

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE TASMANIAN FORESTS AGREEMENT BILL 2012 MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON TUESDAY 15 JANUARY 2013

Mr WES FORWARD, ACTING DEPUTY SECRETARY, RESOURCES AND INFORMATION, **Mr NORM McILFATRICK**, SECRETARY, DIER, **Mr GARY SWAIN**, DEPUTY SECRETARY, DIER, AND **Ms PENNY WELLS**, MANAGER (MAJOR PROJECTS), DPIPWE, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Harris) - I am sure that each of you are aware of the proceedings of a parliamentary committee and the fact that you are protected by privilege while giving evidence to the committee. However, if you are invited by media to participate in an interview outside this process you need to be very cautious of the things you say in terms of the legal principal of effective repetition and the fact that you are not protected by parliamentary privilege after leaving this process. It is important to remind you of that.

Members of our committee are aware that you are appearing before us and you have provided a whole-of-government submission but it was at the government's request that you were slotted into our proceedings today. Essentially, I think and hope members will agree, it would be productive that we would want to hear from you first of all. It may open up an opportunity for questions. We have only until 10.15 a.m. so we will see how that goes in terms of the information you provide for us. It may be necessary into the next few weeks to have you back to build on what you present to us today.

Mr McILFATRICK - Since we last met, there has been a lot of work carried out to address the concerns raised by the Council in the debate on the bill. I will go in some detail with my colleagues into some significant draft amendments to the bill. However, these amendments were only endorsed by cabinet yesterday and we have not had time to either fully brief committee members or the signatories to the agreement. If you can bear with us, we will be carrying that out either individually with you as you need to go through the legislation and we will also be giving the signatories the opportunity to understand what the change in process is. It may be a bit unfair to be asking some of the signatories some detail today because they have only just received the documentation, the same as you have.

CHAIR - In terms of clarification, those amendments or draft amendments that were signed off by cabinet yesterday, are they consistent with those which were proposed during the Legislative Council consideration, or are there more than those that were proposed?

Mr McILFATRICK - More; there is one fundamental one, which I will come to.

What we have outlined in our submission - and we will come to elements of that - this is essentially our work program and work we have been doing and updates on that work program that will take us out to the middle of the year, to try to keep it in context with the signatories' requirements and the Australian Government's requirements for funding. They have set an April 2013 deadline. We have tried to make up some time over the last two or three weeks, and also taking into account what we heard from members during the debate. One of the significant things we heard during the debate was we do not have

the detail to understand what land is being proposed to be protected under this system, and we need to understand that. We need to have the ability to see before us [inaudible]. That is the most significant change.

We go to the outline in our report, from about page 8. During the briefings and in debate the Council raised a number of concerns about the current operation. You felt you had to either accept or reject the whole set of borders and you could not pass part of the bill without rejecting the rest. At the moment we have changed the process to allow you to see right up-front every element of the proposed future land reserves in detail and by description, as much as we can, give you a clear picture of where they are, what their conservation values are and what the [inaudible] would be. The draft amendment before you is quite detailed and you will not have had time to walk through that. I will come back to that.

The other significant amendment we have considered, amongst others, is the sovereign risk issue put forward by Ms Forrest. We had cabinet endorsement yesterday to move forward with that, should you submit that amendment to move forward, with some slight adjustments based on feedback from the signatories on how the process would work. We would work with you during this process to have that amendment secured. A lot of the other amendments that were proposed during your debates I believe will be covered by the changes to the protection order sequencing. I think that is an important piece of work, to have a little bit of an overview today so you can understand what that significant change is.

The other areas we have been working on, which are detailed in our submission, are around the funding issues. There is a bit more detail on where the funding will go. I can assure the committee there has been a lot of consultation with the state government, the Australian Government, Forestry Tasmania and the signatories on the elements of those funding packages and other elements, and there is alignment that these are the best way forward for the industry and for environmental organisations.

Durability and conservation have been a large component of our debates. There is a draft conservation agreement being put in place at the moment, similar to previous ones, to protect as much as possible the future reserve areas in the transition. If signed by the Australian and state governments that would take us through to about June until we can get through the parliamentary process.

A lot of work is on industry transition additional funding put in place. There are two elements to the sawlog buyback program and the regional sawmill program. We took advice from the regional sawmillers just before Christmas that they would like a bit more thought from their side before the package was put out. So we have taken that into consideration and we will not be putting that package out until we are sure the industry is happy with it. That could be around the end of the month. Certainly on the major sawmilling buyback program there has been a lot of detail work done.

No payment can happen until the act is essentially agreed to but we have enough work behind the scenes happening to understand that if the act is agreed then those payments can flow.

Economic transition: we have additional work happening on economic benefits and I guess the scenarios that go around that. We anticipate that would be available towards the end of the month, which I hope will fit with your timetable.

I believe the major change which addresses a lot of the concerns of members is this proposed change to the way we would seek to inform you and have you debate the areas of land that would be protected by the act.

Ms WELLS - As Norm has mentioned, the amendment the government is proposing does try to address the range of concerns that were raised by members in the briefings that we had before Christmas.

The draft amendment would essentially put all of the information that currently would have gone into a protection order into the bill itself as a series of schedules that will be referred to as future reserve land. The amendment also, as it tracks through, basically amends all references to protection orders throughout the bill, so there are quite a number of pages of amendments that look complex but they simply go through all the references to 'protection order' and amend those to the term 'future reserve lands'.

It preserves all the matters that were brought about through the protection order and all the matters that are referred to under the bill around protection order land that relate to the managing entity and what the managing entity can do; it preserves all of that. It simply takes the same process but has the detail in the act itself.

It also preserves all the same information that was required for the protection order. So in the protection order there would have been a description of the land, a description of activities to be prohibited within that land, description of forest practices plans to be revoked, forestry covenants and forestry rights to be suspended, and the dates of the reserve orders of each parcel of land. All of that detail that would have been in the protection order is now incorporated as a schedule to the bill if the amendment proceeded.

The reserve-making process, if you recall from the bill, there were really three steps. There was the protection order that provided initial protection to the land from forestry activity. The second step was the making of a reserve order, which essentially sets the process in train for the reserve-making process, and the third step is the reserve proclamation process itself as if the reserves were under the Nature Conservation Act. This amendment simply takes the protection order information, puts it into the bill itself but it preserves the reserve order and the reserve-making process materially the same as it was in the bill.

The main outcomes of this proposed amendment are threefold: to address the concerns raised by the Legislative Council members before Christmas around having the opportunity to not be all or nothing with respect to the protection order. It provides the opportunity for either House of parliament to make changes to the detail. It provides all of that detail up-front so you now have before you all of the information that we had in the draft protection order.

The third thing that it would do is help a little bit with the time frame. It does claw back some time in that if the bill is passed then the reserve-making process is able to

commence from that point. There is not the need to wait for the protection order to be gazetted and then go through the 15 sitting days of parliament, which could take it right through until August. This means that the process kicks off if the bill is passed at that time. As Norm mentioned, it aligns better with the commonwealth funding process which, according to the commonwealth, cannot be guaranteed after April, and would also enable the sawlog contract buy-back process to reach conclusion earlier.

The amendment creates three new schedules within the bill. The first schedule is a horrendously long table which goes through each parcel of land. There are 295 lots, based on the current map that we have been provided. For each of those lots there is a description of the land itself, how large it is, and a description of all those aspects that are defined in the bill around forest practices plans and covenants, et cetera. In that schedule, we have all of the data available now except for the forest practices plans. You will see that column 6 is currently blank because we have yet to be provided with that data from Forestry Tasmania. We understand that work has pretty much been completed but that there needed to be a verification process through the district staff to make sure that the coupes that were identified were in the right place. Unfortunately, due to the bushfire situation, that work has been delayed probably by a week or two.

The second schedule that is added to the bill, which would have been in the protection order as well, is schedule B, a short list of transitional coupes - short compared to the other tables. That is page 130 of the amendment. That is a list of the coupes identified by Forestry Tasmania as being required to be harvested during this transition period. Those coupes are excluded from the future reserve land at this point in time. As the reserve-making process proceeds over the coming months, as those coupes are harvested over the next 12 to 18 months, those coupes may be brought back into the reserves themselves because I think the transitional coupes are intended, in principle, to be a once-off harvest scenario.

CHAIR - Those coupes to which you refer, Penny, the ones you have just mentioned or alluded to, are they the cut ones then reserved? Are they the ones which were identified through the signatories process and their recommendation for that process for cut once reserve or is this different?

Ms WELLS - No, they are a separate group. The signatories have identified once-off logged restore and reserve areas which are included in all of this detail. If you look down through column 5 of the large table in schedule A, that is the column that identifies the activities to be prohibited. For all of those lots that have an entry in that column that says there are no activities to be prohibited in that lot, those are the lots that are once-off logged. Because we had the maps of those when we were preparing the data for the protection order they were actually included in the protection order data itself, however we did not have the transitional coupe information when the maps were being prepared. That has only recently been provided so that has therefore been included as a separate schedule and that is why the transition coupes are dealt with differently. They could have been dealt with in a similar manner but for the sake of having the information available it was just as straightforward to put them in a separate schedule.

CHAIR - To me, the obvious question flowing from that then is that it has been suggested by environmental groups that that would provide tension as to the suggestion of peace in the forests. Continuing to log in identified areas for reserve during a transition process, that

rescheduling by Forestry Tasmania would provide a point of significant tension because some in the environmental movements, of course, suggest that. Once we have identified and agreed to the reserves, that is it, because there has been tension in the recent past with the 430 000 hectares in the conservation agreement process, because some, of course, including prominent environmentalists like Bob Brown and Peg Putt said, and I think even the Greens in the government said something to the effect, that we should not be logging anything in the 430 000 and yet we had to as a rescheduling process. Has your group addressed that matter of that possible or potential tension?

Mr SWAIN - Yes, as far as is possible. The signatories agreement, as you know, recognises the need for some transitional coupes to allow contracts to be honoured, but what the government has done is have discussions with Forestry Tasmania and indicate some support for re-roading where that is possible to minimise the number of those coupes. The work is being done to minimise that number but you cannot remove the number entirely. It is an analogous, as you quite correctly point out, to the conservation agreements we have previously had. You can reduce the number but you cannot entirely remove it because of practical constraints like the meeting of roads and forest practices plans and so forth.

CHAIR - Yes, but I would contend that you have just restated what I have rather than address the point as to whether your group has bent its mind to that possible tension and thereby the challenge to the veracity of the agreement, if you like, or the acceptability of the agreement?

Mr SWAIN - We have done what we can to allow FT to minimise the number of coupes but there is no approach that can totally remove those coupes. That is recognised in the signatories agreement itself. I take your point, though, that there are groups outside that process that have issues with that.

Mr McILFATRICK - In support of what Gary says, the signatories recognise that it is of short-term nature. We have allocated up to \$15 million to FT and some of that funding has been endorsed by government leading up to the summit to allow us to avoid as much as possible the coupes that will be reserved, but you cannot have a cliff that appears and suddenly work does not carry on and you get a stand-down of workers and closures of mills. That is recognised by the signatories. The fringe groups will certainly or probably object but we have to deal with that.

Mr HARRISS - You have just indicated, as you have said, 'We have done this work' to ensure that FT's rescheduling, if you like, is minimised. What involvement has FT had? I would contend that they are the expert forest manager.

Mr McILFATRICK - We are taking advice from FT. What we have done, through Treasury, is allocate funding to allow new roads to be put in, in advance of the conservation order and prospective act, to make sure that they avoid, where possible, coupes that might be contentious. It will not be possible to avoid them all but it will be a smaller number than it would have been otherwise.

Ms WELLS - The last schedule, schedule C, inserts an overview map of the future reserved land. There are 25 annexures to that map, so the index map basically creates a number of tiles across the state and each one of those tiles is a separate annexure to that index map,

which is across the next 25 pages. I realise that, in the amendment itself, simply because of the way the Parliamentary Counsel template and technology works, the maps do not reproduce very well at all. I am not sure whether every member received a copy last night, but we did provide hard copies at A3 size which should have been handed out. What we have done is provide the draft of the CPR plan.

Ms FORREST - Colour does help when you are looking at this with so much detail.

Ms WELLS - The CPR plan is not in colour. Other types of maps could be created to identify things if members request but this is what the CPR plan itself looks like. It was technologically quite a challenging task to create the CPR plan. It was done through an automated process to be able to do it within the time available. Normally a plan like this would have taken weeks or months to prepare so we were limited by the way that technology worked.

Mr HALL - Penny, thanks for the maps. As you know, I have been very critical of the fact that we have not had those more detailed maps. Obviously it is going to take some time to digest them and interpret exactly what is there. There is a huge interface with private land and obviously a lot of people in the community are very concerned about those matters.

We still have a certain quantum of land to be protected, putting in a broad sense like that. You said that parliament would now be able to, by amendment, diminish or change reserves, which could be acceptable. How does that work? How much would be acceptable or not?

Ms WELLS - I guess that is really a matter for the parliament because any amendments to this moved in the upper House would need to go back to the lower House.

Mr HALL - If it was 20 000 hectares or 50 000 hectares - is there a figure in mind that the government might have which is going to be acceptable? How much change is going to be acceptable? That is what I am trying to nail down here.

Mr McILFATRICK - My view is that we have tried, all through this process, to adhere to the signatories' guidance so the absolute number for reserves which need to be achieved.

Mr HALL - So the 50 000-odd hectares, that quantum, still remains? That is what I am trying to establish.

Mr McILFATRICK - If there was a change, that change would need to be articulated and then potentially substitutes found. I am not trying to pre-empt the discussion; I want to work all the way through this. We have taken a view that after two years' worth of work our signatories have done a power of work. It has been endorsed by both governments and we need to ensure as much as possible we can meet the intent of that agreement through the legislation. We have tried to give you a much better view of what is being proposed before you make your final decision on the act as a whole.

Mr SWAIN - It would also allow, if you wanted, a direct discussion with the signatories themselves as to the proposed changes. The importance is to maintain a balanced

agreement which all the signatories support. As you consider changes, it would perhaps be something you would want to discuss with the signatories themselves.

Mr HALL - I go back to this whole matter of the process. If we go back to the start in Premier Bartlett's time, and very clearly is the quote:

A transparent process involving broad community engagement including opportunities for the community and stakeholders to make contributions to the process.

In my view, from what I have seen, that is why a lot of people have become upset. A lot of people outside the signatories' group have not had that opportunity to participate and make comment.

Mr McILFATRICK - Obviously at the detail, but there have been a large number of community forums specifically on forests and more broadly on the economic development at the regional level, where there have been opportunities for them to discuss the pros and cons of the process. The detail on those maps has not been available to the public or us until very recently. How much public consultation can happen on each of those elements and detail, it would be difficult to say.

Mr HALL - Those maps that have now been provided to us, will they be available for public consumption, and when?

Ms FORREST - Previously the bill we had set up a framework to enable areas of land to be considered for protection at a later time. If this was accepted - and this is the way the bill was proceeded with - the bill would mean if we supported that the land was reserved at the end of the passage of the bill back through the lower House.

Ms WELLS - No, not quite. This sets up the reserve-making process. It provides interim protection for all the parcels of land identified in here. That interim protection is in the form of the activities listed in column 5 are prohibited. Timber harvesting is prohibited from all the parcels, except the once-off-log and the log-of-last-resort parcels. It restricts the land manager in that the managing entity, which for the majority of land is currently Forestry Tasmania, but there are also some parcels of crown land and Hydro land. The passage of this through parliament -

Ms FORREST - It improves the reservation at least.

Ms WELLS - It improves the reservation process proceeding for that land within the initial reserve order.

Ms FORREST - It would have been a separate process later on when we look at a protection order separately, as it was.

Ms WELLS - Yes.

Ms FORREST - Is it possible to have a description of what the relevance is of each of the columns. Some are very obvious, but can you tell us what each column refers to below

it? Column 1 is obviously the lot number, but I am concerned about the other ones as to what we are looking at there.

Ms WELLS - On page 14 of the amendment there is a description of the future reserve land and in those two pages, 14 and 15, it describes what each of the columns are.

Ms FORREST - Okay, that makes it clear because it is not entirely clear what each column represents. As far as amendments go, as Greg alluded to, if it is presented, as is suggested here, it was going to take us three weeks to consider the bill because we will consider every lot, potentially, as we go through the schedule, so it will be a long, drawn-out session.

As far as amendments go, I ask for some clarification around this. If the Council is of a mind to say we do not agree with lot 150, 170, 180 or whatever it is, that would undermine the nature of the agreement. My understanding, when we talked about this during the debate, was that amendments would perhaps be more along the lines of column 3, which is the purpose and values column. For example, in annexure 8 there were areas in there where mining was to be restricted as opposed to forest harvesting. That would be something that perhaps I would have an issue with. Is that what we are talking about more, as opposed to the wholesale removal of 20 000 hectares from reserve? Is that the thing that is likely to be accepted, or are we on completely different pathways here?

Mr McILFATRICK - I would not like to pre-empt what the Council may wish to amend. If there is substantial change to the outcomes then that would be a matter for the lower House to consider. It certainly would be a matter where there would need to be sound engagement with the signatories because that would be our advisory body on is this acceptable. It could be, for instance, a change to our values proposition. That may be acceptable in some ways. There is only so much forest that can be allocated to reserve and if you take one piece out then I believe you have to find a substitute to keep the whole deal together.

Ms FORREST - The spirit of the deal is what you are talking about, Norm?

Mr McILFATRICK - Yes. In fact what we have done here is very much what would have happened subsequently when you were debating the protection orders. That step-by-step process of walking through each of the reserves would have had to happen at one stage. We are giving you a bit more up-front work. To reiterate the point Gary made earlier, it will potentially bring us two or three months forward in being able to get the funds flowing to industry - the sawlog buy-back - meeting the Australian Government requirements where we at least have certainty of their funding until the end of April. It was to take some time now to make some time later.

Dr GOODWIN - With this new detail in the amendments around the class or type of reserve, there is not any information provided on that, although there is obviously a lot more detail around the individual lots and what the values are, et cetera. Why wouldn't you go that step further and provide some indication of the class of reserve? I understand it goes through that second process, but wouldn't that be useful?

Mr McILFATRICK - That is a process under the Nature Conservation Act, which is under minister Wightman. It would be very much guided by those values that are prescribed in there. Each of us, as non-experts, could go through and make an assessment about what each of those reserve allocations may be. But because there is an opportunity or that some of those values may change, we do not have all the detail. The detail you have in here at the moment is the best that we could get before Christmas and there may be some small changes. There is a separate process under the Nature Conservation Act for minister Wightman to apply but it would be our intent to apply that rigorously and not to amend the conservation act process. Once you had accepted a particular reserve description then the reserve-making process would be based on that information.

Dr GOODWIN - You mentioned that cabinet had endorsed these amendments yesterday. Is that the whole of cabinet or just -

Mr McILFATRICK - No, it is the forestry subcommittee of cabinet, but they act on behalf of cabinet.

Dr GOODWIN - That does not include the Greens members?

Mr McILFATRICK - It includes one, the Leader of the Greens. So it is the Premier, minister Green, minister O'Byrne, the Leader and minister McKim.

Mr SWAIN - And minister Wightman.

Mr McILFATRICK - So a substantial representative of cabinet. That is not to say that individual members and parties would have different views, but certainly endorsement of this significant amendment is about bringing forward information that you will need to deliberate over the coming weeks. I believe the strength of what we have tried to do here is to address as many of the amendments, particularly ones put forward by Ms Forrest around information.

Dr GOODWIN - That is an important point to make because these new amendments of course have not been through the House of Assembly, have they?

Mr McILFATRICK - This is a proposed amendment for you to accept.

Mr SWAIN - Part of the discussion was going back to when the bill was originally tabled. Under the original proposal and the signatures agreement it was anticipated to be finalised before the bill was tabled in the House of Assembly. At that point it was imagined that there would be a bill and a draft protection order that came to both Houses of parliament at the same time and because of the timing of the finalisation of the agreement that was not possible. So in one sense this amendment takes the parliament back to the original intent in considering the bill but it would also have all the information at its disposal to consider the bill in context.

Mr McILFATRICK - We had to cancel Christmas; that was the only downside.

Mr WILKINSON - It would seem to me that the major thrust behind this legislation is to reserve land which is deemed to be high conservation value land; is that right?

Mr McILFATRICK - The intent of the signatories is to get a balance between forest activities and conservation of environmental values, but also recognising that there is a market imperative out there that said that the market is putting pressure on forestry activities to take into account conservation values. It is a compromised position which says that we can carry on our forestry activities, more limited with less production forests, and protect high conservation value forests. Not every hectare of those reserves will be high conservation but it will be surrounded by conservation values which have been, I guess, in the values column allocated a conservation value.

Mr WILKINSON - That is what I am finding it hard to understand at the moment. The thrust of the initial debate in relation to it was to protect forests which add high conservation values. It seems to me now that has decreased to some degree to be now forests with a conservation value. In other words, a different definition: high conservation value forests to forests with a conservation value, or alternatively just with some conservation values. It seems to be a furry comment being made, not by you but by a number, and I am trying to understand the reason behind the actual reserves.

Mr McILFATRICK - Certainly the debate at the signatories' table would have been how much of the high conservation value forest could be preserved and still maintain production forests. That has been the outcome they have come to, and which is now detailed in your maps is what they believe can meet the requirements of environmental protection and production forest activity going forward. There will be debate about the level of conservation and that will come down to minister Wightman making the decision on the allocation of the reserve. The highest conservation value forest would have a different reserve allocation to, say, some higher value but maybe not the highest value forest allocation.

It is hard to articulate in a short time the debate that would have occurred around the signatories' table but it is actually a negotiated outcome.

Mr WILKINSON - It would seem that fear more so than high conservation value was the bottom line in relation to maybe environmentalists. That figure seems to be, as far as I can look at it, the 500 000 hectares. I noted your comment earlier on in relation to that as well. Is that right, that there cannot be anything less than 500 000 hectares and, if so, why?

Mr McILFATRICK - I don't know. Again that question would have to go to the signatories because they were the ones involved in the detail. I certainly have not seen anyone pick out a number of 500 000. Really my question to Forestry Tasmania is: can you have a sustainable business in Tasmania with 137 500 cubic metres available? Can the environmentalists live with and see sustainable, durable conservation outcomes and production forestry happening with that amount of reserve in place. The answer to both those questions has been yes. There will be a different sort of industry in the future. We will be protecting a lot more forest but we can live together. The signatories and the principles agreed over two years are that this is a durable agreement.

Mr WILKINSON - It is probably a question I should be asking the signatories.

Mr McILFATRICK - Yes.

Mr VALENTINE - I am interested to know whether these amendments in any way impact on the speciality timber areas?

Mr McILFATRICK - There is more work to be done on speciality timbers. In fact we will be doing some further work and the Australian Government has provided some funding to do some more work on that. As far as I am aware, speciality timbers are not impacted either positively or negatively by this amendment.

Mr MULDER - I am not too sure I have any forest left worth either harvesting or preserving but that is the nature of the cycle of these things. It is just in the context of what does forest protection mean when these sorts of events, and particularly the one in the south-west, can happen in these areas. I am just wondering about the impact of logging them compared to what is burning, but anyway that is off the point at the moment.

I understand from what you are saying that in the process we are talking about now there are two stages. Some is some short-term reservations that will occur fairly quickly, and other ones are longer term that will be placed into forest protection in the longer-term after some initial perhaps short-term forest operations. I also understand the process that we are going through now is that parliament will be given the detail of the 295 lots and they will now be incorporated within the bill and that we will then get to amend those on the way through. As the member for Murchison points out, that could be a fairly long parliamentary session.

The point that I have raised continually throughout this, though, is the question of the durability. I understand that the council of the signatories, comprised mainly of the signatories, will be providing a report on the durability. My question to the heart of this is: what mechanisms are proposed or exist if a continuing or a renewed disruption occurs in forest processing, markets, transports and harvesting?

Mr SWAIN - The cabinet also considered some of the other proposed amendments from yourself and Ms Forrest yesterday and also, because of some of the issues you are raising, determined that it would support the proposal for an annual durability report in the event there had not been any durability report in a particular year. The amendment is still consistent with the overall process of having a durability report coming back to the parliament and the reserves themselves coming back to the parliament to the extent that there is a change from anything the parliament has approved on the way through.

Mr MULDER - Let's say all these things are in reserves, everything is going along swimmingly, we get two annual durability reports saying things are going swimmingly, and then it fires up again. In year three we get a durability report that says one side has not kept their side of the bargain and the deal is done. What legislative mechanisms do you have to trigger a revisiting of this thing so that we make sure that the bargain is met by both sides?

Mr SWAIN - To the extent that you are talking about the second tranche of reserves, the proposed reserve order still has to come back to parliament as it would have previously. My understanding is that under the Nature Conservation Act there are processes for the unwinding of the reserves at the parliament's will, ultimately. Any reserve that can be made by parliament can ultimately be unmade under that -

Mrs TAYLOR - Even if it is a permanent reserve?

Mr SWAIN - Yes; under the Nature Conservation Act there are processes for unmaking reserves.

Mr MULDER - I know that the bill we looked at before, though, had a specific clause that said if these things do not go into reserves then the whole bill is as if it never existed. Suddenly all memory of it is erased. Why isn't there a similar provision relating to the durability clauses?

Ms WELLS - There are essentially the three opportunities with the three reserve orders. That is consistent with the signatories' agreement. Those are the three opportunities that are built into this particular legislative mechanism.

Mrs TAYLOR - If the first tranche gets put into permanent reserve, how can you 'unpermanent' it? I am sorry but permanent reserve sounds to me like permanent, yet you say we can undo that. What is the value of a bill where the agreement is that it goes into permanent reserves but you say we can undo them? I understand, Penny, you saying that there are three separate lots but once the first lot, which is the bulk of it, is put into reserve, can we undo that, or can there be a trigger, as Tony said, if it does not work? If durability is not achieved can we say, well, it is a default and it goes back to as it was. We cannot; there isn't such a thing in the bill at present.

Mr McILFATRICK - No, and it is hard to un-make a reserve. In all of our deliberations we have to take into account the intent of both industry and the environmental groups to make this work, and through the continual operation of the special council to make sure that parliament is informed about continuing durability. The other aspect of durability is that some future government could change the rules or there could be a change, so therefore industry is interested in sovereign risk about how that would be protected, for instance, if a supply was withdrawn by a future government in a deliberate and rightful way and that industry is protected by a compensatory measure if they lose the production forest.

Mrs TAYLOR - With respect, it is the signatories who are agreeing to this and the signatories are not the only people involved in durability. I understand absolutely the best intent of the signatories but there are other parties involved who may make durability not work. That is one of my issues, that we are putting the bulk of this into permanent reserve in the hope that what the signatories hope will happen and have agreed to happen will happen. I am concerned there is such a big area that we are putting into permanent reserves with no guarantee that everyone is going to agree.

The second thing is, it is all very well to say there will be compensation in place, and that is true, but that does not deal with the fact there is a viable industry to be had in Tasmania. Buying people out not only means the industry becomes smaller and smaller but it has an impact on lots of other aspects of the economy, not just on forestry. I do not want to see that happen.

Mr McILFATRICK - No, sovereign risk is different. With sovereign risk there is a contractual arrangement between, say, Forestry Tasmania and a sawmiller and the intent is that contract will be honoured. If a future decision, either by Forestry Tasmania or

government, is to change that supply arrangement then industry needs to be protected by a compensatory measure. A sovereign risk agreement is always intended not to be exercised; it is there as ultimate protection. That is why government would support this forest amendment, which was previously indicated. Take the conservation people around the table. They are significant in the Australian conservation movement, not just Tasmania; the Wilderness Society, both Tasmanian and national, are at the table. They have agreed that part of the durability is they would support the Tasmanian forest industry in markets. Can we guarantee there won't be a fringe group, either from industry or the green areas, which would oppose what we are doing? Of course we can't guarantee that; that is people's democratic right, but the core industry and the core environmental groups want this to happen.

Mrs TAYLOR - I understand that, Norm, but in previous briefings before this bill came to us we heard actual forest contractors saying it is not the major groups that have been doing the on-the-ground processing. It is not the Wilderness Society, not the major groups that have been tying themselves to bulldozers, et cetera. It is the small fringe groups that have been carrying out disruption to the industry and making the news overseas. I am very concerned they be part of the process and their intentions be made known.

Mr WILKINSON - That is one of the major strains that people who are speaking with me are concerned about. We had the Regional Forest Agreement in 1997 and the Community Forest Agreement in 2004. The Regional Forest Agreement was supposed to be in place until 2017 and we were going to have a look at it again then. People seem to forget what has happened in the past.

I take the point Tony mentioned in relation to what happens if you get World Heritage and 380 000-odd hectares - and that leaves the balance - if they then start saying, 'We've had enough. We still believe, because you're taking the cut out of a smaller footprint of forest, therefore that's contrary to environmental best practice', therefore the protests start again. People are concerned. They ask what has happened to all that land that has already been put into reserves.

One thing that could occur is that this legislation could be in place for a period of three years - a sunset clause has been proposed. If everybody abided by their wishes at the time of entering into the agreement, there could be a clause that proceeds. In other words, to keep each other honest, not only today or in five years time but in 10 years time. Has there been discussion about that amongst government? If so, can you let me know what the situation is with that in relation to whether that type of agreement could be looked at to ensure everybody is honest, not only now but later.

Mr McILFATRICK - One of the practicalities of three-year agreement would be that we want investment in the industry and no-one is going to invest in the industry with only three years of certainty. You cannot assume that if suddenly after three years that now we go back to having all the production areas available that were available before -

Mr WILKINSON - Not everybody is being fair dinkum with themselves, though.

Mr McILFATRICK - A sunset has not been considered for the reason that it would not give industry certainty about what is available to them. It would not give ENGOs the conservation outcome. To my knowledge a sunset clause has not been considered. It

would mean that you would have to have the protection. Basically, the conservation agreement we currently have, which is a temporary support for a future agreement, potentially would have to go for three years. I cannot see that being acceptable to either party.

Mr WILKINSON - What we are doing then is hoping that this tell it all and honesty that stands now just continues ad infinitum into the future. That is what we are hoping, isn't it, and that is what the agreement is?

Mr McILFATRICK - It is putting our faith in industry and environmental groups that have been around the table for two years and made a very comprehensive agreement which has been well thought through. We are putting our faith in those groups.

Mr WILKINSON - Are you aware that on the Wilderness Society window in Gladstone Street - I was walking past a couple of days ago - there was a paper talking about the protest school and getting rid of Ta Ann. It was on the window only a couple of days ago?

Mr McILFATRICK - People are entitled to their free speech.

Mr WILKINSON - But these are the people who are saying we are not going to protest, not cause difficulties. That is what concerns a lot as well.

CHAIR - You are still putting your faith in them, Norm?

Mr McILFATRICK - I believe the people around that table, and I have seen them work close to my office for nearly two years, are very genuine in their intent.

Ms FORREST - You made the comment that you can reverse orders; it is a cumbersome thing. We did it recently with The Nut reserve and there was there was another, but that is a small example of what you could do. You could get an order to revoke all of these. It would not be an easy thing to do but it could be done. That is what you are saying. The capacity is there for another order to come back to the parliament at a later time; a private member could have it put together if they could get it drafted. The mechanism is there to enable this to happen if the durability all went rather badly.

Mr SWAIN - I will make two points. There are processes that exist that have been used, like The Nut example, and the general policy, which all members would understand, that anything parliament can do it can undo. Ultimately, you cannot bind it.

Ms FORREST - It is the sovereignty of parliament as opposed to others sitting around the table.

Mrs TAYLOR - Further to Jim's suggestion, rather than a three-year sunset clause, have you thought about less in the first tranche and more tranches, successively, as durability is maintained? Rather than 380 in the first lot, what about 50 or 100? The World Heritage stuff is different. We can see how the process goes and it takes 20 years to do it and successively we add to it. Have you considered that?

Mr SWAIN - The agreement was negotiated in the context of the bill which was known to all the parties. The government's approach has been to say here is the framework and industry and environmental groups work out where you believe this would be acceptable in the framework. They have come back with that.

Mr DEAN - First of all, where in the bill is growth provided for in the industry? That is a question that has been continually raised with me. We have had you now say that the reserved areas could be unreserved and so on. That is probably one of those areas where growth can be provided for. Can you explain that to me?

Mr McILFATRICK - There isn't growth in the available under the proposed bill; only available is 137 000 cubic metres of native forest for sawlog. It is not the only available private forest plantation to the industry. There is definitely a need and an understanding that in the future there will be plantation hardwood and pulpwood coming from private forests, which was happening anyway under the RFA and other things, and over time plantations would substitute for native forests but certainly under the bill there is not an allowance for the minimum 137 000 cubic metres to grow over time. That will be substituted by private estate and by plantation resources.

Mr DEAN - My second question relates to the 295 lots that have been identified. How was each lot identified? What was the process behind it? Was there a field survey done? Was it simply done from a map or was it simply done from people throwing up these areas as having some high conservation value or some other value? How was each lot actually identified?

Ms WELLS - There are two parts to that question. We were provided with the signatories' map, so that was the first step.

Mr DEAN - And you have no idea how the signatories identified those areas or do you?

Ms WELLS - That is not something that I can answer.

Mr DEAN - Okay, please continue.

Ms WELLS - We were provided with the signatories' map and that had a number of classes on it already, just individual logs, let us call them, and then the process that we went through had a number of steps. Essentially there was a verification process that had a number of steps. Forestry Tasmania identified coupes that were partly inside the signatories' map as part of a first-step verification to take out of coupes that were identified as part of the wood model. Others are probably better able to answer that part than I, but that process modified the maps lightly. We then went through a verification process once we in DPIPW took the map to exclude any parcels of land that were not provided for in the bill.

The bill only provides for land to go into the reserves that are state forest, crown land or state-owned business land, so we undertook that verification process and excluded any private land, any commonwealth land and local government land. As part of that process of exclusions you create more parcels or slightly different parcels, so that left us with 295 parcels. What we have not had the opportunity to do is to go through each of those parcels and identify what would make sense in terms of management boundaries - should

the boundary be this side of the road or that side of the road, or down this creek or up that ridge line. That is a process that is anticipated to occur in the actual reserve-making process.

So when we take these lots, which are broadly defined, then they will go through the process with the nature conservation minister to refine those boundaries and make sure they make sense on the ground. However, that process is yet to occur. That has not happened yet so the parcels are still at a fairly broad level.

Mr DEAN - My further question arises in relation to the initial areas that were identified. As came out during the debate so far in relation to this matter was the [inaudible] and range and also the area of George Town, which was identified as crown land and could not be included. How did that impact on this, and how were the additional areas of land that were required to meet the 512 000 hectares identified? How did that process continue?

Ms WELLS - All that we have done to date is the verification process, excluding those areas that cannot be included in the land by virtue of the bill. That has taken the total figure to a little bit below 500 000 hectares but we have not gone through any process to try to identify land to make the 500 000 hectares because the intent was around areas of state-owned land with conservation value. So we have not tried to undertake that process ourselves.

Mr DEAN - That is not really telling me too much, but anyway.

Dr GOODWIN - In relation to the values in column 4 in this new attachment, how much more detail are we going to get around the values of each individual lot?

Ms WELLS - The intent of both the columns around the purpose and the values was to tie in with schedule 1 of the Nature Conservation Act, so it is only intended to be at that level of the purposes and values identified in that schedule. So for the purposes of the bill there is not a process anticipated of identifying values in any more detail than in schedule 1 of the Nature Conservation Act.

Dr GOODWIN - Is there going to be some other process whereby we can get more detail about these individual lots to make some sort of judgment about their value for ourselves?

Mr McILFATRICK - It is not proposed but certainly we can take that on notice.

Dr GOODWIN - Because they are just bits on a map at the moment. How can I make a judgment?

Ms RATTRAY - Lot 25 says an area of land predominantly in a natural state.

Mr SWAIN - My suggestion would be to perhaps take that on notice and consider whether we can add any more detail around the expert process that has been gone through to arrive at those judgments and how we can describe them.

Mr GAFFNEY - It is not my expectation to assess 295 lots, but if anything in my electorate is identified I would suggest that people who are concerned constituents of mine would

come to me and say these are the concerns we have about the assessment of this, so I would confine my thinking to perhaps my area. Is that the understanding? I am not going out to assess 295 lots to see whether they have value, and other members probably would not either.

Mr SWAIN - When we get to the reserve-making process, the Minister for Environment, Parks and Heritage is bound by the legislation to assign the purpose and values consistent with the legislation. It may be a matter of exploring in more detail how that process occurs. It really is an expert process and I think it would be unreasonable to expect members to go through and form a subjective judgment. If you form a subjective judgment, when you get to reserve-making process the Minister for Environment, Parks and Heritage is bound by his own legislation at that time.

Dr GOODWIN - The point I am making is that it is very hard to just go by an area of land in a natural state, as the honourable member for Apsley said. We are being expected to accept that at face value without really knowing what it means for that particular lot of land. If it is possible to get some more information about individual lots and what is special about them, it would be helpful from my perspective in considering this.

Mr McILFATRICK - We will take that on notice, including whether there is any application of whether the original information in the independent verification report was done as part of the process. They will not be identical in terms of that 295 but there could be overlays that would be supplementary.

Ms RATTRAY - What about where it is? Just a ballpark siting might be useful. Lot 25 is 715 hectares of an area in predominantly a natural state; where? I know we can go through and identify them but that is going to take a fair bit of time and most of us have one staff member.

Mr HALL - One of the biggest concerns in the community is the subjective nature of what we have here in terms of the reserves. If I go back to the RFA process, we had 420 000 hectares locked up which went through a whole full scientific rigorous process. We then had the CFA but now we have this. With all due respect to the signatories around the table, they have done something locked up under duress, so you can see that in the community there is a lot of concern about what has been locked up and why it has been proposed to lock it up.

Mr McILFATRICK - One thing I would say about that is that it has not been a one-step process. Believe it or not it is between the signatories who ran the environmental groups in there. There has been constant dialogue with Forestry Tasmania about the areas that were being proposed as conservation areas and the impact that would have on production forests. To say that it has just been a group of non-experts doing it, there has been toing-and-froing between Forestry Tasmania to get their assessment of the values and the impact and there has certainly been a lot of DPIPWE work that has gone forward, so it has not been a one-step process. There has been the independent verification process under Jonathan West that has been looking at conservation values. All of that has come together to give us the files that came initially from Forestry Tasmania that were provided to the signatories group and then they have been refined since by DPIPWE. So it has not been a one-step process.

Mr HALL - What will be the extent of limitations of any activity, commercial and recreational, in the new reserves? Is that contained within some of the stuff we have here?

Ms WELLS - In terms of the first phase, which we can call the protection order phase, the only activity that is prohibited is commercial timber harvesting that would require a forest practices plan - that type of big-timber harvesting. Then we have the reserve-making process where the nature conservation minister will assign a particular reserve category and that would be proclaimed through that process. Through that process of assigning a reserve class, and if it is proclaimed, then activities would be able to continue as per the objectives of that particular reserve class. That is a step that is yet to happen. If the reserve becomes a national park then the sorts of things you can and cannot do in national parks would apply. If it becomes a regional reserve or a conservation area -

Mr HALL - Right. How many classes of reserve are there?

Ms WELLS - Under the Nature Conservation Act, I cannot remember exactly. There are about seven or eight. In here, the purposes and values that have been identified equate to five categories of reserve under the Nature Conservation Act.

Mr HALL - Okay. The most respective class sitting at the top is probably national park status? Is that correct?

Ms WELLS - Yes.

Mrs TAYLOR - Or World Heritage.

Ms WELLS - World Heritage is not part of the Nature Conservation Act. That is a separate issue.

CHAIR - Norm, in answering Greg's first question, you indicated that there were various expert groups addressing their minds to this issue. You said, as best I wrote down, that the West committee considered conservation values. Isn't it more accurate to suggest they were tasked with determining high conservation values, not just the bald term 'conservation values'? They were tasked with identifying where the high-conservation-value forests were; is that correct?

Mr McILFATRICK - Yes.

Mrs TAYLOR - I will flag this because it needs more discussion - the social and economic impact study on communities and on the whole of the Tasmania. That needs to be done before I can make a decision on this. I need to have far more information on that. I heard on the radio this morning New South Wales minister Hodgkinson talking about this same issue except it was water buy-back in the Murray-Darling Basin. The New South Wales government has just decided it will cap buy-back to 3 per cent per annum per valley until they understand the impact on the rural communities. We have no such protection as yet. I would like you to address your mind to that when we next meet.

Mr McILFATRICK - As I said earlier, our understanding is that the Australian Government report will be available by the end of January so I think that fits with your timetable. We will endeavour to get that as soon as possible.

CHAIR - Just to clarify, the Australian Government's response will include a social and economic -

Mr McILFATRICK - As part of our joint government agreement, the Australian Government has undertaken to commission, and pay for, a social and economic study. The consultant has been appointed and the work is being carried out at the moment.

Mr SWAIN - That will look at regional employment effects under a number of scenarios and they are intending to provide that work to this committee.

CHAIR - Who is the consultant?

Mr McILFATRICK - Dr Bob Smith, who was involved earlier.

Ms FORREST - Does that include implementing the agreement and not implementing it? That was a discussion we had last year.

Mr SWAIN - Yes. They are looking at a number of scenarios, including scenarios with and without the agreement.

Ms RATTRAY - Is there community opportunity to have input into that?

Mr SWAIN - I would have to take that on notice; I don't know the answer.

CHAIR - Members may not be aware that Bob Smith was recently appointed as an FT director as well.

Mr McILFATRICK - Bob is very knowledgeable in the forest industry and forest communities and has had contact with the signatories' process right from the start. It has been accepted that he is an expert in his own right.

CHAIR - Norm, could you please restate the members of cabinet who agreed to this new proposal yesterday?

Mr McILFATRICK - That is the forestry subcommittee of cabinet, headed by the Premier: the Deputy Premier, Bryan Green; minister Nick McKim; minister David O'Byrne; minister Brian Wightman; and the Leader of the Legislative Council, Craig Farrell.

CHAIR - Thank you, everyone.

THE WITNESSES WITHDREW.

Dr HANS DRIELSMA, DIRECTOR, AUSTRALIAN FOREST PRODUCTS ASSOCIATION, **Mr GLENN BRITTON**, AUSTRALIAN FOREST PRODUCTS ASSOCIATION, AND **Mr TERRENCE JOHN EDWARDS**, CHIEF EXECUTIVE OFFICER, FOREST INDUSTRIES OF TASMANIA (FIAT) WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - I remind each of you that you are protected by parliamentary privilege while in this committee. Outside these proceedings if you choose to make some public comment you need to be aware that you are not protected by parliamentary privilege and that the legal principle of effective repetition may kick in and you could be held liable for things which you say which are not thus protected.

As you know it was our desire to hear primarily this week from signatories, which led us to the agreement and subsequently the bill. You are also aware that we have had government representatives giving evidence to the committee. That was at the government's request. They thought it was appropriate to bring us up to speed with what the government has been doing since the rising of parliament. That is the process that we have been trekking down so far today.

Mr EDWARDS - As a signatory we received a truncated version of the whole-of-government submission this morning at 8.25, advising us of what we regard as a reasonably fundamental change to the structure of the process and the bill. As a consequence, we have not had an opportunity to properly consider that and, indeed, we do not have any of the attachments that we are advised do exist. They certainly were not annexed to the email we received this morning. Clearly we would reserve, if we are able to do that, or at least formally request of the committee that we have another opportunity to come back to the committee so that we might make comments about at least the whole-of-government submission, which was, I understand, referred to this morning by the bureaucrats who have just been through the process.

CHAIR - Is that your request of the committee now, that you would require the opportunity?

Mr EDWARDS - Yes.

CHAIR - We will consider that and we will let you know, given that is your formal request.

Mr EDWARDS - It is a formal request.

Dr GOODWIN - Does that mean that you have not actually seen any of the amendments we have just been discussing with the government representatives?

Mr EDWARDS - No, we have not. All we have is the whole-of-government submission pages through to number 22, which refers to attachments but we were not provided with any of those, nor do we have any of the information I heard you just discussing with the bureaucrats about parcels of land, schedules that might describe the areas to be reserved and how they might be described. We have seen none of that. Obviously we would like an opportunity to do that and then come back and talk to the committee again.

Of particular concern to us is the change in respect to the protection order process. I have tried to get my mind around it this morning but it is quite difficult at short notice to do that. Therefore, we would like the opportunity to come back and talk about that. Certainly when I first read it, it raised considerable concerns in my mind about being inconsistent with the agreement. The government has indicated its intention to us is to reflect the agreement accurately in the bill. I do not read this as doing that, but it is a quick reading under duress. I would rather do it properly and in a more properly structured way.

CHAIR - Was FIAT or AFPA aware that the government was proceeding down this path notwithstanding that you have only received a truncated copy? Was there any communication with you to indicate that work was being done to progress to a different landing point?

Mr EDWARDS - At a meeting on Tuesday of last week that I came back into from annual leave, there was a meeting of what is being called the FFIC, a revisiting of the old Forest and Forestry Industry Council structure to give the signatory group a structure during the intervening period whilst these processes go on. We have all been appointed to that by ministerial decision. At that meeting a representative from DIER indicated that there was some thought going into changing the protection order methodology to maybe doing it with the bill. I immediately then said, 'If you are contemplating that, could you please discuss it with us so that we understand what you are proposing and can give you our views'. We have heard nothing since then until 8.25 this morning when this arrived.

CHAIR - It was Tuesday last week?

Mr EDWARDS - Tuesday last week. The member for Nelson might be able to attest to that because I bumped into him in the park outside this building.

CHAIR - As you often do.

Mr DEAN - There has been no coming together of the signatories after that was raised on Tuesday of last week?

Mr EDWARDS - That is correct.

Mr EDWARDS - First, thanks to the committee for this opportunity to put FIAT's perspective to the committee on the Forests Agreement Bill. Inevitably, in doing that, we will stray into the forests agreement per se, even though this inquiry is into the bill.

FIAT has been an active participant in the negotiations leading to the making of the agreement in November of last year and, indeed, the predecessor agreements, including the statement of principles, the Kelty in-principle agreement, which in turn led to the signing by the Premier and Prime Minister of the intergovernmental agreement. FIAT is a signatory to the forest agreement. In electing to sign the agreement, FIAT was guided by a number of full meetings of FIAT members to ensure all members expressed their view and had those views taken into account. It was a highly democratic process.

The decision by FIAT to sign the agreement was not taken lightly and was only achieved by a majority decision of our membership, which I advised the Legislative Council of in the informal briefings before the second reading debate in the House.

CHAIR - Could I then at this juncture ask you to indicate to the committee who your members are? I would not expect you to disclose the voting which occurred, but who are your members, please?

Mr EDWARDS - They are listed in the FIAT annual report, which is available on our website, but I am more than happy to provide them to the committee.

CHAIR - I am happy to go to your annual report, Terry.

Mr EDWARDS - As I said to the Legislative Council in those informal briefings before the second reading, FIAT membership, I think in concert with probably the entire Tasmanian community and indeed as it transpires the Council itself, is fairly deeply divided over the decision to endorse this agreement and to bring it before the parliament as a bill. There is no point in hiding that. It is an absolute fact. I have said it before and I have no shame in saying it publicly. It is a divisive issue. The forestry debate in Tasmania for 30 years has been a divisive issue.

The question is what we do with it now rather than what we have done up until now. On balance, the FIAT membership decided that we would sign the agreement. In doing so we take very seriously the obligations we picked up, derived from clauses 56 and 60 of the agreement. That is that we are required, as a signatory, to back that agreement in and seek its full implementation through this parliament and through other mechanisms. We take that seriously and we will be doing that, and the evidence we will give to the committee will be designed to further that objective of the agreement. That was before I received the whole-of-government submission this morning and I might need to reserve my position in respect to that.

At the informal briefing of the Council prior to the second reading debate, I advised that the FIAT position was that we would not object to amendments to the bill that were designed to improve the bill, that sought to correct any omissions from the bill that were required to reflect the agreement accurately, or that provided additional comfort to the Legislative Council members as the custodians of the public interest in this context and in this debate at this stage, providing those amendments did not attack or amend substantively the core elements of the agreement. I use 'core elements' as opposed to issues around durability reporting and things like that, which I think are clearly issues that can be subject of more debate.

Mrs TAYLOR - Are you going to say what you think the core elements are?

Mr EDWARDS - The core elements in reality are the wood supply outcomes and the conservation outcomes in the aggregate - putting it at its most basic. I was going to come to that later on but I do not need to anymore. I was not going to go any further than I just did.

Mrs TAYLOR - Good.

Mr EDWARDS - We contend that there are a number of material issues that have not been translated into the bill and will require, in our view, amendment to ensure that the intent of the forest agreement is encapsulated by the bill. In particular, we instance the lack of a sovereign risk provision and we are aware of an amendment proposed by the member for Murchison that would seek to redress that issue, and also lack of a change to the decision-making criteria for the Forest Practices Authority as required by clause 53 of the Tasmanian Forest Agreement. We are also aware of an amendment proposed by the member for Murchison in that regard as well. We will be encouraging the Legislative Council to make appropriate amendments to the bill to reflect those outcomes so that it accurately reflects the agreement it is intended to implement.

It would be fair to say that the final agreement does not reflect FIAT's preferred outcome. In fact it falls well short of our original expectations that we had of wood supply volumes that might come out of the negotiations process. The agreement, from our perspective, represents a compromise outcome and it represents the best possible agreed outcome that we could achieve through negotiations with the environmental movement where we tried to bring together a broad range of disparate representative organisations with fundamentally different objectives and motivations. This is the best we could do through negotiation.

Given that the agreement falls well short of our original expectations, it is entirely appropriate for the question to be posed: why then did FIAT sign the agreement? There are a number of aspects to answering that question. First, the agreement represents our assessment of the best possible agreed outcome that we were going to be able to achieve. Second, there are some sectors of the industry that are extremely vulnerable to any delay or any increase in activity against their interests. In particular, I instance Ta Ann Tasmania, which is well known to Council and I know they have briefed the Council previously and undoubtedly will again.

FIAT also had some concerns that the marketplace would not support the industry, especially in light of the readily available cheaper imports from overseas that could act as a cheaper but adequate substitute for our own Tasmanian oak timbers.

The risk from an industry point of view of not having an agreement was higher than the risk of having an agreement. That was the imbalanced decision that the FIAT members contemplated and cast their votes on and, as a consequence, we elected to sign the agreement.

That consideration by FIAT was undertaken in an environment following the collapse of the negotiations process which was announced by the federal environment minister Tony Burke and Tasmanian Deputy Premier Bryan Green on 26 October. There was a lot of public posturing and outcry and attacks on various groups, most particularly FIAT at that time, who were branded as the culprits in the collapse of the process. It was in that environment that we were making our judgment about whether we were better off with an agreement or without an agreement. So we were actually able to test those three issues that I said guided our decision making in a real life environment. They were not an abstract decision; they were actually being tested in the marketplace at that time.

I would like to stress in that context, though, that the position that FIAT had been advocating to that point was no more than what was guaranteed by both governments in

the intergovernmental agreement. That is, a wood supply of 155 000 cubic metres of high quality sawlog. I do that only to salve my own conscience and I guess to respond on the public record to the attacks that were made at that time. All we were advocating for is what we were promised by both governments in writing in a signed agreement between the Prime Minister and the Premier. Don't take that any further; as I say it is just me making the point that that is all we were doing.

The net result of the consideration by FIAT members was that FIAT advanced on 2 November 2012 a without-prejudice package designed to try to see whether an agreement was possible by further compromise by industry. That compromise is now reflected in the outcomes of the forest agreement, which is a wood supply of high quality sawlog of 137 000 cubic metres a year, a much lower supply of rotary peeled veneer billets than was the case in the IGA - it is about 160 000 cubic metres - and special species timbers. We are not able to accurately identify the actual volume of that because it is subject to a process, but in the interim it is at the 12 500 cubic metres that was identified in the intergovernmental agreement, at least while we undertake that further process.

In exchange for that reduction in volume supply to industry we asked for a number of durability issues to be resolved to our satisfaction. They were resolved. I can provide a copy of that package subsequent to today to the Legislative Council so that they are familiar with what we were asking for. It is largely now reflected in the agreement. I did not bring copies today but I will provide those to the secretary of the committee and ask him to forward them to members. A number of you have already seen that document because I have used it in my briefings at various Legislative Council meetings.

Dr GOODWIN - In relation to that document, are you able to flag whether there are any particular bits that have not been picked up?

Mr EDWARDS - Virtually all of them have been picked up in the agreement but there are some that have not been picked up in the bill. For example, the sovereign risk protection of our contracts is one I identified earlier. We probably did not get the full funding outcome that we hoped we would get.

Dr GOODWIN - Are you able to specify which funding bits you did not get that you wanted?

Mr EDWARDS - The funding schedule is on the back; the one we were asking for at that time. That will come to committee members. It can be clearly contrasted with the final funding outcome that was advised, I think, to the Council by government as part of the briefings on the second reading.

Dr GOODWIN - I am wondering whether you could do that exercise for us because I have done that comparison and I am not quite sure how they line up. The funding agreement from the two governments is a bit broader in its language, so if you could provide some specifics around that it would be useful.

Mr EDWARDS - I am quite happy to do that.

Dr GOODWIN - Thank you.

Ms FORREST - I think some of the issues with the funding are that the commonwealth blended a couple of the lines there. So that is the confusion.

Dr GOODWIN - Yes, and I would like some clarification to make sure it is clear.

Mr EDWARDS - You would like them disaggregated.

Dr GOODWIN - Yes.

Mr EDWARDS - I think I am able to do that. In fact, I would like to do that.

Mr EDWARDS - The agreement outside of the issues to do with wood supply and conservation outcomes deals with a number of issues that go to the question of durability. That is, provisions that are designed to ensure that the spirit and intent of the agreement are honoured over the long term to ensure that the outcome does not suffer the same fate as previous attempts to resolve the long-running forest conflict in Tasmania. I hastily say this is different to what has happened in the past inasmuch as it is a coming together of the protagonists to try to resolve the dispute rather than an imposed solution by government to resolve the dispute. It has been quite clear, I think, to everyone that the imposed solutions processes of the past have not worked to solve the dispute itself. They have created small periods of hiatus but they have never resolved the dispute. This is an attempt to resolve the dispute and, as a result, it is a negotiated compromise outcome. I have heard a lot of questions this morning from Council members about the science that underpins the reserves outcome and the like. The reality is this was a negotiation over what it will take from each side giving to the other an outcome that could create peace.

Mrs TAYLOR - Are you satisfied all the protagonists are included in this agreement?

Mr EDWARDS - Clearly not all the protagonists are included. It would be ridiculous of me to try to suggest they were. There are many extremists from the environmental side who are not involved. There are equally a number of agitators on the industry side that have not been specifically included. Short of negotiating an agreement by way of referendum, you could never include every person, every body, and everyone with an interest or point of view. We tried to identify the core players, the ones we believed would into the future be able to influence the outcomes and help us carry the day to make this agreement something that can work for the long term. Have we got everyone? No, of course not. Have we got the main people who should have been involved? In my view, yes, but I know there are alternative views on that.

Mr WILKINSON - Terry, you mentioned it is the first time it has occurred between governments and environmentalists getting together to come to an agreement. The government has argued it was industry that approached conservationists seeking a deal. Is that the case? Can you tell me, if it was, who it was? That seems to be the genesis of it all and I want to know the true facts in relation to it.

Mr EDWARDS - I cannot help the committee much on that question. At the very early stages of this process FIAT was knowingly and deliberately excluded from the process. There were meetings held off the shores of Tasmania, involving at least one FIAT

member, but FIAT itself was not involved. My understanding is that NAFI and TCA were involved, as was Gunns and the CFMEU, but that is as much as I am able to shed by way of light on the very beginnings of this process. It was much later in the process that FIAT was ultimately invited in. My recollection is that was as a result of a request by the Premier of the day, David Bartlett, that a broader range of stakeholders be involved in the discussions that had already commenced. I am not trying to obfuscate or not answer your question; I am just not able to.

Mr WILKINSON - In relation to the science we have spoken about, originally there was talk it was going to be the high-conservation-value forests that were to be put into reserves. It seems to have changed from that to a situation where we are today, where it is an agreement whereby there be a lot of 'pretty forests' put into the agreement to get to a certain figure. What do you say to that comment?

Mr EDWARDS - The original claim by the environmental movement was for a forest area of 600 000 hectares to form the basis of a high-conservation reservation program. That was tested before Jonathan West's independent verification group, and the final amount tested was more like 572 000 hectares. That assessment was undertaken against criteria with which industry did not agree. Hans will provide greater detail on that; it is more his area of speciality. We raised objections to the assessment process that was used. We were of the view that it would necessarily end up with the result we ended up with and that is that it would find that there were conservation values in these forests, and that is what was assessed. There was no ranking made about whether they were high, medium or low conservation values and the only forests assessed were those that were nominated within the 572 000 hectares that had been put forward by mapping done by the environment movement.

Dr DRIELSMA - I was anticipating an opportunity for AFCA to also make some introductory comments but it seems as though we have gone into the questions. I did want to address that particular point. You are quite correct that the agreement that we thrashed out does represent a negotiated outcome between the stakeholder interest rather than one based on scientific or technical merits of any particular conservation outcome. We stand by that agreement and we give our full support to the areas that are agreed for reservation.

However, very early in the process AFCA, in particular, formally raised its concerns regarding methodology for the verification of high conservation value forest and, to a large extent, these concerns remained through the process and remain unaddressed. There has been no verification of the high conservation value of the proposed reserves in any scientific or technical sense against any comparative standards or ranking. When one thinks about high conservation value, one assumes that there is also low conservation value or not so high conservation value. That methodology, although the language was used, was never applied. There was never any ranking or comparison of any areas to ascertain which were higher, which were lower, were these the highest, were the ones that were outside the reserve proposal lower. In fact, that approach has not been done. That is not to say that the areas identified do not contain conservation value; clearly they do, and verification was about identifying what are the conservation values that are inherent in these areas that have been put forward, and we accept that.

But there has been no verification of the high conservation value or any comparative standards or rankings. In our view, the methodology was flawed in this regard. It was not the basis for the agreement and should not be used to make any judgments about those areas ultimately excluded from reservation proposals. We reject the methodology as any basis for how such assessments should be conducted in other forest areas. AFCA, particularly with a national perspective, is very concerned that this is clearly understood, that this is a negotiated outcome. We agree with the negotiated outcome, we support the negotiated outcome but it is not a scientific or technical methodology and it is not one that we would like to see used in that way anywhere else.

Mr WILKINSON - In relation to the 500 000 hectares that we are now speaking about, some land that is now in that 500 000, I understand, was not in the original 570 000. Is that right, and can you expand on that? If not, who do I ask about that?

Dr DRIELSMA - That is correct. There are areas there that were subsequently identified as part of that reserve outcome.

Mr WILKINSON - That has not even had the benefit of having the Jonathan West process to see whether that was appropriate land or not, is that right?

Dr DRIELSMA - That is true, but neither did his initial assessment determine whether it was appropriate for them to be reserved, in our view. To some extent, I do not think we see that as a relevant observation because we consider the methodology was flawed and it was not the basis for the agreement. It obviously informed some participants in their view about what should or should not be reserved but, ultimately, it was not a factor from our point of view.

Mr WILKINSON - Was any figure raised that they could not go below? My understanding was that the figure that could not be reduced was the figure of 500 000 hectares and if that is the case, why was that?

Dr DRIELSMA - It is fair to say that there were expectations raised through the whole process about the nature of the reserve outcome that would emerge and, reasonably, the participants in that negotiation sought to maintain some consistency with those aspirations. Just as in our minds we had an idea of what the bottom lines for volume outcomes should be it is clear they have similar views about the sorts of areas and the scale and nature of the reserves that would allow them to maintain the support of their own constituents. Beyond that I would not like to comment.

Mr WILKINSON - The final question was in relation to the 155 000 cubic metres and the 137 000 cubic metres, Terry, that you mentioned that caused the problem back in October of last year. What occurred to have FIAT come from 155 000 cubic metres down to 137 000 cubic metres?

Mr EDWARDS - At the time that the talks collapsed on or about 26 October there was a media campaign run by environmental groups targeting FIAT as being the reason no agreement was possible because we had steadfastly stuck to our original ask which was 155 000 -

Mr WILKINSON - Which was in the IGA.

Mr EDWARDS - which was the figure that was guaranteed by the IGA. At the same time environment groups also started talking to our marketplace about whether they were going to continue to do business with us in the circumstances where we are the culprits that caused the TFA process to collapse, and that gave us a real life opportunity to test the solidarity of our marketplace and whether it would stand with us in the event there were a concerted attack down the track.

It was the assessment of the FIAT membership that there was some vulnerability in that area. It was also our assessment that what was eventually put forward as our compromised proposal is one that we could live with. The original proposal for 155 000, when viewed in the context of the current contractual obligations of Forestry Tasmania of 168 000 and the number of expressions of interest in the high-quality sawlog buy-back program which would have seen that 168 000 reduced to about 112 000 if all applicants had been granted their opportunity to sell back some or all of their volume, was seen to be in the context of us saying 'buy back that volume and then reissue back up to a level of 155 000' that caused the ruction that occurred back in October. It was not the 155 000 per se, but that we were going below that and then coming back up, which was originally encapsulated in the IGA and where it encompassed the view of a thing called 'a plantation priority contract' which would go to those people who bought back volume that had been surrendered under the high-quality sawlog buy-back program.

It was on those bases that we made our judgment. We also made our judgment based on a pretty hard-nosed approach to the durability issues that are listed in our without prejudice proposal which I will provide to the Council. Most, if not all of those durability issues were subsequently met. Our members felt, as an organisation, that if those durability issues were met we could go down to 137 000 and still have a viable industry going forward. It was certainly less than our original expectation and less than our hopes. Our hopes and dreams were always 155 000; that was our assessment of the critical mass required to have an industry of a size that could influence the marketplace. Ultimately, we were required to reassess that and on the basis of that reassessment we came up with 137 000.

Mr WILKINSON - Do you think with 137 000 you are still capable of influencing the marketplace?

Mr EDWARDS - Less so than we would have been with 155 000 but that is less so than we would be at 168 000, and less so than we have historically been at 348 000. The durability issues and the support we would have in accessing those markets from the environment movement became key issues for us. We felt that having that support and removing the long-running forest war as a backdrop to our marketing efforts would be beneficial to us in maintaining market presence. That was our assessment, and rightly or wrongly that is where we as an organisation landed by a vote of our full membership.

Dr DRIELSMA - I will elaborate a little more on those durability elements which have been a primary concern we have had through this process. Provided there was a viable volume of resource the industry could proceed, albeit significantly reduced, but we need to understand that the agreed wood production resource is now very tightly constrained. If we thought it was tightly constrained previously, it is now super tightly constrained. Therefore we have had very particular concerns regarding the management arrangements

that are now going to be applied to that forest resource and its access registry, and this is where the durability provisions, from our point of view, are key. I know that has been an issue also for members to consider.

The provisions are outlined in various clauses of the agreement such as clause 6, which deals with the sovereign risk provisions; clause 11, which deals with the transition scheduling; clauses 29 to 31, which deal with the residue solutions; clause 47 regarding certification; clause 53, Forest Practices Act amendments; and clause 55 around the structure of the forest manager, which relates to the current reform of Forestry Tasmania. We have had some very specific concerns and language in the agreement around how we think we should merge. These are of particular concern for durable resource access and we encourage the Council to consider these matters in some detail and seek appropriate insurances or pursue amendments. Obviously there are some amendments in train regarding those, but without these issues being satisfactorily addressed there will be no durability, and it is on that basis we have supported this agreement. If those elements do not proceed, we will see that as a breach of the agreement and will not be able to proceed.

Terry has referred to the proposed amendments the government has put on the table this morning. We have not had a chance to look at that in greater detail but they appear to propose the incorporation of a future reserve land schedule into the bill in place of what was to be a subsequent protection order. On first glance it would seem that that strikes at the very heart of the durability provisions and removes the requirement for the initial durability report prior to the enactment of any protection order. This has always been a fundamental element of durability as far as we have been concerned and it is not consistent with the agreement. Terry is quite right, we want to go back and relook at that and think through what the implications of that are, but if those fears are confirmed we would see that as a fundamental problem in how the agreement is now being interpreted through the legislation if those amendments were to proceed.

Ms FORREST - Hans, you went through the various clauses and some of them have been addressed in the process, but regarding clause 55 in relation to the forest manager, do you have any specific recommendations or requirements that need further expansion beyond what is in the agreement?

Dr DRIELSMA - Not beyond what is in the agreement. We are quite clear and specific in the agreement. It was one of the durability provisions which now has the support of all the signatories and we see it as very fundamental. There has been a lot of commentary around just how critical this is. Are we simply playing politics? Do we have some loyalty to Forestry Tasmania? I mentioned the tightness of the resource constraints and it is very tight. You would be aware of a lot of the discussion around the idea of what the appropriate headroom should be, and the figures incorporate 10 per cent headroom. If everything else had been equal, we would prudently have adopted probably 20-30 per cent headroom, but for the sake of getting an agreement we have agreed to accept 10 per cent headroom, which has built into it a lot of risk that the future resource won't emerge in the way the modelling has suggested it would.

That modelling has been done assuming a certain management regime, which is the regime that Forestry Tasmania as an independent statutory corporation with commercial imperatives, fiduciary duties, contracts, et cetera, and a forest practices act and code, has

modelled. The proposals to fundamentally restructure the way the production forests are to be managed would change the dynamics of decision-making and throw all that modelling into the wastepaper bin, as far as we are concerned. We would have absolutely no confidence that a whole new set of structural arrangements placed over that permanent timber production reserve would produce the production outcomes that have been modelled. That is one of the fundamental concerns we have about various proposals that would change the way decision-making around that production resource would go forward. It has been on that basis that we were able to convince our colleagues and environmental groups we had to support a structure for the forest management that would be consistent with the modelling and produce the production outcomes built into this agreement. They are a very fundamental element.

Ms FORREST - That is a question I will be asking them about because the 10 per cent headroom, obviously the ENGO signatories accept that.

Dr DRIELSMA - They do.

Ms FORREST - I will ask them about that at a later time. Going back to the concerns about durability and the durability of the court, it was made fairly clear during the debate before Christmas that the first durability report will be a fairly small document because there will be nothing much to report on. The intent, as described in the briefings, was that if the bill had passed, the protection order would have been tabled in January and the durability report would have been tabled with it, which would have basically said nothing. There would not be much of a test time to see whether people were going to play together nicely. I hear your concerns about that first durability report, but is it really any different? We have not had a chance to go through these amendments either; we only got them last night.

Dr DRIELSMA - The thing to understand is that the durability report was to be a report from the signatories as to whether they were satisfied there was sufficient progress on durability to allow certain things to go ahead. Whatever you were briefed about or what suppositions that durability may or may not include, I think that was somewhat presumptuous because it was the signatories that had to consider that. I am simply saying that if there had been no progress or no comfort around those durability provisions maybe the durability report would have been negative. The whole point of having the durability report was to allow that space to say, 'Yes, we are ready to take that first irrevocable step', and if we are not ready the durability report would say we are not ready.

Ms FORREST - What I am trying to say, Hans, is that without looking at the amendment and putting it in line with the bill, I do not know that it removes that first requirement for a durability report. It may well still be there, in which case it is still there, as the protection order would be subsequently reintroduced with the bill in the committee stage, if it ever gets that far, so that durability report would still be required. You have not had time to have a look at it; we have not had time to look at it; and that was not a question we asked the department today. They are coming back so there will be questions about that, but until we have time to put this in the context of the bill - we almost need a marked-up version; a lot of it is tidying up and taking out the word 'protection' and putting in the other words -

Dr DRIELSMA - We have not seen the amendments. We just saw the report and we need time to look at it to understand exactly what the dynamics of all that are going to be, whether they still preserve the integrity of the agreement we have reached.

Ms FORREST - They have said but it doesn't automatically presume that; I don't know.

Mr EDWARDS - On the point about it being a small durability order, that is inherently true, but there are a number of very key issues that could and would be included in that first durability report. They would include the institutional arrangements that Hans has referred to which are being dealt with concurrently by government. We would regard that as one of the most key durability issues. If the Tasmanian government makes a decision to put in place an outcome other than the one we described in our agreement at clause 55, we will regard that as a fundamental breach of durability by government. They are equally at test here on the durability issues. The agreement specifically says durability testing applies to government as well as the signatories and other people. If they do not support what we have said about the institutional arrangements for the management of the production forest estate, for the very reasons Hans has identified about the tightness of the wood supply, we will regard that as a fundamental breach of durability and we will report that.

Ms FORREST - So we need to ensure that that remains - the initial one?

Mr EDWARDS - Absolutely.

Ms FORREST - That is what I am trying to clarify.

Mr EDWARDS - That' is just an example; there are other examples. I am sure the environment movement will tell you there are issues about the reserves, about their World Heritage nomination process, and there are special species timber issues that can and should be resolved in the time this committee is meeting. There are issues around rescheduling that Forestry Tasmania needs to undertake. They are all issues that can be reported. If you look at clause 42 of the agreement, it specifically lists a whole range of issues that need to be tested against durability and they are issues that can still be progressed and reported against.

Ms FORREST - That is why I wanted that amendment to actually link back to -

Mr EDWARDS - I think your amendment should in fact refer to clauses 41 and 42 but, that said, I am aware of your amendment about clause 42. On subsequent reading of our agreement and looking back at it, I think 41 and 42 would produce a more holistic outcome.

Ms FORREST - Maybe we can discuss that later.

Mr EDWARDS - Sure.

Ms FORREST - Thanks, Mr Chairman.

Mr HALL - Hans, you mentioned before that the HCV assessments talk about them not being scientifically done, the fact that the methodology was flawed and it is a negotiated

agreement. That is what we have, a negotiated agreement here. My very fundamental question here, which a lot of people are asking, is that by locking up this very last tranche of 500 000-plus hectares, what are the environmental gains for Tasmania and the people of Tasmania by doing this? Can you answer that question?

Dr DRIELSMA - I do not think I am the right person to answer that question. I have no doubt that there are environmental gains from these extra reserves; there is no question about that. The verification work identified conservation values in these areas, as there are conservation values in all of the forests in Tasmania of one sort or another. It did not attempt to rank or prioritise those values and they were in the context of areas that had been identified by environmentalist groups as representing their priorities. I accept that and there are reasons why that is so. I think all the reasons relate to values that are inherent in those areas for one reason or another and so the expansion of these areas in the reserves clearly enhances conservation in some sense. Beyond that, I am not in a position to justify the particular choice of those areas. In fact, the dynamic of the negotiation was that the industry did not presume to tell the environmental interests what their priorities should be for conservation. The dynamic was that they identified the priorities they felt were important and we negotiated around the production impacts and outcomes of that. That is legitimate in itself. We should not confuse that with a scientific and technical process of evaluation of land values but it is reality; it is the realpolitik of how values are determined and -

Mr HALL - So what you are saying is that it comes back to, in some cases, politics. I mean, you are saying -

Dr DRIELSMA - Well, politics in a broad sense; that is, people's values and fighting for those values and coming to a view about what is important to them.

Mr HALL - But you are a person who knows the forest estate well. Would you not concede that there are perhaps many areas in this 500 000 hectares which are of low conservation value and may not really add to the whole context of environmental protection?

Dr DRIELSMA - I think as far I am prepared to go would be that if I or if the industry had been given the task of identifying an ideal conservation reserve outcome we probably would have come up with a different set of boundaries. Beyond that I do not think I would like to go.

Mr EDWARDS - One of the issues that I would like to add to Hans' response is that if you read the chairman's report from the independent verification group process, Professor Jonathan West, who I know was questioned at some length by a committee of this Council, identified that one of the things that caused the failure of previous attempts to resolve the forestry debate was that people presumed to tell the environmentalists what the environmental outcome would be, and they never actually achieved their outcome, what they were fighting for.

The World Heritage claim, for example, that is addressed in this agreement is a residual from a claim that was first formulated I think at about the time of the Franklin dam dispute and this is the last bit of it. It has been progressively added to over time and has never been resolved. Environmentalists at the end of each of those government-imposed outcomes kept saying, 'This doesn't address our concerns. It doesn't address our issues.

It doesn't address our claims'. It was always government and/or industry that were involved in determining what those outcomes would be in terms of which areas would be reserved so we consciously made a decision as the industry negotiators that we were not going to impose our will in that context. Rather, we were going to go through a process of what I would describe generically as the art of the achievable. That is that you start there with the reserves outcome and there with the wood supply coming and you keep tinkering around them and you try to get a meeting somewhere in the middle.

Mrs TAYLOR - The highest common denominator.

Mr EDWARDS - Either highest or lowest, depending on which direction you are dealing with it from. I am not trying to justify what we did because we did what we did. I am just trying to explain why we did what we did.

Mr HALL - I will follow on there, Terry. We talked about the durability and peace down the track. We know we have, with all due respect and the best of intents of the Wilderness Society, the TCT, et cetera, within the state, and outside that area we have -

Mr EDWARDS - Not the TCT, I don't think.

Mr HALL - No, I am sorry about that. We have the other community called the splinter environmental group but more than that we have the big cahoots, if I might put it that way, like Markets for Change. Are people like Markets for Change going to take notice of people like the Tas Conservation Trust and our Wilderness Society? That is a real issue.

Mr EDWARDS - This is something that we have wrestled with continuously through this process. FIAT membership met on a significant number of occasions as full member meetings, which is an unusual step other than at AGMs for us. We normally have a board that deals with most of the day-to-day government-type issues and on this occasion we broadened that deliberately so that we could get a full sounding amongst our members on that issue.

One of the issues we have wrestled with is whether we are better with or without an agreement. On balance we have finally decided we are better with. In reaching an agreement we have taken on face value commitments given to us in the negotiations process and recorded in the agreement from the Wilderness Society, the Australian Conservation Foundation and Environment Tasmania that they will use their very best endeavours to combat the activities of the more extreme environmental groups. I know during the lead-up to the second reading debate many Legislative Councillors referred to groups like the Huon Valley Environment Centre, Still Wild Still Threatened and Markets for Change, and expressed concern that those groups may not change their spots. That may well be true. We have received commitments from the environmental movement or the ones involved in the negotiations that they will publicly combat that.

There is only one thing that we have had to date that has enabled us to test that resolve, when Markets for Change and the Huon Valley Environment Centre became aware of letters written to Ta Ann's market by the Wilderness Society and the Australian Conservation Foundation asking those markets to be patient and to continue to support Ta Ann whilst the negotiations processes were continuing. There was a bit of a hue and

cry about that in the media here in Tasmania and I will give full marks to the environment movement. They stood up and were counted and said, 'We do not resile from what we have done. We undertook to provide a solid market background to the negotiations process and we are standing by that. Vica Bayley appeared on ABC radio on many occasions and in the print media and publicly backed in what those groups had done. That is the only real chance we have had to test their resolve to date.

A new opportunity may come with the January justice campaign that the member for Nelson referred to when he was asking questions of the bureaucrats and we may be seeking to test the result of the environment movement and whether they can or will stand up and back in this agreement. We have said that we will back it in and we are backing it in. We will be asking the Legislative Council to enact legislation that does implement the agreement. Equally, they will be required to show their bona fides. They have continued to back Ta Ann in the marketplace since the decision by the Legislative Council to refer this matter to a select committee and I give them full credit for that. That was a dangerous moment that could have gone either way. They have backed that in, and we have backed in the continuing progression of their World Heritage claim in exchange. We are saying, let us keep the equilibrium right here and make sure we are balanced in what we are doing. Let's not throw the baby out with the bathwater.

The only opportunities we have had to date to test it, they have done what they said they would do. Whether that will be sufficient to see peace in our time, to use a Chamberlain-like expression, I really do not know. I do know that the marginalisation of those groups has seen them struggling for money because they are not seen as mainstream and they are not attracting the rich philanthropists that have hitherto helped fund their activities. Those rich philanthropists are withdrawing funding from those marginalised, more extreme groups in favour of those that are actively seeking peace in our time.

Dr DRIELSMA - It is not rocket science to figure out that one of the greatest concerns industry has had is that this agreement and that commitment will survive beyond the first flush of the honeymoon period. Clearly, that is why we put so much thought and effort into trying to come to some view about what we call these various durability provisions. It is why we are so concerned when these amendments are put on the table at the last minute that that commitment is going to continue on for what has to happen for at least the next decade and longer and that we do see a dismantling of protest machinery that allows the industry to survive. Those elements cannot be legislated. Some of the things that we are trying to put in place will provide some durability confidence to the industry. I think there is a real opportunity through these hearings for members to explore this with a range of stakeholders and try to flush out the full extent of that commitment as far as that is possible, which will certainly be helpful.

Ms FORREST - On that point, the concern that you expressed about the proposed amendment that has been tabled by the government, one of the intentions, as I understand it, is to achieve an outcome around the concern that I and the member for Rumney had about the individual assessment of land loss and things like that. This is one proposal which we all need to have a look at in ensuring that it is able to occur in a way that enables input from the community. These maps were given to the mining industry in my area and will be given to any other stakeholder in the mining industry that will know these areas much better than me. I have a very big patch, as other members

have in some of these areas with a lot of shaded bits. I have not even been to all of them but other people have.

Dr DRIELSMA - We understand that and we acknowledge there are a variety of stakeholders who are represented in the negotiations. Clearly it is right and proper and it is your role, the parliament's role and the government's role, to look at the broader societal interests and make sure they are being protected. From our point of view, we have signed on to the agreement. It is a package and all we would say is that if that package is altered in terms of its core elements such as to destroy the agreement that has been achieved, then our interests will not be served. That is the decision you need to make. We always said there cannot be cherry-picking. There is a package to this and if the balance is upset then we lose everything in terms of what we have achieved through this negotiation.

Ms FORREST - You may not have been here earlier with the previous witnesses' evidence when Greg asked a question about amendments. It enables a schedule to be amended if the proposed amendment was progressed. My understanding is you could perhaps amend the 'purpose and value' section in that schedule as opposed to taking out several lots of land. What I am hearing you say - and correct me if I am wrong - if that was the case, if it got to the point where this was presented and then the Legislative Council in its wisdom decided to remove 20 lots, or a number, that would be contrary to the spirit of the agreement and would not be acceptable.

Dr DRIELSMA - In principle, that would be correct.

Mr EDWARDS - It would upset the fundamental balance we tried to achieve and I think that is the key, and how you measure the various elements of that balance is going to be different for different people. In respect of purpose and value, all we have done as negotiators in this process is talk about restricting forestry activity in these lands. We have specifically and continuously said we will not take decisions about tenure outcomes that have the impact of affecting other industries or other recreational land-users of that land. Our charter, such as it is - self-appointed, as many have described us - is to look after the interests of the forest industry and only the interests of the forest industry. We do not represent or speak for the mining industry, tourism industry, apiary industry and a whole raft of others let alone recreational land-users such as four-wheel drivers, motor bike riders, hunters, fishers.

We have not seen what you have, and we would like to at some point, but from our point of view it is only about forestry activity specifically. I heard you say it will refer it to the mining industry, and quite properly. They need to determine whether there will be impacts and that is quite right and proper.

Our intent, and the negotiations process, was only about forestry. We have made that clear since the time we started talking about the statement of principles. We made it very clear in the negotiations that led to the in-principle Keltly agreement and we have made it clear right throughout the negotiations of the Tasmanian Forest Agreement.

Mr DEAN - I asked this question of the government about how these 295 lots were identified. Who identified the 295 lots?

Dr DRIELSMA - I think the government identified the lots because that is a map-making exercise or a parcelling of land.

Mr DEAN - I would need to go back to *Hansard* and look at how they responded to that question. Has FIAT played any part in the identification of the reserve areas?

Mr EDWARDS - Part of that goes back to an answer I provided in part to Greg's earlier question. We started when we actually started the negotiation process post the signing of the IGA. We started with a claim, verified by Professor West, for 572 000, which I think he subsequently reduced to something like 563 000 or a number in that order. I cannot remember the exact number but that was the starting point of the claim. Equally on our side there was a claim in respect of wood supply. Because of the reasons advanced by Professor West in his chairman's report from the verification process that government and/or industry imposing what areas would or would not be in the reserves outcome had been one of the major failings of attempts to solve the forestry debate in the past, we said to the environment movement we are happy to leave you to work directly with Forestry Tasmania to come up with a reserve structure that meets our wood supply needs. We will not tell you what areas should be in or out of your reserves. You just need to moderate your claim to the point where it equates to a wood supply outcome that we expect to achieve and that would need to be independently verified by Forestry Tasmania, overseen by Professor Mark Burgman, which it was.

So in terms of who selected the areas that are in the areas now described in the 297 lots, specifically it was the environment movement which originally identified their claim for the 600 000, which has been significantly modified over time, and they did that in conjunction with trying to find the wood supply outcome that we needed as industry, but we did not tell them or have a role to play in selecting those areas.

Dr DRIELSMA - At various times in the process we suggested the sorts of areas that we might need, or the sorts of wood, or the sorts of forest that would be helpful in achieving the supply outcomes. Terry is quite right: we did not presume to determine what that should be.

Mr DEAN - Has FIAT been giving consideration to the 295 lots that have been identified?

Dr DRIELSMA - We have not seen them.

Mr EDWARDS - We have not seen them.

Mr DEAN - So you have no knowledge of that.

Dr DRIELSMA - We assume they are consistent with the maps.

Mr EDWARDS - I assume they are not consistent with the maps in as much as I think Penny Wells made the point that they have made modifications to a whole raft of the boundaries in creating those lots.

Dr DRIELSMA - They are consistent in the intent.

Mr EDWARDS - They are consistent in the intent in as much as they should reflect in broad terms what the agreement outcome was.

Mr DEAN - My next question goes away from that and back to the comment that was made about the wood supply being super-tightly restrained, the now identified 137 000 cubic metres. What does Britton Bros currently use in cubic metres, and McKay?

Dr DRIELSMA - Approximately 70 000 cubic metres combined.

Mr DEAN - What does that really mean then - 'super-tightly restrained'? There is obviously no area there for growth at all and it means that there will have to be continued tight control over all of those users. Can you explain more about that?

Dr DRIELSMA - It is not so much tight control over the users because that is the normal part of forest management in terms of the way the contracts are let. When you are modelling some forest, normally you would like to have sufficient flexibility so that for growth and productivity of the forest there are margins for error, margins for the changes in circumstances, changes in the forest practices codes -

Mr DEAN - Is this headroom you are talking about?

Dr DRIELSMA - Exactly, all sorts of things like that. The modelling is a mathematical exercise and normally when you go through that process of modelling you feed in all the parameters and the computer spits out an answer. Then you might just change this or see how this works so that we can get an even supply, try a few things and it comes back and gives you an answer.

In the modelling that is being done now, whenever you try to fiddle with the model it is basically saying, 'Sorry, there is nothing more to give; we are at the limit'. You know that it is very tightly constrained, so all the constraints that are on the growth and productivity are now almost exactly matched with the 137 000 that has been identified, so if anything changes, if the forest practices code becomes more restrictive, if there is a new claim for another reserve area, all those sorts of things happen.

The downside risk now is much greater than the upside risk. There is virtually no upside in terms of growth. We can assume, pretty confidently, I think, that 137 000 is the maximum that will be produced at least in the next couple of decades, probably for the next 50 years, from that estate and if we do not manage it carefully and make sure that other things do not impact on it, it could be less. That is the risk that the industry is identifying and why it is so concerned to ensure that we have some stability and confidence around the way it is going to be managed, the way the decisions are to be made around the forest practices code and other elements, because any flexibility we might have had in the past. You might recall when we went through RFA processes and TCFA processes, Forestry Tasmania was able to work out ways of putting in some extra plantations and maintaining yields and used the flexibilities it had; there is nothing of that left.

Mr DEAN - So the risk to those remaining in the industry is far greater and that comes out of that?

Dr DRIELSMA - You have to look at risk in its broadest context. Our judgment clearly is that the risk of having the agreement is better than no agreement. We believe that this is going to address a lot of the market risks, but in terms of the flexibility of the resource, yes, there is a heightened risk there. It is one of the reasons, only one, why we have put so much effort into trying to ensure that the durability parameters give confidence to those resource parameters as well as the market parameters.

Mr EDWARDS - There is another element that goes with that as well. One of the areas I did note in the government's WOG submission this morning spelt it out quite deliberately. On page 10, in the middle of the page they talk about the Tasmanian government having agreed to provide up to \$4.8 million a year over the next three years to FT to enable harvesting of areas to supply sawlogs to industry at no additional cost to industry. That is because of the need to go to additional cable harvesting over the existing capacity to get to the 137 000. My concern with that, and it goes directly to your question, Ivan, is that if at the end of three years that \$4.8 million funding assistance was discontinued, we will view that as a deliberate and knowing breach of durability by the governments because the expectation was that that amount would be paid for the duration of the requirement to supply the cable-harvesting component, which is through to at least 2027. It is a bit longer than three years; it is about 15 and we will be looking at that as a key durability issue.

I understand government cycles of funding over three years and forward estimates and those sorts of things but if they are, by their words in their submission this morning, in some way trying to flag the potential for a discontinuation down the track, then I am saying just as clearly that that will be a breach of durability and that will destroy the outcome of this agreement. It is that simple because industry could not be supplied 137 000 cubic metres of high-quality sawlog if that funding assistance were discontinued.

Dr DRIELSMA - There is another element to this. The resource yield - 137 000 - implicitly recognises that certain silviculture practices, which include clearfall, burn and sow, will continue to be practised in the forest types that require that form of management. As Terry has outlined, the cable logging of some steep areas will also be required. As we know these practices have drawn unfavourable comment in the past. Although the reduction in the scale of the industry and the proportionately higher reservation of the [inaudible] wetter forests means that the extent of this will be reduced and so the impacts, one might presume, would be less evident perhaps in the landscape than they were in the past. Nevertheless, if there is any community expectation that these sorts of practices are going to disappear then they are false expectations.

I want to make it clear that the tightness of the resource constraints are such that we have to recognise that we are going to have to manage community expectations around the way this forest resource is managed to provide these outcomes. If we cannot see our way clear to that and if we were not confident the environmental movement was going to continue to work with us to manage those expectations and perceptions in the community, then we will not have durability. So we need to go into this, as we certainly have, with our eyes open; we made the point very clearly with the environmental movement that there are going to be some hard yards here because we are making some difficult compromises to achieve the sorts of outcomes that they wish to see in terms of increased reservations.

Mr DEAN - It has been identified to us - I think it came out during the previous debate - that there would be more intense logging of some areas to meet the requirement because of the reserved areas. What provisions and allowances are there in this to cover the situation we have just had, where a fire has gone through an area that is reserved or open to logging? What allowances will be provided? What is your understanding there? How is that covered?

Dr DRIELSMA - Fire is an element that is integrated, I guess, into the yield planning process in the sense that the growth models and the growth assumptions assume or have incorporated into them a sort of rotation length experience, if you like, of fire impacts. Fire in the Tasmanian native forest is a natural element and our growth records tend to integrate that. That is not to say that a catastrophic fire over a large area could have some impact. That has not been the experience, I guess, to date, but then of course we operate in an environment perhaps where the constraints were not as tight as I am now describing so it is possible that this could be an increased concern in the future and it is one of the reasons why I say there is more down-side risk than there is a chance of any up side. However, the judgment of Forestry Tasmania modelling, which I think we accept, is that that is inherent and integrated into the overall approach to the resource.

Mr EDWARDS - It may change the scheduling of which forests are being harvested when, spatially. I had an informal discussion yesterday with Forestry Tasmania about what their best assessment is at the moment of the impact of the current fire, particularly through the Tasman Peninsula and the one up at Repulse, and whether that changes any of the paradigms here. They are fully expecting to be asked that question when they appear on Thursday and will provide a much better answer than I could ever endeavour to do. My understanding is that the impact at the moment might be to shift some coupes out of the current three-year plan while they are reassessed and it will depend whether they have just had burning through the crown of the forest or whether the trees have actually been fried and might be able to be salvage harvested. Those assessments are obviously not yet done; everyone is much more focused on getting the fires out -

Dr DRIELSMA - The effect of fires in native forest tends to be the impact on future growth rather than the destruction of standing timber because, to a large extent, it does depend on timing and species that you don't need [?? 11:48:58] salvage.

I want to refer to your comment about intensification of logging. That is often talked about but the net result is that the harvest in Tasmania will reduce by more than 50 per cent, so in a landscape scale the intensity of harvest in Tasmania will reduce dramatically.

Mr MULDER - That is actual harvest, not potential harvest?

Dr DRIELSMA - Actual harvest. In terms of 350 000 cubic metres of sawlog and 3 million cubic metres of pulpwood, reduced down to 137 000 of sawlog and maybe a million or less of pulpwood, the intensity of harvest at that broad scale clearly is less. What is going to happen is that there will be geographical relocations so to the extent that the reserves concentrate in that particular area and the harvest is concentrated into a smaller area, there might be some localised effects or perceptions of intensification, if you like, but I think we should not come away with some notion that this represents an

intensification of harvest at any general landscape scale. It does not; it is a significant reduction.

Mr BRITTON - You talked about the 137 000 cubic metres and the ability to maintain that, and it is very tight indeed. As to the impact on the sawmilling industry per se, let us take for example Britton Timbers in Smithton. We have spent tens of millions of dollars in the last 10 years through the progressive lock-ups, et cetera, revamping our processing plant to process 30 000 to 35 000 cubic metres of wood. We have put in new plant and equipment right through from go to whoa and x number of employees to make that happen. What has to be remembered is that when any given log is put in at the front end of the sawmill it has to go through several processes to come out the other end in the processed form that goes to market. If we were to get a 20 per cent reduction in our log supply, because we run on a one-shift basis with only one sawmill, which I think is pretty much the case with all sawmills now - you cannot shut down a sawmill or reduce a shift, as Ta Ann has been doing - our costs remain the same to put 20 000 cubic metres through that plant as it does for 30 000 cubic metres. That puts up our unit cost, makes us unviable in the marketplace and therefore the business closes.

Mr GAFFNEY - You mentioned earlier about the changing nature and landscape within the environmental movement. All of us here would be aware of the previous adversarial nature of, say, the Franklin Dam and then the pulp mill. A lot of those groups - your Bob Browns and Peg Putts - were born out of that movement, and I suppose a younger brigade has come on board with Still Wild Still Threatened, the Huon Valley Environment Centre and Miranda up the tree, and the way they are expressing their philosophy. In recent times we have seen Peg Putt recycled and come back on board with Markets for Change - and that is a good use of wood - but there seems recently to be a more rational feeling within the environment movement coming out which is born out of three decades of war, as you mentioned before.

Even though there is a socioeconomic study being presented to us at the end of this month, if this bill does not go through and the agreement fails, what do you or FIAT think will be the end result of that scenario? You may not want to outline all that here; you may want to bring it back next time. What I would like to hear, not just from this study by Mr Bob Smith but this group that has been around the table, if this falls through, what do you think might be the impact for your industry? I imagine the environment groups have made it quite clear to you how they see their position. I would be interested to hear from your group, not so much wanting to wait for Mr Bob Smith. Would you like to comment now or later?

Mr EDWARDS - I wouldn't go to the sort of answer you may get from Bob Smith, which would be a fairly technical socioeconomic analysis. We would start from the point of view of it potentially being the opposite to what we have now signed up to. We signed up to this for the reasons I advanced earlier, which included the need we saw for peace to help us in our access to markets. I have no doubt that if the whole agreement and the bill fall over we will revert to a war footing. If we do that we will then see groups such as Markets for Change, Huon Valley Environment Centre, Still Wild Still Threatened and others escalating their activity against the industry.

Our assessment in October last year was that there was some prospect those activities could have some success in losing us some market. How much, we do not know; none

of us have that crystal ball. It may well be that our markets develop a strength of character and say, 'No, we are going to stand with you and are not going to be blackmailed like that'. That has not been the history if you look at what has happened with our markets in Japan. The markets deserted the industry when faced with serious challenge and threat from environment groups like Markets for Change, particularly with the Ta Ann situation, or over the last few years with the Gunns situation in Japan.

That is not a full answer and I do accept your invitation when we come back to take that issue further, but my initial reaction would be, theoretically at least, the outcome of that scenario would be exactly the opposite to what we signed up to, which is hopefully going together, hand in glove, working together to secure markets and a viable industry going forward, as opposed to that war footing where we are at each other's throats, no longer talking to each other and throwing punches or grenades across the barricades. Our judgment was that we do not want to be in that environment, which is why we have reached an agreement. If it happened, then obviously we as an industry sector will do whatever we need to do to protect ourselves, which is why it is difficult to see exactly what might happen.

I think you have been briefed by what Ta Ann think will happen to their business and that is that they would leave the state virtually immediately. I think that was their submission to the Council pre the second reading debate. Some sawmillers see it similarly for their business; they feel they are potentially vulnerable to an ongoing campaign of that nature. Others see it differently. I know if you ask Glenn, he will see it differently because that is who Glenn is and that is his nature. However, there are others who are not perhaps so tough of character who probably feel more vulnerable. I am trying to be generous to my chairman and not upset him.

Mr GAFFNEY - Thanks, Terry. I will be asking the same question to the ENGOs because at the moment you have quite a significant positive relationship with that group of signatories wanting to come to an agreement. If this falls through, it will be interesting to know what their response as an organisation and movement will be so I will be asking the same question when they present.

Mr EDWARDS - The short answer in many respects is that the signatory ENGOs would lose the capacity they believe they have to influence the behaviour or to rebut the behaviour of the more extreme elements that I highlighted before. I think that is the true crux of the question but I accept your invitation to address it again when we come back. I would like an opportunity to think it through.

CHAIR - We will go to Tony for the last question. I have a number racked up here but you will just have to park them, folks, and note them for when we have this group back.

Mr MULDER - I have three areas I would like to explore but I think we can do it fairly quickly because a lot of the areas have been covered. You mentioned in your introductory remarks that in terms of durability the bill did not meet all the criteria of the agreement. Do you think the current legislative package we are looking at meets the durability issues that you had in mind?

Mr EDWARDS - There are a couple of durability issues that I indicated specifically had been omitted. They include the sovereign risk issue and the amendments to decision-

making processes by the Forest Practices Authority. I am aware of amendments from Ruth seeking to redress those two issues. We have already highlighted our concerns about the Forestry Tasmania restructure issue which I do not think would be dealt with through this process and is being dealt with concurrently by government but is still a durability issue.

The funding of the cable harvesting situation is a key durability issue which I do not think can, or necessarily would, be encapsulated in this legislative package. We have already highlighted our first-blush concerns with the WOG submission about binding in the protection order with the bill and what that may or may not mean in respect of durability reporting mechanisms and the original framework and structure of the bill that had been explained to us and formed the basis upon which we reached our agreement. So there are still a number of issues there, but I think in broad measure, the range of amendments that are being proposed - bearing in mind we have no way of judging whether some or all of those will or won't be successful or even accepted by government, or indeed the lower House if passed by the Legislative Council, but the package as a whole, with those few exceptions I just mentioned, seems to go most of the way there.

I have advised the member for Murchison that I have some additional thoughts about the sovereign risk provisions, having now consulted our barrister when we had a chance to draw breath following the second reading debate. I will be raising those with the member for Murchison because she has put forward the suggested amendment that remedies that defect. Those things aside, I think we are getting very close.

Dr DRIELSMA - I add to that, there are a number of elements that are not and, as Terry said, cannot be dealt with in legislation but we would expect would have been settled by the time a final decision is taken on this. They were critical elements for the first durability report, which is why we are so concerned that we do not lose that opportunity. They go to things such as the transitional scheduling arrangements which must be fixed in the short term, the lingering elements around special timber supply which must be fixed by then, and some initial movement on the residue solutions. These matters are things that can and should be settled prior to anything being fixed in the first instance and we would certainly be encouraging the Council to explore those matters and to seek confirmation that they have been settled in the time frame.

Mr MULDER - I am more particularly interested in the peace aspects of the durability agreement. Does this bill provide sufficient mechanisms to give you assurances that, if your durability report should be unfavourable, somehow that will impact upon the other side of the arrangement?

Mr EDWARDS - To be fair, I did hear the questioning of the bureaucrats earlier in a similar vein.

Mr MULDER - You have probably already seen my amendment.

Mr EDWARDS - Yes, that too. From our point of view, in the negotiations process we did tease these issues over very significantly, like a dog with a bone. These negotiations in combination have gone for virtually three years and there are very few stones we did not overturn and look under to see what we could do. We have come to an assessment that the best outcome we can come to is the one we have, which has a fairly significant

tranche of reserves almost up-front, or up-front if this WOG submission were to be accepted; then a subsequent tranche of reserves in March 2015; and a final small tranche down the track.

Our intent has been, and the negotiations process came to the point where there would be durability testing before any tranche of reserves were brought to the parliament and approved. We took the risk in doing so that significant tranches of reserves could already be in place, then, as you highlighted in your question to the bureaucrats, say, three years. If in three years there is a negative durability report, what penalty is there to those that have caused that negative durability? In one instance it could quite easily be the government of the day that is at fault if they dud us on the Forestry Tasmania outcome, for example. Equally, if it were because of a resumption of environmental activity contrary to the industry's best interests, then realistically at the moment in this bill and indeed in our agreement there are no measures to deal with that.

Your question this morning, if I understood it correctly, was is there or could there be a process of removing reserves in that situation. That is not part of our agreement so I am not going to ask that be done. I am here to back in the agreement and I will do that. Clearly it is a matter for the Legislative Council in exercising its public interest deliberative role, which is not one we had. I have said this before to the Council and I will repeat it again: we do not have a public interest role; we have an interest to represent the people who pay our wages, which are our members.

Mr MULDER - When you talk about the threshold, you are really saying the best efforts on behalf of the ENGO signatories to influence or counteract the others. Should that influence or counteracting not be sufficient, or should we still lose the markets for the products despite the best efforts of the ENGOs, do you see that as being critical to the outcome of the total agreement even though it is beyond the control of some of the signatories?

Mr EDWARDS - Obviously we do see that as contrary to the expected outcomes from the agreement. The negotiating ENGOs have given us their commitment, which we have accepted, that they will do everything in their power and they believe they have some strong persuasive capacity with these groups both in terms of persuasion itself, but also in terms of persuading those groups I referred to before as the rich philanthropists, to no longer fund these organisations. If they do not fund the organisations they eventually wither and die. One has withered and died over recent times because their funding was pulled. We are hopeful that the new paradigm of peace created by this agreement will obviate the activities of those sorts of groups. We are hopeful that they will eventually come to accept the outcome of this negotiations process as a basis to move forward. We fully expect that there will be a level of continued agitation by the more extreme environment groups.

Mr MULDER - What is a tolerable level of disruption? We know there will be disruption. There is no way you can stop some protests but there has to be some sort of a level at which the Council decides that this is an intolerable level and that one end of the bargain is not being kept.

Mr EDWARDS - That is a judgment issue that will be exercised initially by the signatory group of the special council as it is described in the bill. We will make judgments about

how we will report to government, or to the parliament I think it is now, on durability, and the parliament will access that using their public interest criteria. That is as it should be. You and the lower House in combination are the elected representatives of the Tasmanian people. You have these responsibilities and you are paid reasonably well to exercise them, far better than me and I am sure you would exercise them far better than me. It is not possible, I do not think, to simplistically describe the threshold of acceptable levels of environmental activism. As soon as you start doing that you guarantee that becomes the minimum and I do not want to do that. Our hope is that there will be no environmental activism because there will be no need.

Dr DRIELSMA - Clearly you have put your finger on an element that causes us a great deal of concern. Would we have wished for there to be a greater level of durability or a greater level of elements at risk over time? Yes, we would, and we argued and negotiated very strongly around those points. We have come to a negotiated agreement. We think it is the best agreement that we have been able to achieve. Yes, there are risks but it is one of the reasons why we are so focused on ensuring that what we have achieved in the agreement is faithfully represented in the outcome. It is why we are very concerned about these amendments that have come on at the last minute, which at first blush we are concerned further reduce our ability to test those elements. We are very focused on ensuring that those elements that we have agreed on get delivered because they are the best that we think we can achieve and we hope it is good enough.

Mr MULDER - Given the nature of the torturous process by which the signatories have come to sign, and given the fact that there is a durability report required, what confidence do you have in being able to deliver a consensus durability report in the time frames that have been allowed? What is the process if you cannot, if the council cannot, produce that durability report?

Dr DRIELSMA - This was something that we talked a lot about around the table. We all understood that this was going to be a difficult process, but the fact that it is structured the way it is is the real test of durability to the extent that the signatories are committed to this agreement. There is a great incentive for us all to try to get that outcome, because if we cannot we are virtually saying that we have achieved nothing. We all think that we have achieved something and I think there is a level of commitment. So the very process that allowed us to sign off on an agreement will allow us, I think, to get to a position on durability. It will not be easy but then this has never been an easy process, but that is why it is such an important test of the commitment to the outcomes of this agreement for us to go through that process on a regular basis.

Mr MULDER - Would it not be better, though, to have an external objective assessment of durability rather than the players, who have huge interests?

Dr DRIELSMA - We looked at that process but again it is the commitment of the parties and their perceptions of durability and not the objective test that somebody else might put on it in some supposedly independent way. Ultimately, that was the only process that we could all feel comfortable with because each then felt as though they maintained some control over that process and it was the commitment to the original agreement that was going to see us work that when we came to the durability reporting. If it was simply an independent third-party process, the chances for it to get back into argumentation and

battle were exacerbated. This way we have to find the resolution among the parties and keep that agreement together.

Mr EDWARDS - I think the Legislative Council itself does provide a measure of independent objective assessment of the durability report. We will compile one and we will try to achieve that. In fact, we have set ourselves the task of doing that by consensus, which means the absence of sustained opposition, and we have defined that for ourselves. That is our task. Once we complete a report it goes to both Houses of the Tasmanian parliament. That is where I think the independent objective assessment can be properly undertaken by the custodians of the public interest.

CHAIR - Thank you all.

THE WITNESSES WITHDREW.

Mr KEN PADGETT, DIRECTOR, AUSTRALIAN FOREST CONTRACTORS ASSOCIATION; AND **Mr ED VINCENT**, EXECUTIVE OFFICER, TASMANIAN FOREST CONTRACTORS ASSOCIATION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Harriss) - Ken and Ed, welcome to the committee. You are protected by parliamentary privilege whilst in this hearing but outside, if the media approaches you or you choose to make comment, you need to be aware that you are not then protected by parliamentary privilege. If you choose to be provocative or whatever, which someone may wish to challenge legally, you are exposed to that process like anybody else who is not protected by privilege. First, would you like to make some representation to the committee?

Mr PADGETT - Before we start, I would like to say we respect the right of the Legislative Council to undertake this process. We think it is very sensible and it slows everything down but we think a lot of information has been handled in the past two years and came to a fairly abrupt halt. We think for the Council to be fully informed is absolutely what should be happening.

The Australian Forest Contractors Association and the Tasmanian Forest Contractors Association came to this process representing - to use one of my father's terms - the 'flea-bitten tail' of the timber industry, the contractors. Contractors are the largest investors in the industry, with some \$400 million invested and an annual turnabout of that investment of between \$80 million and \$100 million. Since 2007, we have seen rapid deterioration of our industry. It must be noted that it has been since 2007, not since the beginning of the IGA process, that the industry has been going over a cliff. In my view it started with a particular pulp mill proponent visiting Japan who made some fairly serious comments to the market there in terms of, 'Take it or leave it, I'm building my own pulp mill and I would rather deal with my other Asian customers - see you later.'. That was actually reported in the *Financial Review* when that gentleman came back and, sadly, that was the beginning of where we are now. In Japan, you do not say that to your customers; they lose face and that is the end of it. There was not a contract rewritten once that statement was made to the Japanese, and it is very important everybody remembers that. The 'pulp mill or bust' process then began.

Our members have obviously been seriously affected and we have been representing them since before the IGA, trying to hold the industry together and keep all the players in the room. It became obvious even before the start of the intergovernmental agreement process that we were not going to be able to do that because the industry was highly fragmented, busted, broke. We had broken people and financially destroyed businesses everywhere. We were seeking government support to try to help these businesses through. We basically had businesses going to the wall and the government tried to save some. We were going through a rough patch but it turned out to be more than just a rough patch; it turned out to be the end of the industry as we know it and there is no doubt about that, we just did not see it at that stage. That was back in about 2009. As a contractor who had millions of dollars invested in this industry, I can tell you it is a pretty scary situation when you have everything you have worked for taken from you. It is unbelievably scary. Even within my family, to watch my 85-year-old father lose

everything he had ever worked for, such a stalwart of the industry, simply on the back of some comments that were made off the cuff in Japan, was pretty hard to take.

We have got ourselves to a stage where the banks have lost hundreds of millions of dollars with the contracting sector. People have lost their homes and livelihoods and we have people moving out of the state - but this process did start in 2007. I represented the industry in several meetings in Melbourne and Sydney with the bankers trying to get everybody on-side, but in the end my words were pretty hollow because we could not control the rapid decline in the markets because they simply went. On behalf of the Australian Forest Contractors Association - and I know it is the same with the Tasmanian Forest Contractors Association - we decided that we needed to be part of a process that could rebuild a sustainable industry into the future. That is what we want. That is why we attended these last two years of endless meetings and put in endless amounts of time into negotiating an outcome. It has been tough negotiating but I can tell you, from both sides, there has been a lot of respect shown to all parties right through this process.

From our perspective, we have ourselves in a position where we can move on and build an industry that will not be the same as we had, it will be a different industry but a great industry and one that is sustainable into the future and that gives contractors meaningful, long-term employment where they know exactly what they are doing. Where we are with this, I think it is a great opportunity to move forward. It is not what we had in the past, it is a new industry going forward and that is where we have landed. Having been in the process all the way through, I am not unhappy with the outcome we have achieved. Ed can add whatever he thinks is necessary.

Mr VINCENT - Ken has summed it up very well. The process for us has required a huge amount of time for all the participants. Ever since the new government came in and we were invited to participate in a slightly more formal sense by David Bartlett as Premier at the time, with various groups being the key constituent representatives of the industry, the union, the environment movement and the community, it has been a big effort. As Ken said, rather than having 30 years of throwing rocks at the likes of Vica Bayley, et cetera, we have grown to have respect and understanding of the position the environment movement in particular is coming from, but we want to see a good, strong, sustainable and profitable industry, which we have not had for quite some time.

Dr GOODWIN - Ken, you raised the issue of the pulp mill and those conversations you had with markets back in 2007. I just wanted to tease that out a bit because it is a somewhat different perspective to some of the dialogue we have had to date. I wonder if you could flesh that out a bit in terms of what was said, and why that influenced the markets?

Mr PADGETT - Vanessa, basically what happened was that the industry was going along reasonably well, we had had some pretty good years, and even though there had been a reduction in the woodchip price, it really started in 1996 when the woodchip price started to reduce. We were seeing market pressures start to develop and from a contracting perspective it got to the stage where it really did not matter what sort of job you did, it was simply about your price and we had all these things that were playing in the market that were just wrong. We had new people coming in who had no idea what they were doing - and I say this with the greatest respect to some of them - but they had no understanding of the necessary business practices that were needed and basically we had

a huge growth in the contractor force simply to try to push the price down. That is what was going on.

That ended up a disaster for the industry where no-one was making any money and, of course, the price started to push out further and the Australian dollar was growing, probably not in 1996 but at least into late 2006 and 2007 on the back of the mining boom, and then there was the collapse of the US economy, of course. The Australian dollar was gaining strength, which was putting more market price pressure back onto us. There was a gap where there was a shortfall in supply and Gunns picked up on that and was supplying native forest woodchips at quite cheap rates into the markets in Japan and China.

In that very heady process for the pulp mill I was involved as a contractor. I was harvesting 150 000 tonnes annually and we were mainly in regrowth thinnings, wood that had been grown since the beginning of the woodchip industry 35 years ago. It was a pretty interesting business to be involved in; it was all young forest and a pretty challenging sort of game. We had very expensive equipment and all of a sudden we started to get a fair bit of price pressure put back on us and we began to be less favourable and so on. Basically what happened was that from the time in 2007 when John Gay went to Japan and told the Japanese customers, 'This is the price you are paying for woodchips, take it or leave it. I would rather deal with my other Asian customers. I'm building a pulp mill anyway so it doesn't matter.', that was the end of the woodchip industry as we know it.

We can blame a lot of things but, trust me, as a person who has been involved in this industry all my life, that was when it started. We saw reductions in quotas start to come in and slowly we reduced, reduced and reduced. I went from 150 000 back to 50 000 tonnes before the start of the IGA process, so our business was on the slide a long time before the IGA process. For the sake of this discussion it is worthwhile to note that because, for me, the industry was gone a long time before. I hate to say that. I am a passionate forestry person from a forestry family, but the industry was gone long before the start of the IGA process.

Dr GOODWIN - To follow on from that, you mentioned this event in 2007 and then as part of the IGA process, the early signatories round table process, the pulp mill was front and centre. It is named in the IGA, with both governments saying they are committed to a pulp mill and then it kind of dropped off the radar. I am wondering what happened.

Mr PADGETT - As part of the signatories group, we never discussed the pulp mill. It was not for us to discuss. The reason this group was formed was to get an outcome in the native forests and the pulp mill was never discussed in a meeting. I cannot recall the pulp mill being discussed in a meeting at all.

Mr VINCENT - Not specifically as a pulp mill.

Mr PADGETT - As part of the process.

Mr VINCENT - The concept of a pulp mill was certainly supported or a value-adding type processing within the context of a value-adding processing to the residual wood but no, the Bell Bay pulp mill was almost skirted around.

Mr PADGETT - The naming of a specific project was definitely skirted around. This was not part of the process. As far as I was concerned, the pulp mill did not form part of what we were trying to do through the intergovernmental agreement.

Dr GOODWIN - Ken, you mentioned the really high level of investment that you had in the industry in your business. Have you been able to recover anything out of this process so far?

Mr PADGETT - Well, if you read the newspapers last year, you would have gathered that I was in a fair bit of trouble. I had a pretty serious scrap with the tax department in March last year, which wanted to wind me up. This has cost me probably in the order of \$4.5 million to \$5 million. I have had to deal with that. We tried moving equipment to the mainland; we tried all of these things but we were in a market that was going down and down. So we moved equipment to take up work on the mainland in plantations and do all those sorts of things. Basically, this current was dragging us in and we worked for the price we were given. We were price takers, not price makers. We could not make any money out of it. In the end, we ended up having to get out of a whole heap of equipment and lost a lot of money. I am still negotiating with the bank on how, or if, I get out of that. I am still locked in negotiation with the bank. It depends on what they decide as to whether I sink or swim. That is being as frank as I can be. It is that serious.

I am one of 120 contractors. Mates of mine have lost incredible amounts of money. I have one particular friend who was running 20 logging operations in the state; gone. Then there are the mum and dad operators. Their whole life has been forestry. They are the ones that are deeply affected. You have to understand that we have gone from, I think, 112 to 27 logging contractors in this state. That is what we have got to. Of course, the federal government offered us compensation but the compensation was about 20 per cent of what we asked for. We asked for \$240 million and we got \$40 million. \$240 million would have taken all the contractors out without people losing their homes. All of those sorts of things would have happened but we got \$40 million out of it. It was not an outcome that we wanted; everybody wanted to keep working.

We had to understand that everything had gone; we lost the market; we had very unfavourable business conditions. There were so many things against the industry getting back. The collapse in the Australian dollar would have helped but it just kept getting stronger. Less pressure from the likes of -

Ms FORREST -interjecting.

Mr PADGETT - Yes, all of the anti-industry people would have helped; there is no doubt about that. What we had was what we had to deal with. We had to deal with it. That is where it is. Does that answer your question?

Dr GOODWIN - Yes, I think so; to some extent. There is a package that is being foreshadowed in this process for contractors so I am wondering to what extent that is going to be enough to assist those who are left.

Mr PADGETT - I had a real worry since the start of this process and I have voiced it on a number of occasions that the industry is dying, the contractors are dead, we cannot

resuscitate these people. We have no support from the bank, we have literally no support from the banking sector, and when I say no support I mean no support. Short of someone coming in and saying they will guarantee, that is the only way we are going to get support. For all of the new contracts that will be written I can tell you now they are going to have to be guaranteed because there will not be money lent into this sector unless there are sufficient guarantees to cover it. That is where it is. For anyone getting finance in this sector at the moment it is virtually impossible. The questions keep on coming, so it is a pretty tough thing.

My understanding is that the compensation money that is there at the moment will take two forms. One will be to help some people exit and some people stay in business. They need it and the industry is going to need it. Ta Ann can be there and all of these people can be there but if you cannot get contractors you cannot get any logs. You do not have anything. We are where it starts, we are the first, we are the primary producers and to me it is still a worry. I am not sure how that will be handled so it is a worry to me. I voiced it on behalf of those people on a number of occasions and everyone listens I can tell you. The NGOs and FIAT all understand the dire situation we are in but unless we get some signals out there that we have a changed position and we are going to take industry forward, we are dead in the water. Ducks sitting on a pond is that we are.

Dr GOODWIN - Perhaps the upshot of all of that is you are still somewhat concerned about whether there is going to be sufficient compensation.

Mr PADGETT - I am concerned on two fronts. I am concerned that the compensation will not be sufficient but I am concerned on the wood supply side that there are not going to be the contractors there who are financially viable, who can supply the wood to these people. The industry as we know is dead, buried, gone and we have to rebuild and we have to rebuild it with some credibility. This opportunity that we have, I think, with the support of all the signatory group which includes the Wilderness Society, the Australian clout to the bankers and to the market that we are all in this together, that we want a sustainable industry going forward and everyone is prepared to back it. Sure, not Miranda sitting down there in the tree and not Jenny Weber but I can tell you they will be seen as being just fringe dwellers as far as we are concerned, and we have fringe dwellers on the industry side as well. We still have fringe dwellers on the industry side who are not going to be happy until we cut every tree down, so it is on both sides. I hope I have answered your question.

Dr GOODWIN - Yes.

Ms FORREST - Ken, thanks for being so frank and brutally honest about your own circumstances. It must not be easy -

Mr PADGETT - No, it is not.

Ms FORREST - No. I wish to acknowledge that; I think it is a pretty tough place you come from.

I want to clarify a couple of points you have made. Your situation is not necessarily unique; there are a lot of others out there. Clearly the first round of support and compensation offered was inadequate in the extreme, and we all know that we have had a

number of debates about that in the Legislative Council. It seems that, like most things at the moment, you have to get big or get out. I think what you are saying is that we need to have boosted support for some of the contractors and contracting companies who can continue to provide a service to support the industry above it and then provide for the dignified exit of others. Is that what you are saying? We need to actually -

Mr PADGETT - First of all we need to understand who is going to go and who is going to stay. There are people who have stayed, thinking staying was going to be the best option for them after the last round, and quite clearly it has not been. We have no market, or very little access to residue markets, and that has just killed everybody. The existing contractors were all told they would be running at volumes between 80-100 per cent, and they are running at volumes around 30 per cent and taking their pulpwood back into the bush because they cannot sell it. We have this insanity that is happening because we cannot get rid of the wood. We have to open up those markets. First we have to work out who is going to stay, and I can tell you personally I know of a number of contractors who have to get out because the banks will no longer support them.

Mrs TAYLOR - Is this of the 27 that are left?

Mr PADGETT - Yes, the banks will no longer support them. They have been told, 'You have to take this package. You have to go'. From that side, I think that is important.

I still have a viable business in Scottsdale and employ 45 people. I am in the softwood sector there and I have been lucky to keep hold of that. I am still hanging onto it like grim death but I can see a light at the end of the tunnel. It is probably an oncoming train, but at least there is a light at the end of the tunnel. I am hopeful the banks will accept the offers I am making to them to allow me to continue my business, but I am one of the lucky ones because I still have a business that I think will continue to employ people. However, because of the process, I cannot have anything to do with native forest harvesting anymore. I mean, the whole process is - I am not allowed to say 'bullshit' in here but -

Laughter.

Ms FORREST - So Ken, if you would prefer that light not be a train that is going to completely wipe you out, does it require support for this agreement for the funds to flow? What does it take for that not to completely wipe you out?

Mr PADGETT - For the industry to be able to start again we have to have support for the agreement. For me, we are in no-man's land at the moment. We cannot get anything started because we do not have a button to push, and the agreement is the button.

Ms FORREST - I think you were here when FIAT were talking about how they got from the 155 000 cubic metres that was in the IGA down to 137 000 cubic metres. For those who have to go, let's help them to do so, but for those who are going to stay, does that provide enough to make businesses financially viable for contractors?

Mr PADGETT - In terms of sawmillers, if you take Gunns out of the equation - Gunns took themselves out - the business has always been around 150 000-160 000 cubic metres to other millers. I really see a great opportunity for the millers who remain. In terms of the

contracting businesses, they can do nothing until we get a steady market for the residue. The contracting game has had it until we can get rid of that residue into a steady market - end of story. We cannot keep doing what we are doing. FT is sponsoring it now and they are paying people to take wood back into the forest. It is just nuts. We have to get access to these markets and this process is the button we need to push to say we are back in business.

Ms FORREST - In the agreement it talks about the extra funding requirements for residue options, which could include residue treatments and use in Tasmania, hopefully - that would be ideal.

Mr PADGETT - That is what I would like to see. I know there are several projects in the wind at the moment, and I am reasonably well-informed in that area, so I know -

Ms FORREST - You want to go [inaudible] - that is what you are saying.

Mr PADGETT - That is right. We need to be able to get out there and get rid of those residues because the industry is hamstrung. We won't need to worry about the special species because they won't be there.

Mrs TAYLOR - Does it have to be overseas markets?

Mr PADGETT - Not necessarily.

Mrs TAYLOR - If we were to get industries developed here.

Mr PADGETT - That's right.

Mr VINCENT - On that point, if we have local or domestic processing, that makes for a more resilient industry than if it is for shipping to a market in China. The Chinese are particularly notorious for playing markets with their huge market power. They are the factory for the world and they use that power to get the best price and the delivery terms they can. If we have domestic processing that builds a level of resilience here because the manager has to walk down the main street and eye off the people who have just been stood down.

Mrs TAYLOR - Hopefully not just domestic processing, but domestic use as well. There are all kinds of ways that we could be using forest residue, whether it is bioenergy or fuel.

Mr VINCENT - Bioenergy - there is a whole host of engineering products.

Mrs TAYLOR - But would that provide as much work for the contractors?

Mr PADGETT - This is one of the big myths coming out of this that people do not understand. My view is that we are seeing a rearrangement and there has been a number of things contributing to that rearrangement. For instance, the Gunns plantation estate, the ex-MIS plantation estate of Forest Enterprises and Gunns and all the other players -

Mr WILKINSON - All the nitens?

Mr PADGETT - Yes. All of a sudden, those things have been tied up now. Through this whole process it has been pretty interesting for me. I have been watching Gunns sell blue gum plantations that belonged to someone else for nothing over the last two years on the mainland. What they did there was, I think, criminal. The landholders received absolutely nothing out of that. It was chipped, Gunns made a lot of money out of it, and the people who had spent the money received nothing. It was pretty close to criminal. The reason Gunns were over there chipping - and it came out at the end - was that if they were here chipping they would have to revalue their estate, so they took everything out of the state so they did not have to chip their own resource or rewrite the value of their plantations, because they would have had to meet the market.

I am a bit of a cynic on this whole process but I have been watching it. I watched those guys throw away everyone's lives - and that is what they did - and we ended up in a situation that, to me, was always going to happen, which was that they were going to end up having to meet the market value of those plantations. That is one of the major things that brought them down in the end. They kept on staying away from it and no-one will ever tell me anything any different than that. They made all these excuses about nitens not being a preferred species and, again, my view was that it was not quite the truth.

Mrs TAYLOR - How many more contractors will have to go, and what effect will that have?

Mr PADGETT - In the industry we were running at around 70 per cent native forest, 30 per cent plantation. Despite the hiatus of the whole issue with Gunns and the parking of the resource, the trees have still been growing. They do not give a stuff about the financial crisis going on around the world; they have been growing absolutely fantastically for the last few years. Tasmania has been given a gift. I honestly think we have been given a gift, even though we have lost so much with people, contractors, knowledge, I see our industry being probably around 70 to 75 per cent plantation, 25 per cent native forest. I see the numbers being somewhere around 5 million tonnes per annum in terms of total wood take. Currently in this state, we are cutting about 1.2 million-1.3 million tonnes. I am very optimistic about going forward that we need more contractors, not less. I know that in Asia there is a massive issue with wood supply because of things that are happening, particularly in equatorial regions with some issues they are having with their plantations.

Tassie is sitting on all this wood that has just been growing and growing and my view is that we will have an industry that, in terms of its total size, is only going to be marginally less than it was at its height. I honestly think that.

Mrs TAYLOR - Just more in plantation?

Mr PADGETT - Just more in plantation. We are moving more into plantation, less native forest.

Mr HALL - What would the plantation resource be used for?

Mr PADGETT - At the moment, I still hope we have a pulp mill built because then we would have a local business where we are not going to be at the vagaries of the currency so much, although I do not think we can be totally unprotected from that. My view is I

would rather see it going ahead but it could be used in all sorts of lumber products. I think there is potential for that. Particularly, as we grow more blue gum, I think that will definitely become more lumber orientated and the industry will change. Sadly, we have the wrong species in the ground.

Mr HALL - We grow the blue gum because it is a frost-tolerant variety.

Mr PADGETT - Yes. I think we can grow -

Mrs TAYLOR - I did not realise we have lots of blue gum.

Mr PADGETT - Yes. We can grow a lot of blue gum. Obviously, we are not going to be able to grow it in a lot of areas. For me, science is a wonderful thing. We have the trees we have because of scientists and I am pretty much of the view that what we are doing today is what we are doing today; it is not what we are doing tomorrow, and it is not what we did yesterday. I hear what you are saying in terms of the frost tolerance but it is not totally intolerant, it just does not like a lot of frost. It wouldn't like it out at Caveside, for example.

Ms FORREST - Climate change might fix it; global warming, you never know.

Mr PADGETT - I don't want to be quite so flippant.

Ms FORREST - No, we shouldn't.

Mr PADGETT - There is a huge potential for char in this state. That is a huge market that is virtually untapped. There are a number of areas I think we can go with our tree market.

Mr HALL - Ken, I would like to follow up a couple of those points. Anecdotally, some contractors have taken some compensation and are still working. I think you mentioned that is within the state, sometimes under a different entity, so there is obviously some formal word about it. Also, anecdotally, some contractors have moved to the mainland and they are harvesting over there at the moment. What do you -

Mr PADGETT - Okay, this is my understanding of what is happening. There were a number of contractors moved in the first buyout but the amount offered was a pittance. I know a number of those contractors that are now working in native forests in New South Wales. They have had to sell their businesses, move their families and the whole lot - they have upped and gone - see you later. I know a number of people who have done that. The amount of money they got from that package just enabled them to move their equipment from Tasmania to Victoria; that was it. It was ridiculous. They did not get any price advantage and they did not interfere with the price in those markets over there. People have said they have but I don't believe it.

Here, there are contractors that have taken a package. Some contractors have taken the second package. The package rules say that because I have taken a package I am not allowed to do anything outside of my current contractual arrangements in this state that I have with the company that I worked for, which is Timberlands Pacific, the softwood venture managers. I am not allowed to do anything outside of that.

A number of contractors, as I have said, have sold equipment. They have started businesses and sold equipment to their sons or daughters or whatever. However, if you are a director of a company and you are involved directly, you can actually be working in the business but you cannot have your name as owner or director on anything. There is nothing to stop those people doing what they are doing to sell their business. I could sell my truck to my son and I could give him some fantastic advice on how to work but I am not allowed to be owner or director of that company for 10 years.

Mr HALL - Ken, being devil's advocate for a moment, you are extolling the virtues of an industry which may be harvesting similar quantum to what we did in the past but in a different format, being more plantation-based, and I hope that comes to pass. If we lock up another 500 000 hectares, and you know what the forest estate looks like and you talked about some of those equatorial countries and some of the issues that they are now having, are we not going to limit our potential expansion and opportunities if demand for our native forest products, say, increases down the track? If we contract what we already have down to a smaller area and a further intense location of that area, as you would understand, then aren't we going to run into some environmental problems there? Everything is cyclical. You are in business and I am in the business of agriculture. I have seen it all and it often goes like that.

Mr PADGETT - I understand that and I understand your concerns, except this is not cyclical. This is an industry collapse. This is not a cycle we are going through. I have been through cycles and they are a very different thing. With cycles, you have been belted around the head and you pick up your bits and pieces, rebuild and go. This has been total decimation. It is not a normal cycle. The reason we find ourselves in this situation that we are in, particularly with the strength of the Australian currency, is having a huge effect on what we do.

We can be smart and get back into these markets with the support of the current signatories group and the groups that I referred to before - basically the Wilderness Society and Conservation Tasmania. We can actually be smart and get back in with certification of our native forest products and we can do all this with the help of the group. There is no doubt about that. There is no doubt that the 500 000 hectares is a lot of land.

Mr HALL - And you would have harvested it in parts?

Mr PADGETT - Because I have been involved in this it is really interesting to drive around. When we actually had a thinnings market and when we actually had a woodchip market, we were thinning regen from the regeneration burns at the start of the woodchip industry. There are areas there that we took more off in the thinning in 30 years than were on it before when it was harvested first. We thinned more per hectare than what was taken off it in the original cut.

Mrs TAYLOR - So you did it good.

Mr PADGETT - The management was fantastic and in the end I don't think anyone is arguing about FT's ability to manage the forest because I think it is second to none in the world. I honestly believe that. I am a passionate native forest harvesting person but I do know that resisting change is like holding your breath. If you succeed you die. We have

considerable change in front of us that we have to embrace. We have to have everybody on board now to try to take this industry into a new direction. It is a new direction and it is going to be minus the 500 000-odd hectares. There is no doubt about that but at least we have a direction. If we do not do that I can tell you we are signing the death knell for everybody in the industry; that is for sure.

Mr HALL - If this deal goes through how many contractors will we end up with?

Mr PADGETT - I think there are going to be about eight or nine that have to get out, so that will leave about 18 or 19 contractors. Those are native forest contractors and they most likely will not want to grow their business in the plantation business. They would most likely grow their business in the native forest sector. That would be the obvious thing to do because it is a totally different set of skills that are necessary in the native forest. For me, the contractors get out and hopefully the employees will still remain in the industry, with the knowledge that will get carried over to the remaining contractors. We have lost so much of our knowledge base in native forest harvesting. If we said tomorrow there is open slather in native forest, we could not get enough wood to light a fire. That is the reality. Financial support is so necessary. We cannot do anything without financial support and we have none.

CHAIR - Ken, I hear what you say about your criticism of Gunns and the path they trod with regard woodchip market penetration. Is it not, nonetheless, a fact that many forest contractors were quite happy to put all their eggs into Gunns woodchipping basket because it was a damn good cash flow while it was going as strongly as it was? In addition to that, I have heard some former Forestry Tasmania leaders suggest that was bad policy but FT rode along with that as well because it was a good cash cow for them. So what do you say to that? In addition, you might address your mind to your other comment about the compensation that some contractors were able to receive was a pittance. Nonetheless there are many other industries in our world that struggle because of all sorts of circumstances and operators in those industries get no compensation.

Mr PADGETT - I totally support that concept and I think we were lucky to get what we did in the end. I do not want to be disrespectful to the federal government; we were lucky to get what we did. The damage would have been much worse if we had not received that. Significant contractors here who still have significantly sized businesses would have been wiped out - there is no doubt about that - even with where it was. We had contractors getting \$2 million where the real cost was probably \$10 million and because of their business and the strength of their business they were able to stick with it.

I did talk about how Gunns grew the business to basically, I think, put downward pressure on prices. They did that in the early 2000s. I had a contracting family who worked for me in the south-west. We had the best operation in the south-west; it was sensational. We were harvesting regrowth timber down there, a lot of small stuff, and I had a family business. Gunns went to that family and offered them a contract. This was how low can you go, but they actually offered the family a contract to stop working for me and to go working for Gunns and this will be the rates. This sort of stuff was happening.

Cash flow is nothing; profit is what you have to have and so many of these people who were involved in the latter end of the Gunns' business were slowly but surely giving up

everything. They had huge cash flows but they had huge equity losses, so every day they were going to the family and saying, 'I've got to go to work today. Can I borrow \$100 off you?' because that is what they going to lose. That was happening and my honest view is that FT aided and abetted it; they were probably even worse at it than Gunns. At least Gunns had a market for the woodchips at that stage, whereas FT was so unsure in the market and your volumes were up and down. One week you are doing 60 per cent and the next week you are doing 100 per cent. You cannot run your business like that. Once these volumes start going up and down the businesses are out of business. That is what happens and that is what has happened with the Gunns' contractors. It was a huge cash-flow business but it was a very low profit business. In fact, it was a quite high-loss business.

That is what it has been in the last 10 years for the woodchip industry. In the last five years there have been absolutely massive losses. The five years previous to that were marginal at best.

CHAIR - You have given us a snapshot of the demise of the industry since 2007 through that process. Is it true a large component of that decline in the industry arose as a result of managed investment scheme failures, Australian Paper not being able to sell its Burnie or Wesley Vale activities wherein the feedstock was from Indonesia and Victoria? The reason I mention those two - and flicking to that equation as well the Frenchpine, Auspine, FEA argy-bargy - they were all contributors to a decline in the industry but not around native forests. What do you say to that in terms of the job losses that arose?

Mr PADGETT - I picked up the closing of Australian Paper at Burnie and the wood supply into that to replace with Indonesian pulp. My understanding is it did not include Victorian wood. If it included Victorian wood, it would have come from the plantations of APM in the Maryvale area. I thought the Maryvale mill was using all its wood supply. My understanding is they would have been bringing the pulp in from Indonesia.

Mr VINCENT - On that point, I know the Burnie mill had been purchasing market pulp for quite some years prior to its closure. The pulp production ceased there at least 12-14 years ago. The milling and chipping operations on that site closed around that time, probably even earlier than that. As soon as they did not reinvest in pulping and when the proposed pulp mill at Wesley Vale did not go ahead, the Burnie mill was always at risk from that point. I was running a business that was associated with the pulp mill at that stage.

Mr PADGETT - My understanding is the Maryvale mill has picked up the slack that has been created by that anyway and that was probably their plan all along, to run the Maryvale mill.

CHAIR - I am challenging the job losses - I mentioned the failure of MIS -

Mr PADGETT - That happened later.

CHAIR - My contention is that a lot of the job losses in the industry from 2007 onwards have come from plantation operations, not native forests, and yet we are in this process of transitioning out of native forests.

Mr PADGETT - No. From 2010 onwards, we did lose a lot of people out of the plantation business because they shut the hardwood plantation business down. That is what happened. The native forests continued but it continued at a hugely declined rate and somewhere around 25 to 30 per cent, so we were obviously going to lose that amount of people. By its very nature, native forest harvesting is much more employment intense anyway. You just need more people on the ground to do the work; log sorting, grading and all of those sorts of things. The pulpwood plantation industry is largely just a sausage machine. Basically, everything is controlled by computer and the guy just sits there and picks logs up and they process them. Someone comes along and picks them up or whatever.

We had a massive job loss from 2007 to 2010 and then we had another massive job loss from 2010 until now. It has been two stage. On the other side of it, because I was involved in the silviculture sector, I know exactly what was going on there. I was running six machines doing site prep for the MIS companies. I guess I always knew it was a Ponzi scheme. It was always going to crash. The only people doing any good out of it were the people who were selling the schemes, let's face it. Once the government changed the rules about all the money up forward, you just knew that was the end of it because the greed of the companies that promoted the scheme was always going to kill it. That is what happened; the greed of the companies promoting MIS is what killed MIS. Then one dog got the flu and the rest died as a result.

CHAIR - The other component which you mentioned earlier was the new industry into the future. You see a bright horizon for that.

Mr PADGETT - Yes.

CHAIR - You address your mind to a substantial component to plantation.

Mr PADGETT - Yes.

CHAIR - Have you addressed your mind to the possible likely challenges of FSC certification, given that FSC certification currently will not be contemplated for native forest clear felled and then converted into plantation post-1994? Of course, most of the plantations on FT land are post-1994 and they arose from conversion of native forests.

Mr PADGETT - My understanding of FSC is that it is changing. It is quite interesting how I have been involved in a couple of pretty heated discussions about FSC because I thought 'What is the use of FSC?'. We had the Australian Forestry Standard that was far stronger than FSC. The only bit of FSC that we did not follow and the reason we could not get FSC certification was the broad community support. Part of the process going forward is FSC certification of our native forest harvesting. That took a lot of getting across the line and I know that in terms of the NGOs, it is a bitter pill for them to swallow. I think it is one of the serious things that they have given up in this process or at least come across to the view that if we are going to have a sustainable industry going forward, we have to have FSC certification.

I do not know if that answers your question correctly but I know that I agreed with your interpretation of that 12 months ago with FSC. I do not know if I agree with FSC now because I think the organisation is changing. I think it has got far more progressed. I

have had lots of discussions with people who are very high up and there has been a pretty major change in who controls FSC. When FSC first started it was controlled by the NGOs. It is no longer controlled by the NGOs - they are represented but they are not in control.

Ms RATTRAY - Ken, I have appreciated your contribution today. With the forest contractors who have not been eligible in the past - we have all received letters from people who tell desperate stories - how many of these contractors who are left might be looking for exit packages might miss out again? Do you have any understanding of that, or any knowledge of that, or do you put your application in and hope that you qualify?

Mr PADGETT - Tania, I swore to tell the truth and nothing but the truth. Ed would know more about that. If I told you something I do not know that it would be 100 per cent correct so, Ed over to you.

Mr VINCENT - We do not know what the structure of that potential package would be, Tania, so it really depends on how that is evolved. Maybe the Legislative Council has a role in ensuring that that is a robust position put forward to the federal government.

In the previous two assistance packages that were funded by the federal government there was no requirement for the state or the Forest Contractors' Association to reach an agreement with the federal government - the Department of Agriculture, Fisheries and Forestry. I would hope that it is addressed a little bit differently in a future round because in the end, I think as everybody here would know, the DAF made up their own rules and despite many, many hours that Ken and I spent trying to negotiate a better system with DAF they had an off-the-shelf solution from a non-off-the-shelf problem.

Mr PADGETT - And to an extent we have had a couple of pretty strong-minded individuals. Some of the stuff the federal government is doing is wrong. There are people who have been involved in native forest harvesting and because the last four years of their work has been involved in plantations or whatever, they were not able to receive compensation. This is totally wrong. We were able to overcome some of that and we were able to make a difference to a lot of people in the process. We had some unbelievable heated discussions with bureaucrats and to the stage of hanging the 'phone up and telling them where to put the whole thing and this will not work and we will not accept it. We could not get it across the line because the IGA referred to native forest harvesting and, of course, we were stuck in the end because the IGA referred to native forest harvesting and public native forests. That was the killer blow and in the end we were able to tweak it around the edges.

People who had lost millions and millions of dollars and they were telling us that the compensation they were offering was adequate. They virtually had their whole lives taken off them. I appreciated the comment that was made before that there are a lot of industries that have not had compensation. I think we can be thankful that we have the compensation that we have in the end, albeit extremely inadequate, but there are also a lot of industries that have had a lot of compensation over the years and we are not the only industry to receive that. We have to have an industry that does not take out of the public purse. We cannot have an industry that keeps taking out of the public purse, end of the story. We have to have a sustainable industry without leaning on the public purse continuously.

Mr MULDER - You talked about this not being cyclical, the industry is on its knees, it has gone, we are heading over a cliff. You are using all these emotive words and in the next breath you say, 'We can rebuild and we'll have a bright future for the industry. We will get back to harvesting as much as we ever did'. In light of those sorts of comments, what is the future of this industry? Would you like to break it up into native forest versus pulpwood or sawlogs versus pulpwood?

Mr PADGETT - What we have is what we have had, and where the contracting situation is now. I see where the industry can go in the future as being very bright; I see the industry as having a bright future, but I am the eternal optimist. I am a fairly optimistic person but I believe with the support of this agreement and the groups that sit behind this agreement we have a chance to grow an industry that on a world scale and will be very competitive at reasonable prices. Whether this is a domestic business or an export business, I don't think it really matters. I think we are going to have some domestic consumption and export usage.

We are committed to native forest harvesting and the agreement shows that. One of the things in this that I find quite amusing is we have talked about cutting sawlogs. This cutting sawlog from FT was coming to us in 2015, whether we liked it or not. It is going back to 160 000 tonnes and will start to be phased in in 2015. We have brought the process forward by a couple of years but by doing that we give ourselves an opportunity to get back into the market. Once we get back into the market we can get some credibility back with the financial institutions and the people who invest money into this industry and then we have some future.

I have grown up as a native forest harvester and I know what happens; I see the trees regrowing. I am firmly committed to supporting native forest harvesting into the future, as is this group. It is not the native forest harvesting that we had, but bear in mind in 2015 we were starting to wind this back anyway; it was coming.

Mr MULDER - What is the future for the native forest sector and the plantation sector? In terms of the native forest, is it sawlogs or a continuation of perhaps pulpwood in some of those areas? In terms of the plantations, is it just pulpwood? Will we not need to reopen Triabunna to get that pulpwood out?

Mr PADGETT - Today, in terms of the native forest business, we are supplying high-quality sawlogs, supplying veneer to Ta Ann and category 3 logs to the other sawmillers, and we have residues. If we do not have a market for that residue, we do not have an industry. I think the future in terms of sawn timber out of this state is quite bright because we have a beautiful product and by its very nature it will find a hole in the market. We have only half as much of it going out there now that we had two years ago. With the collapse of Gunns, all that timber has gone. I see it as a huge market opportunity. I think sawmilling has a huge future simply because we have taken 50 per cent of the capacity out. The remaining sawmillers will be very viable.

Mr MULDER - I was having a discussion earlier with people who were busy telling us that there was absolute constraint in terms of these limitations now placed upon us and not much room for growth. That is an issue.

Mr PADGETT - The other question you asked was about the plantation sector. I do not know what is being developed in terms of ways to handle plantation timbers as sawn timber. A lot of this stuff is grown for pulpwood. It has a lot more years on it now because we have not been cutting it. That might change the whole situation for a lot of things.

Mr MULDER - The contractors in particular have been perhaps some of the major targets of a lot of the protest activity and the disruption of operations and things like that. As potentially one of its major victims, do you see that this agreement will achieve peace in the forest? If it does not achieve peace in the forest, what is the impact then on your businesses going into the future?

Mr PADGETT - I was involved in the first blockade at Jackeys Marsh so I do understand this from a lot of years ago. One of my adversaries at the start of this process, Sean Cadman, was there. We were the loggers and he was representing the Jackeys Marsh group. Interesting times.

My view of this is that we are never going to stop Jenny Weber and we are never going to stop the lady sitting up the tree. We are still going to have protestors, but in this agreement we have the credible wilderness organisations in this country on board. I think that is the sign that we need. We will not stop the protestors, but the next question is around the impact on the contractors. That is a worry and I think there will be things and there is potential through the review process. I do not know that anyone can stop anyone from protesting in this country. I just do not know that can happen.

Mr MULDER - If you can live with the scale of protests, provided you still have the market for the products, which is putting an answer you gave earlier on into this frame, then it is okay. But if you cannot live with it then you need to be thinking about whether this agreement is strong enough to give you that surety.

Mr PADGETT - If we have access to the markets and we have a market then we can live with some disruption.

Mr MULDER - A protest is just a cost of doing business.

Mr PADGETT - Yes. The problem you have is where you have a depressed market, or no market, and protestors; you just get a double-whammy. It is hit from either side. You are probably generating enough cashflow. The laws in this state are reasonably strong around a lot of this stuff. They need to be stronger and I would support that. We, as a group, would support that. But I do feel that if we have a market and we can get rid of the product, it is a different ball game.

Mr MULDER - We all live in hope.

Mr PADGETT - Me too.

Mr HALL - If we take the 500 000 hectares out, then you have the smaller area to focus on and the intensification therein. Surely that will come back to bite us, going around and around in greasy circles.

Mr PADGETT - I cannot disagree with you because the principle of having a smaller area to harvest is an issue in terms of sustainability. The bigger the area the more sustainable it can be. I understand that. If we still had all the ground from the Helsham inquiry and all of those things, it would be a different story again. The issue I have here is that at the moment we are stuck and we have to move. I think that sometimes to go forward you just have to give up on some things. One of the things going forward in terms of sustainability is the fact that I still think we are going to have a massively sustainable native forest industry, albeit smaller. That is what it is going to be. It is a smaller industry. We are not trying to cut the volume we were cutting out of the forests so in terms of sustainability I think it is still quite sustainable, but I am not a scientist. My view is that if we reduce the cut we can reduce the size. In the past we have reduced the size of the estate and not reduced the cut and that has led to massive overcutting. It is all down the eastern seaboard of Australia and it is the same from one end of this country to the other - massive overcutting.

Mr HALL - And you would agree that a sustainable native timber harvesting is an organic -

Mr PADGETT - Totally.

Mr HALL - We talked about the plantation estate and my concern there, and you might just comment on that, is that with the proliferation of plantations throughout Tasmania we had massive opposition from environmental groups. Once they get their way with this, perhaps - and could I be the devil's advocate again? - will the focus then turn to plantations once again?

Mr PADGETT - From within the group we are dealing with I do not think that will happen because I think there is a massive amount of goodwill that has been developed between -

Mr HALL - You and I both know that there are plenty of groups out there who differ with those and they will continue to -

Mr PADGETT - I do understand that, but the Australian Conservation Foundation and the Wilderness Society in particular are huge iconic names within the environmental movement in this country and to have them onside as an industry going forward is a fantastic thing. It is a fantastic tool for us to be able to move forward. I understand that native forest harvesting is totally organic, but I also say that over time views will change on native forests. We are seeing it around the world anyway; we are seeing views change on native forestry, so we are at this point in time. Some of these reserves are going into World Heritage but not all, a lot of them are going into reserves that are controlled by the state, not the federal government.

I would not be prepared to go out on a limb and say what will happen in those reserves in 10, 20 or 30 years' time. We have seen them log national parks in the US. I do not know what is down the track there but I do know we are here today to try to get something moving, to try to get this state moving, and get the industry moving - and we have to do it. The definition of insanity is doing the same thing over and over again and expecting a different result. We have done the same thing over and over again in this state. We have to do something different and this is the time to do something different.

Mr DEAN - You made a comment, Ken, that we need a viable business here but also one that is going to be free of the public purse. In the document provided to us by the government, the state is going to provide \$4.8 million over the next three years to Forestry Tasmania to subsidise logging from those areas, cable logging areas in particular. With this agreement with the reduced area to log, how can you ever expect to have a timber business in this state free of the public purse? I would just like some comment from you in relation to that.

Mr PADGETT - Can I say what I really think?

Mr DEAN - Yes.

Mr PADGETT - Charge enough for the sawlogs - that would be my off-the-cuff comment. I think we have a high-quality product that is treated as a low-quality product in terms of value.

Mr DEAN - But it is this agreement that we are going to enter into that is going to cause that to happen.

Mr PADGETT - There are a lot of areas that have been roaded that are no-go areas now -

Mr DEAN - Which will not be under this agreement.

Mr PADGETT - There are a lot of areas that we cannot go into. A lot of new roads and construction has to go in so we have a doubling-up of costs. I do not know that it is fair that the industry should be paying for a doubling-up of costs. This is a result of the agreement -

Mr DEAN - That is right.

Mr PADGETT - So for me it is very much a one-off in this case. There is a fair bit that goes into forest planning and a lot of cost involved and it was one of the trade-offs.

As we go into the future with this and notwithstanding what is going to happen then because that is going to happen, this industry needs to be out of the public purse. If it is going to have a future into perpetuity it has to be out of the public purse.

Mr DEAN - This agreement, of course, does not really provide for that at this time.

Mr PADGETT - As we were going through the discussions with this, Ivan, we were not going there. We did not want to do that but in the end we were forced there because it was one of the trade-offs. The environmental movement does not like cable logging but one of the trade-offs for this was that we would increase the intensity of cable logging in the north-east. It is one of the many compromises; that is all I am saying.

Mr DEAN - Thanks for that.

CHAIR - Thank you very much, Ken and Ed; we appreciate your time and your evidence.

THE WITNESSES WITHDREW.