

**THE PARLIAMENTARY STANDING COMMITTEE ON ENVIRONMENT,
RESOURCES AND DEVELOPMENT MET IN THE RECEPTION ROOM, TOWN
HALL, LAUNCESTON, ON MONDAY 19 MARCH 2007.**

Mr PAUL NICHOLLS, MANAGING DIRECTOR, AND **Mr MIKE CLARIDGE**, REGIONAL MANAGER, RAYONIER, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Hall) - I invite you both, or whoever is the spokesperson, to make an introductory statement and then, from your point of view, address the terms of reference and how you see the log supply deal.

Mr NICHOLLS - I am Paul Nicholls, I am the Managing Director of Rayonier Asia Pacific, and Mike Claridge is the Regional Manager but works as Manager for Taswood Growers.

As background, Rayonier is a forest owner and manager. We are a publicly-listed company on the New York Stock Exchange. Worldwide we own or manage about 1 million hectares. Once the joint venture between the GMO Renewable Resources LLC and Forestry Tasmania was established in 1999, Rayonier was appointed manager on 3 October of that year and we have been the manager since that time. I was the first regional manager here for Rayonier, representing Taswood Growers between 1999 and 2002. Mike has been the regional manager for the last two years and heavily involved in the negotiations on the joint venture log supply deal.

With regard to the terms of reference, the first term of reference is about the application of the Forestry Act and the Government Business Enterprises Act. As manager our advice was that once the joint venture was established the obligations that Forestry Tasmania have under section 12A of the Forestry Act did not apply.

On the second term of reference, we have no reason to believe that the process that led to the log supply decision did not conform to all State and Commonwealth laws. As you are aware, the Auditor-General has been conducting his own independent inquiry into the process that we have gone through and, whilst he has yet to report, we believe his report will show that the process was fair and gave all parties the opportunity in the joint venture log supply.

I would like to answer questions that you may wish to ask because that is our statement.

Mr GUTWEIN - Mr Nicholls, in relation to the first term of reference, you said that the Forestry Act does not apply, what about the Government Business Enterprises Act?

Mr NICHOLLS - Again we have no advice to say that there is any implication or areas of concern with the Government Business Enterprises Act. This is when the joint venture was formed in 1999. As manager, we operate under an agreement with the owners of the joint venture and under that agreement there is no reference and there has been no statement to the effect that the Government Business Enterprises Act applies in any way to this joint venture.

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(CAMPBELL/LLOYD/JAKAB)**

Ms RATTRAY-WAGNER - Do you purely work on an economic rationalisation basis when you make a decision without any consideration whatsoever for social and economic issues? Is that what you are telling us?

Mr NICHOLLS - As we operate in Tasmania where there is a small community of customers and a smaller market, obviously in making any decision for a company's business in this State you have to consider a whole raft of issues from environmental through to the business returns. Ultimately we are a private company trying to maximise the return we can get for our shareholders. However, in doing so we are always thinking about the long-term employment of both the contractors who work directly for us as well as what the customers will be able to do with the log supply.

Ms RATTRAY-WAGNER - What about short-term employment? You said long term.

Mr NICHOLLS - Forestry is a long-term business. It takes 30 years to grow a tree.

Ms RATTRAY-WAGNER - What about your involvement with contracts: do you think short term our action might extinguish that community but in the long term it will save something? Is that what you base your decisions on?

Mr NICHOLLS - We are a long-term business. Short-term decisions get you nowhere in the end: we are building a business which is sustainable in the long term.

Mr GUTWEIN - I just wanted to be clear; with regard to any obligations that Rayonier may have, you have received advice or have you not received advice? I just was not clear. You started off by saying that you have had no advice. So have you sought advice in relation to the public statements that have been made in recent months regarding the application of the Forestry Act and the Government Business Enterprises Act? Have you sought advice recently?

Mr NICHOLLS - We have reaffirmed recently that section 12A, in the lawyers' view, does not apply.

Mr GUTWEIN - Are there any obligations under the Government Business Enterprises Act?

Mr NICHOLLS - We have not received any advice on that.

Mr BEST - We heard a lot this morning about the negotiation process. What is your view as to the process in so much as what constitutes a bid? My understanding of what was put earlier this morning was that there is an asking of what price that you would be seeking or what price you would obtain from somewhere else and then from what I am led to understand the buyer is to talk around what price you might want. Is that how you see a bid? I am a bit confused from the examples I heard this morning as to how the process actually works.

Mr NICHOLLS - In a bid or a tender situation the person bidding or tendering puts in their best price and then the person selling that particular item or resource will determine whether that meets their reserve price. They may then decide to sell or not sell based on that.

Mr BEST - So you would have received numerous bids from Auspine?

Mr CLARIDGE - In the 2005 tender process we received bids from a full range of Tasmanian customers, including Auspine and Frenchpine, which were value added and presented to the Taswood Growers board.

Mrs RATTRAY-WAGNER - Can you explain value added?

Mr BEST - What can you tell us about your assessment of the bids and what is the process? How might you look at the bids that are put in for the timber?

Mr CLARIDGE - For the 2005 sales tender process there was a set of criteria established by the Taswood Growers board which the Rayonier as manager assessed all the bids against and then presented those assessments to the Taswood Growers board.

Mr BEST - That criteria, that assessment, how involved is that? Is it very involved or is it expensive for you to go through and assess the bids?

Mr CLARIDGE - The assessment process is reasonably detailed inasmuch as it requires a clear assessment of not only pure price factors but other associated value issues with relation to the costs of locating and moving wood from one forest to a certain location and a range of other factors that are taken on board.

Mr HARRISS - Mr Chairman, I want to go back to the matters that Mr Gutwein raised and develop a theme as best I can. You have indicated clearly your understanding as to section 12A. I presume you are talking about the forestry representatives on the Taswood Growers board having no obligation to consider section 12A. Given the history of what has been occurring in the north east forests and the supply, would it be a reasonable proposition to consider the employment implications, notwithstanding obligation or not?

Mr NICHOLLS - Exactly. Agreed.

Mr HARRISS - Did you have put to you at any stage by the Taswood Growers board their desire that in your assessment of the wood supply that you take account of employment implications/social matters which would be impacted by the wood supply allocation?.

Mr NICHOLLS - Perhaps rephrase that a little - it was not put to us by the Taswood Growers board but at the discussions where the decision was made to award the contract to FEA there was considerable discussion on the likely effect of any decision, whichever way it would go, both on the business and on the social and employment issues surrounding that business decision.

Mr HARRISS - I think you were both here when Auspine was giving evidence to the committee but just for the record, their representative said something like, 'We believe that our vision would be underpinned by the sellers of the resource - Rayonier'. Their vision, of course, was to retain the highest level of employment in the north-east forest sector as possibly could be achieved given their commitment to the area over a long period of time. What do you say to that contention of theirs that they believe their vision

would be underpinned by your further actions in considering the wood supply agreement?

Mr NICHOLLS - Just to go back, Rayonier act as the sales agent for the seller. The sellers are Forestry Tasmania and the two GMO companies, the two companies managed by GMO, who together must act in unison. They are the sellers. Rayonier is the manager and the sales agent.

Mr GREEN - For Taswood Growers.

Mr NICHOLLS - For Taswood Growers. Rayonier's role, as manager, and as sales agent is to assist the board in gathering information, running the sales process and helping in that decision at the board, at the meeting of the sellers, if you like.

Mr HARRISS - What emphasis did you place on the employment implications when you made your decision as to the sale in the recent round?

Mr NICHOLLS - I will just go back a step. Rayonier does not make the decision; that is made by the sellers. We are the sales agent for the sellers and not the sellers themselves. In providing our analysis and review of that we looked at the long-term sustainability of the competing bids for that resource which includes how it would affect the contractors and employees that Taswood Growers has, as well as the likely effect on the customers of that decision.

Mr HARRISS - As the sales agent, I understand that you operate merely on instructions from the sellers when they determine what quantity is available to be sold and in that process they are at liberty, are they not, to communicate with you their feelings about the whole range of issues which need to be taken into consideration in that sale process.

Mr NICHOLLS - That is correct.

Mr HARRISS - What instructions did the sellers give to you as to the recent round of wood supply allocation?

Mr CLARIDGE - Again I talked about the 2005 tender sale process, the process that was followed through for when Forest Enterprises Australia and Auspine were in competing bids from the end of November. A set of criteria was followed, detailed criteria were established by the board and those were followed by the manager and we provided assistance against each of those criterion to the respective owners prior to them making their decisions.

Mr HARRISS - On this same issue, are you aware that the socioeconomic study into the impact of the sale had not been completed when the sale was effected? Is that factual? Are you aware whether it is factual or not?

Mr CLARIDGE - I have heard it reported in the media.

Mr HARRISS - If that is the case, do you have any view as to why the decision to sell was made, in the absence of that study being made public?

Mr CLARIDGE - Again, the point I can make is that we have a set of criteria provided to us by the board of Taswood Growers against which we assessed the respective offers from both the parties. That assessment was provided to the board. That is a question you would need to put to the Taswood Growers board.

Mr BOOTH - To clarify that, you are saying that Rayonier provided the advice to the board in terms of the veracity of each bid under the circumstances that they have put forward and the board made the decision as to who to award the contract to. The board of Taswood Growers actually decided to give it to FEA, not Rayonier.

Mr CLARIDGE - Rayonier undertakes the analysis and provides that to the owners, that is correct.

Mr BOOTH - With a recommendation?

Mr CLARIDGE - In this case we did not provide a recommendation.

Mr BOOTH - Thank you. Moving away from that, were the bids that you assessed of a like nature - were they like-for-like? In other words, was the bid that FEA, or the contract that FEA was awarded, on the same terms as the bid that Auspine had put in, or was it completely different?

Mr CLARIDGE - I am not sure that I understand your question, but I will attempt to answer it.

Mr BOOTH - I am sorry, I will try to clarify it then; I may have confused you there. Were the bids that were put in by FEA and Auspine like-for-like, and was the subsequent contract awarded to FEA on the same terms as those on which Auspine had been bidding?

Mr CLARIDGE - I think I understand your question. The bid put in by FEA was substantially better than the offer received from Auspine.

Mr BOOTH - I am asking about the terms. In your board's view that bid was better, but was Auspine given the opportunity to bid under the same terms as FEA?

Mr CLARIDGE - Absolutely. The same applied to both parties.

Mr BOOTH - From your negotiations with FEA, what was your understanding they would do with the big-end section logs in the immediate term, given that they did not have a mill to produce in?

Mr CLARIDGE - FEA do have a mill at the moment, located at Bell Bay, which is capable of processing a significant quantity of logs. You are correct that the current configuration of that mill had limited capacity to process the larger logs. In our discussions with the FEA they remained confident that they would find outlets to process those logs in the intervening period while the new large-scale mill is developed.

Mr BOOTH - Are they allowed to put in a tender that enabled them to leave the logs either on the hoof or to export them? When I say on the hoof, I mean standing on the stumps.

In other words, was there an agreement within this contract that enabled them not to take the bigger end-section logs, just to take the micro logs, the ones that were processed through their hew saw?

Mr CLARIDGE - I cannot go into the confidential nature of the actual agreement with the FEA.

Mr BOOTH - I think you can, with respect, if the committee requires that.

Mr CLARIDGE - Maybe that is a question you can ask FEA later in the day. From our perspective at this point we are confident that the FEA had a range of options to utilise the larger-section logs.

Mr BOOTH - Was it your understanding that in the terms of the contract those logs may either remain standing on the stump or be exported as whole logs? Was that part of the range of options that FEA put to you in terms of their bid, or your understanding of their capacity to meet their bid?

Mr CLARIDGE - FEA's offer was put forward on the basis of utilising the full range of logs.

Mr BOOTH - This means they would pay, irrespective of whether they were able to export, or process, or those logs were left in the forest. At the end of the day, over a 12-month cycle Taswood Growers' yield would be the full tendered return in financial terms, irrespective of whether those logs remained in the forest.

Mr CLARIDGE - Again, as I said, I think FEA have made their position pretty clear. They are keen to utilise those larger-section logs through other processing functions.

Mr BOOTH - With respect, you have not answered the question. The question was whether or not at the end of a 12-month period, the first 12-month cycle, you may have a situation where the logs remain standing on the stumps. Does Taswood Growers get the same return in that first 12 months if that event occurs, in dollar returns, as they would have had Auspine continued to take those logs in the orderly way they have been taking them for years?

Mr CLARIDGE - I am sorry, I misunderstood your question. I was not quite clear exactly what you were asking. Again our view is that FEA are committed to taking those logs. We have no indication at this point in time that they are not endeavouring to utilise those logs that we have committed to them by contract. You must understand we have significant workforce who throughout we have looked to maintain working in our forests. If that eventuality, that hypothesis you have put forward, should occur we would work with FEA to find other options for those logs. If those options do not exist with FEA, we would find other options in the marketplace.

Mr BOOTH - There is no compulsion then, in contractual terms, that from a dollar point of view - hypothetically the contract could be worth millions of dollars - if Auspine had had the same contract, you would expect they would pay for and take that volume and quantity of logs. In FEA's case it seems obvious to everyone that if you have not got a mill you cannot cut those big end-section logs; you have to make some alternative

arrangement. If you cannot make those alternative arrangements and for some reason you cannot export them, then you have a problem in dealing with a very large quantity of logs. What I am trying to find out is: will they be paid for whether they are harvested or not? At the end of the year, is your obligation, as the forest manager, to have found alternative markets, or can you simply wash your hands with this deal? You have contracted with FEA that they have the tender and notwithstanding their problems of not having a mill or being able to export the logs, do you get paid anyway or is it your problem then?

Mr CLARIDGE - Again with respect, they do have a mill and they are able to utilise a fair proportion of the logs. We are talking about the larger-section logs?

Mr BOOTH - Yes.

Mr CLARIDGE - I just need to be clear on that. As I said, if this hypothesis that you have outlined happens, we will work with FEA to find alternative processing functions for those logs.

Mr BOOTH - I think what you are saying, and I do not want to misrepresent you so please be specific about it, is that there is no obligation in the contract for FEA to fulfil as part of that specific performance the payment for the log tendered by them if some other event occurs which means they cannot utilise it. You have spoken about your obligation to work with them. It seems what you are saying is that there is no obligation for FEA to take all those logs up and perhaps use best endeavours. You would be involved in trying to find outlets for those logs, am I correct in that?

Mr CLARIDGE - The situation as it exists is that, as I said, we will be working with FEA. If that hypothesis occurs, we would work with FEA to resolve that issue.

Mr BOOTH - Am I correct that if FEA are unable to process or export those logs they are under no obligation to pay out the terms of their contract? In other words, another trigger comes in and you send them off to alternative buyers. Or do you have some obligation to find a market for those logs? Would FEA itself be in a situation where they have a quantity of logs that they have tendered on and they have to pay for, whether they can process them or export them in that year?

Mr CLARIDGE - If they have an obligation under their contract, that answers your question.

Mr BOOTH - With respect, are you saying that they have an obligation to pay -

Mr NICHOLLS - Under their contract, they have an obligation to take what they are contracted to take.

Mr BOOTH - Which is the entire amount? Is there a separation between the big end-section and the micro logs?

Mr NICHOLLS - First of all you need to put the whole FEA contract into its long-term perspective. We keep saying forestry is a long-term business. What we are after is a sustainable industry in Tasmania. The FEA contract represents that. They already have a mill in Bell Bay that can take a substantial proportion of the logs. They contracted to

take that. If they do not take that, there are contract provisions to handle that. They are looking at alternatives for the wood that they cannot take currently. They fast-tracked their construction so that that mill would be able to take all the logs as soon as possible.

Mrs RATTRAY-WAGNER - But not in the first 12 months.

Mr NICHOLLS - Over the long term of the contract they will take all the wood that they are contracted to take.

Mr BOOTH - In other words, for the first -

Mr NICHOLLS - That is right, in the first 12 months they may not. And as we have also publicly stated, any wood that is surplus to requirements we put up to tender. In fact there is a tender closing today for wood that is available for other mills, including Auspine, that they can purchase if they want to.

Mr BOOTH - But that was outside the tender that you put out for the 290 000-odd cubic metres?

Mr CLARIDGE - It was envisaged that if we went with FEA that they would not be in a position to take all the contracted wood in year one, so we have in place the mechanisms to sell any wood that is surplus to their requirements.

Mr BOOTH - So what percentage then of the contract that was awarded to FEA was of logs suitable to process in the facility that they have currently, by ramping up their total volumes and throughput through the thing - but I mean they cannot expand the throat size of the thing without building another mill. So under their current manufacturing capacity or sawmill capacity, what percentage of the volume that you awarded them would have been for ones that were suitable for their current gear?

Mr CLARIDGE - I think it is absolutely no secret that FEA's current mill has a small throat size, as you put it, and that is the reason they are investing a significant amount of capital in putting a large new mill at Bell Bay. In terms of percentages, off the top of my head we would be talking roughly half.

Mr BOOTH - So you are fairly certain that in the first 12 months of the contract, 50 per cent might be exported or remain on the hoof?

Mr CLARIDGE - We are pretty certain that in the contractual arrangements we have with FEA they are taking every possible step to utilise those logs, whether they be at their own plant, the existing plant at Bell Bay, or getting them custom-cut or other processes for other processors in Tasmania.

Mr BOOTH - Did you assess the capacity? Was that an important factor in terms of your assessment, because the reality is there is no capacity. To suggest otherwise is ridiculous. To suggest that there would be a capacity to handle a couple of hundred thousand cubic metres other than through Auspine and French's mills, there are no mills with appropriate technology, for a start.

Mr CLARIDGE - The answer is yes, we did assess that and had the board of Taswood Growers assess that, and we took it into consideration.

CHAIR - Mr Booth, there is a line of other people wanting to ask questions and I will just move on.

Ms THORP - Just getting back to the issue of the criteria that determined which of the tenders was successful, at the end of that process, if I understand it correctly, Rayonier put a recommendation based on an assessment of the tenders to Taswood Growers, and it was down to that board to decide whether or not to accept that recommendation.

Mr CLARIDGE - That is not quite correct. There was a set of criteria, as established by the board, and then the assessment was undertaken against those criteria and that assessment was presented to the board.

Ms THORP - Right. Earlier evidence we heard suggests that should there be any disagreement between Taswood Growers and Rayonier, for instance let's say Taswood Growers did not agree with something that Rayonier had put to them, then in fact that would have to go to some form of arbitration. They could not just turn around and tell you, 'We do not want you to accept this tender, we want you to accept that one'; they cannot do that?

Mr CLARIDGE - I think the best way to put that is that Rayonier is the manager and sales agent for the respective parties in the joint venture. We are instructed by that board. If they instruct us to go ahead and undertake some management action, we do that.

Ms THORP - In that sense, they expect you to come up with the best outcome, don't they? They have given you the criteria; you go away and work out what you want to do, come back to them and say, 'We have looked at everything, looked at all the factors, and we think this tender should be awarded to FEA'. Is that what happens?

Mr CLARIDGE - Correct.

Ms THORP - If at that point Taswood Growers or half of Taswood Growers, whether it be FT or GMO, turned around and said, 'Look, we are not terribly happy about this', for a whole variety of other reasons, staff situation for example, what would happen then?

Mr CLARIDGE - This is not really a point that I can answer, quite honestly. Rayonier is the manager. I certainly haven't seen that type of situation arise.

Mr NICHOLLS - Perhaps to clarify the situation, the legal situation is the sellers have to agree; one seller cannot do something independent of the other sellers - that is the legal arrangement of the sales agency agreements.

Ms THORP - And should two sellers agree to disagree, if you like, with Rayonier, what happens then?

Mr NICHOLLS - It is not with Rayonier; it is that they do not agree themselves. There are three companies and sales agency agreements. If all three sellers agree, they can instruct

Rayonier to sell that wood to anybody. If two of the sellers agree and one does not, they have to resolve that under the terms of their joint venture agreement.

Mr GUTWEIN - What mechanism is there for that?

Mr NICHOLLS - There is a mechanism in the sales agency agreements but I cannot recall that precise mechanism because it has never been used.

Mr GREEN - I have three specific questions. One is in relation to the resource profile, if you can explain to us the resource profile. We have seen graphs today and I know that your views have been publicly demonstrated, certainly through briefings to members of parliament, about the resource profile going forward and how that has occurred. The second question is about determination of price. Obviously this is in a Tasmanian context with setting prices; how do our prices vary, if they do, from mainland prices, and how did you come about establishing a baseline for that position? The third is a fairly broad question: why don't we process in Tasmania the logs that you are exporting from Tasmania? Why is it that we can never get to an agreement on price?

I will perhaps leave another section of that question until later on, but I would appreciate it if you could first of all explain the resource profile; how we have arrived at that and price determination with respect to the decisions you are making on the bids.

Mr NICHOLLS - I will answer the first question about the resource profile. There was a statement made earlier today that the low plantings occurred in the late 1980s or 1990s but that is incorrect. To go back in history, a lot of the pine plantations established in Tasmania were done with a State -Commonwealth agreement, starting in the mid-1960s. That went through until the early 1980s, in about 1981 or 1982 that ceased. That was a goal by the Commonwealth Government to try to make Australia self-sufficient in forest products. Tasmania took advantage of that. A lot of the plantations in the Fingal Valley were planted under that scheme, initially when some of the coalmines - Cornwall - started to close from about 1962 onwards. So in 1966 a large planting program commenced in the Fingal Valley under the Commonwealth scheme. Similarly, other areas of the State, in Longhill and Branches Creek, were planted under those schemes.

When that agreement with the Commonwealth ran its course in the early 1980s, planting was then left to the resources of the State Government only, and from about 1981 to 1982 onwards through to about 1993 to 1994 the area planted reduced significantly, to the extent that I think in about 1989 there were only about 50 new hectares of pine plantation planted.

As was also mentioned earlier, it does take about 30 years in Tasmania for a pine tree to grow, so if you add the 30 years from 1980, you get to about 2010. Now, 30 years is an approximate age. On the north-west coast we can grow trees in as little as 26 years. In the Fingal Valley it can take 34 years to grow that tree; there is quite a variation around that age profile.

When Rayonier started as the manager, the best and really the only way to understand the resource was to put in a measurement program, to physically measure the trees in the forest; and that is not a thing you can do overnight.

As was also noted earlier today, the first resource profile came out in 2002; it noted a decrease in the available wood supply. All those resource profiles, when they were given to customers -

Mr GREEN - What year was that?

Mr NICHOLLS - In 2002, when the first resource profile was presented to the customers, which resulted from measuring programs starting in 2000 and 2001. When all that data was given to the customers, it was noted that the programs were work in progress. We said we still had a lot more work to do to measure and model the forest, to understand what was available. That continued to be updated, and is continuing to be updated today. In 2005 we presented another one; we continued to measure the forest as it became of a size where it could be measured and modelled correctly. We have always signalled to the customers that there was likely to be a decrease in the resource.

Mr GREEN - How did you signal that - was it in writing?

Mr NICHOLLS - Yes, we gave them presentations; we also showed them the stands that were not growing as had previously been predicted. The stands in the Fingal Valley are on very poor sites, generally. We have taken customers to our site and said 'Well, this is what previously people thought they could grow in 30 years, it has actually taken 34 years to grow on this particular site, and even then the size of the tree is very small'. We looked at a range of options from late-age fertilising through to thinning to try to increase the size of the tree.

We have done a lot of work on the resource profile, but it is continuing work; to understand how a tree grows you need to grow up to 30 years, that is the ultimate test. You need 30 years to collect the data on what a particular site is going to do. Most of these are first-rotation sites, and perhaps this is in contrast to South Australia who are on their third and fourth rotations. They understand a lot more about how their trees grow on their sites.

It is probably also worth pointing out that on the Tasmanian resource we have a hundred different soil types on 46 000 hectares. One of the things that Rayonier conducted as manager was a soil survey. In that soil survey we found 10 new different sorts of soil that had not been found previously in the State. This all has an effect on how you model the resource and how you come up with your estimates.

The resource profile that we have today really is a direct result of the planting decisions that were made and our better understanding of the resource as it has gone on.

Mr GREEN - Have you overcut the resource?

Mr NICHOLLS - We have cut the resource in line with the age classes that were planted. Leaving a tree to grow to 40 years of age in order to fill a future gap, which I suppose is what some people propose, is not a particularly economic decision. It is important to say that through the period the joint venture has been going from 1999 to 2007, we had contractual requirements to supply a number of saw mills which we had to meet. We have met all our contractual requirements. We have cut the age class as it has been, and we have signalled for some time that there would be a decrease in the resource that was available for harvest.

Mr GREEN - I just want to know the price settings, if I could.

Mr CLARIDGE - With regard to the sales prices as they have been set, can you rephrase your question? How we determine it, and its context in the wider marketplace, the board of Taswood Growers and Rayonier engaged with URS Forestry, a reputable large-scale forestry consultancy company based out of Melbourne. It was asked to undertake a log price surveying study for the south-east Australian marketplace to determine a comparable price set for the range of logs that we produce from the Taswood Growers' estate. Subsequent to that, we also commissioned Jaakko Poyry to do a separate study looking at the URS assessment and also providing their own information into the system to give some benchmarking information on log prices. That benchmarking work has been relied on by the board of Taswood Growers in terms of fair pricing for logs here in Tasmania.

Mr GREEN - Where does our log price stack up on a national basis?

Mr CLARIDGE - Are we talking about prior to the deal that has just been reached?

Mr GREEN - No, I am just talking about the benchmarking.

Mr CLARIDGE - The benchmarking, as it was set then, versus the particular grades of logs that were being supplied to the Scottsdale mills indicated that the prices that were received were substantially lower than fair market prices. Further to that, not only were the prices lower but the actual specifications - or the qualities of the logs, branch sizes, sweep characteristics, length mixes and those types of factor - were substantially more favourable here to the Scottsdale mills than was normally the case in south-east Australia.

Mr GREEN - Why have you not sold those export logs, the logs that are going overseas currently, into the domestic Tasmanian market? Why have you never been able to achieve an agreement with anybody with respect to those logs?

Mr CLARIDGE - It would be fair to say that we have repeatedly made those logs available to the domestic marketplace. Throughout the time of exporting up to this current day, we first make sure we meet all contractual commitments to all of our customers. Export logs are generally logs that are cut from trees from which we cannot produce a domestic log. Typically export logs are larger-branched, are more swept, have large amounts of black knot included in them. Specific examples of whole forests, or whole coupes within forests that we have been managing, have substantial amounts of black knot in them. In the main, when we have exhausted our domestic options with harvested logs, we put them onto the export market. The one exception is the forests we manage for Taswood Growers in the far north-west where due to the cost of carting those logs across to the north-east it makes better economic sense to sell them across the wharf.

Mr GREEN - If a company was prepared to pay for the cost of carting those logs from the north-west of the State to the north-east, could you achieve a sales price for those logs?

Mr CLARIDGE - Absolutely. I think Paul mentioned earlier that today we are closing a tender on some logs in the north-west. It is interesting to note that there is a lot of talk

about export logs and I have watched in the media what has been going on. You will have heard it said that a lot of the logs that we are exporting are pulp logs or pulp-type logs, which are not suitable for any form of processing at all. Having said that, we put those up for tender as well, so we have put out a tender for pulp logs and for export-grade sawlogs. It is up to the market - and that is not just Auspine, it is for the wider market in Tasmania - to take the opportunity to buy those logs.

Mr GREEN - Have you received any tenders for the logs? It closes today.

Mr CLARIDGE - It closes today, so I am not sure at this point.

Mrs RATTRAY-WAGNER - You have stated that when you do the assessment criteria you then make a recommendation for long-term stability of the industry. Does that mean that as a company you decided that Auspine weren't here for the long time and that FEA had a longer-term sustainability future in Tasmania so that is why they got the tender rather than Auspine? Can you help me understand that?

Mr NICHOLLS - First of all we did not decide.

Mrs RATTRAY-WAGNER - you did not set the criteria?

Mr NICHOLLS - The criteria was developed by the board.

Mrs RATTRAY-WAGNER - By the Taswood Growers board?

Mr NICHOLLS - By the sellers working together.

Mrs RATTRAY-WAGNER - Okay, so they set the criteria and you just find somebody to meet it.

Mr NICHOLLS - We report it against that. Two offers came in from the 27 November tender process, one from Auspine and one from FEA.

Mrs RATTRAY-WAGNER - So other sawmilling operations do not use the same criteria obviously because there are only two. They do not use the same criteria; they have a different set of criteria.

Mr CLARIDGE - Just so that I am clear, are we talking about the competing offers if they put the offer forward? In terms of other sawmilling entities, these were criteria that were put together specifically to address the competing offers between Auspine and Forest Enterprises Australia. I do not think that the softwood joint venture was under any obligation to go through that type of process at all; they could have just said, 'Well, thank you very much, Forest Enterprises Australia, that offer meets our criteria and we will continue on this basis'. But in the interests of being fair and equitable, the Taswood Growers board put this criteria in place and chose to follow that path forward.

Mrs RATTRAY-WAGNER - Would you like to comment on my scenario that, for the long-term stability of the industry for Tasmania, you factored in the fact that FEA were here long term and Auspine were not so that is why they got the preference this time round.

Mr NICHOLLS - It was not that FEA were going to be here for the long term or Auspine for the short term. IAs difficult as it was, the assessment was that FEA's offer was the best offer. It provided the best outcome for Taswood Growers and sellers.

Mrs RATTRAY-WAGNER - Would you like to comment then on the fact that we have had evidence this morning before this committee that Auspine were never encouraged to look at the 10-year option and hence they only put in a seven-year option because you had always said that there was not that longer-term option for them. Can you comment on that?

Mr CLARIDGE - I think I can comment on that. The issue of term was a contentious issue throughout the negotiations; I think that is a fair comment. The representation made to Rayonier by Auspine was that they were seeking a longer term. We had made it clear based on instruction from the owners that the maximum term being contemplated was seven years. Based on further representations made by Auspine and a letter to Rayonier, that representation was provided at a board meeting, I think in October, and as a result of that we were instructed to go back to Auspine and let them know that the Taswood Growers board would consider a term of 10 years subject to the value of the proposition.

Mrs RATTRAY-WAGNER - Okay, so they had that in writing.

Mr GUTWEIN - Auspine claimed this morning also that in their final offer they would meet any price or non-price-specific conditions. On that basis why was their offer not considered to be equal to FEA's?

Mr NICHOLLS - Is that not an absurd proposition? We defined a process where we asked people to put their best offer forward. One party says, 'By the way, this is my best offer but I am prepared to match anyone else's offer'. If we were to be fair and equitable we would have to go back to the other player and say, 'You have to match it as well'. That is not the process. The process was very clearly laid out: put your best offer forward.

Mr GUTWEIN - I thought that would have been an ideal situation for a seller.

Mr NICHOLLS - That is not the process that we chose. We wanted a fair and open process: put your best offer forward.

Mrs RATTRAY-WAGNER - Did you indicate that to the board?

Mr NICHOLLS - We indicated that to all the bidders. First of all, the board defined this process so it was not indicated to the board.

Mr GUTWEIN - Okay. With regard to the deliberations the board would have undertaken after you had provided the evaluation against the criteria back to them, was the board made aware that Auspine had included this catch-all condition?

Mr CLARIDGE - Yes.

Mr GUTWEIN - In regards to the export of pine logs, I think your words were that after you had exhausted all domestic options you would export. You now have a tender situation under way, closing today. In the past, what sort of information was provided to

prospective purchasers or mills here in Tasmania in regard to their opportunity to cut the export logs? Did you ever go to tender in relation to those logs you have been exporting over the last number of years or did you provide a resource profile to mills in Tasmania on the basis that if they felt they could cut logs that were being exported, they would be given the opportunity?

Mr NICHOLLS- A number of things happened. We have not previously conducted a tender for that wood. We have had complaints from customers that all the best wood goes over the wharf so on various occasions we have taken customers down to the wharf and said, 'Well, here are the logs, tell us which ones you want to buy' and they have said, 'No, they are best left where they are'.

Mr GUTWEIN - How many times have Auspine ended up down at the wharf?

Mr NICHOLLS - I cannot recall the number. We have taken customers from the north-east mills in years gone by down to the wharf and they have rejected wood. There have been trials done with wood, say, from The Sideling forest and the wood was rejected because it did not make the F7 grading that they were after. So you send one trial load in and they say they do not want any more wood from that forest. We took wood in from the Nook lock in the Lyell Forest to both Auspine and Frenchpine which was rejected because of black knot. On many occasions in many different ways customers are given the opportunity to look at the wood that is going across the wharf that is exported.

Mr GUTWEIN - What sort of volumes have you been exporting on a per annum basis?

Mr NICHOLLS - Since the joint venture started in 1999, the total percentage sold on exports is about 17 per cent. Of that 17 per cent about 4 per cent is what you call sawlog grade and, as Mike has pointed out, there are probably two categories of that sawlog grade - some from the north-west where the domestic customers have not been prepared to pay the cartage price from the north-west to the north-east to match what was achieved on the export market but the majority of it was because it was unsuitable because of knot size, sweep, for domestic processing.

Mr GUTWEIN - In regard to the process itself, I note in the press release or statement that was made at the end of November when FEA entered the process that Rayonier pointed out that this was an unsolicited entry by FEA, that they had not been solicited. When did you begin working with FEA in regards to them being a part of this process and how long had they been discussing the potential to enter into this bidding situation?

Mr CLARIDGE - There are two questions there. The first one was when did we start working with FEA. We started working with FEA - well, not so much working with them but assisting their proposals and the like - on the day that we notified Auspine.

Mr GUTWEIN - Was there any due diligence done with FEA?

Mr CLARIDGE - The second part of your question I think was in regard to the lead-up to that. Yes, they had made an approach but that approach was put to the Taswood Growers board for their consideration. The Taswood Growers board undertook some due diligence prior to authorising their manager to proceed to engage in negotiations.

Mr GUTWEIN - When was that approach made? We know that it was late November that it was formally announced that they would be a part of the process.

Mr CLARIDGE - I am sorry, I do not have that information to hand. I would imagine that would be part of the Auditor-General's review.

Mr GUTWEIN - It is also part of the interests of this committee as well. Can you give an indication as to when FEA was first considered by Taswood Growers? When did you make the recommendation to Taswood Growers that FEA were considering entering into the process?

Mr CLARIDGE - Again I have not got information at hand and, as I said, that is a question that I am sure was assessed by the Auditor-General.

CHAIR - Take it on notice. Could you provide that information to the committee?

Mr CLARIDGE - Yes.

Mr BEST - Just in relation to the criteria used in awarding the winning bidder - from what I gather that is a commercial decision - how many criteria were there?

Mr CLARIDGE - There were three broad areas of criteria. The first was in relation to price and associated factors; the second was in relation to contractual terms; and the third was in terms of the long-term sustainability of the business.

Mr BEST - In terms of that issue of long-term sustainability, would it be fair to say that would include the issue of employment?

Mr CLARIDGE - Again, yes, I think it did.

Mr BEST - My understanding is that the softwood board set the criteria. We heard that board is made up of three companies. You do the assessment. This is presumably followed by a rating, your assessment of the bids.

Mr CLARIDGE - There is no specific rating. The process that was undertaken was looking at each of those criteria and the bigger within each category, and an assessment of each of those individually for their compliance.

Mr BEST - Would you not form an opinion about how each company addressed such things as the contractual terms, or the price, or the long-term sustainability?

Mr CLARIDGE - Again, the assessment was undertaken by us; we provided the information to the board; they in their capacity as directors applied their assessment of those particular items.

Mr BEST - Once you have done the assessment, you provided information to the board, and the board made the decision in relation to those criteria. Is the board locked into your advice in awarding the contract? I know you said they have to make the decision, but if you give advice that 'This part has been addressed very well by Company A; Company B is okay but not as substantial' -

Mr CLARIDGE - I see your question. The best way to answer that is to state that the assessment was carried out based on a number of criteria. We also supplied a bit of the background information that informed that assessment, together with key documentation provided to us by the competing groups so the Board had full exposure to the range of information pertinent to their decision-making process.

Mr BEST - If there was going to be any divergence from that process, that would mean there would have had to be 100 per cent agreement between the three companies, Tasmanian Softwoods, Southern Hemisphere Softwood and Forestry Tasmania, is that right?

Mr NICHOLLS - It has to be agreed between all of them.

Mr BEST - It would be a pretty messy situation if one of the companies said, 'Hang on, we now want to go and change that and go back and renegotiate'.

Mr BOOTH - You mentioned before that you had something like a million hectares of forest that you owned; am I correct?

Mr NICHOLLS - Own and manage.

Mr BOOTH - How do you resolve conflicts internally if your forest owners resource products in all parts of the globe and you are involved in exporting product from forests that you have a management role in? How do you internally separate any conflict that might result? Have you ever exported log to companies associated with yourselves?

Mr NICHOLLS - No.

Mr BOOTH - Do you see that there is a conflict?

Mr NICHOLLS - No, I do not see it as a conflict.

Mr BOOTH - As a forest owner, a resource owner, do you not see any potential conflict in managing someone else's forest and making decisions in terms of price or export availability and so forth?

Mr NICHOLLS - As manager we take all the data, if you like, and the analysis to the owners, the ones who have to make the decision because it is their resource.

Mr BOOTH - And recommendations?

Mr NICHOLLS - Depending on the nature of the thing being considered, we may have a recommendation. As we have pointed out, in this case we did not provide a recommendation just the analysis. That is one of the ways to deal with any perceived conflict. This was clearly a decision to be made by the owners.

Mr BOOTH - Thank you for that. Both of you said one of the reasons driving exports was the volumes of logs that had been exposed to poor silvicultural regimes which included a large percentage of black knot and logs that had been grown on the wrong soil types or in the wrong location. That refers to a period of mismanagement by FT

since the 1960s. It would seem that, as manager, you inherited a resource that in many ways was not suitable for the original intention which was for domestic processing, am I right?

Mr NICHOLLS - I think those are your words. I do not think that we are saying anything of the sort.

Mr BOOTH - What would your words be then? You gave evidence to this committee that one of the excuses for exporting logs was that this product was not suitable for local processing. Is it not a reasonable assumption, given the reasons you gave were black knot and unsuitable logs, that would indicate that the resource had not been managed at an optimum level, not the way that you would manage it, or do you intend to have the same management regime?

Mr NICHOLLS - First of all, Mr Chair, I am not sure of its relevance to the terms of inquiry. It is nothing to do with the log supply decision. But to answer some of your question, I do not believe we used the word 'excuse' to start with. Exporting logs is part of our business, if we cannot sell it locally.

Mr BOOTH - Justification for the export.

Mr NICHOLLS - So you are taking back the word 'excuse'?

Mr BOOTH - Well, I am using them contiguously. They are the same thing. You have justified or excused why it was exported; you stated the reason -

Mr GREEN - I thought they have made commercial decisions as opposed to excuses. I do not think that is an appropriate use of words.

Mr BOOTH - I am not saying that you are trying to excuse yourselves for that. The question previously was in regard to the export of logs. Anyway, if you can answer it.

Mr NICHOLLS - Thank you, we accept your apology.

Mr BOOTH - It is not an apology. It is just a clarification of your misunderstanding; your attempt to not answer the question.

CHAIR - Order.

Mr NICHOLLS - As I pointed out in the beginning, the estate that Taswood Growers now manages has a history. A lot of it stems from the State Commonwealth grants that were given in the 1960s and 1970s. The selection of areas to plant is a very complex issue which I doubt is relevant and I do not believe we have time to go into all the reasons forests were put where they were put. Forest mismanagement, as you so nicely put it, again has a historical perspective. If you cannot thin forests because there is no market for pulpwood then often it has to be left unthinned. That is not mismanagement that is just a result of the market conditions. That is not peculiar to Tasmania; it has happened right around the world. I think that you are trying to make something out of a historical set of circumstances which I do not believe are in the terms of reference of this committee.

Mr BOOTH - The reference is simply that the Crown has an obligation to crown agencies to comply with the GBE and the Forestry acts. I am trying to get an understanding here whether or not this has resulted. Part of our situation is that if the farm is not managed properly then -

Mr GREEN - Point of order, Mr Chairman.

CHAIR - What is your point of order?

Mr GREEN - The question that has just been asked has been prefaced as an established fact with respect to these commercial negotiations and I do not believe that is the situation. We have not established whether that is the case or not and yet the question is prefaced in that way. I do not think it should be. I think it should be asked in a way that allows the witnesses to respond from the commercial point of view as opposed to a point of view in response to law prescribed by Parliament.

CHAIR - I accept the point of order so if you would conclude please, Mr Booth.

Mr BOOTH - Where I am trying to get to, Mr Chair, is in fact to deal with this set of graphs that were provided by Auspine. Could a copy be provided to the two gentlemen so that I could run through some export predictions here and the apparent contradiction -

Mr GREEN - He has already answered that. I asked the question.

Mr BOOTH - Mr Chairman, could we have a set of these provided to the two people I am trying to ask about the graph because clearly the indications are from these graphs that Rayonier has an availability forecast sitting along until 2008. I am trying to understand how the forecast could have suddenly hit this incredible nosedive in 2004, so if they are talking about management and smoothing and so forth it is an important question.

Ms THORP - He went through a full chronology of the assessment of the resource.

Mr BOOTH - With respect, do you government members see it as your role to try to prevent this committee getting to the bottom of these things?

Ms THORP - No, I thought that you would have been listening because we have already been through these sections.

Mr BOOTH - They haven't got a copy of the graphs.

CHAIR - I am advised by the committee secretary that without the approval of the committee, we do not usually give the evidence that is provided by somebody else just prior to. So there we go.

Mr BOOTH - All right.

On the basis of information that we have here, Rayonier, as did Forestry Tasmania, had a forecast of resources available to be cut. FT's availability was 660 000 cubic metres until

2008 which then jumped to 700 000 cubic metres and that was all types of timber - pulp, chip and sawlogs. That was in 1998 and that took it right through to 2012.

In 2002 Taswood's availability forecast was up to 800 000 cubic metres whilst, as I said, the previous predictions of the Crown were only 650 000. You then indicated a drop in 2008-09 to somewhat higher than Forestry's estimation and that was consistent still in 2003 in your availability predictions but then in 2005 for some reason there is this alarming drop in your predictions of availability from Rayonier in 2005 that drops it back to 600 000 tonnes then once again indicates that there was an alarming level of export from 1999 to 2004 that seems to mirror that lack of availability further down. Is that the reason there is that lack of availability?

Mr NICHOLLS - I have not seen that particular document. The numbers you described do not seem to ring true so I cannot comment any further.

Mr BOOTH - Through you, Mr Chairman -

CHAIR - No, no.

Mr BOOTH - Point of order, Mr Chairman.

CHAIR - There is no point of order.

Mr BOOTH - The point of order is that the gentleman has indicated that he cannot answer my question. I was merely going to ask you, Chair, if through you you could provide them with a copy of this with the committee's permission and they could respond to the question I have asked, that is all. It is a simple question.

Mr BEST - He has already answered the question - when Mr Green asked it.

Mr BOOTH - He has not.

CHAIR - I am trying to recollect. I think Mr Green did go through that process -

Mr GREEN - I asked about the resource profile and how it had got to that point so I think it will be reflected on the *Hansard*.

Mr BOOTH - In any event, can these be provided, with the committee's permission?

Mr BEST - What for?

Mr BOOTH - In order that we can get to the bottom of this, Mr Best. If you don't use this committee to try to shut down the inquiry we will get to the bottom of it.

CHAIR - Order. The question was asked by Mr Green if there was a profile and an answer was given. It could well be that we could ask for that to be provided to them but at this stage we have two minutes left and we have four more people who want to ask a question.

Mr BOOTH - Not today, Mr Chairman.

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CHAIR - So at this stage I would rule that we now move on to the next line of questioning, which was Ms Thorp.

Ms THORP - Could you explain why you suspended negotiations leading up to the 2006 election?

Mr CLARIDGE - The Taswood Growers board had become increasingly concerned that the preceding negotiations with Auspine had become politicised.

Ms THORP - How so?

Mr CLARIDGE - Inasmuch as there was a lot of speculation in the media and speculation in other forums and the wider public about what was going on, and they made their assessment on that basis.

Mr HARRISS - During the tender process in 2005 when a tender fee had to be paid by those submitting a bid, is it true that you advised Auspine that there would be no wood supply allocated? If that is true, was their tender fee not refunded, and if it wasn't refunded, why not?

Mr CLARIDGE - The process was one of asking for a tender fee to verify the bona fides of the participants. Taswood Growers were very keen to make sure that only genuine participants in the industry were looking to participate in purchasing those. The tender fee was asked for on that basis; it was a nominal fee, it wasn't a large amount of money. A lot was made of it, but the fact was that it was a non-refundable tender fee asked of four customers across the board. When we notified all customers at the end of the tender that unfortunately their tenders had not been accepted, we did not return any of their tender fees, consistent with the process that we outlined in the tender documents. There was nothing amiss about it.

Mr GUTWEIN - I have three questions. Could you state why you think that negotiations weren't able to be concluded with Auspine prior to FEA arriving on the scene, bearing in mind that at that stage of events, 18 months, I think, the tender process had been open? Why didn't you take the opportunity to enter into mediation or to use some form of independent arbitrator or conciliator to finalise these negotiations? Did you seek instruction from the owners at any stage in regards to whether or not mediation might be an option?

Mr CLARIDGE - Your first question was in regards to why the negotiations with Auspine were so protracted. They were difficult, high-value negotiations. Both parties were large players; Taswood Growers and Auspine are both substantial players in the Tasmanian industry. Taswood Growers have a view, Auspine have a view. That is pretty much it.

Mr GUTWEIN - So in regards to mediation, was that ever considered, or why wasn't it considered?

Mr CLARIDGE - Mediation was a question considered by the board of Taswood Growers. It was considered and we were given instruction on the response.

Mr GUTWEIN - What was that response?

Mr CLARIDGE - Their response was pretty much, from memory, mediation is an appropriate mechanism for an existing contractual arrangement, but we are talking about negotiating a new contractual supply. At that point in time, the owners decided that mediation was not the appropriate step to take.

Mr GUTWEIN - Can you recall when you first approached the owners in regard to whether or not mediation might be an option?

Mr CLARIDGE - No. It would have been at the same time. I would imagine it would have been at or about the same time as Auspine raised it.

Mr GUTWEIN - So around February or March of last year?

Mr CLARIDGE - Again, I am not sure of the exact dates, Peter, but it would have been around about that time.

Mr GREEN - Did you end up working from the original agreement with Auspine?

Mr CLARIDGE - Yes, that was a contentious issue. The old contracts that were currently in place were antiquated at best; they did not cover off a lot of current law and current practice. As part of our process we put in place new contracts which we successfully rolled out with all of our other customers with no great consternation. Unfortunately, with Auspine that was not the case, so subject to some significant period of discussion about the actual terms of the contractual arrangements, in an effort to move things forward the Taswood Growers board agreed to utilise the existing contract and work with Auspine on that basis, despite it being against their best interests.

Mr GUTWEIN - Throughout negotiations did it ever get to a point where Auspine did offer to seek the timber simply on an export-price basis with perhaps some margin?

Mr CLARIDGE - Throughout negotiations yes, but again, it is probably a matter to ask Auspine about, not us. I would not feel comfortable about divulging their offers to us.

Mr GUTWEIN - But very clearly they did make that offer at some stage - sorry, I thought you said yes.

Mr CLARIDGE - It is really something I do not feel comfortable talking about on behalf of Auspine. Auspine are the ones who made the offers; they need to be the ones to speak on behalf of those offers.

Mr GUTWEIN - I want to clarify the answer. Did you say yes, that they did, or not?

Mr CLARIDGE - I did say yes.

Mr BOOTH - Did the minister, the Premier or anyone from the Government approach Rayonier at any stage during the negotiations from 2000 to now to say that Auspine had been attempting to resolve the long-term log supply?

Mr CLARIDGE - Sorry, from 2000 to now? I am not quite sure what you are talking about.

Mr BOOTH - I did not want to narrow it down to just this particular tender, but you could answer in terms of this current tender that you have been involved in and has been awarded. Were you approached by the Government or the minister at all?

Mr CLARIDGE - Approached by the Government or minister?

Mr BOOTH - Did you have discussions with the Government or the minister?

Mr CLARIDGE - In our capacity as manager we report to the board of Taswood Growers. I made a number of presentations to a full range of people in the Tasmanian Parliament and also in the Federal Parliament just to let them know what was going on. Our dealings with the State Government are pretty much conducted through the Taswood Growers board.

Mr BOOTH - So there was no contact.

Ms THORP - Would you mind letting us know what the quantum of the tender fee was, please.

Mr CLARIDGE - I cannot remember; it was nominal.

Ms THORP - A hundred dollars? A thousand dollars?

Mr CLARIDGE - Sorry, I do not have the figures. It was linked to the volume of the purchase.

Mr GREEN - Can we put that on notice?

CHAIR - It is something we could put on notice, if you could provide that detail.

Mr BOOTH - Have you offered the export logs to other processors in Tasmania prior to them being cut down and have you offered them in suitable log lengths rather than the export bolster size that you currently export?

Mr CLARIDGE - Paul, I think you've answered that question before.

Mr NICHOLLS - Yes. It is worth pointing out that our harvesting contractors are offered incentives to maximise the production of domestic logs; longer lengths, fewer cuts, less handling, and so on. If our contractors can make a domestic log out of a tree they will.

Mr BOOTH - There has been criticism that logs are offered after felling rather than to an order which would enable them to manage the volume; also of the log lengths that have been on offer.

Mr CLARIDGE - I can speak clearly about the process we are currently in; the logs that we are talking about supplying are not cut down but remain standing in tree form.

Mr BOOTH - No, this is specifically for export.

Mr CLARIDGE - That is right. Also, in discussions we have given a commitment to a range of customers who are particularly interested in buying those logs that, while we are selling on this basis because that is the specification, we are prepared to work with them as necessary.

Mr GUTWEIN - In regards to the negotiations, you indicated to the committee that you did not solicit FEA into the process. Did the board ever instruct you, as manager, to encourage or solicit any other party into negotiations because of the difficulties you were having in coming to an arrangement with Auspine?

Mr NICHOLLS - No.

Mrs RATTRAY-WAGNER - Has the Taswood Growers board, the Premier or the Minister for Forests indicated to your company up until today that since this issue has come about there should be no more logs exported while the situation is resolved? Has a request been made to you or that you know of to Taswood Growers?

Mr CLARIDGE - Certainly to us as manager, we report to the board and I have no instructions to that effect.

Mrs RATTRAY-WAGNER - Nothing? Okay. My second question is -

Mr CLARIDGE - I mean exporting is a legitimate business practice and we have explained to you about that.

Mrs RATTRAY-WAGNER - I certainly understand that. I just want to know if there has been any approach, given the current situation, to stop exporting logs while we resolve this issue. Secondly, have you given some of your contractors an indication that they will not be able to cut as much timber for Rayonier in the short term?

Mr CLARIDGE - We have given indication to some of our contractors that April will be a transition month. We have taken a number of steps; obviously we have a reduction in cut for our current harvesting capacity. We are looking to carry that capacity through for a large proportion of this year at which point we will be bringing all our contractors into line and putting forward proposals to do the work.

Mrs RATTRAY-WAGNER - So in April there will not be much work for contractors?

Mr CLARIDGE - No, there will be work in April. We recognise there will be some transitional issues. We are involved in different operations. We have to continue to supply eight other domestic customers in Tasmania. We cannot afford not to continue to harvest and to supply those customers.

Mrs RATTRAY-WAGNER - Will it be at the same level?

Mr CLARIDGE - We are talking about a short month - April is the Easter month. We have been in discussions with all our contractors and to a crew they appear to be pretty comfortable with what we are proposing.

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Mrs RATTRAY-WAGNER - They are pretty comfortable with that position?

Mr CLARIDGE - Well we understand so.

CHAIR – Thank you very much, gentlemen, for your evidence.

THE WITNESSES WITHDREW.