

BRIEFING NOTE

Bryan Green MP
Minister for Energy and Resources

NOTED

(Minister)

Date: / / 12

SUBJECT: Rail Transport to the north

Purpose:

To provide the latest information on a joint project between Forestry Tasmania and Tasrail to explore the commercial feasibility of moving logs from the south of the State to Bell Bay by rail to overcome the lack of southern woodchip export facilities; and

To request an opportunity to brief the Tasmanian Government's proposed woodchip export working group on progress to date.

Background:

As the government is aware, Forestry Tasmania has actively explored a practicable and viable alternative to the Triabunna woodchip mill, which has now been closed for 14 months.

In April, Forestry Tasmania put forward a plan to export woodchips through Hobart Port for residues generated in the southern forest and using rail to cart pulp logs from the Derwent catchment to Bell Bay, to the State's only operating woodchip facility.

Forestry Tasmania accepts the Hobart port option is unlikely to proceed, and exports through Hobart will most likely be limited to export peelers and Ta Ann's veneers.

Forestry Tasmania has however continued to work with Tasrail on the Bell Bay rail option. Tasrail has completed a series of trials to prove the operational feasibility of moving logs on rail.

The project is now focussed on commercial viability, and has necessarily required the involvement of Norske Skog and Timberlands, to fully examine the feasibility of back carting pine from the north to the south.

The parties are intending to meet on Monday, June 25. If a competitive rate can be struck, Tasrail and Forestry Tasmania are ready to begin transporting logs from the south to the north which could be as early as August. Initially, Tasrail is comfortable with aiming to shift about 20,000 tonnes per annum.

Cleared by: Bob Gordon
Managing Director

Date June 21, 2012

Forestry Tasmania has been advised by Artec, that it has secured orders woodchip orders for 180,000 tonnes to be moved in four ships between now and the end of the calendar year. Under existing pricing conditions, only pulpwood from the north would be viable.

Forestry Tasmania has been informally advised that the Tasmanian Government has or intends to establish a woodchip export working group to explore transport options.

Given the advanced nature of the work undertaken by Tasrail, any such working group contemplated by the Minister would benefit from understanding the rail project.

Recommendation:

The Minister notes progress to date, endorses the approach taken by Tasrail and Forestry Tasmania and agrees to facilitate a briefing of the woodchip export working group at the earliest opportunity.

BRIEFING NOTE

Bryan Green MP
Minister for Energy and Resources

NOTED

(Minister)

Date: / / 12

LOG TRANSPORT \$1.1M ASSISTANCE PACKAGE

Purpose:

To inform the Minister of progress with respect to the application of the \$1.1M assistance received in October 2011.

Background:

On 12 October 2011 the Government announced a \$1.1 million dollar package for transport costs to assist with the critical logjam that had built up in harvesting coupes and sawmills since the closure of Gunn's woodchip export facilities at Triabunna and Hampshire / Burnie.

An earlier briefing note from Forestry Tasmania to the Minister identified the following issues:

- the build up of sawmill waste;
- the build up of pulplogs on landings;
- the lack of sawlog supply to the northwest; and
- financial difficulties faced by forest contractors.

The funds were designed to be applied by Forestry Tasmania to offset the need for long distance cartage arising from the closure of:

- (i) Gunns' chipmills, especially the Triabunna chipmill (pulplogs and sawmill residues); and
- (ii) Gunns' sawmills, especially the Southwood sawmill (sawlogs), and from a short term shortage of sawlogs for supply from the northwest to Britton Bros.

Supply under the assisted arrangements commenced on 19 October 2011.

Cleared by: Mike Farrow, Chief Operating Officer

30 April 2012

Amended allocation of funds

The proposed application of funds was later amended, due to Artec's subsequent decision to limit deliveries of pulplogs for several months over the period. As a result, a significant proportion of the funds has been used to facilitate the harvesting of high value products only, with unsaleable pulpwood being felled and left at the stump. The reallocation of funds, as follows, was approved by the Minister.

- **Pulpwood transport**

The quantities of "assisted" pulpwood, from the south and northwest to Bell Bay, were reduced from the original plan. This had the desired intention of extending the benefit of the subsidy from mid October to late February, instead of to early January as was originally planned.

- **Sawlog transport**

No change. The planned quantity of 5000 m3 was delivered.

- **Woodchip transport (sawmill residues)**

This was completed in February.

- **Harvesting – provide an additional payment of \$4/tonne for all high value logs with completion expected in late February.**

This has occurred.

In summary the funds have been expended as per the amended plan and as summarised in the following table.

Report - application of \$1.1M transport assistance received from DIER

Status report at 29 February 2012

Component	Quantity	Assistance rate (excl. GST)	Total assistance (incl. GST)
Pulplogs to Bell Bay from the south	6 709	\$19.09	\$140,882
Pulplogs to Bell Bay from the northwest	12 388	\$17.52	\$238,742
Woodchips to Bell Bay from Huon merchandiser	377	\$10.50	\$4,359
Woodchips to Bell Bay from southern sawmillers	1 723	\$7.25	\$13,743
Woodchips to Bell Bay from the northwest sawmillers	1 578	\$5.25	\$9,112
Sawlogs to Smithton from the south	5 346	\$28.46	\$167,393
Additional payments to harvesting contractors (sawlogs)	32 059	\$4.00	\$141,060
Additional payments to harvesting contractors (domestic peeler logs)	85 480	\$4.00	\$376,112
Additional payments to harvesting contractors (export peeler logs)	18 687	\$4.00	\$82,223

Additional payments to harvesting contractors
SUBTOTAL

TOTAL EXPENDED (including GST)

TOTAL REMAINING (including GST)

136 226

\$4.00

\$599,394

\$1,173,625

-\$73,625

Forestry Tasmania will continue to pay harvesting contractors the additional \$4pt for higher value products, but can not do so indefinitely. The payment will be reviewed on a monthly basis.

Current situation

Triabunna remains closed to industry, with no sign of reopening. This is a significant issue for the south. Similarly Burnie remains closed for native forest chips.

A build up of residues in the northwest and south, in particular, is impacting on industry. Many contractors are complaining that they are becoming unviable without sales, despite the additional payments they have received to date. Forestry Tasmania's modelling shows that contractors will need to receive an additional payment of at least \$9pt for higher value products, to compensate for the effect on their fixed costs of the lack of pulplog markets. Forestry Tasmania is not in a position to pay this amount.

Artec has recently dispatched two shipments of woodchips, thus clearing their current stockpile. Artec is currently negotiating additional sales of woodchips, and has reopened for limited deliveries from April. Northeast contractors will be the primary source of pulplogs for Artec.

Forestry Tasmania continues with whole log exports. These have assisted, but not to a sufficient extent to reduce stockpiles at landing (and in the bush) below critical levels. Further whole log shipments are planned, with the next due in mid May.

Outcome Required:

For noting

BRIEFING NOTE

Bryan Green MP
Minister for Energy and Resources

NOTED

(Minister)

Date: / / 12

SUBJECT: TRANSPORT OPTIONS UNDER CONSIDERATION

Purpose: To advise the Shareholder Minister of a range of options under consideration by Forestry Tasmania (FT) to overcome the challenges created by the ongoing closure of the Triabunna mill.

Background:

FT has arrived at the conclusion that there is little or no likelihood of the Triabunna woodchip export facility re-opening in the foreseeable future. The owners of the facility, Triabunna Investments, announced in December an expression of interest process to identify a suitable business to lease and operate the mill. The company indicated that a new lessee would be chosen early in the New Year. Given that deadline has now well and truly past, FT last week wrote to Triabunna Investments reminding the company of FT's offer to lease and operate the mill, if the expression of interest process failed to find a suitable candidate. FT does not expect its approach will achieve a favourable response.

Rail Option:

FT has been working with TasRail for the past three months to investigate the feasibility of transporting logs by rail from the south to the only available export facility at Bell Bay. TasRail believes it has found an engineering solution that would enable logs to be carted at reasonable costs from the south to the north. TasRail is about to begin a trial to determine the feasibility of moving up to 150,000 tonnes per year to Bell Bay. The two government business enterprises expect to announce the start of the trial next week.

New Port Facilities at Hobart and Burnie:

FT is also working with TasPorts to investigate the feasibility of developing woodchip loading facilities at both Hobart and Burnie. In considering this option, FT has consulted the secretaries of the Department of Economic Development and Infrastructure Energy and Resources. In broad terms, the option involves infield chipping, with woodchips transported to the port on covered containers, stored under cover and loaded onto ships with new loading facilities.

It is too early yet to speculate on whether this option will provide a viable solution in either Hobart or at Burnie.

Outcome Required:

For noting

Phone: 6235 8225
Your Ref: 16 March 2012
Our File:

Mr Alec Marr
General Manager
Triabunna Investments
PO Box 41
TRIABUNNA TAS 7190

Dear Mr Marr

Re: Re-opening of the Triabunna Woodchip Mill

I would like to draw your attention to our expression of interest in operating and leasing the Triabunna woodchip export mill.

It is now almost three months since we hand-delivered the expression of interest to the above address, as nominated in the tender document, but we have yet to receive any response from you.

We also note that it was your intention to announce a new lessee for the facility early in the New Year.

We can only presume that the lack of an announcement about a new lessee, and the fact that the export facility has not reopened, indicates that Triabunna Investments has been unable to identify an appropriate operator.

As you might recall from our expression of interest, we are interested in taking on the lease, in the event that the expression of interest process was unsuccessful in attracting a suitable candidate.

We believe we are capable of satisfying the pre-conditions that you imposed on the re-opening of the mill, namely that a new operator must act in accordance with the Tasmanian Forests Intergovernmental Agreement (TFIGA).

In this regard, we can assure you that, under our management, only product sourced from areas approved by the Australian and Tasmanian governments under the TFIGA and the subsequent Conservation Agreement would be processed at the Triabunna mill.

I would be happy to meet with you at your earliest convenience to discuss the matter further.

Yours sincerely


Bob Gordon
Managing Director

79 Melville Street Hobart TAS 7000. GPO Box 207 Hobart TAS 7001.
Phone (03) 6235 8333 International 61 3 6235 8333 Facsimile (03) 6235 8223
ABN 91 628 769 359

www.forestrytas.com.au



Phone:

(03) 6235 8180

Your Ref:

H 0 12/53
see ↓

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Our File:

P63592/4(HO11/2719)



Forestry Tasmania

10 January 2012

Bertrand Cadart
Mayor
Glamorgan Spring Bay Council
PO Box 6
TRIABUNNA TAS 7190

Dear Mayor

Re: Triabunna Chip Mill

I am writing to advise that Forestry Tasmania agreed to your request of 19 December, and has lodged an expression of interest to lease and operate the Triabunna chip mill from Triabunna Investments.

The expression of interest is conditional on Triabunna Investments being unable to identify another suitable operator through its expression of interest process.

I want to take the opportunity to thank you, your General Manager and your council for your support and your interest in Forestry Tasmania's Innovations Plan.

I have included for your reference the expression of interest we lodged with Triabunna Investments prior to Christmas. Unfortunately, there has so far been no response, but we will keep you informed of developments.

Yours sincerely

Bob Gordon
Managing Director

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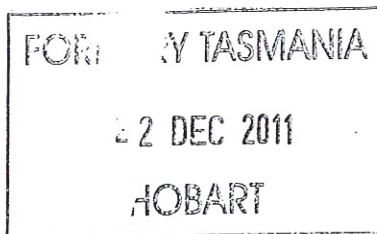
Phone:

6235 8225

Your Ref:

Our File:

21 December 2011



4011/269



Forestry Tasmania

The General Manager
Triabunna Investments
PO Box 41
TRIABUNNA TAS 7190

Dear Sir

Re: Expression of Interest to Operate the Triabunna Woodchip Mill

I write in relation to Triabunna Investments' invitation for expressions of interest from suitably qualified organisations for the lease and operation of the Triabunna woodchip mill for the export of woodchips.

Forestry Tasmania (FT) understands the successful tenderer will be required by Triabunna Investments to operate the mill in a way which is consistent with the aims of the Tasmanian Forests Intergovernmental Agreement of 7 August 2011, which, inter alia, guarantees wood supply to the Tasmanian forest industry of at least 155,000 cubic metres of high quality sawlog and 265,000 cubic metres of peeler billets per year.

A quantity of residues suitable for the Triabunna woodchip mill will arise as joint products when those guaranteed quantities of high quality sawlog and peeler billets are harvested.

We also note that the re-opening of the mill is consistent, and indeed critical, to the aims of the Intergovernmental Agreement which states under Clause 32:

The Governments expect that the Triabunna mill will reopen and be operated in accordance with the Statement of Principles. If this does not occur, either Government may request a review of the terms of this Agreement, with a review to occur only if both Governments agree.

We have lodged this expression of interest after being encouraged to do so by the Glamorgan Spring Bay Council and the Australian Manufacturing Workers Union, which have expressed concern that Triabunna Investments might not be able to secure a suitable operator, potentially putting the Intergovernmental Agreement at risk.

We are hopeful that these concerns are unfounded and that Triabunna Investments will be able to conclude commercial arrangements with a suitably qualified tenderer.



However, in the event that Triabunna Investments is unable, for whatever reason, to secure an operator, FT is prepared to enter into negotiations with you to operate the mill in order to progress the successful implementation of the Intergovernmental Agreement.

FT has experience in the international timber markets and is certified under the Australian Forestry Standard (which is formally recognised by the Programme for the Endorsement of Forestry Certification, an international scheme covering 220 million hectares of certified forests across 35 member nations) and the ISO 14001 safety standard. In addition, FT has operational experience in managing log yards at the Huon Wood Centre and various export log facilities, and as well as operating the log merchandiser at the Huon Wood Centre.

For the purposes of the expression of interest process, please regard this correspondence as a formal expression of interest.

To avoid any unnecessary delay, we would appreciate receiving from you detailed tender documents so that we may move as quickly as practicable to develop a detailed business plan as a basis for discussions on binding commercial terms between our organisations in the event that you have been unable to secure agreement with other interested parties.

Yours sincerely



Bob Gordon
Managing Director

BRIEFING NOTE**NOTED**

Bryan Green MP
Minister for Energy and Resources

(Minister)

Date: / / 11

**SUBJECT: EXPRESSION OF INTEREST – TRIABUNNA WOODCHIP
 MILL**

Purpose:

To advise the Minister that Forestry Tasmania (FT) intends to lodge an Expression of Interest to lease and operate the Triabunna woodchip mill, in the event that Triabunna Investments is unable reach commercial terms with other parties.

Background:

The owners of the Triabunna woodchip mill have invited expressions of interest from suitably qualified organisations for the lease and operation of the mill for the export of woodchips. The lease will be for a period of five years, and the owners, Triabunna Investments have stipulated the successful tenderer must operate the mill "in a way which is consistent with the aims of the Tasmanian Forests Inter Governmental Agreement of 7th August 2011."

The period for expressions of interest will close on 23 December 2011, and no late applications will be considered. Triabunna Investments will provide detailed tender documents to successful applicants.

On December 21, the Examiner reported that Triabunna Investments' General Manager, Alec Marr, had received fewer than ten expressions of interest and only "one or two" he regarded as serious contenders.

The Glamorgan Spring Bay Council and the Australian Manufacturing Workers Union have expressed concern that Triabunna Investments might not reach commercial terms with any of the applicants, and requested FT to consider lodging an expression of interest.

The Triabunna mill's re-opening is critical to the forest industry and its importance is acknowledged in the Intergovernmental Agreement Clause 32:

" The Governments expect that the Triabunna mill will reopen and be operated in accordance with the Statement of Principles. If this does not occur, either Government may request a review of the terms of this Agreement, with a review to occur only if both Governments agree. "

Clearly, the IGA is at some risk, if the expression of interest process was to fail.

To mitigate the risk, FT intends to lodge a formal expression of interest, which would only be activated in the event that Triabunna Investments was either unable to identify a suitable applicant or was unable to conclude commercial terms with other parties.

The proposed Expression of Interest is attached.

Outcome Required:

The Minister's endorsement of the proposed approach.

Dear Sir

Re: Expression of Interest to Operate the Triabunna Woodchip Mill

I write in relation to Triabunna Investments' invitation for expressions of interest from suitably qualified organisations for the lease and operation of the Triabunna Woodchip mill for the export of woodchips.

Forestry Tasmania (FT) understands the successful tenderer will be required by Triabunna Investments to operate the mill in a way which is consistent with the aims of the Tasmanian Forests Intergovernmental Agreement of 7 August 2011, which, inter alia, guarantees wood supply to the Tasmanian forest industry of at least 155,000 cubic metres of high quality sawlog and 265,000 cubic metres of peeler billets per year.

A quantity of residues suitable for the Triabunna woodchip mill will arise as joint products when those guaranteed quantities of high quality sawlog and peeler billets are harvested.

We also note that the re-opening of the mill is consistent, and indeed critical, to the aims of the Intergovernmental Agreement which states under Clause 32:

The Governments expect that the Triabunna mill will reopen and be operated in accordance with the Statement of Principles. If this does not occur, either Government may request a review of the terms of this Agreement, with a review to occur only if both Governments agree.

We have lodged this expression of interest after being encouraged to do so by the Glamorgan Spring Bay Council and the Australian Manufacturing Workers Union, which have expressed concern that Triabunna Investments might not be able to secure a suitable operator, potentially putting the Intergovernmental Agreement at risk

We are hopeful that these concerns are unfounded and that Triabunna Investments will be able to conclude commercial arrangements with a suitably qualified tenderer.

However, in the event that Triabunna Investments is unable, for whatever reason, to secure an operator, Forestry Tasmania is prepared to enter into negotiations with you to operate the mill, in order to progress the successful implementation of the Intergovernmental Agreement.

FT has experience in the international timber markets and is certified under the Australian Forestry Standard (which is formally recognised by the Programme for the Endorsement of Forestry Certification which is an international scheme covering 220 million hectares of certified forests across 35 member nations) and the ISO 14001 safety standard. In addition, FT has operational experience in managing log yards at the Huon Wood Centre and various export log facilities, and as well as operating the log merchandiser at the Huon Wood Centre.

For the purposes of the expression of interest process, please regard this correspondence as a formal expression of interest.

To avoid any unnecessary delay, we would appreciate receiving from you detailed tender documents, so that we may move as quickly as practicable to develop a detailed business plan as a basis for discussions on binding commercial terms between our organisations in the event that you have been unable to secure agreement with other interested parties.

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TRIABUNNA INVESTMENTS

EXPRESSIONS OF INTEREST TO OPERATE THE TRIABUNNA WOODCHIP

Triabunna Investments invites expressions of interest from suitably qualified organisations for the lease and operation of The Triabunna Woodchip mill for the export of woodchips.

The lease will be for an initial period of 5 years. The mill will be operated in a way which is consistent with the aims of the Tasmanian Forests Inter Governmental Agreement 7th August 2011.

<http://www.premier.tas.gov.au/data/assets/pdf/file/0009/147699/TasforestfinalGA7August2011clean0830.pdf>

Location: the mill is located at Freestone Point near the township of Triabunna on Tasmania's east coast.

**The period for expressions of interest
will close on 23rd December 2011.**

Detailed Tender documents will be made available to successful applicants. Applicants will be required to operate the facility consistent with all legislative requirements and Occupational Health and Safety Standards.

The mill will be leased on a commercial basis. No late applications will be considered. All applications should be posted to:

**The General Manager, Triabunna Investments,
PO Box 41, Triabunna, Tasmania, 7190, Australia.**

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Enquiries: David Metcalf

Our Ref: Triabunna Chip Mill

19th December 2011

Mr Bob Gordon
Managing Director
Forestry Tasmania
GPO Box 207
Hobart TAS 7001

FORESTRY TASMANIA

23 DEC 2011

HOBART



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see

H012/53
response

RE: TRIABUNNA CHIP MILL

Dear Bob,

We write on behalf of the Glamorgan Spring Bay Council in the hope that your company, Forestry Tasmania, will lodge an expression of interest with Triabunna Investments to operate the chip mill.

The closure of the chip mill has had devastating effects on the township of Triabunna with many families being forced to relocate, shop and business closures, and a general feeling of doom and gloom in the whole community.

We believe that Forestry Tasmania has the necessary skills, managerial experience and asset backing to ensure a successful business can be achieved with the opening and operation of the Triabunna Chip Mill.

We are confident that your company as a Government Business Enterprise will ensure that the mill is operated in a way that is consistent with the aims of the Tasmanian Forests Intergovernmental Agreement of the 7th August 2011.

Council is also aware of your new innovation plan announced on the 29th August 2011 and whilst encouraging your company to reopen and operate the existing chip mill, Council also encourages your company to pursue the local manufacture of engineered wood products using pulp wood that would otherwise be exported as woodchips.

The Triabunna Mill is an essential component of the IGA and the timber industry in the south of the State. Forestry Tasmania with local, interstate and international markets will be the best placed company in Tasmania to operate the mill and provide a future for the site.

Should you decide to proceed with an expression of interest and you are successful, Council would be interested in talking with your company about any incentives we may be able to offer you in the initial set up of the chip mill operation or indeed any further value adding potential.

In conclusion, we strongly suggest you express an interest in the operation of the Chip Mill and wish you every success if you consider this worthwhile.

If you require any further details, please contact me on 6257 4755 or mobile 0419 719 257 or the Mayor on 0407 511 454.

Yours Sincerely

B. Cadart

Bertrand Cadart
MAYOR

Yours Sincerely

D. Metcalf

David Metcalf
GENERAL MANAGER

Council Chambers
PO Box 6, Vicary Street
Triabunna, 7190
Tasmania
t: (03) 6257 4777
f: (03) 6257 4774
e: admin@treycinet.tas.gov.au
w: www.gsbcc.tas.gov.au

BRIEFING NOTE

Bryan Green MP
Minister for Energy and Resources

NOTED

(Minister)

Date: 28 / 11 / 11

SUBJECT: PROPOSAL TO AMEND ALLOCATION OF \$1.1 MILLION PROVIDED TO FORESTRY TASMANIA TO ADDRESS THE CLOSURE OF EXPORT FACILITIES

Action required:

The Minister to consider Forestry Tasmania's advice. In the event that the Minister accepts the recommendation and agrees to its implementation, approve the amended allocation of \$1.1 million and inform Forestry Tasmania at the earliest opportunity.

Key issues:

Preliminary arrangements have been made to ensure the roll out can proceed promptly, so that the supply of sawlogs and Ta Ann logs is not disrupted.

Background:

An earlier briefing note from Forestry Tasmania to the Minister concerning the impending shut down of the industry unless the difficulties associated with the closure of export facilities identified the following short term issues:

- The build up of sawmill waste
- The build up of pulp logs at export yards and on landings
- The lack of sawlog supply to the north west
- Relief for forest contractors

A short term solution recommended by Forestry Tasmania, at a total cost of \$1.1 million, is focussed on the following:

1. Pulpwood transport: Transporting approximately 39,000 tonnes of pulpwood from the south and north west to the only remaining export facility at Bell Bay;

2. Sawlog transport: Transporting approximately 5,000 tonnes of sawlog from the south to Smithton to meet contractual obligations to Brittons Timbers; and
3. Woodchip transport: Moving approximately 24,000 tonnes of sawmill waste and residues to Bell Bay.

Recent advice from Artec Pty. Ltd. that two shipments of woodchips scheduled for December have been deferred until late January 2012 with further chipping of hardwood logs suspended during this period. The rate of pulpwood deliveries will be significantly reduced.

In order to maintain the supply of sawlogs and Ta Ann peeler billets, harvesting contractors will require an increased harvesting rate to continue to meet demand for these products.

It is proposed that the following amended arrangement be put in place immediately, be reviewed at the end of December, and then revert to the initial solution as operations permit:

1. Pulpwood transport: Reduced volumes of pulpwood from South and North-West to Bell Bay. Extend period of subsidy from early Jan to approximately late February. Total funds allocated - \$330,000
2. Sawlog transport: No change. Expect completed approximately the end of January. Total funds budgeted - \$110,000
3. Woodchip transport: No change. Expect completed approximately late February. Total funds budgeted - \$220,000
4. Harvesting: Provide an additional payment to harvesting contractors for all sawlogs, Ta Ann logs, and export peelers logs.
 - Initial payment \$4/tonne or cubic meter, to be reviewed at the end of December;
 - Applied to sawlogs and Ta Ann logs up to about the end of January.
 - Applied to export peeler logs up to about the end of December.
 - Funds applied to the harvesting payment total up to \$440,000.

The proposed arrangement would deliver the following benefits:

- avert the risk of an industry shut down prior to Christmas;
- avert the risk of stand downs in the short term for approximately 800 employees in the industry;
- overcome a critical sawlog shortage in the north west; and
- enable sawmillers/processors to clear their yards of waste wood.

Forestry Tasmania can put in place the amended arrangements to take effect immediately.

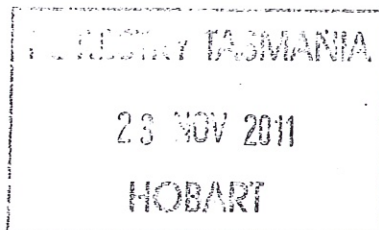
Forestry Tasmania acknowledges the package will provide short term relief but further work will need to be undertaken to find a long term sustainable solution.

Premier

Level 11, Executive Building, 15 Murray Street, Hobart Tas
GPO Box 123, Hobart, Tas 7001 Australia
Ph +61 3 6233 3464 Fax +61 3 6234 1572
Email Premier@dpac.tas.gov.au
Web www.premier.tas.gov.au



Tasmanian
Government



Mr A Kloeden
Chairman
Forestry Tasmania
GPO Box 207
HOBART TAS 7001

18 NOV 2011

Dear Mr Kloeden

I refer to your letter of 9 November 2011, which outlines Forestry Tasmania's assumptions in respect of the payments to be made under the Tasmanian Forests Intergovernmental Agreement (TFIA) and your desire to meet with both myself and the Minister for Energy and Resources following Forestry Tasmania's Board meeting on 21 November 2011.

At the outset, let me say that the Government fully recognises that forestry is an important part of Tasmania's economy, the environment and the community, particularly in regional areas.

Both the industry and Forestry Tasmania are facing significant challenges due to strategic shifts in the operating environment. To meet the challenges and to capitalise on emerging opportunities, the Government has entered into the Intergovernmental Agreement with the Australian Government. This has required a high level of collaboration, co-operation and leadership by industry and the two Governments. I welcome Forestry Tasmania's participation in this process.

You will appreciate that the process has been complex and dynamic and the issues to be resolved have evolved over time. This has contributed to the nature of the engagement with Forestry Tasmania. I again thank you for your contribution to date and commitment to facilitate all that is required to further the requirements of the TFIA.

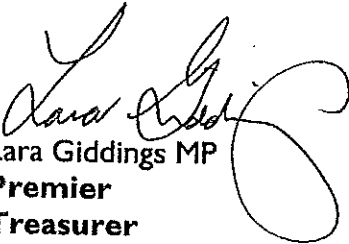
In so far as the \$7 million referred to under clause 35 of the TFIA, I can understand how Forestry Tasmania has formed the assumptions upon which your letter is based. However, I can confirm that these funds will not be available for payment to Forestry Tasmania in 2011-12. As a result, Forestry Tasmania will need to adjust its operating plans and budgets accordingly.

In respect to your request for a meeting, I note that there are a number of important processes underway, including the continued implementation of the TFIA and the soon to be completed first stage of the Strategic Review of Forestry Tasmania being undertaken by URS in association with Deloitte. The Review will provide recommendations and options for the future operation of Forestry Tasmania. In these circumstances, it would be premature for me to meet with the Board prior to the Government considering these important issues.



Although I am unable to meet with you at the time you have proposed, I would like to meet with the Forestry Tasmania Board and the Portfolio Minister Bryan Green to discuss the issues you have raised and the Board's vision for Forestry Tasmania. I will ask the Portfolio Minister Bryan Green to coordinate an appropriate time to meet in the very near future. In the meantime I can assure you that the Portfolio Minister is keeping me well informed particularly in respect to Forestry Tasmania's future strategies and how these complement other plans and processes of Government.

Yours sincerely



Lara Giddings MP
Premier
Treasurer

cc The Hon Bryan Green MP, Minister for Energy and Resources

hone: 6235 8225

our Ref:

ur File:

12



9 November 2011

Hon Lara Giddings MP
Premier and Treasurer
Level 11, Executive Building
15 Murray Street
HOBART TAS 7001

Dear Premier

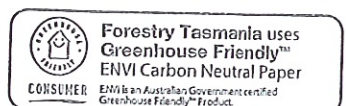
I refer to your letter of 4 October 2011, in which you advise that it would not be prudent for Forestry Tasmania to assume that payments, in addition to the \$11.5 million paid under the Deed of release, would be made to Forestry Tasmania under Clause 35 of the TFA.

Clause 36 of the TFA recognises that, prior to any formal legislative protection of new reserves, any of the relevant areas to be managed as reserves will be managed by Forestry Tasmania. This is the basis on which Forestry Tasmania has assumed that the \$7 million to be made available by the Australian Government to the Tasmanian Government under Clause 35 for the 2011/12 year would be passed on to Forestry Tasmania.

The \$11.5 million to which your letter refers was part of an agreement between the State government, Forestry Tasmania and Gunns Limited that represented a net loss to Forestry Tasmania's revenue of \$12.7 million. This is because the agreement also extinguished debts totaling \$24.2 million, owed to Forestry Tasmania by Gunns Limited.

In the circumstances, Forestry Tasmania has assumed:

- (i) that the \$11.5 million payment received from the State government on 23 September 2011 was a payment made in recognition of Forestry Tasmania's valid claim for the \$24.2 million owed to it by Gunns Limited at the time, with Forestry Tasmania agreeing to accept the payment in lieu of its rightful options to pursue in the courts recovery of the full amount owed and in the interests of facilitating the State government's objectives under Clause 22 of the TFA; and
- (ii) that the \$7 million to which Clause 35 refers would be passed to the organisation with responsibility for managing the relevant areas as reserves, i.e. for 2011/12, Forestry Tasmania.

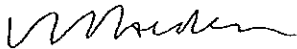


As previously advised, Forestry Tasmania remains committed to assisting the Commonwealth and State governments to implement the TFA process and its outcomes. However, a relative lack of formal engagement with Forestry Tasmania has resulted in a somewhat stilted conversation, driven by issues as they arise.

To facilitate the process, the Board of FT would welcome the opportunity to meet with you and the Minister for Energy & Resources to outline FT's future vision and how this complements the objectives of the TFA and the Government's Economic Development Plan. Our next Board meeting is scheduled for Monday, 21 November 2011. Bob Gordon and I are currently scheduled to meet with the Minister in his office at 3.30 pm for our post-Board meeting, and wondered whether you might be available at that time as well. Ideally, we would prefer the meeting to be held here, with all Board members present, however representatives of the Board would be happy to meet with you and the Minister on 21 November at a location and time that suits you both.

I look forward to your response.

Yours sincerely



Adrian Kloeden
Chairman

c.c. Hon Bryan Green MP, Minister for Energy & Resources

13

FORESTRY TASMANIA

File No.:

BRIEFING NOTE

Bryan Green MP
Minister for Energy and Resources

NOTED

.....
(Minister)

Date: / / 11

**SUBJECT: Impact of Triabunna closure/log stockpiles
and pressure on contractors**

Background:

The Triabunna woodchip mill has been closed now for seven months, resulting in significant stockpiling of chip logs and sawlogs in the south. The Burnie facility has also been closed by Gunns to native forest wood. To meet contractual obligations, Forestry Tasmania has no option but to continue harvesting to supply the Ta Ann mill. As of October 3, 20,000 tonnes was stockpiled at Southwood, 19,000 tonnes at export yards, 8,000 tonnes on landings in the Huon district and a further 4,000 tonnes in Derwent. While the south has been hardest hit, there's also 10,000 tonnes stockpiled in Murchison.

These stockpiles have reached a critical point. The logjam at export yards and at Southwood, and now on coupe landings, is restricting contractors' ability to continue to work. For example, [REDACTED] has advised that it will suspend operations until Triabunna chip export facilities re-open. This is a serious issue. The loss of [REDACTED] potentially will reduce merch wood supply (peelers) to Ta Ann by 1,000 tonnes a week, and it may be the first of several to down tools while the logjam continues. While FT could insist under the contract that Harback continues to operate, morally it would be wrong to force a contractor to work at a loss, at a time when governments are providing cash to contractors to exit.

FT's whole log exports have assisted, but not sufficiently to reduce the stockpiles below critical level. FT is taking a number of steps to find temporary relief, including the sale of chip logs at Southwood to [REDACTED] who will chip and on sell to Artec. This arrangement is attractive to [REDACTED], only because he needs to keep his truck fleet operating to fulfil LNG take or pay obligations. A further whole log shipment is scheduled later this month, and there's likely to be one further shipment prior to Christmas.

There are potential buyers for Smartfibre, which could assist in the event the government provides a transport subsidy for pulplogs/chips from the south and the north west.

Despite FT's efforts, there is a real risk the industry, particularly in the south, will be forced into a shut down, before the Intergovernmental Agreement process is completed. It is critical that Triabunna, or an alternative export facility, opens in the short term. From the date of the announcement, it could take at least three months for the first shipment.

Sawlogs are also accumulating, primarily because the sawmill at Southwood has been shut down by Gunns, and the sale to other interests held up. FT's Managing Director has discussed the matter with his counterpart at Gunns, and will provide a verbal report on the outcome of that meeting.

Action Required:

The unconditional re-opening of Triabunna is critical. It is unlikely an alternative export facility can be cost effectively developed in the time frame available.

Office of the Premier

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13A

WITHOUT PREJUDICE



Tasmania
12 SEP 2011

Mr A J Kloeden
Chairman
Forestry Tasmania
GPO Box 207
HOBART TAS 7001

Dear Mr Kloeden

I refer to my letter of 26 August 2011 regarding the Forestry Statement of Principles process.

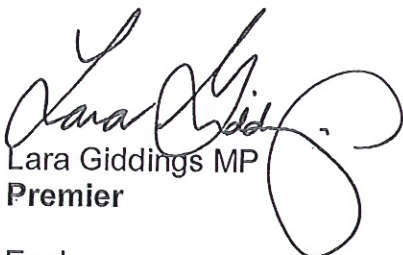
As you would be aware, a pre-condition of the offer made to Forestry Tasmania was the agreement, by Gunns Limited, to an offer by the State in settlement of all rights and obligations under Contracts 917 and 918.

This offer was rejected by Gunns Limited and the State has subsequently revised its previous offer to Gunns Limited. Notwithstanding the revised offer to Gunns Limited, the State maintains its original offer to Forestry Tasmania on the same terms and conditions outlined in my letter of 26 August 2011.

A revised copy of the Deed of Release between the Crown and Gunns Limited has been attached for your information.

I would be grateful if you would indicate your acceptance of this offer by signing the attached Deeds of Release by 13 September 2011.

Yours sincerely



Lara Giddings MP
Premier

Encl

Premier

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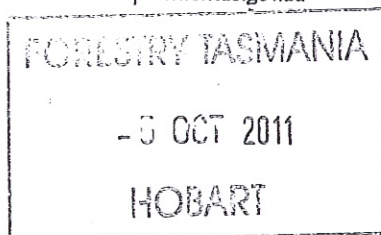
Tasmania

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11/11/2016



Adrian Kloeden
Chairman
Forestry Tasmania
GPO Box 207
HOBART TAS 7001

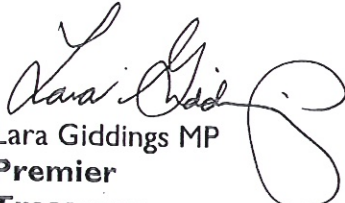
Dear Mr Kloeden Adrian,

I refer to your letter of 13 September 2011 returning the signed original Deeds of Release between Forestry Tasmania and the Crown in right of Tasmania, and Forestry Tasmania and Gunns Limited.

I thank you for your expedient response to the Government's offer and your commitment to do and facilitate all that is reasonably and practically necessary to further the requirements of the Tasmanian Forests Agreement.

Your letter indicates that Forestry Tasmania is of the view that it will receive an additional payment of \$7 million (\$7.7 million including GST) under Clause 35 of the TFA. As you would be aware, under Clause 35 of the Commonwealth Government will provide an immediate payment of \$7 million to the Tasmanian Government in financial year 2011-12 to support management of additional reserves and following formal legislative protection by the Tasmanian Government of the areas of reserve identified in Clause 29, the Commonwealth will provide a further \$7 million per financial year, indexed to CPI. The funding provided under this Clause is not specifically directed to Forestry Tasmania. In the circumstances I believe it would not be prudent for Forestry Tasmania to assume that payments, in addition to the \$11.5 million paid under the Deed of release, would be made to Forestry Tasmania under this Clause.

Yours sincerely


Lara Giddings MP
Premier
Treasurer

