour and robustness in any contract that is being negotiated on behalf of the people of Victoria?

Mr WEBSTER — As I said, that is commercial in confidence. Things are subject to due diligence. We will need to take advice on our ability to answer that and anything to do with the potential purchase of the Heyfield mill.

Ms DUNN — Can you confirm if any of those people I named are part of negotiations regarding the purchase of the Heyfield mill?

Mr LEANE — I call a point of order, Chair. I appreciate Ms Dunn’s questions. I think that the witness appears to be in no position to answer at this point, but if the witnesses were prepared to take the question on notice and send back whatever response they can send back, that might be helpful.

The CHAIR — I am happy to accept that if the witness feels that that is necessary.

Mr WEBSTER — Thank you, Chair.

The CHAIR — We will go with that.

Ms DUNN — I am happy with that, and I am happy to provide any detailed questions you might require in relation to that.

Moving to Treasury and Finance, indemnities and relationships with VicForests for now, are you able to explain what current loans are in place with VicForests between VicForests and the government?

Mr WEBSTER — I might pass that over to Stephen here.

Mr CANTERBURY — VicForests has a working capital loan facility with the government — with TCV. Over recent years, if you look at their annual report, that has dropped from \$13 million in 2013–14 down to \$4.2 million at 2015–16.

Ms DUNN — Is that the only loan currently in place with VicForests?

Mr CANTERBURY — Yes, it is.

Ms DUNN — Can you provide me with any details? I know you have talked about indemnities that can be in place with a number of organisations, and you have talked about how they are quite rare and how the decisions around them are not taken lightly. Are there any indemnities currently in place with VicForests or contractors of VicForests?

Mr WEBSTER — My understanding is there is one in relation to VicForests.

Ms DUNN — What would be the details of that indemnity with VicForests?

Mr WEBSTER — I do not have those with me at the moment.

Ms DUNN — Are you happy to provide those on notice to the committee?

Mr WEBSTER — I will take the question on notice.

Ms DUNN — That is terrific. Thank you. I take that this is the prior government, so you may not be able to comment on this, but in a brief to the then Treasurer of the time it talks about disputed charges with Australian Paper, and as part of the agreement between government and Australian Paper to resolve the dispute, the minister agreed to a price cap for Australian Paper on wood supplied by VicForests. Are you able to advise, or perhaps if necessary take on notice, whether that price cap for Australian Paper has now concluded?

Mr WEBSTER — I am unable to comment on advice to a previous Treasurer. I will take on notice the question around what is able to be disclosed in respect of that contract.

Ms DUNN — Thank you. I am not going to ask a specific question around the purchase of Heyfield but just more around the process in relation to Heyfield and that purchase. I am wondering what sort of due diligence will be undertaken in relation to the stock on site at the mill, how that stock will be valued and whether the discount that Heyfield mill was receiving in relation to timber will be built into that valuation of stock on site.

Mr BOURMAN — On a point of order, Chair, appreciating that this is new since the inquiry started, what has this got to do with the operations of VicForests? They have already supplied the timber.

The CHAIR — Would you care to explain that, Ms Dunn?

Ms DUNN — This inquiry is about supply, and in fact it also goes to alternatives to current utilisation. So I guess it is a broader question around utilisation of timber. That timber is still sitting in the yard. That timber has been discounted. It appears that we are re-buying that timber. What exactly will the price be that taxpayers will pay for the timber that has in fact already been purchased once at a discounted rate? I think it goes to the matter of VicForests' operations, how they value wood, and how you actually sort through those myriad issues when you have the classic vertical integration model?

The CHAIR — Okay, I will allow the question.

Mr WEBSTER — I would expect VicForests in terms of setting any new timber supply agreements to have due regard to VicForests' circumstances and the circumstances of what the market is prepared to offer. Typically they go out to a competitive process when they are offering timber supply agreements, and the price that VicForests will get for future timber supply will be a result of whatever competitive process they run in the future.

Ms DUNN — In terms of managing the competitive process and the timber auctions and things related to the purchase of timber, in relation to Heyfield essentially that mill will be competing against the private sector, so I am just wondering how that is managed in relation to issues around competitive neutrality, because I just need to understand how that works.

Mr WEBSTER — I have two comments on that. One is that the federal government legislation around competition is relatively clear and robust. The negotiations with Heyfield are ongoing, and the items that you are wanting to explore are more of a policy issue that are most appropriately directed towards DEDJTR.

Ms DUNN — That was my next question. If not you, who should I ask those questions of, so thank you for that. I just want to go back to indemnities once more, or to a related issue. Does the Department of Treasury and Finance underwrite any lease arrangements on any contractor equipment at all as part of their timber industry — —

Mr WEBSTER — DTF as a department I would be pretty confident in saying no.

Ms DUNN — So no, they do not extend to, say, harvester and hauler contractor equipment lease arrangements they have on their equipment; you do not underwrite?

Mr WEBSTER — DTF, the department, would not underwrite anything like that as far as I am aware.

Ms DUNN — So does that mean that perhaps another department might, but DTF does not or — —

Mr WEBSTER — Could you articulate exactly what the question is a bit more clearly?

Ms DUNN — Sure. If you are a harvester and hauler of timber, you will have a lease arrangement with your financial institution about purchasing equipment, whether that is a bulldozer, a logging jinker or whatever it is. Some financial institutions may want some sort of guarantor arrangement or some sort of guarantee underwriting those payments should the contractor fail to make them. So it is just a matter of exploring whether the government is playing a role in that guarantor or underwriting those lease arrangements to give certainty to the financial institutions.

Mr WEBSTER — Not as far as I am aware, and that sort of arrangement would be highly unusual.

The CHAIR — Just before I call Mr Bourman, there is just one question that springs to mind. Given the commitment to due diligence and so forth, are you telling us that the Heyfield sale is not as yet a done deal?

Mr WEBSTER — The Heyfield sale is undergoing due diligence.

The CHAIR — So it may not happen?

Mr WEBSTER — I am not able to comment on negotiations.

The CHAIR — But if the due diligence were found to be not up to scratch, it may not happen?

Mr WEBSTER — That would be a matter for government.

The CHAIR — So it is quite feasible that it may not happen?

Mr WEBSTER — That is a matter for government.

The CHAIR — I know it is a matter for government, but it is quite feasible that the government could put the kibosh — —

Mr WEBSTER — That is a matter for government.

The CHAIR — I know it is a matter for the government, but it is quite feasible that it could make a decision not to go ahead with the sale?

Mr WEBSTER — That is a matter for government.

The CHAIR — It is a matter for government — my word it is — but it is quite feasible. You can keep answering the question in the same way, and I will keep asking the question and we will be here all bloody day, but I am just asking if this thing is a done deal, and clearly it is not.

Mr WEBSTER — That is a matter for government.

The CHAIR — But clearly it is not. It is not a matter for government at all. It is either a done deal or it is not a done deal.

Mr WEBSTER — There has been no contract signed as of today that I am aware of.

The CHAIR — Okay, thank you.

Mr BOURMAN — Thank you for the presentation. Just thinking about DTF's role of oversight of VicForests, I am assuming it is all financial modelling. Should there be a major shift in the paradigms, such as the special protection zones for the possums, and originally there was going to be a cap of 200, I am assuming that someone in DTF would have done the viability figures for VicForests at that stage. Is that reasonable to assume? Does your oversight go that far? I am trying to just figure out exactly at what point you guys — do you wait for something to go wrong or does someone proactively make sure what is going to happen?

Mr WEBSTER — Government policies change all the time, and that is a matter for the relevant portfolio ministry. Once those policy decisions have been made they have consequential impacts on entities, including government-owned businesses. So when the corporate plan comes in we would try and understand what changes in the financial position of the entities have been driven by government policy changes to make sure that within government policy the businesses are being operated as efficiently as possible.

Mr BOURMAN — So when the policy was announced that there was a cap on protection zones I am assuming someone would have done the modelling as per that, then there was a change in policy and it kept on going. Has someone done modelling as best they can, because there is no limit, on that since then?

Mr WEBSTER — That is a matter that you should talk to VicForests about in terms of the inputs into their financial assumptions going forward and the modelling they have done behind that.

Mr BOURMAN — But then does DTF not have oversight on that?

Mr WEBSTER — We will oversight the corporate plan, and we will make inquiries into the basis for the financial assumptions going forward in terms of independently modelling the impact. That will depend on the circumstances.

Mr BOURMAN — I guess where I am going is, as best as can be determined — given there is another cap — has anyone done any modelling on just how far this can go? Before getting back to Mr O'Sullivan's question, is it going to be viable, given your oversight role, even though you are not into the day-to-day operations and it is not for you to make the decisions, I would expect that at some point in time someone has sat down, using whatever wizardry goes on behind the scenes in finance, and come up with a figure, and it is either black or red.

Mr WEBSTER — I think that is a question best directed towards VicForests or DEDJTR, to be honest.

Mr BOURMAN — I disagree, but I am not going to do a Mr Finn and spend hours arguing that.

Mr GEPP — Just one question from me, subject to the answer. In relation to Heyfield, would it be reasonable to say that there is in-principle agreement between the parties for the transaction to occur and we are now currently in the process of due diligence to bring that to a conclusion?

Mr WEBSTER — I would have to refer to government as those matters are commercial-in-confidence.

Ms DUNN — Gentlemen, you may need to take this question on notice; I am not sure. It does go to the matter of VicForests and its finances. It is my understanding that when Hermal purchased the Heyfield mill from Gunn's there was a pre-existing debt to VicForests at the time to the tune of \$7.2 million. I am just wondering if you are able to provide any information on how that debt was treated or paid off as part of the sale.

Mr WEBSTER — I will take the question on notice, going back to my prior responses around commercial-in-confidence on the terms of any potential deal.

Ms DUNN — Thank you. You talked about a working capital loan in place, or Mr Canterbury I think did, in relation to VicForests. Is that the only borrowings that VicForests currently have?

Mr WEBSTER — That is my understanding.

Mr CANTERBURY — Yes, that is correct.

The CHAIR — Any further questions? Gentlemen, thank you very much for your contribution today. Very soon you will receive a transcript of today's proceedings. I would ask you to check that for any mistakes or transcript problems, not that there will be any, but I would ask you to check on that and get back to us if needs be. I thank you very much indeed for your contribution today.

Witnesses withdrew.