



PARLIAMENT OF TASMANIA

**SELECT COMMITTEE ON
SCOTTSDALE SAWMILLS**

Final Report

Brought up by Mr Booth and ordered to be printed by the House of Assembly.

MEMBERS OF THE COMMITTEE

Mr Booth (Chair)
Mr Ferguson
Mr Gutwein
Ms White
Mr Wightman

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1. APPOINTMENT AND TERMS OF REFERENCE

- 1.1 The Committee was appointed by the House on 17th November 2010 with the following terms of reference:-

“To enquire into and report upon:-

- (a) the circumstances surrounding the withdrawal of the joint-venture log supply from the two softwood Scottsdale sawmills and its transfer to Forest Enterprises Australia at Bell Bay;
- (b) the effect of that action on the Scottsdale and surrounding area’s economy;
- (c) measures to mitigate the social and economic harm resulting from the withdrawal of the softwood-log supply; and
- (d) other matters incidental thereto.”

- 1.2 On 24th June 2011 the Chairman brought up an Interim Report relating to confidential evidence received by the Committee.

- 1.3 On 30th April 2013 the Chairman brought up a second Interim Report which recommended that the Committee’s terms of reference be changed as follows:-

‘(1) Insert new paragraph:-

“(d) other matters relating to the supply of logs in Tasmania;” and

(2) Renumber existing paragraph “(d)” as “(e)”.’

The House agreed to the amendments.

2 CONDUCT OF THE INQUIRY AND FINAL REPORT

- 2.1 The Committee resolved at its first meeting to invite interested persons and organisations to make a submission to the Committee relating to its terms of reference, by way of advertisements in the three daily newspapers and in the *North Eastern Advertiser*. The Committee met on 12 occasions, heard 14 witnesses and received 11 written submissions.
- 2.2 The time for report of the Committee was extended on seven occasions.

- 2.2 Two Interim reports were brought up viz:- June 2011 (Paper No. 21 of 2011) and April 2013 (Paper No. 6 of 2013) this is the Final Report of the Committee and examines the Terms of Reference (a to d).

3 BACKGROUND

- 3.1 At the time of the loss of the softwood sawlog contract to the two pine sawmills at Scottsdale, Taswood Growers, a joint venture between Forestry Tasmania and an American company, GMO, owned some 40,000 hectares of pine plantations in north-eastern Tasmania. Rayonier (later Timberlands) managed the plantations on Taswood Growers behalf.
- 3.2 Auspine, a South Australian company, and Frenchpine, a Scottsdale company, had contracts with Taswood Growers, through Rayonier, for the supply of pine for their two sawmills near Scottsdale, where they employed a total of some 310 staff. These contracts were due to expire at the end of 2006.
- 3.3 On 17th July 2005 Rayonier called for tenders for the supply of the wood covered by these two contracts. Auspine and Frenchpine submitted separate tenders, but on 21st October of that year Rayonier announced that no bids had been successful. On 31st October Auspine purchased Frenchpine. Auspine submitted a number of new proposals, but none of them were successful.
- 3.4 On 2nd March 2006 Rayonier suspended negotiations until after the imminent state elections.
- 3.5 Rayonier had, in the meantime, extended Auspine's contract for three months beyond the expiry date, until 31st March 2006, to allow for further negotiations.
- 3.6 In March 2006 Auspine published an open letter in the press, criticizing Rayonier's treatment of the company during the tendering process, and on 9th March 2006 a public rally was held in Scottsdale to protest against the tendering process. Auspine called for the appointment of a conciliator.
- 3.7 During September 2006 Forest Enterprises Australia (FEA) contacted Rayonier about making a bid and was asked to write a letter. FEA operated a small sawmill at Bell Bay which, at that time, did not have the capacity to cope with the size, nor volume of wood involved in the contract. On 5th October 2006 Rayonier told FEA to make a written offer, which it did in a non-binding form on 27th October 2006. Rayonier told FEA it was prepared to negotiate.
- 3.8 At the same time Rayonier told Auspine that another party was interested. Auspine told Rayonier that it was prepared to match the price offered by any other *bona fide* bidder, and that it would be prepared to accept a seven-year contract, instead of the ten years it had previously sought.

- 3.9 On 7th December 2006 Rayonier sent FEA a letter offering assistance and outlining the factors being considered in relation to the offer, consequent upon which FEA submitted a more formal memorandum. On 29th January 2007 FEA and Rayonier reached an agreement, which was later endorsed by Taswood Growers.
- 3.10 The awarding of the contract to FEA resulted in considerable public controversy. There were claims that Auspine had been unfairly treated and that Rayonier/Taswood Growers had not given appropriate consideration to the effects that the taking away of the contract from Auspine would have on the economy of the Scottsdale district. This polemic resulted in the decision of the Joint Standing Committee on Environment, Resources and Development on 26th February 2007 to adopt terms of reference for investigating the circumstances surrounding the awarding of the contract.
- 3.11 In March 2007 the Premier, Mr Lennon, offered Auspine a twelve-month supply of logs from Forestry Tasmania's plantations in the South, near Strahan, and on King and Flinders Islands. In April Auspine signed a contract for these supplies for a period of three years, with the possibility of an extension of two more years.
- 3.12 In May 2007 Gunns Ltd announced a takeover bid for Auspine.
- 3.13 On 8th June 2007 Auspine started proceedings in the Supreme Court of Tasmania seeking to have the agreement between FEA and Rayonier set aside, and on 16th August 2007 it initiated proceedings in the Federal Court alleging anti-competitive behaviour by Taswood Growers and Rayonier.
- 3.14 In August 2007 Gunns Ltd acquired a majority holding in Auspine. During the same month the report of the former Joint Standing Committee on Environment, Resources and Development into the log-supply deal¹ was tabled in the Parliament. The principal issue investigated by the former Standing Committee was whether Taswood Growers/Rayonier were bound by section 12A of the Forestry Act 1920, which requires Forestry Tasmania to give consideration to the possible effects on employment of the sale of any products of State Forests. The former Joint Standing Committee did not make a formal determination on this question.
- 3.15 In January 2008 Gunns completed its purchase of Auspine, which was then delisted from the ASX.
- 3.16 FEA's mill at Bell Bay commenced operations with logs from Taswood Growers in February 2008.
- 3.17 In June 2008 Gunns announced it was dropping the legal proceedings begun by Auspine. The reason for this is unclear.
- 3.18 The following month Gunns closed Auspine's original sawmill at Tonganah, a direct result of the loss of the Taswood Growers log supply contract.

¹ Joint Venture Log Supply Deal: Report of the Joint Standing Committee on Environment, Resources and Development (Paper No. 13 of 2007)

- 3.19 On 14th April 2010 FEA entered into voluntary administration, and shortly after the Chief Executive Officer and 22 employees lost their positions.
- 3.20 On 13th December 2010 Gunns announced their purchase of FEA, which gave them the rights to the allocated softwood resources in the North-East.
- 3.21 In March 2011 Gunns closed the former Frenchpine mill, bringing the total number of jobs lost at the mills to 310, according to evidence.

4 CIRCUMSTANCES OF THE AWARDING OF THE SOFTWOOD LOG-SUPPLY CONTRACT (Term of Reference (a))

- 4.1 The principal point of contention with respect to Auspine's loss of its wood-supply contract with Taswood Growers was whether Forestry Tasmania, in its capacity of joint partner in Taswood Growers, was bound by the provisions of section 12A of the Forestry Act 1920.
- 4.2 The former Joint Standing Committee on Environment, Resources and Development (the former Joint Committee) concluded, *inter alia*, that:-

1. *There were differing opinions as to whether in 1999, when Forestry Tasmania entered into the Joint Venture Agreement, it retained the power to decide how Crown wood sold to the Joint Venture was to be further supplied, allocated or disposed of.*

However, the Solicitor-General and Forestry Tasmania advised that at the time of entering into that agreement, Forestry Tasmania –

- *Adhered to the obligations implicit in s.12A of the Forestry Act 1920 and gave consideration to any potential impact on levels of employment; and*
 - *In accordance with s.7 of the Government Business Enterprises Act 1995, took into account principles of sound commercial practice and the need for the maximisation of value for the State having regard to the economic and social objectives of the State.*
2. *Advice from the Solicitor-General confirms that Forestry Tasmania had no role to play in examining options for competing claims for softwood, the subject of the Joint Venture Log Supply Deal. The Forestry Tasmania board members on the Taswood Growers' Board were required to act in the best interests of the joint venture.*
 3. *Section 12A of the Forestry Act 1920 does not provide a clear understanding of what is meant by 'consideration' and how it should be demonstrated.²*

- 4.3 The former Joint Committee subsequently recommended that:-

1. *Section 12A of the Forestry Act 1920 be amended to clarify the*

² Ibid. p. 17.

definition of 'consideration' and how it should be demonstrated.

2. In future, communities be kept fully informed regarding the consideration given to employment and other impacts, when similar projects are being undertaken.³

4.4 At its hearing of 25 March 2011, in respect to such recommendations this Committee heard Councillor Barry Jarvis, Mayor of the Dorset Council, who submitted:-

The recommendation that came forward in 2007 has never been brought back to Parliament. For a year now we have had a parliament with a very different mix of parliamentarians. The first step that I would say would be to revisit your recommendation from 2007 to make a GBE taking the socioeconomic concerns of the community it serves at the foremost. That was a recommendation that came out of quite intensive hearings before and surely that would be your first step - to rectify where a GBE goes. To my way of thinking the joint venture has not worked for the people of Tasmania. It may have worked for the partners. My information is that the financial returns to the people involved in that have certainly gone to the joint venture partners rather than back to the community whose land the resource has grown on. A recommendation in 2007 was that section 12A of the Forestry Act 1920 be amended to clarify the definition of 'consideration' and how it should be demonstrated. Secondly, in future communities be kept fully informed regarding consideration given to employment and other impacts when similar projects are undertaken. It beggars belief in the statement of principles that no general community member has been involved in the statement of principles into the native timber, so we are going through the same process now with the people on the ground having no input at any level to influence the outcomes, so in the end some communities will be in the same situation from the statement of principles because communities have not been involved. Communities will be hurt, there will be dislocation of workers and rural and rural and regional areas will pay the price.

... that recommendation in 2007 should be brought back to Parliament to see where the ground lies now, a simple process to see whether we can make some of our GBEs be responsible. I come from a private business background but I am a great believer that a lot of assets should be publicly owned but that is for the greater good of the community. In this case I don't believe the greater good of the community has been at the forefront of the venture, and never has been. It was not their intention and I believe they are missing the point because of that reason.⁴

4.5 The Committee questioned the witnesses at such hearing as to whether the issue of the interpretation of section 12A of the Forestry Act persisted. Councillor Jarvis responded:-

From the deliberations of three legal opinions in 2007 you can get arguments either way. If the understanding of the committee then was that you have one or two arguments completely opposite to the validity of the act, and one sitting somewhere in the middle, then that is probably what you would find. We believe the act in the sense of the GBEs wasn't taken into consideration. Whether that can stand up legally or not, I believe morally that FT and anyone that works under a GBE should take it as a moral thing, not as a legal direction.

³ Ibid. p. 6.

⁴ Select Committee Hansard, 25 March 2011, p. 6.

Parliament and politicians are not elected on the basis of legal argument. They are elected to look after the benefits of the community they represent. Therefore, as crown land is a part of the community, they should as a consideration morally take that into consideration, not legally.⁵

4.6 Councillor Jarvis later added:-

... Through the deliberations of your first inquiry that was the recommendation that came forward. The mix of the parliament now gives the opportunity... That will give the community some sense that they will be considered when a GBE makes a commercial decision.⁶

4.7 The Committee finds that it is a matter of fact that Section 12A of the Forestry Act 1920 has not been amended in accordance with the first recommendation of the former Joint Committee to clarify the definition of 'consideration' and how it should be demonstrated.

4.8 The Committee further finds that as a consequence of such inaction with regard to the amendment of section 12A, the risk that was contemplated and addressed in the second recommendation of the former Joint Committee that "in future, communities be kept fully informed regarding the consideration given to employment and other impacts, when similar projects are being undertaken", remains and is likely to persist.

5 THE EFFECT ON THE ECONOMY OF THE SCOTTSDALE DISTRICT (Term of Reference (b))

5.1 At the time of its hearings in 2012 the full impact of the closure of the sawmills on the Scottsdale district had not been felt, but it was clear that it was going to have serious consequences for the area's economy, social structure and morale. It was equally clear that the community would need government assistance.

5.2 The Committee invited representatives from the Dorset Municipal Council to re-appear and they gave evidence on 26 July 2013 on the changes in the economic and social environment in the Scottsdale district since the Committee's early hearings.

5.3 The representatives from the Dorset Council were Mayor Barry Jarvis and former Councillor Peter Partridge. Mayor Jarvis made the following submission:-

I have had some figures sent through to me on the financial impact to the Dorset community. The log volume Auspine was doing when it finished was 210 000 tonnes per year, with an estimated annual turnover around \$44 million and an estimated payroll of around \$5.6 million into the community. The Frenchpine mill log volume was approximately 185 000 tonnes per year, the estimated annual turnover was \$46 million and payroll was \$7.8 million a year. You can see it is not only in company turnover of around \$90 million a year, but also in wages out of the Dorset community of around \$13.5 million. The impact on the population at that stage of around 7 100 people has been dramatic in that we have had a declining population - I think the figure floating around at

⁵ Select Committee Hansard, 25 March 2011, p. 20.

⁶ Ibid.

the moment is between 6 700 and 6 800 people. Of course the wage component and the multiplier effect have been taken out. We've got towns now, probably starting from Derby, where the general store has shut. Legerwood has shops shut; Ringarooma, where probably the only viable business going now is the butcher and ones selling milk and so forth, and there are about 15 empty shops in Scottsdale. That's purely the impact of this resource going out of our area.

I believe the plea from former mayor Peter and the Scottsdale community at that time was that the GBE should have been forced to have a community benefits test in the sense of the way they act. The cry that went out then and the fear of what would happen, there is evidence on the ground now.

... I think the recommendation that came out of the first committee ... was something along the line that it must be mandated GBEs do it. That was a recommendation from the first committee. My understanding, from the members who were on that committee and to this day, is that that has never been brought forward as part of legislation by anybody. To me, that is the biggest disappointment because if these things continue to go on, GBEs, while they act in the sense of an arm's length from government, they are still underwritten by the state.

... If GBEs are tightened up from what has happened at Dorset or something is put forward in legislation, that would be a good outcome⁷

- 5.4 Mr Michael Brill and Mrs Jillene Brill of Stronach Timber Industries appeared before the committee and gave evidence about the effect on their Scottsdale business of the loss of pine resource when it was moved to Bell Bay. Mr Brill explained that Stronach Industries have been value adding to lower grade pine products, in their operation at Ling siding near the Frenchpine Mill:-

We had an opportunity then to value-add. Our vision statement was we were keen to value-add low-grade product and put it into the market. We started working for Auspine shortly after that. We were a bit of a Steptoe and Son, we were value-adding outsourced sawmill, which historically happens with the bigger sawmills, where they have a smaller operator doing some of those things that are messier and harder. We began with Auspine and, whilst working with Auspine, we also started doing some work with Frenchpine. The work we did for Frenchpine entailed some manufacturing of lattice, so we stepped back from the market in our own business and decided our niche really was being a manufacturer for the bigger sawmill, so we were working for Auspine and Frenchpine.⁸

- 5.5 Mr Brill said that he was aware of a downturn in softwood resource availability and submitted that:-

...we were there to see Auspine buy French's, understanding there was a shortage of resource, that somewhere along the line FT had taken its eye off the ball for a short time and there weren't enough pine trees coming on line to meet the market demand. There was a miscalculation and there was an understanding there would need to be some sort of rationalisation between the mills in order for both or one party to survive.

... The shortfall was obvious and there was a seven-year shortfall where there wasn't going to be enough trees. If you look at the time line, it would suggest

⁷ Select Committee Hansard, 26 July 2013, pp. 1-2.

⁸ Ibid. p.19.

the miscalculation was made by FT prior to the joint venture, I would suggest. That might have been exacerbated by the onslaught of the demand for nitens and the overheated chip market...⁹

5.6 Mr Brill further submitted that Stronach had also taken on limited operation of the ex-French's Ling Siding Mill (by then owned by Gunns):-

We were already an outsource contractor for Gunns at that time and employing around 26 people on our site. We had taken the paling processing from Tonganah, which was the last production centre operating there. We took over the Ling Siding mill in April 2011 and employed 34 extra people at that site.

We could see there were a few issues because obviously that side had been run down. I guess that is understandable that they had their eye on another operation, so they would run it down. But we were making \$96 000 a month on average in profit at that site.

I believe, and this is my personal opinion, that people get carried away about innovation and new equipment. Innovation is a little different but new equipment is basically an old piece of machinery with a new bearing and paint job on it. The Scottsdale mill had been run down and probably did not have the maintenance on it. It had the capacity with good systems and good people and good maintenance to be a lot more efficient than it had previously been. I believe that if it had money spent on it, it would have taken it to somewhere near where the Bell Bay sawmill would have been, and it would have been cost effective in doing that.¹⁰

5.7 Mr Brill made the following submission in relation to the operation of Stronach prior to Gunns going into receivership:-

We went and managed the mill for Gunns at Ling Siding. It has been painful going through that process because, for all those contractors who worked for Gunns towards the end, everybody was getting stretched and a lot of them were left without money.

... We were a very loyal contractor. Fortunately, or unfortunately, we ended up losing \$520 000 at the end of the day. That was twice bitten because back with the FEA days we lost \$160 000 and we had invested \$600 000 of capital into a log breaking-down facility, into a carriage line, which to this day has not been completed. We have not had a reason to complete that because the oversized logs we were going to cut for FEA, and which potentially we could have cut for Gunns, were outsourced in other places.¹¹

Mrs Brill added:-

If you were able to establish the green mill it would have given you security if the resource was contained in the area. You would have been able to operate independently of the other pine timber mills. I thought that was a very important issue in why you wanted to develop the green mill from 2007. We looked down that track that we needed to be independent of the two larger sawmills and the establishment of a green mill gave you that independence and security of your future operation on your site. That's why we invested (in) that

⁹ Ibid. pp. 19-36.

¹⁰ Ibid.

¹¹ Ibid.

project. That has been left idle because of the FEA liquidation and the Auspine liquidation.¹²

- 5.8 Mr Brill further submitted that Stronach had re-opened as a new entity (Stronach Industries Group) and is the only remaining timber processor in Scottsdale:-

...From the new company we have been able to pay back all our small trade creditors that we had prior to receivership, even though the old company is still in the hands of the liquidator as we speak and going through the process of transitioning to the new entity. It precluded us from being able to go down the track of securing resource. That's not going to happen again. There are little windows of opportunity that crop up in life and that was a little window of opportunity that we may have had. It's not that we can't ever get resource again, we can work through private resources and we can also go to Timberlands. We have had conversations with Timberlands to secure some resource down the track. In the back of our minds, that is where we'd like to be.

...We'd like about 40 000 cubic metres, but somewhere between 30 000 and 40 000. Currently what we are processing is 2 000 cubic metres per month.¹³

- 5.9 The Committee questioned Mr & Mrs Brill as to what measures, if any, would provide security to businesses such as theirs by the assurance of log volumes other than from private ground. Mr Brill responded:-

... we have been working diligently at that.

The first thing you start looking at are the things you already do. We're tooled up to do pallets and to mould things, but we're not tooled up to dry things or treat things, so a treatment plant would be very handy for us. Certainly fence-grade products are something that we do very well. We have been working on that now and believe we have found markets in Tasmania and Victoria that would absorb up to 40 000 tonnes of log per annum. We have markets for that and we can make money out of that.

Mrs Brill added:-

... we (have) brought that resource back to the area and what was taken away to the Bell Bay site. We have put infrastructure in place, like buying semitrailers, bringing that product back and maintaining employment in our area. We've maintained a timber presence of that resource that was taken away, continually, from the resource - from 2007 to current - and still maintained the workforce as well as employed others. Before Gunns went into administration in the 2012 financial year, we had over 110 employees - 55 directly employed in the timber industry...

Mr Brill continued:-

... you can't get involved in the emotional side of this - ... but I think the miscalculation a lot of politicians, economists and accountants make is the fact that they do not involve the triple bottom line when they do their calculation. We have shown that we have had the loyalty of suppliers, customers and employees in the operations that we have run and have been able to survive the test of time.

¹² Ibid.

¹³ Ibid.

... What has happened in Dorset is that we position ourselves between the two biggest pine mills, the only pine mills in the state, and because of personality clashes and arrogance and ignorance the resource has been taken away. Also we have a company that owns the resource in Tasmania, in a joint venture, and has a person manage it and they also own the sawmill that cuts the pine.

... big companies need to be modern and they need to have in their vision statement that they have regard for communities and for small business ... I sense that down the track it is going to get harder and harder. Rightly so; we need to find another path. All our eggs are in one basket at the moment.

We have great skills; we have a great place to live, a very liveable place, and we have nearly all the infrastructure to be able to continue doing what we are. There are a couple of little paths in there that we do not have and we are not far away from being able to make that happen. The resource is probably the string in our bow that we do not have.¹⁴

6 MEASURES TO MITIGATE THE SOCIAL AND ECONOMIC HARM FROM THE WITHDRAWAL OF THE SOFTWOOD LOG SUPPLY (Term of Reference (c))

- 6.1 Representatives of the Dorset Council submitted that the community had suffered as a result of a purely business decision of a Government Business Enterprise. Mayor Jarvis submitted:-

The underlying concern is that a government GBE put the issues of a community at a disadvantage purely for a business decision. If that GBE is funded or part-funded or underwritten by the state, they have a responsibility to put the community at least near the same page as economic outcomes; otherwise, give it to private enterprise or work purely on a profit basis. You can't have it both ways. You can't be funded by the state and take no community considerations into your decisions. If that happened at that time, that is a disgrace, and our community have now paid for a decision that we're not sure whether was commercial, personality-based or a GBE not acting under its legislation. Every time you query somebody around a GBE, the minister says it is at arm's length, but when they want to give them direction they call them in and give them the direction. The clarity around that then comes to whether the minister at the time was complicit in any of those actions. I struggle with GBEs not being completely accountable to community. You can't have both.¹⁵

- 6.2 The Committee questioned the witnesses regarding the future reliance of regional communities upon one business for the general prosperity of the community. Mayor Jarvis responded:-

If you rely on one big thing, if that's the driver in your community and big business or big anything, it doesn't respond to change very quickly. Unless you have very innovative managers, you have a business that might get on a train one day and 20 years later it will fall off the track and everyone wonders why, because the mindset, between that first journey and the end of it, doesn't change. Smaller business seems to be more creative and adaptive.¹⁶

¹⁴ Ibid.

¹⁵ Ibid pp. 1-18.

¹⁶ Ibid.

- 6.3 The Committee questioned the witnesses as to the outcomes of the Taskforce established following the mill closures and what prospects and support needs had been identified for reinvigorating the Dorset community. Mr Partridge responded:-

There are opportunities out there. At the last federal election there was \$43 million for north-east freight roads and I don't know where that is but we certainly haven't had any work on our freight roads.

... We should get \$50 million worth now; if that money has been in the bank for that time we've got a fair bit of interest. There are opportunities, no doubt, with the introduction of the irrigation schemes. But, again, transport issues and freight outlets are very important and it's like the freight equalisation on Bass Strait, that's a big disadvantage to our area too. In a lot of cases we can provide product but to get it to the market is just so expensive. It's not only our area that will suffer from that, it's the whole state really. I do believe there is quite a bit of potential out there and for the tourism industry and nature-based industries. It looks like we might get the Musselroe resort up and running again, that type of thing. It all helps.¹⁷

- 6.4 The Committee asked whether any areas of stimulation had been identified that would provide long-term, structural change that would be able to self-sustain. Mayor Jarvis responded:-

That probably brings up the thing in the sense of a RDA. ... we should look to our strengths - our aquaculture, our soils, our climate and the potential of climate change and what effect that will have. We have two big masses of timber in the hardwood and softwood plantations - obviously not processing them either, which is the sad reflection on what this committee had started from. ... Underpin your strengths - agriculture - what's there, let's see how we can build on it and make it stronger and more sustainable.

... With the climate at Waterhouse, if you can get some water to it, it is 2-3 degrees warmer and we will grow grass 12 months a year. They still have a period of time on the north-west coast where they don't grow grass for two or three months. We have just done an agricultural study; the strength is in the ability to grow very good nutrient grass 12 months of the year. There goes your beef industry or you go into your dairy - that's a strength. What we have to do is work to our strengths not try to find something that may sound good for someone to hang their coat on. But the underlying strength of the north-east has been agriculture from the day it started.

Timber has been a major part of our community. There are plantations there, let us look to see how we can add value to what we have in our area and probably in the sense, Kim, on your point of whether there is a type of industry in the timber industry where we can employ 15, 20, 25 - we don't need to employ 100. Get two or three of those niche markets and it will give strong support. The local investor is not looking for trillions; he's getting a return on his investment and is employing people and there is value-adding in the community.¹⁸

Mr Partridge added:-

¹⁷ Ibid.

¹⁸ Ibid.

...it's still my belief that we have a very good renewable and sustainable resource in the timber industry. Properly managed, those forests will go on and on and produce and any good sawmiller or anybody who has been involved in the timber industry who really knows the industry is a conservationist. They'll take the timber out but won't destroy everything else and it will just go on. I'm not going to argue against mining either but that is a finite resource; you've got a hole in the ground when it's all finished.

Mayor Jarvis later concluded:-

... out of the north-east working group there is a study - and I was reading it today at LGAT - that has just come out which identifies growth and potential possibility of growth in this irrigation/pasture-growing of job numbers of around about 100 to 120 with x amount over the next five years, both in dairy and beef production.

I take your point earlier. Our two biggest beef producers both sell to Greenham and are branded under the Cape Grim brand, even though it's grown probably the furthest away from Cape Grim in Tasmania, but they get an added dollar for that and even from the wind farm down, all that beef goes to Greenham and they get a premium for it under the Cape Grim brand, so it's not their basic meat. If we could get as a throwaway thing a Barnbougles brand beef or something that identifies with our region we could be doing that and maybe get a processor in our community.¹⁹

- 6.5 The Committee questioned the witnesses as to the extent of their satisfaction with the support provided to the Dorset community by the Tasmanian Government in the period since the log supply was taken from the community. Mayor Jarvis responded:-

Support is obviously there, it is about the way you do it. We have recently received some funding from the RDA system, which was a collaboration of Launceston, Break O'Day and us for mountain biking. We believe that will open up some naturally wonderful areas, some of the reserves now and some of the still working forests with Forestry Tasmania and bring them into the north-east.

The thing with the tourist dollar is that they have to stay overnight to really get a return; if you buy your coffee on the way through it is no real return for our community. We can build it if we could get them and give them a reason to stay. Peter has always alluded to the natural beauty but unless people have reasons to stay they will not venture out.

Tasmania has some wonderful natural attractions. Different to a lot of places in the world, you can pick them around the corner in most places and we believe we have a lot of untapped natural assets. The idea of a mountain bike trail and maybe a rail trail from Launceston we are pretty big on, so some of the efforts we will be doing with the state government is along those lines. We have missed out with the rail trail application with the forestry money but we certainly will take that up...²⁰

- 6.6 Notwithstanding the pursuit of these measures by the Dorset Council, the Committee returned to the question of the future viability timber industry businesses with the witnesses representing Stronach Industries Group. Mr Brill responded:-

¹⁹ Ibid.

²⁰ Ibid.

The pressure coming on the sawmilling business generally is that product is coming in from overseas - from New Zealand, Europe and Asia. It is being resawn and put back in here in the way of mouldings, prime products, finger-jointed products and all the rest of the products. On the bigger sawmills, the Carter Holt Harveys of this world are putting pressure on. They have closed their moulder mill in Mount Gambier simply because it is all too hard. We cannot compete; that is the common word. I know that we are not going to pull up our cricket pitches next week because we did not compete in England too well, and we believe we can compete again. However, we are cutting up our sawmills all around the country because we have suddenly decided we cannot compete. That is rubbish.

There are issues why we cannot compete and we need to resolve those issues. I am at the blunt end of the timber industry, away from the mouldings, and the only people I have to compete with are the existing sawmills because they have pressure on them not to do moulding, like Auspine was towards the end; they turn it into a paling mill. Instead of value-adding, it goes back to being a beam mill, a framing mill and a fence-grade mill.

We are more cost-effective when we get right down to that little part of it; we have the capacity of being more productive than the big sawmills. We are running palings at 50 metres a minute; Timberlink are going to run them at 28 metres a minute through a band line. They cannot currently produce. They cannot compete. The only thing they can compete with is that they have the resource and the billet. In the concept of scale they are able to introduce the feedstock to that operation more cost-effectively than we can. We have gone to the marketplace and taken all those things into consideration, knowing their sale price and their profitability. We know what we can buy the log for, what recovery we can get out of the log and what the marketplace will accept. We can go out there and complete.²¹

- 6.7 The Committee questioned Mr Brill as to whether his operation was dependent upon access to timber sourced from Crown land. Mr Brill responded:-

Yes and no. You have to have consistency of supply and that is where private becomes awkward. Tom Brown has a coupe up the paddock and you can't get there in the winter but can in the summer. Somebody else has some resource but it is a certain size and quality. You need to have consistency of supply. We are talking to Norske at the moment. We have a chipper canter. We are also talking to Scott Arnold on Monday. There is an opportunity for some of the pulp material. We have gone into trucking now; we have to cart logs to supplement our income. We are carting logs, that we could cut, down to the boat and exporting them. I would say we could cut timber out of 80 per cent of that product being exported.²²

- 6.8 When questioned by the Committee as to what recommendation from this Committee might provide some impetus for the industry in the Dorset municipality Mr Brill responded:-

From my point of view, for the benefit of Tasmania and the community of Dorset there should be an opportunity to value-add log - that is already being otherwise sold overseas - in an operation in the Dorset area to give a better return from that log to the community.

²¹ Ibid.

²² Ibid

I would like to accept the opportunity to be able to submit a recommendation from Stronach Industries about what should happen with regard to the opportunity for resourcing in Dorset. I would welcome that and I also, as a positive outcome from this committee, hope that there would be never again a situation that has happened at this time where resources has been taken away. I believe that there has been some stubbornness and some arrogance that has taken place in the assignment of resource out of that area.

... The other thing, just to touch on that and there may be another opportunity. The ACCC - nobody ever spoke to us with everything that was going on. We paid \$2 million worth of wages last year and in the process all these processes of the buying and selling of mills and the rationalising of sawmilling opportunity in the north-east of Tasmania, there was never anybody that came to our business and said, 'How is this going to impact on you?' I suspect, as far as we live in a free-trade economy, I think it's short-sighted to believe that you can, willy-nilly, go around selling off infrastructure and allowing people to monopolise an industry. Even though we are an island state, all of a sudden, everything was controlled by very few. We know from the hardwood industry, that brought a lot of heartache and it has happened again now, it's exactly the same in the pine industry.²³

6.9 At the request of the Committee the Dorset Council arranged for a copy of a Report by consultants Macquarie Franklin (written by Lance Davey, Thom Goodwin and Lee Peterson), commissioned by the Dorset Economic Development Group, entitled *Dorset Agricultural Study* to be given to the Committee to assist in its deliberations.

6.10 The Committee notes the key recommendations as follows:-

- To work closely with DairyTas to promote the Sustainable Dairy Development Program in the north-east and in particular the State government sponsored Dairy Conversion Plan initiative. In addition to seek expressions of interest in establishing a discussion group for farmers potentially interested in dairy conversions.
- To ensure that the northern coastal strip is made investment ready in terms of possible new irrigation schemes and adequate power supply. In particular to seek funding to assist individuals/groups without access to current Tasmanian Irrigation schemes to undertake the planning and approval processes required to access additional water supplies. And to seek advice from Aurora in relation to the capacity of the Waterhouse Road three phase electricity line and, if required, seek funding to upgrade the line so that it does not limit future irrigation and dairy expansion in the area.
- To explore the possibility of working with the new AgriTas college in Smithton to expand dairy training opportunities in the area.
- To actively explore the potential for a dairy processing facility to be located at the Simplot vegetable processing site and possibly assist in the planning approval process and development of a business plan.
- To develop and expand upon the work of the Winnaleah-Ringarooma Meat and Cropping Discussion Group, and promote the development of a similar group in the Waterhouse – Tomahawk area to expand red meat and cropping output and profitability.
- To ensure overall success Dorset EDG will need to work closely with individual farmers and farmer groups in fostering further development.”²⁴

6.11 The Committee considered such recommendations and supports them as part of a mix of strategies to mitigate the effects of the sawmills closure

²³ Ibid.

²⁴ Macquarie Franklin, *Dorset Agricultural Study*, Dorset Economic Development Group, p. 8.

and regional economic downturn. It is particularly noted the fact that dairy and red meat production show further potential for development, with all year round grass growth in the Waterhouse area.

- 6.12 The Committee is of the view that the Government should undertake a study of the remaining softwood resource that is owned by the Crown and that priority be given to the Dorset community for the processing of the same.
- 6.13 The Committee is of the view that the Government should work with Forestry Tasmania and other softwood processors who may have surplus stock to identify other private softwood resource with a view to developing a strategy to supply such surplus to the Scottsdale community to process.

7 FORESTRY TASMANIA'S ROLE AS A MONOPOLY SUPPLIER (Term of Reference (d))

- 7.1 A number of witnesses criticised Forestry Tasmania's departure from its role as a marketer of specialty timbers to an active participant in retail markets in competition with private companies and operators. One retail venture which drew particular criticism was Forestry Tasmania's operation known as Island Specialty Timbers (IST).
- 7.2 The Committee was told that this entity was established to provide wholesale supplies of specialty timbers to local markets. However, evidence was received that in recent times, ICT was processing timber itself and selling the resultant products on the retail market, thus competing directly against private operators. It was also asserted that IST reduced the private operators' access to the best timbers, because it was able to select the top quality logs before the private operators had access to them. In addition, parent operation, Forestry Tasmania was attending interstate timber shows to display its products in competition with the private operators and offering timber for sale which could be used by local businesses. Mr Roderick Carins of Carins Brothers Specialty Timbers appeared before the Committee on 24 June 2011 and made the following submission which summarises the issue:-

We are here representing collective and private businesses to raise our concerns about the shift in trade of Forestry Tasmania, aka Island Speciality Timbers, and the effect it is having on our industry.

The management and salvage of our specialist timbers has been handled by the IST but in recent years they seem to be moving into competition against us - us, the local processors. From the original management of selling wholesale logs to local processors the IST is now processing logs themselves into timber for the retail market. There are exhibitions and events such as Working with Wood shows in capital cities throughout Australia. These events showcase everything timber, from demonstrations, wood-turning, power tools and timbers. They draw crowds of up to 10 000 people at any one show. The IST operation at Geeveston appears to be totally in opposition to what we are doing and the competition they are displaying at the timber and Working with Wood shows. Selling processed timber is inexcusable. Surely these sales

should be for the local businesses of Tasmania which have gone to the expense of attending these shows and promoting our timbers, not a government-funded organisation.

Looking to recent events in the media, this seems to echo the problem that Greg L'Estrange has highlighted at Gunns and the fact that they are getting sold short by Forestry Tasmania. Should IST not be working in conjunction with us to promote our timbers as opposed to direct competition? Should they not be directing members of the public to our businesses to purchase timber or to process timber? With the current state of industry in Tasmania, should they not be supporting the local businesses to succeed? Matters have developed to the stage where we feel that we as a collective need to be raising our concerns about the conflict of interest developing between IST and ourselves as private businesses.²⁵

- 7.3 The Committee questioned Mr Carins as to when it became apparent that Island Specialty Timbers was competing in the retail sector. Mr Carins responded:-

Two years ago we went to the Melbourne Woodworking Show and we got a lot of help and support from IST and those guys. They were promoting at the show Tasmanian timbers in general. We went to the next show and it was the same sort of thing. We got up to Brisbane in May and they are doing the same thing. There were packs of timber there with prices on them. There were a lot of sales that they probably got over the weekend that we should have got. It costs a lot of money to go from Tasmania to Brisbane taking timber to sell it. That is where this issue came up. Then you start looking at websites and you see contract milling rates and other rates for surfacing timber and so on and you think, 'Isn't that what we do? We charge that amount of money. Is it right that they're doing it as well? Shouldn't they be sending customers to us to have that done?'²⁶

- 7.4 The Committee questioned Mr Carins as to whether Forestry Tasmania was extracting timber for use in its own mill for processing and selling in the retail market. Mr Carins responded:-

They're finishing it and retailing it to the market. It just doesn't seem right to me. They were salvage log sellers. You could go down there and buy a log. If you wanted to invest the money, you could buy a Lucas sawmill or a thickneser and process the log. It was wholesale but now anyone off the street can go down there, pick a log, get it milled and processed and take it home.

The prices (they are charging) are unreasonable. I would like to know often their machinery is used, whether it is used every day, because I know at the moment ours isn't. If theirs is being used, they are customers who could be coming up to our place and getting it done. We could set up a shop in Hobart to do that.²⁷

- 7.5 Forestry Tasmania said Island Specialty Timbers operated on a fully commercial basis. Also, in response to the concerns expressed by some customers, it had ceased being represented at wood shows.
- 7.6 Another area of Forestry Tasmania's retail activity which drew criticism was its involvement in the nursery industry, particularly in the cultivation

²⁵ Select Committee Hansard, 24 June 2011, pp. 26-37.

²⁶ Ibid.

²⁷ Ibid.

and sale of seedlings. Appearing before the Committee on 24 June 2011, Mr Tony Waites of Woodlea Nursery provided the following submission in relation to retail activity of Forestry Tasmania:-

You talked about what companies are growing seedlings. There are four companies growing seedlings in Tasmania basically - ourselves, Gunns, Hills Transplants outside of Devonport and Forestry Tasmania at Perth. Those are the basic players in the industry and we all grow various quantities, but similar quantities. The short version is that Forestry Tasmania has been undercutting us, competing against us in a non-commercial way and pushing us until we run the risk of going out of business.

... FT had released a report that said that their seed and their seedlings were better than anyone else's and they strongly encouraged FEA to basically drop our contract and to buy the seed from them.

First of all they were saying they should buy FT seed because that was the best seed but then they said, 'If you are buying it, you have to let us grow it for you. We are not willing to sell it; it is a package deal', basically. That report was commissioned by FT and the Southern Tree Breeders Association. It is unpublished. We do not have access.

... FT staff were the second and third author on that report and it is not peer reviewed, it is not independent in any way and it basically came out and said that FT seed was far superior to anything else and they used that, and they were taking that round as their sales pitch and saying to FEA, 'You cannot grow anything but our seed because ours is the best'.

... but my issue with that is partly that FT are offering up this seed and saying it is better than anyone else's without any independent testing on it and then that they are also binding in that they are the only ones that can grow the stuff.

That was in March. That was on one season's growth. The next season FEA came back again and they said - this was in November - to us, 'You have to drop your price'... Our price for seedlings has been 22.5 cents plus GST for a seedling. That has been a set price for about 15 years. Going up by the CPI never happens. Our wages have gone up, they have doubled, but we still charge 22.5 cents for a seedling.

... and that is pretty much an industry standard and that is why it has not gone up; everyone else has wanted to do it. That is what we were growing seedlings for for FEA. In November they came to us and said, 'You have to do it cheaper or else you are not going to get a single seedling, you are not going to grow anything for us'. I said, 'What is this?' and basically FEA said that FT went to them and said they would grow seedlings for - and this 22.5 cents does not include the seed ... (which) is extremely expensive. It costs twice the price of gold per kilo to buy. It is about 5 to 7 cents per seed, so if you add that on, I say to people that the total cost of a seedling is about 30 cents. You lose some of the viable seed, so it is at least 30 cents. FT began to supply this special seed and they said they would grow it for 21-23 cents, including the seed. So if take away a commercial price for the seed of let's say 5 cents, then they are growing it for 16-18 cents or something like that. I know that our practices are not so very different to FT. There's no way you can grow a seedling for that price.²⁸

- 7.7 Another area of Forestry Tasmania's operations that was considered was exportation of whole logs. Appearing before the Committee on 3 June 2011, The Chief Executive Officer of Gunns Ltd, Greg L'Estrange was asked

²⁸ Ibid.

whether the whole logs exported were product that should have been available for local processing. Mr L'Estrange responded:-

I believe that is what should have taken place. We should have been nurturing the resource profile and looking at it over a number of years to enable the industry in Tasmania to grow its competitive position by making sure. Mills inherently around the world are getting more efficient and the capacity is going up, so you have to look at whether are you actually growing the resource. One of the weaknesses in the whole of Australia from a softwood point of view is that we are at peak softwood in Australia at the moment because the plantings of softwood in Australia stopped in 1980. So on a 30-year rotation we are basically at the point where the market has been growing over that period and we will now have to increase our imports of the product if housing starts returning to the predicted 170 000 starts a year.²⁹

The following exchange then ensued:-

CHAIR - So FT, by cutting down the sawlogs that could have provided a critical wood flow into Scottsdale mills or any facility that was globally efficient in that sense, have effectively been the architects of the destruction of the softwood sawmilling industry in Tasmania, at least the potential?

Mr L'ESTRANGE - If you create an industry that cannot compete then the natural outcome is that you will lose jobs.

CHAIR - Which is directly as a result of the mismanagement of the resource, the exporting of future sawlogs?

Mr L'ESTRANGE - That is an outcome of their strategy to date, be it of the joint venture or whoever.³⁰

- 7.8 The Committee sought an explanation of the terms of the contract Gunns Ltd inherited from Auspine regarding the supply of softwood from the West Coast. Mr L'Estrange explained that despite the mill having been closed down, they were required to process all logs at Ling Siding, near Scottsdale. Consequently, to satisfy the contract:-

They probably would have started up and taken a couple of faces off them and fulfilled the contract as we try to work through this outcome ... (and then transported) to Bell Bay.³¹

- 7.9 Forestry Tasmania rejected this assertion, telling the Committee that the logs were highly subsidised on the basis that they would be processed at Scottsdale, but Gunns had not been doing so. In fact they were carrying out minimal processing there, then doing their full processing at Bell Bay, while still benefiting from the subsidy. The Managing Director of Forestry Tasmania, Mr Gordon submitted that:-

It was done that way because at Auspine's request their intention was to keep the mills going and they were going to use the access to the west coast resource as the balancing item because there is a fairly large amount of pine under other ownership, whether it is Gunns or FEA. It was under Auspine but Auspine ended up selling their pine plantations to Forestry Tasmania when they were under Frenchpine ownership. So that was basically the deal, that that

²⁹ Select Committee Hansard, 3 June 2011, pp. 1-34.

³⁰ Ibid.

³¹ Ibid.

would be used as a balancing item so they knew they had 100 000 cubic metres of sawlogs every year for the five years to keep that mill going.

To go back to the relationship with Gunns, when Gunns announced that they were shutting Ling Siding we wrote to Gunns pointing out the conditions in that west coast contract and offered to sell Gunns those logs at the Bell Bay site if they paid the saving in transport. So if you picture the west coast and you have to drive through Bell Bay to get to Scottsdale, it is about 85 kilometres from Bell Bay to Ling Siding, so we said if they paid the saving in transport then we were happy to sell them the logs.³²

- 7.10 The Committee heard evidence that Gunns Ltd was also very critical of Forestry Tasmania's activities in China. The Committee put the proposition to Mr L'Estrange that Forestry Tasmania was undercutting their prices for hardwood woodchips in China, which was having a considerable impact on its income. Mr L'Estrange responded:-

*Correct. I think they need to work out exactly what place they have in the market and then make that choice and be open with the customers. If they don't want to have other people in the marketplace, if they want to be the exporter they should say that's what they want to be and then everyone has an orderly conversation and you work out what you're going to do with what facilities.*³³

- 7.11 When questioned as to whether this effected a situation whereby Gunns Ltd, as a major wholesale customer of Forestry Tasmania, was itself in retail competition with Forestry Tasmania, Mr L'Estrange responded, "Correct"³⁴.

8 FINDINGS

The Committee found that:-

1. The withdrawal of the softwood contract caused considerable harm to the community of Scottsdale and the wider Dorset area.
2. Had a different decision been made, there may well have been sufficient resource to supply at least one of the two major mills, whereas now both are closed.
3. Whilst the Government has taken steps to stimulate the local economy of Scottsdale and the wider Dorset area, the Committee found that the actions taken were insufficient to mitigate the economic losses resulting from the withdrawal of the softwood sawlog supply.
4. Forestry Tasmania's involvement in retail activities had a detrimental impact on the operation of a number of private sector businesses.
5. The previous Joint Standing Committee recommended clarifying section 12A of the Forestry Act 1920 in regards to "consideration" and how it should be demonstrated. The Committee notes that the Forestry Act 1920 is in the process of being repealed and is therefore no longer relevant and

³² Select Committee Hansard 18 May 2011 pp. 1-22.

³³ Ibid.

³⁴ Ibid.

consequently these concerns should now be addressed under the Government Business Enterprises Act 1995.

9 RECOMMENDATIONS

The Committee recommends that: -

- 1 The State Government, together with Private Forests Tasmania undertake a study to identify all available softwood resource owned by both the Crown and private growers that could be processed in the North-East of Tasmania.**
- 2 Appropriate oversight of decision making processes in regard to resource allocation be put into place.**
- 3 Appropriate amendments be made to the Government Business Enterprises Act 1995 to clarify section 7 with regard to the economic and social objectives of the State to ensure that the circumstances that impacted on a local community, giving rise to this inquiry, are never repeated.**

Parliament House
HOBART
20 November 2013

Kim Booth MP
CHAIRPERSON

APPENDIX A – LIST OF WITNESSES

Mr Michael Brill, Owner/Director, Stronach Industries Group

Mrs Jillene Brill, Owner/Director, Stronach Industries Group

Mr George Carins, Carins Brother Specialty Timbers

Mr Roderick Carins, Carins Brother Specialty Timbers

Mr Robert Gordon, Managing Director, Forestry Tasmania

Mr Brent Guild, Managing Director, Timberlands Pacific P/L

Councillor Barry Jarvis, Mayor of Dorset

Mr Guy Jetson, General Manager, Dorset Council

Mr Greg L'Estrange, Chief Executive Officer, Gunns Ltd

Mr Scott McLean, District Secretary, Construction, Forestry, Mining and Electrical Union

Councillor Peter Partridge OAM, Dorset Municipality

Mr John Sutcliffe, Independent Operator

Mr Tony Waites, Woodlea Nursery, Scottsdale

Mr Arnold Willems, Supply and Logistics Manager, Norske Skog

APPENDIX B – LIST OF WRITTEN SUBMISSIONS

Timberlands Pacific dated 10 December 2010

Forestry Tasmania dated 13 December 2010

Mr Howard Nichol, Executive Officer, Dorset Community Economic Development Group Inc (Dorset EDG)

Mr John Livermore dated 14 December 2010

Dorset Council dated 4 January 2011

Mr Geoff Law dated 10 January 2011

Mr Tony Waites, Woodlea Nursery dated 24 June 2011

Carin Brother Specialty Timbers dated 24 June 2011

Forestry Tasmania dated 14 May 2013

Dorset Agricultural Study (Dorset EDG) June 2013

Stronach Industries Group dated 26 July 2013

Also considered:-

Report of the Joint Standing Committee on Environment, Resources and Development into the Joint Venture Log Supply Deal (Paper No. 13 of 2007)

THURSDAY, 18 NOVEMBER 2010

The Committee met in the Speaker's Dining Room, Parliament House, Hobart at 2:10 p.m.

Members Present:

Mr Gutwein
Ms White
Mr Wightman

Apology:

Mr Ferguson

ORDER OF THE HOUSE

The Secretary took the Chair and read the Order of the House of Assembly appointing the Committee.

ELECTION OF CHAIR

The Secretary called for nominations for the position of Chair of the Committee, Mr Gutwein nominated Mr Booth, seconded Mr Wightman. There being no other nominations, Mr Booth was duly elected as Chair.

ELECTION OF DEPUTY CHAIR

The Secretary called for nominations for the position of Deputy Chair of the Committee, Mr Wightman nominated Mr Gutwein, seconded Ms White.

There being no other nominations, Mr Gutwein was duly elected as Deputy Chair of the Committee.

Mr Booth took his place and assumed the Chair.

PARLIAMENTARY RESEARCH OFFICER AND ASSISTANT SECRETARY

Resolved, That unless otherwise ordered Officers of the Parliamentary Research Service and the Assistant Secretary to the Committee, Mr John Chilcott be admitted to the proceedings of the Committee whether in public or private session. (Ms White)

NOMENCLATURE

The Committee discussed the nomenclature of the Committee.

Resolved, That the Committee be known as the "Select Committee on Scottsdale Sawmills". (Mr Gutwein)

ADVERTISEMENT OF INQUIRY

The draft advertisement having been previously circulated by the Secretary was taken into consideration by the Committee.

The Committee deliberated.

Resolved, That the advertisement be agreed to with such advertisement to be placed in the three daily newspapers on Saturday, 20 November next and in the *North-East Advertiser* next week. (Mr Gutwein)

The closing date for submissions is Wednesday, 15 December 2010, thus giving 3 clear weeks from the advertisement in the *North-East Advertiser* on 24 November.

ADDITIONAL SUPPORT

The Chair indicated that additional expertise might be required to be engaged to assist the Committee. The Committee agreed that this could be attended to as the need arises during the Inquiry.

INVITATIONS TO PROVIDE SUBMISSIONS

The Committee considered the question of whether organisations and individuals should be directly invited to provide submissions to the Committee.

Resolved, That those who had provided submissions to the *Joint Standing Committee on Environment, Resources and Development Inquiry into the Joint Venture Log Supply Deal* (Paper No. 13 of 2007) be invited to make submissions and give evidence to this Committee. Additional names of any further organisations/individuals to be supplied in due course by Members to the Secretary. (Mr Booth)

JOINT STANDING COMMITTEE REPORT OF 2007

Mr Wightman offered to supply a copy of the Report of the *Joint Standing Committee on Environment, Resources and Development Inquiry into the Joint Venture Log Supply Deal* (Paper No. 13 of 2007) to the Committee. The Secretary will circulate it to Members.

TRAVEL FUNDING

It was agreed that at this stage funding for travel would not be necessary but that the matter will be kept under review.

COMMITTEE SPOKESPERSON

Resolved, That the Chair be the spokesperson in relation to the operations of the Committee, subject to circulation of statements to Committee Members, where possible, prior to delivery to media outlets. (Mr Gutwein)

FUTURE MEETINGS

The Committee deliberated upon dates for future meetings.

Resolved, That once submissions are received the Committee will decide on a schedule for meetings and hearings. (Mr Wightman)

At 2:20 p.m. the Committee adjourned *sine die*.

FRIDAY, 25 MARCH 2011

The Committee met in the Dorset Municipal Council Chambers, at Scottsdale at 10.33 am.

Members Present:

Mr Booth (in the Chair)
Mr Ferguson
Mr Gutwein
Mr Wightman

WITNESSES

The following witnesses were called, made the Statutory Declaration and were examined: -

Cr Barry Jarvis, Mayor of Dorset
Mr Guy Jetson, Acting General Manager, Dorset Council
Cr Peter Partridge OAM, Councillor, Dorset Council.

Ms White took her place.

The witnesses withdrew.

The following witness was called, made the Statutory Declaration and was examined: -

Mr Brent Guild, Managing Director, Timberlands Pacific Pty Ltd.

The witness withdrew.

MINUTES

The Minutes of the meeting held on 18 November 2010 were confirmed.

SUBMISSIONS

Resolved, That the following submissions be received: -

Mr Bob Gordon, Managing Director, Forestry Tasmania

Mr Brent Guild, Managing Director, Timberlands Pacific Pty Ltd

Dorset Municipal Council

Mr Geoff Law;

Mr John Livermore of John Livermore Enterprises;

Mr Howard Nichol, Executive Director, Dorset Community Economic Development Group;

DOCUMENTS

Resolved, That the following documents be received and taken into evidence: -

Chronology of Events Relating to Term of Reference 1(a); and

Joint Standing Committee on Environment, Resources and Development, Report on Joint Venture Log Supply Deal, Summary.

JOINT STANDING COMMITTEE ON ENVIRONMENT, RESOURCES AND DEVELOPMENT: INQUIRY INTO JOINT VENTURE LOG SUPPLY DEAL

Resolved, That the Secretary investigate whether the evidence both public and private taken by the Joint Standing Committee on the Environment, Resources and Development's Inquiry into the Joint Venture Log Supply Deal 2006-07 can be taken into evidence.

FUTURE WITNESSES

Ordered, That the following organisations be directly asked to appear before the Committee:

- Gunns Ltd;
- CFMEU Tasmania; and
- Pitt and Sherry, after they have finished their report for the Dorset

Community Economic Development Group.

Ordered, That the Chairman of the Dorset Community Economic Development Group, Mr Stephen Love, be asked if he wishes to present to the Committee.

NEW ZEALAND FORESTRY ARRANGEMENTS

Resolved, That the Secretary provide the Committee with information on forestry arrangements and agreements in New Zealand.

NEXT MEETING

Resolved, That the Committee will next meet on a Friday during a sitting week in Hobart.

The Committee adjourned at 1.45 p.m.

WEDNESDAY, 18 MAY 2011

The Committee met in Committee Room No 2, Parliament House, Hobart at 1.09pm.

Members Present:

Mr Booth (in the Chair)
Mr Ferguson
Mr Gutwein
Ms White
Mr Wightman

WITNESS

Mr Robert Lindsay Gordon, Managing Director, Forestry Tasmania, was called, made the Statutory Declaration and was examined.

Mr Gutwein withdrew.

The witness withdrew.

MINUTES

The Minutes of the meeting held on 25 March 2011 were confirmed.

DOCUMENT

Resolved, That the following document be received and taken into consideration: -

Select Committee on Scottsdale Sawmills: Issues Arising from the Report of the 2007 Committee.

Resolved, That discussion of this paper be placed on the Committee's agenda.

FUTURE WITNESSES

Ordered, That Gunn's Ltd and Mr Geoff Law be invited to give evidence to the Committee.

NEXT MEETING

Resolved, That the Committee will next meet in Launceston at a time to be arranged by the Secretary.

The Committee adjourned 2.24p.m.

THURSDAY, 2 JUNE 2011

The Committee met in the Conference Room, Public Buildings, St John Street, Launceston.

Members Present:

Mr Booth (in the Chair)
Mr Ferguson
Mr Gutwein
Ms White

WITNESS

Mr Gregory L'Estrange, Chief Executive Officer, Gunns Ltd, was called, made the Statutory Declaration and was examined.

Mr Wightman took his place.

Mr Wightman withdrew.

The Committee examined the witness *in camera*.

The witness withdrew.

MINUTES

The Minutes of the meeting held on Wednesday 18 May 2011 were confirmed.
(Mr Ferguson/Ms White)

EXTENSION OF TIME FOR REPORT

Resolved, That the Committee seek an extension of the time for its report until Thursday, 24 November 2011.
(Messrs Gutwein/Booth)

DOCUMENT

Resolved, That the following documents be received and taken into evidence: -

Forestry in New Zealand information prepared for the Committee as requested by the Assistant Secretary; and
Letter to Mr Bob Gordon, Managing Director, Forestry
Tasmania, dated 24 May 2011.
(Ms White/Mr Ferguson)

FUTURE WITNESSES

Ordered, That representatives of Norske Skog (Australasia Pty Ltd) be invited to give evidence to the Committee.
(Ms White/Mr Gutwein).

NEXT MEETING

Resolved, That the Committee will next meet after the Budget during July in Hobart to take evidence from Mr Geoff Law, the CFMEU and Norske Skog.

The Committee adjourned 11.43am.

FRIDAY, 24 JUNE 2011

The Committee met in Committee Room No 1, Parliament House, Hobart, at 9.00 am.

Members Present:

Mr Booth (in the Chair)
Mr Ferguson
Mr Gutwein
Ms White
Mr Wightman

IN CAMERA EVIDENCE

The Chair read the attached statement about the inadvertent posting of the transcript of *in camera* evidence of Mr Greg L'Estrange on the Committees website.

Resolved, That the matter be discussed later in the meeting.

WITNESS

Mr Arnold Willems, Supply and Logistics Manager, Norske Skog, was called, made the Statutory Declaration and was examined.

The witness withdrew.

IN CAMERA EVIDENCE

The Committee resumed its discussion of the Chair's statement on the *in camera* evidence of Mr Greg L'Estrange.

Motion made and Question proposed - That this Committee recommends to the House that the following matter be referred to the Privileges Committee for investigation and report: - That the Chair of the Committee explain the circumstances under which privileged *in camera* evidence was disseminated from his office.
(Mr Gutwein/Mr Ferguson)

A debate arose thereupon.

Question put and agreed to.

Motion made and Question put - That the Committee accepts the advice of the Secretary with regard to the inadvertent posting of the *in camera* evidence, and retains full confidence in him.
(Mr Ferguson/Mr Gutwein)

Motion agreed to and a draft Report to be brought up to the Committee.

WITNESSES

Mr Scott McLean, District Secretary, CFMEU, was called, made the Statutory Declaration and was examined.

The witness withdrew.

Mr Roderick Carins and Mr George Carins, both of Carins Brothers Specialty Timbers, and Mr John Sutcliffe were called, made the Statutory Declaration and were examined.

The witnesses withdrew.

Resolved, That the written submission presented by Mr Roderick Carins be received.

INTERIM REPORT

The Chair of the Committee brought up a draft Interim Report regarding *in camera* evidence.

Resolved, That the Report be amended by adding the following resolution: "*Resolved, That the Committee accepts the advice of the Secretary with regard to the inadvertent posting of in camera evidence and retains full confidence in him.*" (Mr Gutwein/Mr Booth)

Resolved, That the draft Interim Report as amended be approved and referred to the House.

MINUTES

The Minutes of the meeting held on 2 June 2011 were confirmed.

ADVICE OF MEETINGS

Resolved, That the time and place of future meetings of the Committee be posted on the Committee website.

Resolved, That the requests from Media Outlets and Forestry Tasmania to be informed of the time and place of future meetings be agreed to.

Mr Ferguson withdrew.

WITNESS

Mr Tony Waites of Woodleigh Nursery was called, made the Statutory declaration and was examined.

The witness withdrew.

The Committee adjourned at 12.40 pm.

TUESDAY, 30 APRIL 2013

The Committee met in the Deputy Clerk's Room, House of Assembly, Parliament House, Hobart, at 1.08 pm.

Members Present:

Mr Booth (in the Chair)

Mr Ferguson

Mr Gutwein

Mr Wightman

Apology

Ms White

MINUTES

The Minutes of the Meeting held on Friday 24 June 2011 were circulated and confirmed as a true and accurate record of proceedings.

Messrs Wightman/Ferguson

TERM OF REFERENCE AND INTERIM REPORT

The Chair explained that having received advice from the Clerks, in order to receive evidence from small forest contractors on log supply other than strictly relating to Scottsdale soft wood sawmills, the terms of

reference of the Committee would need to be changed.

The proposed change to the terms of reference (having been circulated) was read as follows:-

- (1) Insert new paragraph –
- (d) other matters relating to the supply of logs in Tasmania; and
- (2) Renumber existing paragraph (d) as (e)

Resolved, That the Term of Reference be added and an Interim Report be brought up so that it can be recommended to the House for approval.

FURTHER WITNESSES

A discussion arose regarding the need to call more witnesses and further stages towards winding up the Committee.

The Chair expressed a wish to allow Messrs Bakes, Hampson and one other small forest operator to give evidence.

Messrs Gutwein and Ferguson asked that Forestry Tasmania be given a right of response to the evidence received.

The Chair said that the Dorset Council wished to see a report brought up in the near future.

Resolved, That the three abovementioned small forest operators be given an opportunity to provide a written submission for the Committee to consider.

Resolved, That Forestry Tasmania be given an opportunity to provide a written submission in response to the evidence taken earlier for the Committee to consider.

Resolved, That the deadline for such written submissions be Wednesday 15 May 2013.

TIMELINE

The following timeline was discussed and approved for the Report of the Committee:-

Draft Report to be circulated by the Chair by 14 June next.

Meeting of Committee to consider draft Report 25 June next

Final Report to be brought up to the House on 27 June next

INTERIM REPORT

The Interim Report containing the proposed change to the term of reference was brought up and agreed to for submission to the House.

The meeting concluded at 1.25 pm.

THURSDAY, 27 JUNE 2013

The Committee met in the Long Room, House of Assembly, Parliament House, Hobart, at 9.18 am.

Members Present:

Mr Booth (in the Chair)
Mr Ferguson
Mr Gutwein
Ms White

DRAFT INTERIM REPORT

The Chair tabled Draft Interim Report No. 3.

FURTHER WITNESSES

A discussion arose regarding the need to call more witnesses and further stages towards winding up the Committee.

Resolved, That the Committee meet on Friday 26 July next at Henty House, Launceston to receive further evidence from the Dorset Council.

Resolved, That at that meeting other witnesses may be called.

REVISED TIMELINE

The following revised timeline was discussed and approved for the Report of the Committee:-

- Friday 26 July
Meeting at Henty House, Launceston to undertake the following: -

(a) Take further evidence from the Dorset Council

(b) Take evidence from any other witnesses who may be called

- Early August (week starting 12th)
Meeting of Committee to consider

(a) Draft Report No. 3 tabled today.
(b) Additional Part to Draft Report No. 3 to take into account the evidence taken on 26 July.

- Thursday 29 August
Bring up Final Report of the Committee

EXTENSION OF TIME FOR REPORT

Resolved, That the time for the report of the Committee to the House be extended until Thursday 29 August next.

EVIDENCE RECEIVED

Resolved, That the further evidence provided by Forestry Tasmania on 14 May 2013 be received.

The meeting concluded at 9.37am.

FRIDAY, 26 JULY 2013

The Committee met in Committee Room No. 2, House of Assembly, Parliament House, Hobart, at 2.30 pm.

Members Present:

Mr Booth (in the Chair)
Mr Ferguson
Mr Gutwein

Apologies:

Ms White
Mr Wightman

WITNESS

The following witnesses were called, made the Statutory Declaration and were examined:

Councillor Barry Jarvis, Mayor of Dorset, and Councillor Peter Partridge OAM, Dorset Council.

The witnesses withdrew.

WITNESSES

Mr Michael Brill, Director, Stronach Timber Industries, and Mrs Jillene Brill, were called, made the Statutory Declaration and were examined.

The witnesses withdrew.

At 4.35 pm the Committee adjourned *sine die*.

THURSDAY, 22 AUGUST 2013

The Committee met in the Long Room, House of Assembly, Parliament House, Hobart, at 2.18 pm.

Members Present:

Mr Booth (in the Chair)
Mr Ferguson
Ms White
Mr Wightman

Apologies

Mr Gutwein

DRAFT FINAL REPORT

The Secretary explained that both he and Mr Chilcott had been absent overseas and that a start on the additional section to form part of the final report of the Committee could only been made this week. The Committee is due to report on Thursday 29 August next. The Secretary also said that he hoped to have the draft final report available for consideration by the Committee by the end of next week.

A discussion arose.

Mr Ferguson said that he was keen for the Committee to adhere to the existing report timetable and that no further evidence should be taken.

The Chair said that to allow the draft report to be circulated, considered and for the Committee to meet to determine its final contents the time for report should be extended until Thursday, 17 October.

The matter was further discussed.

Motion made (Mr Booth/Ms White) and Question put – That the time for report

should be extended until no later than Thursday, 17 October;

The Committee divided.

Ayes
Mr Booth
Ms White
Mr Wightman

Noes
Mr Ferguson

It was resolved in the Affirmative.

WITNESSES

Motion made (Mr Ferguson) and Question proposed - That no further witnesses be called.

A debate arose.

As the Division Bells were ringing to call the House, the meeting was pursuant to Standing Orders adjourned *sine die*

The meeting concluded at 2.29 pm.

FRIDAY, 1 NOVEMBER 2013

The Committee met in the Conference Room, 4th Floor, Henty House, Launceston at 2.18 pm.

Members Present:

Mr Booth (Chair)
Mr Ferguson
Mr Gutwein
Mr Wightman (by phone)

Apologies:

An apology was received from Ms White.

DRAFT FINAL REPORT

A preliminary draft report having been previously circulated, the Committee proceeded to discuss its content.

At 2:55 Mr Wightman withdrew.

The Committee further deliberated and provided the Secretary with suggestions for inclusion.

Resolved, That the Secretary prepare a redraft for consideration. (Mr Booth)

At 3:30 p.m. the Committee adjourned until a date to be fixed.

THURSDAY, 14 NOVEMBER 2013

The Committee met in the Secretary's Office, Parliament House, Hobart at 1.05 pm.

Members Present:

Mr Booth (Chair)
Mr Ferguson
Mr Gutwein
Mr Wightman
Ms White

DRAFT FINAL REPORT

The Chair brought up a draft Final Report which the Committee took into consideration.

Paragraphs 1.1 to 7.11 agreed to with minor amendments.

Findings 1 and 2 agreed to with amendment.

Finding 3 postponed.

Finding 4 taken out for inclusion in Recommendation 1.

Finding 5 taken out for inclusion as a Recommendation.

Finding 6 postponed.

Recommendations postponed.

At 1:50 p.m. the Committee adjourned until a date to be fixed.

WEDNESDAY, 20 NOVEMBER 2013

The Committee met in the Secretary's Office, Parliament House, Hobart at 9:05 a.m.

Members Present:

Mr Booth (Chair)
Mr Ferguson
Mr Gutwein
Mr Wightman
Ms White

DRAFT FINAL REPORT

The draft Final Report was further considered.

Postponed Findings further considered and agreed to with amendments. Findings consequentially renumbered.

Postponed Recommendations considered and agreed to with amendments.

Resolved, That the draft Final Report, as amended, be the Report of the Committee. (Mr Booth)

At 9:50 a.m. the Committee adjourned *sine die*.