

**THE PARLIAMENTARY JOINT STANDING COMMITTEE ON ENVIRONMENT,
RESOURCES AND DEVELOPMENT MET IN THE RECEPTION ROOM, TOWN
HALL, LAUNCESTON ON MONDAY, 2 APRIL 2007**

MR PETER PARTRIDGE, MAYOR AND **MR JOHN MARTIN**, GENERAL MANAGER, DORSET COUNCIL WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Hall) - Thank you everybody. Welcome to this morning's proceedings and welcome to Mr Mayor and Mr Martin, both members of the Dorset Council. This is our second day of public hearings. We have a submission from the Dorset Council - thank you very much for that. I would invite you to speak to that submission and then I will give members of the committee the opportunity to ask any questions they see fit. Our time frame is 45 minutes, so I will hand it over to you, Mr Mayor.

Mr PARTRIDGE - On behalf of the Dorset Council, I thank you for the welcome. I would ask my General Manager, Mr John Martin, if he would make the presentation on behalf of the Dorset Council. He did mention on the way in that should his voice cut out half-way through that I will take over in his case, but hopefully John will see the distance.

CHAIR - Thanks, John.

Mr MARTIN - Mr Chairman, we would like to go through the submission because there are a number of points there that we would like to make. As mentioned in the introduction, council has had many discussions and meetings with various stakeholders on log supply deals over many years - Auspine, Frenchpine, State and Federal politicians and many others. These have significantly increased over the last 12 to 18 months and dramatically since 29 January 2007.

All of those discussions and meetings have included the one major objective of ensuring the continuation of employment and, hopefully, growth of the existing softwood industry to mills in Scottsdale. This is due to the enormous impact this industry has on the whole economic and social fabric of the north-east region, including businesses, schools, health services, council and others.

Council is therefore vitally interested in the terms of reference of this inquiry due to their relevance to the processes and references to legislation that has enabled a decision to be made that could have had disastrous consequences for the people of north-east Tasmania. In fact, council wrote to our local Legislative Council member for Apsley, Mrs Tania Rattray-Wagner, on 20 February and all other legislative councillors requesting consideration of such an inquiry. This is where we are today.

That correspondence also included copies of correspondence to the Premier of Tasmania dated 12, 15 and 16 February, a position paper by Auspine management and a socioeconomic impact assessment undertaken by Tony McCall. On 29 January, Rayonier, on behalf of Taswood Growers, announced a 290 000-tonne log supply deal with Forest Enterprises Australia rather than with Auspine.

The consequences of this decision left Dorset Council with a committee in crisis. Let there be no doubt about that. In correspondence to the Premier of Tasmania on 15 February, Mayor Partridge stated:

'Potential loss of over 310 employees in Dorset equates to an 11 per cent loss of total employment in the municipal area but when equated to the potential total job losses of 800 to 1 000 people, the total loss equates to 28 to 35 per cent of the total employment in Dorset.'

This would be a disastrous effect on the whole economic and social fabric and future of the north-east region, including businesses, schools, health services, council services and real estate. This was subsequently backed up, Mr Chairman, in a report that was undertaken by Dr Tony McCall. Mayor Partridge also went on to say:

'It has seriously raised in the community the question of other/hidden agendas, subjectiveness, personality conflicts or other information that may have contributed to this decision. There is, in my view, a great deal of uncertainty over the process's fairness and ultimate justice, particularly in the latter stages, over this final decision.'

The mayor went onto say:

'I cannot reconcile in any way that a correct objective, commercial, economic or social decision for Dorset or Tasmania has been made.'

Mr Chairman, these comments are still relevant today. There have not been sufficient answers provided by Taswood Growers, GMO or Forestry Tasmania on these issues raised by Dorset Council. In fact as council will comment further in its submission, there has continued to be an evasiveness and distinct lack of willingness to divulge answers to questions raised as to legality, fairness, objectivity or justification of the decision that was made.

Mr Chairman, all we continue to hear is, 'It was in the best interests of the long-term sustainability of the industry,' or 'This information is commercial-in-confidence.' The information that has been provided to council, the community and this committee, in council's view is simply not good enough and warrants further investigation on what was a very damaging and poorly made decision.

In relation to the legislative requirements, which is one of your terms of reference, I specifically refer to the Forestry Act and the Government Business Enterprise Act and consequential contractual arrangements, council believes that the requirements of these acts of Parliament have not been adhered to in this whole matter. In council's opinion Forestry Tasmania has not complied with these acts and consequently with the joint venture agreement which ultimately forms the basis of the whole wood supply agreement.

Council considers the opinion given by Mr Michael Stokes, senior lecturer at the University of Tasmania, in the *Tasmanian Times* on 7 March, raises sufficient legal questions that need to be answered in a court of law and we have attached that as an appendix to this submission, Mr Chairman.

Mr Stokes outlines in some detail Forestry Tasmania's obligations under section 12. This is the only opinion that council has seen that surely must create some doubt and encourage the committee to seek a court ruling. At some point in the sequence of legislation and joint ventures, Forestry Tasmania must comply with the legislation and be held accountable which currently does not appear to be the situation. Council therefore requests that this committee considers referring the legal implication of the decision and all relevant legislation to the Supreme Court for a ruling. Council is of the view that the decision taken was not legal, due to Forestry Tasmania not complying with its obligations under the Forestry Act 1920, or the Government Business Enterprises Act 1995. Council is also strongly of the view that Forestry Tasmania, including its three representatives on the Taswood Growers board is bound to take into account the requirements of those acts.

Council simply cannot comprehend that employment, social or community obligations and consequences are not taken into account by Forestry Tasmania when deciding on such a large log resource contract, yet, Mr Chairman, that is exactly the view given by Mr Bob Gordon, Managing Director of Forestry Tasmania, to this committee on 19 March 2007. Council representatives here were absolutely astounded to hear that this was the view of Forestry Tasmania. Council was extremely disappointed in the answers given by Mr Gordon to questions asked by this committee.

This was evident at the commencement of Mr Gordon's appearance before the committee in his initial comments which were somewhere along the lines of wondering why we are here. This view of Forestry Tasmania's obligations in respect of the effects on communities of log supply decisions needs serious attention. In Council's view, Forestry Tasmania, as a responsible government business enterprise, must take these factors into account when making these decisions. If Forestry Tasmania is not legally bound, then surely it is morally bound. Changes must be made to clarify and ensure that these factors are taken into account. In the decision that was made, it is clear that these factors were not taken into account. Evidence of this is clear due to the decision being announced on 29 January 2007, and the socio-economic impact assessment being released late on 19 February 2007.

Mr Chairman, a couple of points in relation to the export of logs. Over the last few years, and particularly in recent months, it has become very apparent to council and other stakeholders that Tasmania is exporting substantial quantities of logs that should be used for employment and downstream processing in Tasmania. During discussions with the Premier in the last couple of months on this subject, he was very supportive of the notion that millable logs should not be exported out of the State. The Premier also gave a public undertaking that he would be following up on this issue. Council also considers the recommendation could be made by this committee supporting the non-exporting of logs from Tasmania.

Mr Chairman, some photos that were taken of logs up in Burnie last week by Mr Dean Smith of Community Workers Action Group, which are Auspine representatives. I have copies of those photos here for the committee's consideration. Unfortunately they do not have dates on them, but there is no doubt that these are the types of things that council and other communities are concerned about - processed timber in relation to the export of logs. I will table those.

Mr Chairman, the log supply decision process, which is another one of your terms of reference, covers a couple of sections, one of which is in relation to the Audit Report. The Audit Report, undertaken by Mr Blake as an independent auditor, in council's view, is very specific and had very narrow terms of reference. For example, the terms of reference only referred to a Rayonier letter of 27 November 2006, the role of Taswood in formulating the terms of reference and an opportunity by Taswood to comment on the report before it was released. Council is informed that Auspine objected to the process once it was aware of the narrow terms of reference, but did cooperate with Mr Blake during his investigation. Council was concerned that the terms of reference did not evaluate the appropriateness or merits of the whole of the processes involved or the extent to which the decision was a correct, fair and reasonable outcome. Council considers that due to the narrowness and specific nature of the terms of reference on only one small section of this whole issue, the report is of limited value in providing answers to questions being raised by this committee.

The overall processes followed and decisions reached: council's concerns over the process take a more holistic view over a longer period of time. Council always considered that eventually an agreement could or would be reached through the completion of negotiations by Rayonier with Auspine. Council is concerned that mediation was not taken up when offered. Council is also concerned that within a very short period of time - that is, November 2006 to January 2007 - with the advent of a new bidder for logs - FEO - that a successful decision was reached. This was despite extensive negotiations occurring over a long period of time with a long-time customer, Auspine. The fact that this decision could be reached in such a short period of time, virtually out of the blue, Mr Chairman, raises serious doubts as to the fairness and objectivity of this process in not only council's view but also that of many others. Despite the review undertaken by the Auditor-General, the hearing that is being undertaken by this committee and all the information that is being provided publicly, there are still serious doubts in council's mind as to the probity, fairness and objectivity of the processes leading to the ultimate decision of 29 January. These doubts and answers to the many questions raised have still not been addressed.

As outlined by Dorset Council in correspondence to the Chairman of Taswood Growers and Forestry Tasmania on 26 February: 'Council cannot reconcile in any way that a correct objective, commercially, economic or social decision for Dorset or Tasmania has been made.' To date a reply has not been received from either chairman.

The community cannot understand how a decision can be justified with regard to the following points. Log resources awarded to a company that at the time had no mill, no experienced skilled employees, limited softwood industry experience and limited markets as against Auspine which has two currently-operating mills, 310 employees with an excellent track record in training, occupational health and safety, current and growing markets, 35 years of experience, expansion and investment in the industry in Tasmania and a stated indication to invest further. This is a company that had recently purchased a nearby Frenchpine mill for \$35 million and had invested some \$16.3 million since 2002-03 on capital improvement and upgrade work.

We are told, Mr Chairman, that this decision is in the best long-term interest of our community and Tasmania. This does not make sense to Dorset Council or the

community we represent. In fact we would suggest it does not make sense to a lot of other people around Tasmania either.

The socioeconomic impact assessment: This report clearly and objectively spells out what many people knew would be the likely effects of any log supply decision and adversely affected the operation of the two mills in Scottsdale. This report will be referred to later by Dr Tony McCall.

Council had been warning many parties of the likely effects of the loss of these two mills for a long time prior to the decision of 29 January 2007. The mayor and the general manager, for instance, clearly outlined their concerns to Premier Paul Lennon and the then Deputy Premier, Bryan Green, in meetings held during March 2006. In reporting to Dorset Council on 20 March 2006 on those meetings, the general manager said, 'Council's position has been that we quite simply want a positive outcome to ensure the continuity of both mills and no loss of jobs to the economy and north-east community. In fact council has emphasised that it wants a decision, a resolution to be so positive that there is actually potential growth.'

This message and other similar comments have been consistently made to many others, including at a meeting in Launceston on 12 December 2006 with Mr Mike Claridge of Rayonier. Mr Claridge is quoted in the *Examiner* on 20 March as saying to this committee that it had never been suggested that his company needed to consider the social and economic impacts of its decisions. This committee's record of this hearing will clarify any ambiguity about that, but at the meeting held by Dorset Council's mayor and general manager with Mr Claridge on 12 December 2006, we clearly indicated the social and economic consequences of any decision that might adversely affect the Auspine mill.

Council also considers that any company must take into account the potential social and economic consequences of their decisions, as these decisions can often affect the company's financial outcomes. This is particularly true for Forestry Tasmania as a part-owner-shareholder in Taswood Growers and it is now faced with subsequent possibly adverse consequences of its own decision making.

I have a few comments in relation to the inquiry on 19 March, Mr Chairman. Dorset Council supports the comments in the well-prepared submission provided to this committee by Auspine's Chief Manager of Operations, Mr Andrew Jacob. Council is concerned at the apparent lack of information and answers given to this committee by representatives from GMO, Taswood Growers, Rayonier and Forestry Tasmania. Notwithstanding their obligations to their shareholders, including the people of Tasmania, again all we keep hearing are statements such as, 'It's for the long-term sustainability of the industry'. We heard that time and time again before this committee on 19 March - or, 'It's commercial-in-confidence', or, 'We believe that due process was followed'. These comments, Mr Chairman, in our view, are simply not good enough and have not answered the questions that this committee and many other people in Tasmania are asking.

In summary, Mr Chairman, the log supply decision of 29 January 2007 was a disastrous outcome for the workers and families of Auspine and the community of north-eastern Tasmania. Council considers the requirements of the acts have not been complied with

by Forestry Tasmania through its joint venture partnership with GMO as Taswood Growers. It therefore follows that contracts entered into may be questionable at law. This premise should be recommended by this committee to the Supreme Court of Tasmania. It should be a recommendation of this committee that log supply decisions involving Forestry Tasmania must take into account the employment and consequential social and economic impacts on local communities. Council also believes that a recommendation on the banning of the export of logs should be considered by this committee.

Council is also strongly of the view that this whole saga has had adversarial impacts on many of the stakeholders involved, including the north-east community, Auspine and its workers, Forestry Tasmania, GMO, Rayonier - and the State Government, for that matter - and many other people and organisations throughout Tasmania. Council also considers that the decision taken did not follow proper and fair processes, and has not met the requirements of relevant acts of parliament.

Mr Chairman, that concludes council's submission to the committee, and I am happy to answer any questions.

CHAIR - Thank you, Mr Martin. Mr Mayor, do you want to add anything to the submission at this stage or would you prefer to take questions?

Mr PARTRIDGE - Thank you, Mr Chairman, no. I think the document that has been presented summarises council's opinion on the whole matter at this stage.

CHAIR - Thank you. I will now open it up to questions from members of the committee.

Mr HARRISS - John, throughout your submission you mentioned council's concern about the application of the Forestry Act and the GBE act, and I specifically go to the matter of section 12A of the Forestry Act. You have no doubt studied that. The words are to the effect that in examining wood supply allocation, Forestry, as a corporation, is required to take into account the implications on employment. Has council sought a legal opinion about the application of that section of the Forestry Act?

Mr MARTIN - No, we haven't. We did think about it. In discussions with the task force at various times there was talk about receiving some legal advice and in fact I made some inquiries to our solicitor, Mr McElwaine, who informed me fairly quickly that he represented FEA, and other inquiries to other solicitors. Because of the nature and largeness of the forest industry in Tasmania, most of the solicitors in Tasmania either represent someone or ask someone else so consequently I made some inquiries to a mainland firm but council have not resolved to take that any further.

I was loath to do that on my own behest. We thought that inquiries such as this or other people that are directly involved like Auspine might be seeking their own legal advice so it has not been taken up any further at this stage.

CHAIR - In a nutshell, without having had a chance to read Mr Stokes' opinion, can you explain that, please?

Mr MARTIN - As I read it, Mr Stokes was of the opinion that Forestry Tasmania should take into account the application of the Forestry Act 1920 in relation to their involvement in wood supply decisions in Tasmania.

Mr PARTRIDGE - Mr Stokes' opinion does clearly state that Forestry Tasmania has a responsibility to the community with respect to any timber that is harvested on crown land.

Mr HARRISS - For clarification, Mr Chairman, if I might, you would be aware, though, from our previous hearings here that when the joint venture arrangement was entered into and the sales agreement by Taswood Growers was struck with Rayonier there is legal opinion that indicates that section 12A became ineffective - that is probably not the right word - to an extent so I am wondering whether Michael Stokes' opinion is based in any way on him having had reference to the joint venture agreement and the sales agreement between Rayonier and Taswood Growers. Quite possibly not and most likely not.

Mr PARTRIDGE - I believe if you read the statement by Mr Stokes, he does explain that situation but he does restate that he believes that Forestry Tasmania have an obligation in this case.

Mr MARTIN - I also think, Mr Chairman, that he refers to the joint venture arrangement specifically.

Mrs RATTRAY-WAGNER - John, I would like to ask you about the meeting that you had with the Premier, Paul Lennon, and Deputy Premier, Bryan Green, in March 2006 and if you can recall whether there was any commitment given at that stage by the Premier or the Deputy Premier in relation to assisting with those negotiations that seem to be of concern to the community at that particular time and I am wondering if you can recall what the response was. Was it purely, 'It's not our place or perhaps something different?'

Mr MARTIN - Regarding the Premier's and the Deputy Premier's position on that matter, and Mr Green might correct me if I am wrong - there were no notes taken at that meeting, I might add; it was an informal meeting to talk about that - you will recall at the time there was an election going on as well and I think negotiations had been suspended because of potential for political interference, for want of a better word, political interference, for want of a better word, or the potential for it to be seen one way or the other. It has meant that these decisions need to be undertaken by Taswood Growers and Auspine. The mayor will probably have some comment here as well but we would just emphasise to Mr Green and the Premier the importance of those mills to the economy of the north-east and the potential disastrous consequences if an adverse decision were handed down. Mr Green and the Premier were well aware of those comments. I think that we were all hopeful at the time that eventually an agreement would be reached following negotiations, mediation and so on.

They did express some frustration at the way the processes were being handled by Auspine and others, if my memory serves me correctly, as probably everybody was. At that point in time I think that negotiations had been suspended for those reasons. We, as a council of that community up there, were emphasising the importance of not getting an adverse decision.

Mrs RATTRAY-WAGNER - Would you like to make any further comment to that, Mayor?

Mr PARTRIDGE - I think the general manager has summed that up pretty well. We certainly met with Ron Green here in Launceston on the matter. We did discuss the issue of the sale of half the State resource to private enterprise at the time. I do recall saying to the Deputy Premier at the time that should we lose one or both of those mills there would certainly be political repercussions for his party in the north-east. He replied, 'Don't blame us. It was the Liberals who set up; we merely signed it'. That was the last answer I got as we left the room.

Mrs RATTRAY-WAGNER - Could you advise this committee whether you had any negotiations or conversations with Auspine itself in urging them to consider the huge implications should they not get that allocation of sawlog?

Mr MARTIN - The mayor and I, particularly the mayor in the far distant past, had many discussions with Auspine, and Frenchpine before they were purchased by Auspine, over log-resource contracts and those types of things. Most of the time council have been prevented from saying anything publicly because it is commercial in confidence. We would say, 'What can we do to help you? We could just go out and say something or go and approach some politicians or something like that'. They would reply, 'You can't do that, it's commercial in confidence'. They were worried it could jeopardise their negotiations with Taswood Growers or whoever in relation to securing a log supply decision. Consequently we were unable to do a lot of things a lot of the time.

Mr PARTRIDGE - That is correct. We met a number of times and spoke to various parties from Auspine and Frenchpine. All we could do was try and encourage them to get back to the table to try and reach a decision, but as John has said we were more or less told, 'Keep out of this at the moment; let's deal with it on a commercial basis'.

Mr GUTWEIN - It is a very comprehensive submission and thank you for doing that. Firstly, you are indicating that you think the right place for this to be referred to would be the Supreme Court. That is something that this committee, I do not believe, can do. Whilst we make recommendations, I do not think it is one of the responsibilities of this committee to make a referral in any way, shape or form to a court. Is it your belief that this should be tested by Auspine in a court of law?

Mr MARTIN - I think that is a matter for Auspine to consider. There have been a lot of developments since this decision was made that really have no effect on the decision that was made or the processes that we are looking at here or the legislation. At some stage someone has to test this in a court of law, otherwise this can happen again in the future in other communities around Tasmania. We do not want others to be faced with similar circumstances that we have. We think that it needs to be tested in a court of law. We are not sure, in relation to a question that was asked before, whether it is Dorset Council's role to take it up. I suggest that it is probably not and I think Auspine need to consider it.

Mr GUTWEIN - The other thing goes to the announcement last week that Auspine now has 12 months of log supply. Would it be fair to say that the ramifications for the community 12 months from today are going to be similar to where we stood a couple of weeks ago if Auspine cannot once again secure a reasonable ongoing log supply?

Mr MARTIN - We have talked about a lot of these issues in the task force meeting. What needs to happen in the next 12 months is that Auspine and other people, but particularly Auspine, need to work out future sources of log supply for their mills. This is only a temporary reprieve. There is still a great cloud hanging over the future of those two mills in the north-east going forward 12 months. We would hope that in the next 12 months that a lot of those issues are talked about. A number of options have been canvassed by Auspine and others because in 12 months time we do not want to be facing the same situation we have faced for the last two or three months.

There have been a lot of positive developments in the last two or three weeks. The State Government and the Premier are to be congratulated on what they have done in the last two or three months but they should not have been put in that position to begin with. We would hope that some of those things can be looked at. There are a lot of other stakeholders involved, other potential suppliers and those types of things. The view of the task force and the action group out there is that this needs to be tested at law. The decision should still be reversed, if possible, for obvious reasons.

Ms THORP - Earlier you referred to a degree of frustration that people in the negotiations between Auspine and Rayonier were feeling. What was the basis of that frustration? What was the problem in your opinion?

Mr MARTIN - There have been a couple of deadline extensions. Our whole community, our business community, people that live there, the workers at the mills, our council because of the potential effects of closure, get closer and closer to deadlines - they are the types of frustrations. People are uncertain about their future.

Ms THORP - What was holding it up? Why wasn't a satisfactory conclusion reached by the parties?

Mr PARTRIDGE - I think that is probably a question you would have to ask both parties. We weren't privy to the negotiations, but as the general manager said it has caused problems and is still causing problems in our community. Twelve months is breathing space, yes, but there is a lot of uncertainty among businesses that are still looking, perhaps, to invest and expand their operation. They want some certainty so there is a cloud still hanging over the area. As the general manager has said, the only way to really get back on track is to have this decision reversed.

Mr BOOTH - Going back to the meetings in March 2006, you said you had a number of meetings with the Premier and the ex-deputy premier, Bryan Green, in regard to this. I am interested in section 12A of the Forestry Act and whether, at those meetings, you put it to them that there was an obligation under the GBE act or the Forestry Act to provide for the long-term employment opportunities for people. Perhaps you could say whether that was the case or not?

Mr MARTIN - We didn't put it the specifics of the Forestry Act or the Government Business Enterprises Act to them at the time. We were just emphasising that there needs to be a resolution and that anything you can do in terms of Taswood Growers and Auspine reaching a decision will help this community. That was what we wanted you to try to

help us with. We didn't refer to specific sections of the act because at the time there was no need to.

Mr BOOTH - The Premier has recently undertaken that he wouldn't allow logs to be exported that were suitable for processing in Tasmania. Were any undertakings made at that meeting in regard to what the Premier might or might not do in regard to expediting the contract, or getting the problem fixed, that the supply would be restored to the Scottsdale mills? Was it your understanding? Were there any undertakings given?

Mr MARTIN - No. As I mentioned before, the Premier and the Deputy Premier have consistently said that it is not within their power to do so, but they would do all they could to assist. What those things were, were not outlined or anything like that. I think they were probably just as frustrated as everybody else, but I won't speak for them. In the meetings that we have had with the Premier in recent times, he seemed to be quite frustrated to be in the position that he was in, in trying to sort out some of the things that the State Government have done in the ensuing two months.

Mr BOOTH - Yes. There is talk about Forestry simply bullying people right throughout the industry in regard to log supply, and as someone who has been in the industry I know that is a fact, that people are concerned that when they criticise any forestry they in fact don't get the log supply, or the log quality drops off, or they end up with a dispute. Do you think there is an element potentially of some sort of retribution from Forestry to you, the north-east community, because Auspine took a stand over issues to do with sustainable forestry, and so forth, prior to this?

Mr MARTIN - That's not a question I can answer.

Mrs RATTRAY-WAGNER - Given the information that we know now about Rayonier's perceived allocation of the logs and that Taswood Growers ultimately made the decision, has the council discussed that part of it at all? Have they discussed at any length that perhaps the council should have been speaking to Taswood Growers as an entity in preference to perhaps having a meeting with Mike Claridge on 12 December 2006 highlighting your concerns? Is that something that has come up at all?

Mr MARTIN - The mayor and I have discussed it on many occasions, actually, but it was hard to find out who Taswood Growers were to begin with. Any inquiries were always referred to Rayonier; in fact the letters that we have sent to the chairman of Taswood Growers and the chairman of Forestry Tasmania have really only been responded to by Rayonier.

Mr PARTRIDGE - It is still a confusing issue, certainly from my point of view, as to who are Taswood Growers, who are the members on the board, because we seem to be getting everything back through Rayonier who seems to me to be the messenger boy. We cannot get to the source.

Mrs RATTRAY-WAGNER - Hence, then, my next question. At the meeting on 12 December 2006 that the council had with Mike Claridge, the representative from Rayonier, did Mr Claridge indicate to the council that they had no role in allocating the resource at that time? Could you just give me a bit of a summary of how those particular conversations came about?

Mr PARTRIDGE - At that particular meeting, I recall we nearly were putting a message across, 'Please get the parties back to the table, please resume negotiations and let's get a result' that, in our case, was in favour of the north-east and looked after the two existing sawmills in Scottsdale and the employees in that area. That is what the discussion revolved around at that time. All we wanted to do was to try to get a resolution and try to get one that was a positive resolution from our point of view.

Mrs RATTRAY-WAGNER - Did Mr Claridge, on behalf of Rayonier, give any commitment whatsoever to facilitating your request that you can recall, please?

Mr PARTRIDGE - I believe Mr Claridge said, 'Yes, we'll do our best to get a resolution on the matter', but there were no promises made.

Mr MARTIN - I might add that we have always been under the impression, and it was not changed in any way at the meeting we had with Mr Claridge, that they had a big role, that they would be making recommendations. So I was very surprised - the mayor was not there for the last hearing - when I heard that Rayonier only did the assessment; they do not make the recommendation. Why do you hire consultants if they don't make a recommendation to you? I was astounded to hear that as well. At the meeting we had with him, I had no reason to believe that he was not going to make a recommendation to Taswood Growers.

Mr BEST - I congratulate you on the submission you have made and note that largely what you have said is your disappointment - I think you refer to page 8, three dot points in particular, about the communities not being able to understand the decision that has been justified, and you talk about these matters being outside what the Auditor-General examined. Is it fair to say, though, that you accept that with the Auditor-General's investigation at least the processes have been followed? I am not trying to put words into your mouth that you agree with the outcome but do you agree that at least the processes were followed appropriately or do you disagree with that?

Mr MARTIN - I think it is pretty clear what we are saying. We are saying that the terms of reference were very specific and very narrow and if you are given very narrow and specific terms of reference, the report made on those terms of reference would probably be fine, but that is not going to help this committee.

Mr BEST - I understand, I am not trying to take that away from you; you are right in what you are saying. What do you think has been Forestry's motivation? When you look at these points of your submission on page 8, the dot points, what do you think was in Forestry's mind or the mindset as to how they went about it?

Mr MARTIN - That is very hard to explain, isn't it. That is one of the questions we have raised as not being answered.

Mr PARTRIDGE - I think that is exactly the information we are seeking, Mr Chairman. We want to know that as well.

Mr BEST - Michael Stokes said in his comment about the Supreme Court that it would have been so unreasonable that no person in Forestry's position could have reached that decision. That was the comment that he made in the article you have attached here.

We heard from Mr Ian Jolly from GMO Resources that in fact he is of the same view - I know you are saying you have not seen that structure yet of Softwood and who is on there but the committee has had the privilege to look at the structure of Softwood Tasmania and the joint venture operating agreement - that they thought they went through the same processes.

Mr MARTIN - I cannot comment on it either. Michael Stokes is a Professor of Law at the University of Tasmania. I think he is the man who teaches the lawyers and I have a lot of faith in his interpretation of the act, and that is what we are pursuing and that is what we are asking this committee to pursue if it is possible.

Mr BEST - In holding that view then do you think that the position of Mr Ian Jolly of GMO Resources is unreasonable?

Mr MARTIN - I think in our submission we have referred to a lot of the questions that were asked by this committee in relation to this issue and they continue to say that we just have to look after the interests of the shareholders. In other words - and I do not want to put words in their mouths - from what I heard that day, all they were talking about was that they had to look at the economic interests - nothing to do with social consequences or anything like that, just the economic consequences of their decision. What we are saying throughout this submission is that we believe that Forestry Tasmania's representatives on that board, even GMO for that matter, have to take a far more holistic view of the social and economic consequences for communities of their decision-making processes.

We believe that that never occurred. It couldn't have occurred because the report done by Tony McCall, whom you are going to hear from next, came out two or three weeks later, so they didn't take it into consideration at all.

Mr GUTWEIN - In relation to the current decision, you have indicated to the committee that you think that it should be reversed in some way. Let us move forward 12 months: if we presume that Auspine is able, over the next 12 months, to secure a reasonable level of supply at the end of that time - let us call it 300 000 tonnes per annum - have you had any discussions with the Economic Development Group, which we will get to meet and discuss this with in a couple of moments, or with Auspine themselves or any other person close to the industry about what the market situation might be 12 months from now? If FEA remain in it and cut 300 000 tonnes of pine and Auspine themselves cut 300 000 tonnes of pine - thus, in effect, we have effectively doubled the pine cut in this State - have you had any discussions with anybody about the possible ramifications and outcomes of this glut of timber into the retail market and how that might flow back and put pressure on Auspine or, for that matter, FEA?

Mr PARTRIDGE - No, not at this stage. The whole effort at this stage has been put on getting resources to the mill to keep the employees and keep the mills running. We have 12 months' breathing space but those issues now need to be discussed and looked at.

Mr GUTWEIN - Do you think that there could be, in effect, a form of market failure occur in 12 months' time because supply is going to be much greater than demand for cut pine products? Do you think that is a possibility that we could be facing if the decision is not overturned?

Mr PARTRIDGE - I can't answer that but I guess it is a possibility, yes.

Mr BOOTH - Getting back to those previous March meetings, I am trying to get to the obligations of Forestry, and the minister therefore, in regard to section 12A. You didn't specifically discuss section 12A, but is it a fact that at that meeting you discussed quite clearly with both the Premier and the then Deputy Premier, the implications this would have on the north-east region if the negotiations failed? In other words, that it would have a disastrous impact on the north-east economy and jobs in that area?

Mr PARTRIDGE - That is precisely the story that we put forward. If the mills in our area failed to get resource then it would have a disastrous effect on the community. There is no doubt about that: it would and will if in the future we still can't get a resource.

Mr BOOTH - Yes, because section 12A, as you are aware, imposes a duty on Forestry to take account of the impact of employment so it is obviously appropriate that you put that position. Did Rayonier at any stage have discussions with the council in regard to the effect it might have if the contract was awarded away from the Scottsdale community?

Mr PARTRIDGE - No.

Mr BOOTH - So no approach whatsoever?

Mr PARTRIDGE - No.

Mr BOOTH - And yet DED was undertaking a social and economic impact study at that point in time. As you said before, the contract was awarded before that study was completed, so to your knowledge was there any approach made by either government, Rayonier or Taswood Growers to determine the effect that it would have on the north-east community and its economy if the supply was not awarded to the Scottsdale community?

Mr PARTRIDGE - I am not aware of any information that they gathered, no.

Mr BOOTH - Right. But certainly none from the council?

Mr MARTIN - No. The Government were working, through DED, with Dorset EDG to get the study undertaken as quickly as possible following discussions with the Premier's Department. We were trying to get this done so that could be looked at and taken into consideration before any decision was made. That clearly didn't happen.

Mr GUTWEIN - Did it surprise you that the decision was made before the study could be considered?

Mr MARTIN - We were getting very worried about it because there was no information forthcoming. As we said in the submission, we were worried when, all of a sudden in

November there was a new player and we did not hear anything. Auspine were obviously are getting very nervous because they were making other unsolicited offers and those types of things which they have stated in their submission. It started to worry everybody very much. Consequently when the decision was made, although it probably was a surprise, people might have been starting to think, 'Well, something like this is going to happen'.

Mr BOOTH - In your submission you have said that the effect of this decision would be disastrous for the whole economic and social fabric and future of the north-east region, including businesses, schools, health services, council services and real estate. It is pretty blindingly obvious, I would have thought, that the loss of 310-odd jobs in a regional area like that would have that effect.

Peter, you went on to say also that the question of other hidden agendas was seriously raised in the community. What other hidden agendas?

Mr PARTRIDGE - There are lots of innuendoes floating around about what might have happened and whether Auspine had had arguments and it came down to personalities, but none of those are clear. There is no proof of those, there were just lots of stories going around. When things like this happen, people come and say, 'Well, some of those things might be true. It might be pay-back time or whatever. We don't know'.

Mr BOOTH - So at this stage you have not had any explanation from anybody that would justify this decision being made in terms of the north-east region?

Mr PARTRIDGE - Not at all.

Mr GREEN - I just wanted to get an understanding of whether or not the council had any indication from Rayonier early on in the piece as to what they were undertaking with the tender process. Was local government briefed at all by Rayonier with respect to this new tender process that they were undertaking?

Mr MARTIN - No.

Mr GREEN - I make the point that government members were briefed about what was happening and that they in fact issued press releases on what was being undertaken with the tender process.

The other point that I want to ask about - and this is given that a number of other questions have been asked based on assumption- it seems to me that from the committee's point of view a fair bit of scrutiny has been about whether or not section 12A of the Forestry Act actually applies. We have had advice on that matter and we have also seen what the Auditor-General has had to say. A lot has been made of Taswood Growers' and Rayonier's decision-making process in awarding the contract. Has the council ever given any consideration to the decision making of Auspine as to how they conducted themselves in the negotiations, given that they were the only player for a long period of time?

Mr MARTIN - We discussed this quite often. It is very difficult for council to give too many opinions about what was going on at the negotiation table because we were not there. That was one of the difficulties.

Mr GREEN - I think that that was a difficulty experienced by many people who were circling around the outside. The assumption that I was getting to with respect to section 12A is that if advice had been given to Forestry Tasmania and the Solicitor-General that suggested that 12A did not apply, it is our understanding that Forestry Tasmania is bound to take that advice and it is pretty clear that the Solicitor-General has given that advice to Forestry Tasmania. Can you understand, as a result of that -

Mr MARTIN - I am just wondering when he gave that advice.

Mr GREEN - I will have to go back and have a look at the actual transcript of what was said. That was a public hearing and the advice was - and I remember him answering that in this way - that they had sought advice from the Solicitor-General and that does not apply. I guess the point I am making is that there have been lots of assumptions from one side of the fence versus the other side of the fence and it is true that during that time I had a sense of frustration. You have mentioned one meeting, but there were other meetings that I had with the mayor in fact while I was waiting to go and see Auspine. There was a great sense of frustration about getting the parties together so that they would continue negotiations, as opposed to being able to intervene from that point of view.

A lot has been made of the Taswood Growers decision. The point I am getting at it is whether or not some of the full-page advertisements, the documentation, the press releases et cetera that were being posted at the time by Auspine indicated to the council that they were going down a path of resource guarantee for the softwood industry as opposed to a path of negotiations with the principal responsible for the sale of logs.

Mr MARTIN - You have made lots of comments there in relation to some of the assumptions and all those types of things. We were not a party at the negotiating table between Auspine and Taswood Growers, like probably everybody else in the room. What we have done is highlight some of the questions that are being asked by the community and by lots of other people in relation to the decision that has been made. All those questions have not yet been answered sufficiently, in our view.

Mr GREEN - But is there any doubt in your mind that the negotiations that have taken place were based on commercial realities with respect to the sale of logs and outcomes for the shareholders - that is on the GMO side - or was there an argument being run that there should be a resource guarantee for Auspine throughout the negotiations - on the side?

Mr PARTRIDGE - Those are questions that we can't answer. There are so many unknowns in this. One wonders why suddenly one company gets a 10-year guarantee whereas, I understand, that probably seven years was the maximum being negotiated with another company. We would like somebody to come out and tell us, 'Yes, we sat down as a committee and we decided that this was in the best interests of Tasmania. There is going to be a net loss of 200 jobs because we have awarded the contract to somebody who has not got a sawmill yet but we still think this is in the best interests of Tasmania'. That doesn't make sense to me and it doesn't make sense to our community. Until someone is

prepared to sit down and tell us exactly how they came to that decision, we will not be happy.

Mr GREEN - Given that statement and what the Auditor-General has said in his report, given that he has looked at the commercial negotiations that took place and the obligations with respect to the criteria that were established when they were looking to sell the wood, would it be reasonable to say that the Auditor-General, in understanding the processes, was satisfied that the processes undertaken were fair and reasonable?

Mr MARTIN - We have referred to that in our submission. The problem we have with the Auditor-General's report is that the terms of reference were very narrow and very specific. They referred to one letter at one point in time. This has been going on for a long period of time. There are lots of different criteria, different contract negotiations, different papers and draft contracts and tender processes and those types of things. The Auditor-General was only looking at one, from one letter, and to us that doesn't cover -

Mr GREEN - That is why I asked the question whether the council had any advice on the tender process itself, because it is important. It was laid out as a result of Rayonier making a decision to tender, and it was very simple. A number of parties were successful with respect to the tender process - Koppers and others - and they reached agreement. The processes involved were very specific at the time in terms of the tender arrangement. In the end a non-conforming tender was put forward by Auspine. At the same time, I put it to the committee, there was an argument being waged by Auspine that there ought to be a resource guarantee for the softwood resource that was available, given that it was grown on crown land.

All I was trying to get from you is whether you had an understanding that that was the view of Auspine at the time, and whether or not you believe that may have had some influence over the way they conducted themselves in the negotiations.

Mr MARTIN - As the mayor pointed out just a minute ago, we weren't privy to those documents.

Mr GREEN - No, none of us were.

Mrs RATTRAY-WAGNER - I wanted to ask about a very important point, and you raised it in your submission - the export of logs. Has Rayonier given the Dorset Council any commitment not to export logs while we continue through this difficult time? I am wondering if they have given you anything in writing, any verbal commitment other than the Premier's commitment.

Mr MARTIN - No, quite the opposite.

Mr PARTRIDGE - In our meetings with Mr Claridge in December last year I specifically asked him whether they were exporting category 1 sawlogs, which I understand are the top-class sawlogs. He said, 'Yes, we are, the majority of which are sourced from private owners'. So, yes, they were exporting category 1 sawlogs at that time.

Mrs RATTRAY-WAGNER - Has the council asked for any commitment since 29 January 2007?

Mr PARTRIDGE - No, except that the Premier indicated that he would take up that matter and he was opposed to logs being exported.

Mr GREEN - Has Rayonier re-tendered that export resource?

Mr PARTRIDGE - I am not sure about that. I know that Rayonier did call for tenders for an additional 50 000 cubic metres of sawlog just recently. My understanding is that one of the specifications on that tender was that they would be cut to certain lengths, which were the preferred export lengths. There was some argument, certainly from the local sawmillers, that 'Those trees are still standing in the forest, so why specify the length they'll be cut to. Let's all have a go at it, and if we inspect them and believe they are suitable for sawlogs, then let us specify the length that we would like them cut to, which is the length that the local market requires'. So there are still some difficulties there to sort out.

CHAIR - Okay. Thank you very much, gentlemen.

THE WITNESSES WITHDREW