

## **PUBLIC**

### **THE HOUSE OF ASSEMBLY SELECT COMMITTEE INTO FOREST INDUSTRY EXIT PACKAGES MET IN HENTY HOUSE, CHARLES STREET, LAUNCESTON ON THURSDAY 25 JULY 2013.**

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**Mr MICHAEL KELLY** AND **Mrs CINDY KELLY**, KELLY GANG FOREST SERVICES PTY LTD, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Gutwein) - Thank you both for appearing before the committee. The committee is pleased to hear your evidence today. Before you begin giving your evidence, have you received and read the guide sent to you by the committee secretary? If so, I would like to reiterate some important aspects of that document. A committee hearing is a proceeding in parliament. This means it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom, without the fear of being sued or questioned in any court or place out of parliament. It applies to ensure parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you if statements that may be defamatory are repeated or referred to by you outside the confines of the parliamentary proceedings. This is a public hearing and members of the public and journalists may be present. This means your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private, you must make this request and give an explanation prior to giving the relevant evidence. To be clear, if there are matters you want the committee to be aware of, that for whatever reason are sensitive or personal to you, you can ask the committee hear that evidence in private. Do you understand?

**Mrs KELLY** - Yes.

**CHAIR** - Before I ask you to make an opening statement, I want to put on the record the terms of reference for this committee so that we are clear. The House of Assembly has appointed a select committee to examine issues arising from the implementation of the voluntary forest industry exit program with the following terms of reference:

1. To inquire into and report upon exit packages for the forestry industry, including the Tasmanian Forests Intergovernmental Agreement - IGA - voluntary exit programs, specifically -
  - (a) the development of the rules of the program;
  - (b) the application of the rules throughout the process;
  - (c) the concerns raised in the Australian National Audit Office report into this matter in relation to the administration and delivery of the program of grants;
  - (d) the outcomes of the exit program and the impacts on the participants and the remaining industry;

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- (e) any government agencies involved in compliance with rules and requirements of support in voluntary exit programs; and
- (f) any other matters incidental thereto.

Would you like to make an opening statement?

**Mr KELLY** - I have not prepared an opening statement, but we are here from our belief about the inconsistency with the program. We have evidence here to show clearly that we are a Gunns contractor and didn't meet the criteria for the exit grant, which we don't understand.

**CHAIR** - I know from your submission that you had applied for it and been knocked back.

**Mr KELLY** - Through freedom of information in the last six weeks, we have letters from the Ombudsman because we kept asking that question. Don't ask me how they have done it federally, but they have stuffed it up.

**CHAIR** - Can you provide a brief overview of your business for the committee, and what your understanding was of what the exit program was meant to do?

**Mr KELLY** - The first exit program was specifically targeted at Gunns' contractors. We had a Gunns contract for 35 000 tonnes of woodchips per year. The evidence here shows the to and fro as to why we were not successful; we still think we were successful and should have got it. A lot of the other contractors who received the payment were on the same footing as us, so there is inconsistency there.

**Mr BOOTH** - Michael, can I ask you for clarification here? You said you misread a question and that's the reason you were deemed ineligible; what was the question?

**Mr KELLY** - The question was question 14 in the first round. It asked how much timber was harvested - and I can't think of the financial year period; I think it was 2008-09 or 2009-10. In that particular period we had not harvested any timber under that contract but we were still harvesting for Gunns on a mill-door arrangement, so we were still a Gunns contractor.

**Mr BOOTH** - What volume do you think you would have done in that period?

**Mr KELLY** - I couldn't tell you off the top of my head - probably around 20 000 tonnes, something like that.

**CHAIR** - What has been the outcome of the process for you and your business and people who have talked about it?

**Mr KELLY** - Because we were not successful when in the first round and it took four months for us to get any answer from the commonwealth, then the second round came up and I thought, okay, we were not successful for the first round so we will go for the second round. When the criteria came out for the second round, it had that 50 per cent clause in there - that you had to have done 50 per cent of your business on state forest. Because we are a Gunns contractor, most of our work is predominantly private, so the

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most we could come up with in a financial year period was 37 per cent, so we didn't get to the start line in the second round.

**Mr BOOTH** - Can you clarify whether that first 21 000 tonnes was private or public forest?

**Mr KELLY** - It would be private, most of it.

**Mr BOOTH** - That is contractors for the first 35 000 tonnes. Was that on both public and private?

**Mr KELLY** - Yes, it was. But you'd only do a percentage through the winter time on public. The majority of our work was private.

**CHAIR** - I want to refer to your submission and the point where you say that you had misread a question.

**Mr KELLY** - May I add, Pete, on the front you have a check list and there are four questions that it asked, which we've got here and it may pay to circulate that around. I have answered those questions, which meant that I got to the start line. But then question 14 contradicts how I answered the question on the front page, which means that they should have at least made a phone call.

**Mr BOOTH** - If you could hand them to the clerk, so that we can get a hold of those papers, are those the ones you wanted us to look at?

**Mr KELLY** - Yes, the criteria of the submission on the front. This was the reason why we sent letters off - of which we have copies here - backwards and forwards to the Ombudsman, saying that we had made a mistake and that we believed that our application should be reviewed because we had made an error. But we also asked the question, why wasn't a phone call made because there were contradictory answers?

**CHAIR** - Why wasn't the phone call made?

**Mr KELLY** - It wasn't until we dug information out from Freedom of Information and quite a conversation went on between the Ombudsman and the commonwealth and you can have a read for yourselves and tell me what you think.

**CHAIR** - Is that information that you have brought here today able to be tabled and for the committee to take in as evidence?

**Mr KELLY** - If we have somewhere to photocopy it, we can, although Cindy's probably got copies of that.

**Mrs KELLY** - I've got it on my email, so you can have it.

**CHAIR** - If you'd like to leave it, you can leave it with the secretary. They can copy it and send it back to you, if you like.

**Mrs KELLY** - I have it on my email anyway. These are all the documents we received under Freedom of Information from the Ombudsman, which we applied for the day we

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did our submission because we thought we will get that information and clarify our understanding of it and hopefully, in this, we might understand a bit more as to why, when we applied for a review through DAFF why we got the same result. Since then, we do have a bit better understanding as to why they rejected it the first time and why they rejected it the second time.

**CHAIR** - In that understanding, does that mean that you can now understand their rationale or just the processes?

**Mrs KELLY** - Not quite because after Michael spoke to DAFF, when they rejected it the first time, they told us we could resubmit with an amended answer, which is what we did. They sent us back a letter saying they reviewed it and we were told it would take 20 working days; it took four months. They sent back a letter saying they had reviewed it and took the same stance, based on their original decision, which we still could not quite understand because what is the point in telling someone that they can resubmit an application with a review of answer, when they never considered that answer in their review.

**Mr BOOTH** - They didn't give you the reason why the second time?

**Mrs KELLY** - Their reason was the same as the first one but they never said anything about what they did with that reviewed answer to that question that we had answered incorrectly.

**Mr KELLY** - My interpretation, Pete, is they had a certain pot of money and those who got that money, that was it, there was no more and there was no point in reviewing anyone's application whether they were legitimate or not, because there was nothing more there to give, so even if you were sitting over here, legitimate, as we are -

**CHAIR** - Through that process, who was representing your business? Were you a member of the Tasmanian Forestry Contractors Association or any other organisation that was a part of this overall process?

**Mr KELLY** - No.

**CHAIR** - There are a number of people who were unsuccessful. Do you have a view on whether or not anyone was being represented through that process by organisations that were supposed to take into account their members?

**Ms KELLY** - The only thing I'd say is that if you have a look at the history, there seems to be continually the same people getting payouts and grants. I think you have to be in the know to be able to get access to the payouts.

**Mr BOOTH** - In terms of the two payouts - the first tranche and the second scheme - the first one you were deemed ineligible for, so what effect did that have on your business? Can you tell us what the result of that was? You said that certain people were paid out.

**Ms KELLY** - The whole thing stuffed up the dynamics of the timber industry with these payouts. I know of contractors who have hardly done anything in native forest and yet received payouts, but predominantly their business was plantation-oriented, whereas we

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weren't set up to do plantation; we were 100 per cent native forest. They have now a leg-up into the plantation sector, which means that I can't now go and set up because I can't compete on price.

**Mr BOOTH** - So you're saying that some contractors who worked in plantation and therefore didn't meet the eligibility criteria received an exit payout, but then moved more strongly into plantation?

**Ms KELLY** - Well, they must have met the eligibility criteria, however they set them up federally, for them to get the tick.

**Mr BOOTH** - But you know for a fact that they only worked in plantations?

**Ms KELLY** - Pretty much. A lot of their equipment that they had money owed on was for buying this plantation equipment.

**Mr BOOTH** - And they received compensation for that plantation equipment?

**Ms KELLY** - It's one of those things. It's not the contractor's fault. This whole system has been shonky the whole way through. It hasn't been done on a fair basis. It's stuffed up other dynamics that we know of. You've got the civil blokes. Some of the logging guys set up with buckets and tip trucks, log trucks and the whole thing is a mess. How you fix it from here, I don't know.

**CHAIR** - One of the issues that came out of the Australian National Audit Office report was the view from a number of industry organisations that presented before the Senate inquiry that the whole purpose of this was to deal with the contractors that were affected by Gunns' exit. The first \$20 million went predominantly to those people who were affected but then the second tranche had changed. What understanding do you have of how or why it changed and how did we get to that point where all of a sudden it wasn't about Gunns' contractors who were out of work?

**Ms KELLY** - When I read the second one and it had that 50 per cent clause in there, that sent a message to me that they wanted to do as much damage as possible to our native forest industry and particularly to our contractor capacity because they were specifically targeting Forestry Tas contractors with the second package and not actually trying to help those Gunns' contractors that missed out in the first round.

**Mr BOOTH** - Were you ever advised that the eligibility criteria had been changed halfway through? In other words, that you read in the report that the eligibility criteria were changed and some contractors actually never met the eligibility criteria in the first place but they had changed? Were you advised, or were you aware, that there had been a change to the eligibility criteria?

**Ms KELLY** - Not really; I wasn't in that sort of loop. Crikey, you'd have thought commonsense would have prevailed and that the second one would have picked up on those Gunns' contractors that missed out in the first round, including your roading blokes and silviculture contractor fellows, but it did a huge amount of damage to Forestry Tas with their contractor capacity. I don't know who came up with the bright idea of putting that 50 per cent clause in there.

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**Mr BOOTH** - Michael, obviously you have your own personal issues in that you were deemed ineligible and yet you seemed to tick all the boxes, but in a general sense you have commented about the fact that it has ended up stuffing up the whole industry because of the downstream effect on other sectors that were ineligible apparently under the terms of the grant scheme or exit assistance package. You talked about people involved in silviculture, roading and the effect it has had on other parts. Can you expand on that a bit for the committee - what you see as a landscape-wide effect of these exit packages?

**Mr KELLY** - One of the key things that should happen if someone is to exit the industry is that their equipment should be extinguished and they should not be able to retool and then be able to become a competitor to someone else in a different field. That to me is just not fair because you're stuffing up the whole dynamics. When you look at the contractors, they wanted to extinguish a certain volume; I don't know why the dollar amount wasn't put into the tonnage and worked out that it be \$4 or \$5 a tonne.

**Mr BOOTH** - Across the whole board?

**Mr KELLY** - Yes, across the whole board.

**Mr BOOTH** - Then if you took that you had to exit the industry entirely - is that your view?

**Mr KELLY** - Yes, you opt in or opt out. If the \$5 a tonne or whatever didn't suit you then you stayed in but quite a lot of people would have opted out and then in round two those who opted out got a top-up. I don't know why it became so complicated. It was relatively easy, I would have thought.

**CHAIR** - Obviously the change to the 50 per cent out of private forests appeared to come out of the blue and certainly looking at some of the evidence in the Senate inquiry that seemed to be changed without the broader industry's knowledge or understanding. What discussions or feedback have you had from within the industry as to why that happened? You said it was to do damage to Forestry Tasmania but ultimately the damage was done to the contracting base.

**Mr KELLY** - I don't know, Pete. From what I can gather that 50 per cent clause caught a lot of people by surprise. Can anyone please explain to me why they put it in there?

**Person unknown** - Is the government able to shed any light in answer to that question?

**CHAIR** - No, I am sorry; as I have said, this committee wants to hear evidence and if anyone in the gallery wants to appear before this committee a submission can be made to the secretary and then the committee can have a look at it and deal with it from there.

**Mr BOOTH** - Further to that, Peter, any evidence you have heard is all public evidence so anybody is entitled to write to the committee.

**Person unknown** - They are fairly simple answers to some of the questions that you just touched on. I just wanted to ask that. I gave evidence in Canberra -

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**CHAIR** - What we might do in the break is get your details and then we can arrange to receive a submission and clarify some of those matters.

There are a couple of things in your submission, Mick, in regard to the way that the money was allocated. You made the point - and it is a public submission so I will read from it - that 'Instead, the competitive grants system seemed to favour those contractors who owed the most amount of money for unpaid tax, superannuation, GST and PAYG.' How did you come to that conclusion?

**Mr KELLY** - I guess it was an instinctive thought that came to mind. You're in strife, are you, Pete?

**CHAIR** - Well, once the committee has accepted them they will be public but I hope I haven't embarrassed you for reading that point from your submission.

**Mr KELLY** - Not in the slightest. It was just my initial thought to it. From our point of view we had liquidated assets and everything else to make sure we paid our bills, which was very important. I looked at it when it came out and thought in a sense if they're not careful what they'll be doing here is rewarding poor business practices for those who've got into real financial strife with the tax office, superannuation and everything else. If you think about it from a government point of view, what better way to hand money out and receive it straight back, as in you hand out \$10 and receive \$5 back? So that to me was how they'd be looking at it and assessing it, more than actually looking at doing it on a fair footing.

**Mr BOOTH** - Are you suggesting that would have come through the favourite sons of the TFCA, for example, to put it bluntly, that there were people who were in the know who got it and others that didn't?

**Mr KELLY** - It was just my past experience of how government operates.

**Mr BOOTH** - But the assessment was done, if I recall correctly, from the 2010 package through the TFCA - in fact a committee made up of TFCA - Kim Creak and John Talbot I think were the people who had assessed people on the eligibility criteria.

**Mr KELLY** - Is this the first round?

**Mr BOOTH** - Yes.

**Mr KELLY** - I am not sure who assessed the first round. I thought it was done in Canberra by independents. There was one Tasmanian representative - was it Kim Creak?

**Mr BOOTH** - I understand that, yes. You said it seemed to favour people who owed a lot of money in tax and so forth?

**Mr KELLY** - There is no evidence behind it, it was just a thought that crossed my mind, the way the government hands out \$10 thinking it is doing a great job and receives \$5 back.

**Mr BOOTH** - I understand what you are saying. In terms of achieving ostensibly the criteria they set out in the first place, in the first \$21 million - and I think \$17 million

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roughly was spent on exit packages and \$4 million was for fuel support et cetera - to your understanding, have any of those contractors come straight back to the industry? The same comment for the second package we have just seen.

**Mr KELLY** - The only ones I can think of are those that work still in plantations. I do know who that would be and people would know. Quite clearly, the contractors met the criteria - the criteria is fine -

**Mr BOOTH** - I am not asking you to comment on contractors.

**Mr KELLY** - We do know there was one contractor who was paid out twice on the one volume.

**Mr BOOTH** - How do you mean? Can you expand on that?

**Mr KELLY** - A contract sold had a volume attached and because they backdated the period, that person had that contract in that period and another person who bought the contract off him through that period then got another payout on the contract. So one volume was paid out twice.

**Mr BOOTH** - So the contractor who had the original contract was paid out because the time he was paid out fell into the period, even though when it was assessed that contract had been sold?

**Mr KELLY** - Yes. That is common knowledge. It is not the contractors, and this is the thing that makes me crabby. We have no control over it. You just lay your cards out on the table and if you're lucky they will throw a dart and it will hit your card. It is very hard to predict how it's really going to go.

**Mr BOOTH** - What is your view of the way the exit scheme was handled, do you think there should never have been an exit scheme in the first place or do you think it was completely inappropriately handled?

**Mr KELLY** - The biggest problem we had with Gunns; when they decided to exit the industry they left everyone with their pants down. The government assisted Gunns in getting out of the native forest industry. If the government was going to do that, all the contractors should have received money because it was the government that helped Gunns get out of the industry. The industry wasn't left open for someone else to come and pick up the pieces; they just closed it down.

**Mr BOOTH** - So was it the assessment criteria that were a problem then, that only certain people got it?

**Mr KELLY** - I am trying to get to the question you are trying to ask. The way in which the cards fell, with the government helping Gunns get out of the native forest industry and trying to shut down the industry, all the contractors that were associated with Gunns should have received payment because it was government-driven.



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**Mr BOOTH** - Gunns made a decision that they were going to do what they were doing, so is it appropriate, in your view, that there should have been any government assistance for Gunns in that sense? The contractors were left holding the baby, weren't they?

**Mr KELLY** - If the government hadn't got involved, one would assume that Gunns may have sold off parts of their business - which, who knows, would have been split back into three or four, which would have then continued harvesting in native forests and the contractors and roading guys would have had work. But it didn't, it went down the path of shutting down the industry. The government then got involved in helping them shut it down, which left contractors and everyone else high and dry.

**Mr BOOTH** - It is arguable whether there was any profitability in that sector anyway at that point in time for most of the contractors.

**Mr KELLY** - Doing no work is no good either, Kim, I can tell you.

**Mr BOOTH** - No. But if you can't make money out of it, I guess that is the point, businesses rise and businesses fail all the time and that the whole system we operate under. A question in my mind is that at what point does government intervene to prop up something that might be financially unviable and where do they draw the line in interfering? It seems like what is a seed of a good concept ended up becoming a complete distortion of the whole idea of the exit package in the first place, to the point that it seems to have ruined the industry. That's my personal view.

**Mr KELLY** - I think government interfering is what's ruined the industry, playing politics with their forest industry.

**CHAIR** - We have arrived now at a point and we have a room full of people here who have all been affected in some way. In looking at making recommendations out of this committee as to what should happen next, what would be your view?

**Mr KELLY** - From a 'helping contractors struggling' point of view?

**CHAIR** - The issue is broader than contractors. But what would be an appropriate response, do you think?

**Mr KELLY** - They have to go back through the room and have a look at who they missed, to start with. Whilst it may not be people owing millions of dollars, you also have your people that had set up for shooting, for example. They probably outlaid \$70 000 to \$80 000 who completely lost their jobs overnight. It's not just about the logging contractors, it's about everyone. Logging contractors carry a hell of a lot of debt with their business. When this whole thing with Gunns went pear-shaped and these exits were about, we owed \$1.8 million. When you go from an industry which collapses overnight, it doesn't leave you with many options.

You'd nearly need to go right back through and allow people an opportunity, whether it be the silviculture guys, the roading guys, the shooting fellows - there is probably a whole range, even the nurseries.

**Mr BOOTH** - Mechanics and all sorts of other people doing the services that you require.

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**Mr KELLY** - I don't quite know where you draw the line, but there is a whole range of people there, particularly if 100 per cent of their income is derived from the timber industry, who need to be assessed.

**Mr BOOTH** - But if you say the government shouldn't interfere in the industry, then how -

**Mr KELLY** - They have now.

**Mr BOOTH** - Are you saying they shouldn't have paid anybody out, just let the industry sort it out in the first place?

**Mr KELLY** - They shouldn't have interfered with Gunns. They should have allowed Gunns, if they wanted to, for Gunns to sell off their sawlog allocation, for Gunns to sell the Triabunna woodchip mill to somebody that was going to operate it as a woodchip mill.

**Mr BOOTH** - To clarify that, the government didn't stop Gunns selling it. Nobody wanted to buy the mill. It was on the market for months, then they shut it. It was available for sale.

**Mr KELLY** - Yes, I'll keep away from that one, Kim. You and I both know why it was sold. It was sold to really stick the middle finger up at the industry.

**Mr BOOTH** - I don't know what was in the mind of Gunns to sell it but the point is that the industry was going to lose. I have been in the industry before myself and the industry was in strife in terms of capacity to earn money. The volumes were getting bigger and bigger. The TFGA made that point themselves in 2007. They had their own internal report done that showed that the industry in native forest couldn't get any more efficient. The trucks were as big as they could get, the machinery was as big as it could get and ultimately it would have ended up as a cottage industry. We all know they are the facts.

**Mr KELLY** - They are not facts, Kim, because if you look at one of the biggest variables in the timber industry's royalty - if I buy a sawlog, half of that's made up of royalty which then goes to Forestry Tasmania for them to run their business model. That, to me, is where they should have looked to find efficiencies.

**Mr BOOTH** - Like lower the royalties, but then private growers wouldn't make any money. Wouldn't that be interfering in the market though?

**CHAIR** - One of the suggestions at the start of this process, coming back to your point about Gunns' exit, when Gunns exited and they made their decision, that if there was not going to be a subsequent withdrawal of their allocations, if the industry had been allowed to get on with business after Gunns exited, what is your view of where the industry might be today if, as you say, government hadn't interfered?

**Mr KELLY** - Who knows, Pete? One would assume that there would have been someone come in and take up particularly the sawlog; the allocation that Gunns extinguished would be very appealing for somebody to come in and take on. I would assume that somebody else would have stepped up to the plate. They might not have to come in

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holus-bolus, but there may have been three or four other operators that would have taken on where Gunns left off, had they been given the opportunity.

**Mr BOOTH** - Can I just ask what you think a reasonable royalty ought to be for a category one sawlog and a category three?

**Mr KELLY** - The reasonable royalty is determined on what you receive and what you can make out of it.

**Mr BOOTH** - The reason I am asking that, Michael, is that I would like to hear from you given that you're a sawmiller and also have an interest in the private sector supplying logs. It seems to me that every time industry got anywhere near becoming viable financially the government just cut everybody's lunch by giving away wood for nothing, which means that a private grower cannot afford to grow a forest and make any money out of it because they are always competing against the crown. You've said that you think the royalty is too high, so are you suggesting that the private growers ought to get less for their wood as well?

**Mr KELLY** - Aren't we here to talk about my application, Kim, as to why I'm not successful? I'm not here to figure out the whole status of the timber industry problem.

**Mr BOOTH** - It is entirely up to the committee to ask whatever questions we like.

**Mr KELLY** - I think you're off the track a little bit.

**CHAIR** - I think we might come back to the -

**Mr BOOTH** - No, hang on. Mr Kelly has made statements about interference in the industry so in terms of the viability of it I am asking whether there ought to be a royalty rate that enables there to be some profitability through it.

**CHAIR** - I think Mr Kelly has indicated that he would like to speak about his application and not that particular matter.

**Mr BOOTH** - Well, if you want to try to prevent me asking questions, Peter, which is your normal modus operandi, go right ahead.

**Mr KELLY** - I'll answer your question, Kim. The industry should have diversified back in about 2008-09. We should have had biomass plants up across the state producing electricity from our woodchips. Had we done that and transitioned back in 2008-09, the state wouldn't be in the economic mess it is because we have to be able to sell the residues from our product to be able to make the whole thing work. You can't just sell one and not the other. It's like a butcher shop. Imagine what he would have to charge for his scotch fillet if he couldn't sell his mince and he had to stack it up in the rubbish tip - or burn it, like we have to do with our waste now.

**CHAIR** - Regarding one of the terms of references about government agencies' involvement in this whole process, there have been issues raised throughout the National Audit Office inquiry as to where FT sat and some of the correspondence they provided as to whether or not contractors could get out - this is the second program - or whether they should stay

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in. What sort of involvement, if any, did you have with any government agency through this process apart from the application?

**Mr KELLY** - Are you talking about FT? I rang FT up when the application came out, the second round; I think it was the first or second day I read the second application. I rang them up and told them I would be available as a contractor because their contractor capacity was going to be slaughtered and they never engaged me as a contractor. I don't know whether they weren't allowed to or what, but I was a Gunns' contractor with equipment and men sitting there that could have fired up straight away. I rang them fairly regularly to say that I was available to go harvesting and I don't know for what reason but they didn't engage me at all as a contractor.

**CHAIR** - Are you aware of any other contractors that happened to?

**Mr KELLY** - I think they expanded the capacity of some - that's about all I can add.

**Mr BOOTH** - I think they recontracted about 130 000-odd tonnes annually, post the -

**Mr KELLY** - To new contractors who never had contracts in the past or is it existing contractors and they just allowed them to increase?

**Mr BOOTH** - That is the question I am asking, I suppose. I think it was 130 000-odd tonnes or thereabouts that was recontracted to various contractors, but you asked to participate in that and the question I was going to ask is how do you think they go about figuring who they're going to give the contracts to?

**Mr KELLY** - I don't know how they figure it out, Kim. I would have thought that I would have got a sympathetic ear given the fact that I missed out on the rounds. If they needed any contractors I would have thought those Gunns' contractors who missed out through no fault of their own would have got a start. I would assume that they increased the contractors they had and allowed them to set up new logging crews; I don't know, but I'd assume that's what they've done.

**Mr BOOTH** - Are you aware that any contracts were awarded to people who in fact weren't contractors in the first place?

**Mr KELLY** - I'm not aware.

**Mr BOOTH** - But you weren't offered any at the time?

**Mr KELLY** - No. You need to bear in mind there's not a lot of activity in our end of the state; most of it is in the Smithton area or down south, so I'm not really in the loop.

**Mr BOOTH** - But you were ready, able and willing to take on a volume and you weren't offered it?

**Mr KELLY** - Yes. I spoke to Mark Pettit from FT, as well as Mark Hitchins, on a regular basis letting them know that I had gear sitting there and blokes who could fire up, but as time goes by we're liquidating the gear.

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**CHAIR** - What reasons were they given for not taking it up - no work?

**Mr KELLY** - The reason I got was - don't ask me how to word it but the fact that their contractors were bought out meant they weren't allowed to fire up any new contractors. They were allowed to increase the size of the contractors they had but they weren't allowed to start new ones.

**CHAIR** - Was that FT telling you that?

**Mr KELLY** - It was Forestry Tas, yes.

**CHAIR** - And that was someone in a position to make that determination - would that be Mr Forester?

**Mr KELLY** - Or Mark Hitchens; I think he controls the contractors statewide.

**CHAIR** - And they weren't allowed to take people on who weren't existing contractors?

**Mr KELLY** - That's what I was told, which made sense to me.

**Mr BOOTH** - To be clear, you would consider yourself, having been a contractor, as being eligible to take on some work in that sense rather than a new company that started up.

**Mr KELLY** - I was a Gunns contractor, not an FT contractor, and I would have thought being a Gunns contractor and missed out on the two rounds that if FT needed any extra capacity we would have been offered an opportunity.

**Mr BOOTH** - I just wanted to make it clear on the record that you were saying you should have been eligible because you had been a Gunns contractor in that sense.

**CHAIR** - Michael, we're coming to the end of the time we allocated to you, but is there anything else you would like this committee to hear before you finish?

**Mr KELLY** - I don't think so, Peter. If we give you a copy of the Ombudsman's stuff you can have a read of that and get a laugh out of it. I think you'll enjoy reading that.

**Mr BOOTH** - In regard to what you think should happen now with some of the other contractors you mentioned who have basically been driven to financial ruin as a result of payouts and then transferring equipment into ten-yarders and competing with civil contractors and so forth for roadworks, do you have any suggestions with regard to how that should now be fixed, if possible? Do you think there needs to be guidelines drawn up to make people who have been affected as a result of that eligible for some sort of assistance?

**Mr KELLY** - What I'd have to do, Kim, is take that question on notice and get back to you.

**Mr BOOTH** - Okay, that would be sensible; there is no point just making a comment.

**Mr KELLY** - If you write it down I can come back to you with a response, if you like.

## PUBLIC

**Mr BOOTH** - To put it simply, there are a lot of people who come to my office and raise the same matters and no doubt there will be people who will raise it, who weren't ever eligible in the first place but now find that their businesses are ruined, not just as a result of the downturn in the industry but the fact they are facing competition from people who didn't pay for their gear in the first place and they can't now run a viable business because they're competing with other people. I'm not claiming that those people have been fraudulently paid out but simply been in a position to be able to put in a price that people who are paying for their gear and paying for finance simply can't compete with. I suppose the question everybody wants to know the answer to is what do you do now that the package has created this downside right across the contracting landscape that has driven other businesses under?

**Mr KELLY** - What you're asking is how do you fix up the mess?

**Mr BOOTH** - Yes. Do you have any suggestions?

**CHAIR** - I think that was what Mr Booth was asking and it's exactly what this committee has to get to the bottom of. We will obviously be providing every witness with the opportunity to make comment in that regard.

**Mr KELLY** - I'll put a fair bit more thought into that, Pete.

**Mr BOOTH** - There is the issue of either not interfering at all, because interfering with the market seems to have created all these problems, so having interfered in it and created these problems now do you just walk away from it or do you try to fix that, in which case you can create further problems down the line? If you could address your mind to that and have any thoughts then please provide them to the committee. If you haven't there is no compulsion to do so but we are interested hearing from people who are directly affected by the whole shemozzle basically.

**Mr KELLY** - The mess.

**CHAIR** - Michael, if you have nothing else you would like to raise, thank you very much on behalf of the committee. I need to remind you that what you've said here today is protected by parliamentary privilege. Once you leave the table you need to be aware that that privilege does not attach to comments you may make to anyone, including the media, even if you are just repeating what you said to us. I need to be clear on that. You can't repeat what you have said in this room. I must say I am not a lawyer but I do not think there were any matters that would be of issue but as a witness you need to be aware of your obligations.

**Mr BOOTH** - Chair, there is one other question I intended to ask Michael with regard to sawmill quotas. You talked about the issuing of quotas. You were offered a contract in 2010 for increasing your sawlog quota - is that right?

**Mr KELLY** - No, just renewed it.

**Mr BOOTH** - Renewed it? So what effect did that have on your business in that you renewed the contract? Were there logs available for you to cut?

## **PUBLIC**

**Mr KELLY** - Back then there was.

**Mr BOOTH** - Now?

**Mr KELLY** - Just recently, no.

**Mr BOOTH** - So you can't get them or sell the product from them?

**Mr KELLY** - We can't get them. We've got more sales than we can poke a stick at.

**CHAIR** - That is a comment that has been made to me by four sawmills in recent times, that in fact they could sell four times what they are getting. Is the market that strong?

**Mr KELLY** - Yes, I think it's only going to go one direction with the market. If you think about the volume coming out now, I think Forestry Tasmania only produced 120 000 cubic metres for the financial year. We've gone from over 300 000 cubic metres -

**Mr BOOTH** - It was 210 000 the year before, I think.

**Mr KELLY** - Yes, when Gunns were in the equation.

**Mr BOOTH** - But for sawlog there was only 210 000 or 220 000 so it is about half, I think.

**Mr KELLY** - When Gunns were operating?

**Mr BOOTH** - Yes.

**Mr KELLY** - Because they extinguished 160 000, I think, from memory.

**Mr BOOTH** - That was a minimum but the actual harvest supply was about 210 000 from memory.

**Mr KELLY** - Plus what Gunns were harvesting off private. If you have a look I think private has decreased about 90 per cent so you're talking about -

**Mr BOOTH** - Why has private decreased? Couldn't you buy that wood off private?

**Mr KELLY** - Yes, if the landowners would be happy with me leaving all the residues behind, which would probably be about 70 per cent of their tree. No landowner is going to do that, so we need to get the residues fixed.

**CHAIR** - All right, Michael and Cindy, thank you very much for your time today and if you can give some thought to that question Mr Booth raised as to getting the mess rightly fixed we would be very pleased to hear from you.

**THE WITNESSES WITHDREW.**

## **PUBLIC**

**Mr TONY HOWE AND Mrs NARELLE HOWE**, TK AND NK HOWE EXCAVATOR HIRE, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Gutwein) - Thank you both for appearing before the committee. Before you begin giving your evidence, have you received and read the guide that was sent to you by the committee secretary?

**Mr HOWE** - Yes.

**CHAIR** - A committee hearing is a proceeding of the parliament which means it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without fear of being sued or questioned in any court or place out of parliament. It applies to ensure parliament receives the very best information in conducting its inquiries. It is important to be aware that this protection is not accorded to statements that may be defamatory and are repeated or referred to by you outside the confines of the parliamentary proceedings. This is a public hearing and, as you are aware, members of the public and journalists may be present. This means your evidence may be reported. Should you wish all or part of your evidence to be heard in private, you must make this request and give an application prior to giving the relevant evidence. That request can be made any stage throughout the proceedings. Do you understand?

**Mr HOWE** - Yes.

**CHAIR** - I will refer you to the terms of reference of the committee. The House of Assembly has appointed this select committee to examine issues arising from the implementation of the voluntary forest industry exit program with the following terms of reference:

1. To inquire into and report upon exit packages for the forest industry, including the Tasmanian Forests Intergovernmental Agreement, the IGA voluntary exit programs, specifically -
  - (a) the development of the rules of the program;
  - (b) the application of the rules throughout the process;
  - (c) the concerns raised in the Australian National Audit Office report into this matter in relation to the administration of and delivery of the program of grants;
  - (d) the outcomes of the exit program and the impacts on the participants and the remaining industry;
  - (e) any government agencies involved in compliance with rules and requirements of support in voluntary exit programs; and
  - (f) any other matters incidental thereto.



## PUBLIC

I welcome you both before the committee. We have received your submission. Would you like to make any opening comments? Could you provide an outline of your business?

**Mr HOWE** - I am an excavator contractor to Forestry Tasmania. I have been there full-time since 1998 doing silviculture work throughout the state, but at the moment, we've got nothing. We haven't got a machine; we had to liquidate that. Where do we get an income from?

**Mr BOOTH** - Tony, your contract - TK and NK Howe Excavator Hire - indicates you were doing something broader than, say, FT.

**Mr HOWE** - Well, 95 per cent of my work came from FT.

**Mr BOOTH** - And that is what you set your business up originally on?

**Mr HOWE** - I was actually poached by FT off a logging contractor.

**Mr BOOTH** - You said they had you doing silviculture work, was that plantation?

**Mr HOWE** - No, no plantation whatsoever. It was all in old-growth, mainly selective logging.

**Mr BOOTH** - Normally people think of excavator work as being digging and that sort of work.

**Mr HOWE** - Scarification and excavator heaping was our main job, with fire breaks as well and a little bit of roading.

**Mr BOOTH** - Was it 100 per cent native forest you were in?

**Mr HOWE** - Yes, 100 per cent native forest.

**Mr BOOTH** - You said in your submission you found it difficult to access the criteria for the grants, so you got your accountant to try to do that?

**Mr HOWE** - Yes, from the initial phone conversations when the advertisement came out in the paper, we met all the criteria.

**Mr BOOTH** - Was your contract on an hourly hire?

**Mr HOWE** - Yes, mainly on an hourly hire. Under the conditions we worked with we couldn't come to an agreement of terms of rate per hectare because of the variance in the ground and all the rest.

**Mr BOOTH** - With regard to that, you also said after not receiving an exit grant - sorry - you say, 'I was told the letter of support was withdrawn and was very confused about this,' so if you could expand on that. Did you originally get a letter of support from FT?

## **PUBLIC**

**Mr HOWE** - No. Initially we were dealing with our liaison officer with Forestry Tas. He was trying to help us a little bit with paperwork and bits and pieces, then a phone call came from a Scottsdale boss to say, 'Butt out!'

**CHAIR** - Someone from FT?

**Mr HOWE** - Yes. This is one of their liaison officers who was assigned to us at the time and we had been dealing with.

**Mr BOOTH** - From FT?

**Mr HOWE** - From FT and then one of the head bosses told him to butt out of it - to not help us.

**Mr BOOTH** - So that is what you are referring to in terms of the letter of support, is it?

**Mr HOWE** - Yes.

**Mr BOOTH** - Did they give any reason why he told you to butt out or why he was told to butt out?

**Mr HOWE** - The initial response was: we still want contractors, but to the terms of when the government announced that they were pulling out of old-growth forests, our work stopped.

**Mr BOOTH** - From FT? Did they advise you of that at all?

**Mr HOWE** - No.

**Mr BOOTH** - You just didn't get the phone call?

**Mr HOWE** - Just didn't get a phone call, didn't get nothing, no work.

**CHAIR** - When was that?

**Mr HOWE** - We would have finished with Forestry - what did we work out? - it would have been February or March, I think it was.

**CHAIR** - Of last year?

**Mr HOWE** - Last year. Our last financial payment from them was -

**Mrs HOWE** - It was 3 May 2012.

**Mr HOWE** - It would have been a month before that we would have finished up.

**CHAIR** - And that was as a direct result of the exit out of public native forests and so contractors around you were applying for grants, but you weren't able to?

## **PUBLIC**

**Mr HOWE** - My liaison officer put it to us when he finished up: 'We can't pay you to sit here and eat fresh air.'

**CHAIR** - Because there is no work.

**Mr HOWE** - Because there is no work.

**Mr BOOTH** - Were you ever led to believe, Tony, from the liaison officer for FT that you would be eligible in terms of the criteria of the grant, given that what we have heard is that it was for people that had actual contracts?

**Mr HOWE** - For all the phone conversations that I had to do with that advertisement that was in the paper, he was actually present when I made one call and talked to him, we should have been eligible.

**Mr BOOTH** - You went along for a period of time -

**Mr HOWE** - Presuming, yes.

**Mr BOOTH** - I am also interested in this business where this guy is told to butt out. Did you have any further communication with FT?

**Mr HOWE** - No, it virtually stopped after that. Apart from with my liaison officer, who I still talk to today.

**Mr BOOTH** - Do you have any documentation that you exchanged with FT or with your liaison officer with regard to this process?

**Mr HOWE** - FT more or less went, 'Your problem.'

**Mr BOOTH** - We have your submission here, but there isn't any other paperwork with it. Do you have any other paperwork that you think might be helpful for the committee at all or anything you would be happy to table?

**Mr HOWE** - There was not enough paperwork to go around to make anybody lead a trail back to anybody.

**Mr BOOTH** - Right, okay.

**Mr HOWE** - Made sure of that.

**Mr BOOTH** - Your communication with them with regard to it was basically as you stated in your document, that's it, and there were no other emails or anything?

**Mr HOWE** - I had had a couple of phone calls to this boss that told the other fellow to butt out.

**Mr BOOTH** - Right.

**Mr HOWE** - That ended up very nasty.

## **PUBLIC**

**Mr BOOTH** - I can imagine, yes.

**Mr GROOM** - Tony, what has this cost you?

**Mr HOWE** - My business.

**Mr GROOM** - In financial terms, what do you think it has cost you personally, or your family?

**Mr HOWE** - It hasn't quite finished. Before we finished up, 18 months prior to it, we bought another, a smaller machine trying to branch into civil works to diversify. But when you've got blokes who've been paid whatever, they can afford to undercut you. What do you do?

**CHAIR** - Tony, that was happening?

**Mr HOWE** - Yes.

**CHAIR** - In the conversations that you were having - I've made a note here - with the liaison officer who was present when one of the calls was made, who were you talking to at that time? You don't have to name individuals, but was it FT that you were having discussions with to see whether it was going to work out?

**Mr HOWE** - The discussions we were having were about the advertisement that was put in both papers. There was a phone number to contact about voluntary exit. He discussed a few other things. By the phone call that we had, that's why we put the submission in, thinking we may be able to survive.

**CHAIR** - Where in the process did the FT boss then talk to your liaison officer and say, no, they're not - ?

**Mr HOWE** - We applied for it and engaged our accountant into it. Our accountant talked to this FT - not our liaison officer, the actual supervisor. The conversation out of that wasn't very nice in some ways - why is the accountant involved.

**Mrs HOWE** - Yes, 'Why is your accountant doing it and why aren't you doing it? Don't want to talk to him.'

**CHAIR** - Really?

**Mr HOWE** - Yes.

**CHAIR** - When the Forestry Tasmania manager spoke to you and basically said that's it, no, you're out of it -

**Mr HOWE** - We never even got that phone call to say we were out of it. We just didn't get any more work.

## **PUBLIC**

**Mr BOOTH** - You mentioned that you bought a smaller excavator to civil work. Can you tell us what happened then, without me putting words in your mouth, in regard to competition?

**Mr HOWE** - When people get a hand-out of whatever they get, they can afford to go and buy their machine and own their machine, not pay repayments on it like I am, you can cut your rates. I could cut my rates if I had a machine paid for.

**Mr BOOTH** - At the moment, do you still have that small machine?

**Mr HOWE** - I have got it but only just.

**Mr BOOTH** - Are you losing work to people who've had their machinery paid for?

**Mr HOWE** - I'd say yes.

**Mr BOOTH** - Is this right across the board? When you are talking about civil contracting, is it work for government agencies or public that are able to offer rates that are so low that you can't pay for your machinery?

**Mr HOWE** - I'm probably getting off the subject with this one. I know I've been subbing to a silviculture contractor who has just tendered for a job and lost it to another bloke who has undercut him by 40 per cent. How is your profit margin in that? He was associated with a payout.

**BOOTH** - Okay, you are not off the subject. That's what we are looking at here, the cascade of effects right across the board. You have specifically lost work that you had with a silvicultural contractor who has now lost work for his contract because somebody else who got a payout was able to cut it by 40 per cent?

**Mr HOWE** - If you can cut your margins, you are going to get work in this day and age. That's all there is to it because everybody wants a cheap job, no matter what it is.

**CHAIR** - On 3 May was the last payment from FT last year?

**Mr HOWE** - That would have been actually three months prior to it, only because we had a fire in our machine and they held two coupes over.

**CHAIR** - Was that work that you did [?12.09.57]?

**Mr HOWE** - We'd already engaged a coupe and there was about three months work. We got into it so far and had a fire in my machine so the machine went out for three months for repairs, got it back and after a couple of months it was shut down.

**CHAIR** - So you have your machines. What assistance, if any, is there for people who have ended up in your circumstances?

**Mr HOWE** - None whatsoever.

**CHAIR** - You have some assets, obviously -

## **PUBLIC**

**Mr HOWE** - Yes, assets that we have to liquidate or have been liquidated.

**CHAIR** - In a difficult market, too.

**Mr HOWE** - Given away.

**Mr BOOTH** - Tony, to try to get some sort of time frame, you honestly believed at the time you engaged your accountant and started dealing with FT - were you dealing with FT with the assistance package?

**Mr HOWE** - We weren't really dealing with FT because FT didn't want to know about it.

**Mr BOOTH** - But your negotiations initially when you applied for exit assistance, was that to the Department of Agriculture, Forestry and Fisheries?

**Mr HOWE** - Yes.

**Mr BOOTH** - Did DAFF lead you to believe you were eligible at any stage?

**Mr HOWE** - From the initial phone conversations we believed we met all the eligible criteria.

**Mr BOOTH** - Because you were 100 per cent native forest.

**Mr HOWE** - Yes, but in the end we were rejected because we were classed as an 'ongoing contract'.

**Mr BOOTH** - So were you rejected by DAFF in writing or by phone call? How did you find out?

**Mr HOWE** - It all came back through our accountant. I don't think we received anything in writing.

**Mrs HOWE** - Only at the very end, that we didn't meet the criteria.

**CHAIR** - And that was the criteria to go forward with the application?

**Mr HOWE** - Yes, that's correct.

**Mr BOOTH** - How long were you communicating with DAFF before you were advised you were ineligible?

**Mr HOWE** - I'd say a couple of months.

**Mr BOOTH** - So there was a couple of months when they spoke to you and then wrote to you and told you were ineligible?

**Mr HOWE** - Yes.

## **PUBLIC**

**Mr BOOTH** - At what point in that process did the Forestry Tasmania liaison officer advise you to butt out, effectively?

**Mr HOWE** - Before we even received a letter back from DAFF one of the head bosses in the Scottsdale office decided he shouldn't be dealing with it.

**Mr BOOTH** - Do you have any knowledge as to why the FT guy decided to tell the liaison officer to butt out?

**Mr HOWE** - Your guess is as good as mine, Kim, I'm afraid.

**CHAIR** - Tony, I want to put the same question we asked the previous witness. We are here now, so what needs to be done?

**Mr HOWE** - I don't really know, but it's certainly stuffed up a lot of people, and it's not finished yet.

**CHAIR** - You made the comment to Mr Groom that it wasn't over yet. Do you want to expand on that?

**Mr HOWE** - I know of other blokes in my situation. There are two other contractors the same as me who used to work for the Mersey district.

**CHAIR** - Same sort of business?

**Mr HOWE** - Exactly the same.

**Mr BOOTH** - On hourly rates, the same sort of deal - a 100 per cent FT employee contracted to FT?

**Mr HOWE** - Yes, their machines did FT work. One bloke's probably lucky because he's got other things to back him up. He said, 'I've lost it, I can accept that', but he has four or five other machines. There is another bloke exactly the same as me, another small business - an owner-operator.

**Mr BOOTH** - Do you still have your big machine?

**Mr HOWE** - No, I sold it last year because I couldn't afford to keep it.

**Mrs HOWE** - We had to live off the money we got for that because we couldn't get Centrelink or anything.

**CHAIR** - Obviously there would have been people you would have been dealing with that were reliant upon your business, so what were the flow-on effects?

**Mr HOWE** - Mechanics, workshops, other people who used to transport the machine.

**Mr BOOTH** - Did you do any work for Gunns at all?

## **PUBLIC**

**Mr HOWE** - In the 10 to 12 years I was working there wouldn't have been any more than a month and a half work for Gunns.

**CHAIR** - How much public works are going on in your area at the moment?

**Mr HOWE** - Not much. When I was talking to my liaison officer last week I don't think they are actually logging a coupe in the Mersey district at the moment. I know there were two coupes that were on the go before this submission before we even decided to close this forest industry back.

**Mr BOOTH** - So you're available at the moment and at this point in time your business still operates with one small excavator?

**Mr HOWE** - Yes.

**Mr BOOTH** - And no work, effectively?

**Mr HOWE** - Yes, more or less.

**Mr BOOTH** - Are you trying to get other work that is non-forestry-related in that sense?

**Mr HOWE** - Yes, I've been hounding people trying to get other stuff. I've come to the stage where I park my own machines and was actually subcontracting as a labourer.

**Mr BOOTH** - Can you give us any idea what the landscape is like in private civil work, in other words non-forestry-related work?

**Mr HOWE** - Cut-throat at the moment.

**Mr BOOTH** - Can you give us a reason for that? Do you understand the cause of that? Is it the same thing?

**Mr HOWE** - It is a combination of a few people who have gone over from silviculture or the forest industry into civil works and for those in civil works it's cut-throat at the moment.

**Mr BOOTH** - So it has basically sucked the guts out of the civil work right across the board?

**Mr HOWE** - Yes.

**CHAIR** - There are different views on this committee in regard to what should have happened. I do not want to get into a political argument between members of the committee but what has happened has happened. I want to come back to that issue of what needs to be done now, what would help your business right now? Obviously cash would be very helpful, I understand that, but what would help you at the moment?

**Mr HOWE** - A job would go a long way. Even if it was only a little bit, even if the industry was downturned the way it was, we'd survive. When we first started up we started as trials, three months' work - it was still income.



## PUBLIC

**Mr BOOTH** - So do you think, Tony, if there had not been payouts done in the way they were for machinery in the market that is competing against you because they do not have to pay for the gear, would you be in a different situation now?

**Mr HOWE** - I probably could survive a little bit more than what I am; it might be enough to say that I do survive but at the moment it's -

**Mr BOOTH** - At the moment, if you put in an hourly rate and work with your machinery that pays the cost of owning that gear and pays you a living wage, then you're not going to get the work - is that the situation?

**Mr HOWE** - More or less; there's always somebody prepared to undercut you to get the work. Initially when I first started up in the forest industry there were people prepared to undercut you but then it was based on your performance which is why I was still there 12 years later.

**Mr BOOTH** - There was a natural succession there anyway with those who were quoting a price that they could not replace gear and went broke -

**Mr HOWE** - Yes.

**Mr BOOTH** - But now they're able to do it because they got the gear for free?

**Mr HOWE** - That's right.

**CHAIR** - That situation you were talking about before where somebody who had been doing silviculture work put in a quote and had been undercut by 40 per cent. Is that the only example of that type of undercutting you have come across?

**Mr HOWE** - It's the only example that I have come across but I'm sure there are other examples out there. The only reason I know is by a couple of people who has been associated with it. They're all scratching their heads as to how they got it and then it came out that 40 per cent was mentioned that they undercut everybody. I'm sure if you had work to be done and somebody came along and guaranteed they could do the job for 40 per cent less you'd be looking at it.

**Mr BOOTH** - Who was the beneficiary of that 40 per cent discount? Was that an FT job?

**Mr HOWE** - No, it wasn't an FT job.

**Mr BOOTH** - It was private forestry work?

**Mr HOWE** - Private work, yes. I wouldn't say it was all forestry, but some of it was.

**CHAIR** - That undercutting was specifically by somebody who had benefited from the forest exit, as you understand it?

**Mr HOWE** - My understanding is they're linked; they had a payout and they've gone into partnership with another company, another cut-throat.

## PUBLIC

**Mr BOOTH** - That example you have provided, is that widespread across the contracting industry?

**Mr HOWE** - No, it wouldn't be. It would be only those who know. The only reason I know is what the initial price that another contractor put in and what the contract was actually got for.

**Mr BOOTH** - But is the effect widespread across the contracting sector now that you're running up against this right across the board? You indicated before that you were unable to get work because of the price.

**Mr HOWE** - I know other people in cartage of vegetables and whatnot and they're also saying at the moment that they're struggling because there are other blokes with trucks that can soon switch them over because they've been paid out, they owe nothing on them and don't have to fork out the payments or anything like that, so they can cut their rates and undercut them.

**Mr BOOTH** - I have had all of that information brought to my office as well, but it is important to this committee that we get on the public record the effects that are occurring so that we can refer to it as evidence. I might be asking you some things that might be blindingly obvious, but if you can give us a broader detail of your understanding of what is happening across those sectors that would be quite useful.

**Mr HOWE** - As to how much more I can't really elaborate.

**Mr GROOM** - How many people do you know who would be in your situation?

**Mr HOWE** - I know of at least three contractors, plus myself, who used to be employees of Forestry Tasmania out of the Mersey District. There'd be others.

**Mr GROOM** - You have mentioned a couple of times now that this has a flow-on consequence to other service providers and the like. It has clearly had a massive impact on you and your family. How widespread is the stress and the hardship that has been felt within the community?

**Mr HOWE** - Well, in our area on the north-west I'd say it has been fairly highly felt amongst the people, whether they've been directly employed through harvesting or haulage or, in my case, silviculture. It's hit a lot more people than you think.

**Mr BOOTH** - What do you think about any further assistance? It has been mooted that there are potentially other packages available, so how do you think something like this could work, or don't you think it can?

**Mr HOWE** - I don't really know and I'm not educated enough to take a guess on it, really. That's the best way to put it.

**CHAIR** - Is there anything else you would like to say to this committee before we finish up? Our role here is to hear evidence to get an understanding and then hopefully importantly be able to report on that and point a direction forward, so is there anything you would like to say.

## **PUBLIC**

**Mr GROOM** - Do you feel let down?

**Mr HOWE** - What do you reckon? I feel like I've been kicked in the guts.

**Mrs HOWE** - I just want to mention the flow-on effect. I don't think a lot of people realise who it affects. It's your corner shop, your mechanics, tyre-fitters and everybody. Just the people we know who we are involved with. Everybody is suffering and it all comes back to forestry.

**CHAIR** - Thank you very much for taking the time today. We understood when setting up this committee that it was going to be very difficult for people, so we really want to thank you for coming along and providing your evidence to the committee.

**Mr HOWE** - Thank you, we really appreciate it.

**THE WITNESSES WITHDREW.**

## **PUBLIC**

**Mr ANTON HARRIS**, FORMER ROADING CONTRACTOR, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Gutwein) - Anton, thank you for agreeing at very short notice to be here. I need to read to you the statement I have provided to other witnesses before you provide your evidence. Before you begin, I need to reiterate some important aspects in relation to the issue of parliamentary privilege. A committee hearing is a proceeding of the parliament which means it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or any place out of parliament. It applies to ensure that the parliament received the very best information when conducting its inquiries. It is important to be aware that this protection is not afforded to you if statements that may be defamatory are repeated or referred to by you outside of the confines of the parliamentary procedure.

This is a public hearing. Members of the public and journalists may be present and this means your evidence may be recorded. It is important, should you wish all or part of your evidence to be heard in private, that you must make this request and give an explanation prior to giving the relevant evidence.

I want to quickly cover the terms of reference. This select committee is examining the issues arising from the implementation of the voluntary forestry industry exit program. The terms of reference are to inquire into and report upon exit packages in the forest industry, including the Tasmanian Forests Intergovernmental Agreement, the IGA voluntary exit program, specifically the development of the rules of the program; the application of the rules throughout the process; the concerns raised in the Australian Nation Audit Office report into this matter in relation to the administration of and delivery of the program and grants; the outcomes of the exit program; and the impacts on participants in the remaining industry; any government agency's involvement in and compliance with rules and requirements that support the voluntary exit programs; and any other matters incidental thereto.

In relation to that, my understanding is that you are a roading contractor and therefore it is primarily the outcomes of the exit program and those flow-on effects that we will be hearing from you about today.

**Mr HARRIS** - I'm a former roading contractor.

**CHAIR** - If you would like to make a statement or comment then we can ask you some questions.

**Mr HARRIS** - Basically I am speaking on behalf of all my colleagues at this point in time. When we were roading contractors in July 2010, I went to see our sitting member, Dick Adams, because he lived down the road from us. I approached him because I had heard that some logging contractors were getting payouts. I said to him, 'Can you explain to me why, if they are getting a payout for what's affecting them, what about us fellows? Because the logging contractor can't get into the bush without us.' After probably six weeks of avoidance, I approached Dick Adams and he basically told me to get stuffed, I wouldn't get anywhere.

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**Mr BOOTH** - In so many words?

**Mr HARRIS** - No, he didn't say that, Kim, but reading between the lines he said, 'You're not entitled to anything' and I asked why and he couldn't answer me.

**CHAIR** - In regard to your business, you were putting in roads for Gunns?

**Mr HARRIS** - Yes, I was predominantly Gunns' contractor. Occasionally we did work for FT, but very rarely. It was lucky we had a good supervisor. If the work quietened off with Gunns and FT had work we'd be shifted over there, but we were contracted to Gunns.

**Mr BOOTH** - Were you working in crown areas as well for Gunns? Was it crown land and private land?

**Mr HARRIS** - Yes, and maintenance on plantations - roading.

**Mr BOOTH** - All roading?

**Mr HARRIS** - Yes, all roading.

**CHAIR** - For the benefit of the *Hansard*, can you give a quick overview of your business? Where were you working? Was it just across the north or north and north-west?

**Mr HARRIS** - I was a gravel cartage contractor. We were Tamar-based but we also went to the north-east and the Central Highlands occasionally. We also went as far as Triabunna. We were let out over the state - if they required extra work somewhere and we didn't have enough, we would be diversified.

**Mr GROOM** - Over what period of time?

**Mr HARRIS** - It was 21 years for me.

**Mr BOOTH** - Was your work 100 per cent forestry-related or were you doing other civil work as well?

**Mr HARRIS** - No, the only time we did any other civil work was if our supervisor said there was no work. Sometimes it could be weather-orientated, Kim, and he would tell us, 'You might have to have a week off'. Then we would have to chase work to keep up repayments, et cetera.

**CHAIR** - Anton, the exit Gunns contract has stopped, your business stops - you said you had spoken to Mr Adams in regard to whether or not you might be eligible - what did you do after that? Did you attempt to apply or at that stage did you take the view that you were completely out of it?

**Mr HARRIS** - I took the view that I was completely out of it. Bear in mind at that stage, because of the financial pressure, my marriage was failing, so I had that pressure as well.

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**Mr BOOTH** - This was 2010?

**Mr HARRIS** - Yes. I basically walked away thinking, 'That's the way it is'.

**CHAIR** - What has it meant in regard to your equipment and assets? Where have you ended up, if you feel comfortable sharing that?

**Mr HARRIS** - People with nothing to hide hide nothing, but I've lost everything.

**Mr BOOTH** - Was that in 2010, Anton - that was the earlier grant?

**Mr HARRIS** - Yes.

**Mr BOOTH** - Did you go bankrupt?

**Mr HARRIS** - No, I didn't go bankrupt, Kim. My ex-wife and I were lucky that we could sell the truck and trailer and we sold it. If you get the big money in, you live reasonably high, and I admit that. We lost our house, everything, our kids - yes. What we got for the equipment paid the loan off, but then I ended up with a nearly \$70 000 tax bill, which I can't pay, and all the other business debts for which I have an arrangement with the banks. As you know, that isn't easy.

**Mr BOOTH** - Very avaricious.

**Mr HARRIS** - Yes, and they are constantly on to me.

**CHAIR** - As you said, there are a number of civil contractors here today; are there similar circumstances for all of them? I'm not talking about their personal circumstances, but in regards to -

**Mr HARRIS** - Yes, across the board of people.

**CHAIR** - We've heard that a number of trucks that were used to cart logs are now in the civil industry as well. Are you aware of what's going on there?

**Mr HARRIS** - Yes.

**CHAIR** - Can you share that?

**Mr HARRIS** - Yes, it was a common thing. They get their payout, unbolt their log jinker and their turntable, bang a 10-yard tray on, hook a trailer up to it and then they come in to the multinationals, like Boral and that, and they say, 'We'll cart your material for less than what anyone else can do it'. Obviously they can because they've got their equipment paid for or they've had through a payout. I personally didn't get affected like that because that's when the marriage broke up.

**Mr BOOTH** - Was that happening in 2010? Because there are the two packages, we know from contemporary evidence it is happening now.

**Mr HARRIS** - Yes.

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**Mr BOOTH** - It was anecdotally happening, so I would really like on the record that in 2010 -

**Mr HARRIS** - In 2010, yes.

**Mr BOOTH** - Can you detail what was happening to the contractors, such as yourself, at that point in time even though you say you stepped out of the industry because of other issues as well, but could you have stayed in it then?

**Mr HARRIS** - No, because we were getting less and less work. To me, Kim, the writing was on the wall probably a couple of years before that, but once you are in that deep financially, when they've told you to gear up and be competitive, unless you are a billionaire, you haven't got that behind you. You haven't got much choice, you've got to keep going and you are clawing at the last bit of it until the final beat.

**Mr BOOTH** - In July 2010 or thereabouts, it was clear that the same thing that's happening now was happening then. People were losing value on their gear. They had paid for it because they were having to compete against people who were putting 10-yard bodies on?

**Mr HARRIS** - Yes, and plus you must appreciate - and I don't want to insult your intelligence - to set up our gear properly for our work, we had to be heavy so that things didn't break in half. Obviously, when they are heavy and if you go out in the civil sector to try to earn a dollar, and a lot of it is tonne per kilometre, we couldn't get the payload on to be competitive, so we are at another disadvantage. Do you know what I mean?

**Mr BOOTH** - Yes.

**Mr HARRIS** - We are probably losing three tonnes over someone that is built light for the highway, but we couldn't be built light because in our Gunns work we had to be heavy otherwise you are there every day repairing them. It was a catch-22.

**Mr BOOTH** - The question I am interested in getting an answer to is: in July 2010, were rates being cut as a result of people who, even though they still had heavy gear, were able to undercut people with light gear?

**Mr HARRIS** - Yes, for sure, as far as I'm concerned.

**CHAIR** - In regard to being a Gunns contractor, Gunns made a decision that they were going to exit native forests to pursue the pulp mill project. As contractors, were you aware that Gunns was going to move to that decision at all? I can recall other contractors, certainly there was a shutdown that Gunns had in late 2009 before we clicked to 2010 and then again in the lead-up to the state and federal elections, there was another shutdown and as a result -

**Mr HARRIS** - What they were basically doing was starving people. They were pulling the strings. Once you are committed - we got very limited feedback from them. We got our information from our roading supervisor; we didn't hear anything else basically from anyone else.

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**Mr BOOTH** - When you said in 2008 the writing was on the wall, can you expand on that, Anton?

**Mr HARRIS** - If you are in a business you watch, look and see and you can start to see the way things start to head. I don't think I am any different - that's what I could see. I could see that the squeeze was starting to come on. You could see where - hindsight is a wonderful thing - it was basically heading.

**Mr BOOTH** - Was that because there was a deliberate overcapacity being contracted into the industry so there were too many road workers, too many logging contractors, et cetera?

**Mr HARRIS** - The impression I got was that they were having trouble selling their chips at different times so that reflected obviously on our work. That's what I basically looked at. I looked at their sales, which you heard on the news and whatever means, and you'd think then - if it came on the news or whatever that they were having a boom time, you knew you were going to have a boom. You could see and you'd hear rumours that they were having trouble selling their chips and whatever, so you thought you'd start to brace yourself and think our work is going to come down because if they do not want it at the mill, they won't want us.

**CHAIR** - Where we are at the moment and we have heard today of contractors being undercut, we know and again we have heard evidence of concerns about people being able to change gear and operate with a much lower cost basis in their businesses, and that is having broad flow-on effects because of the fact that some got exit packages and others didn't and the transference. What needs to be done now, Anton?

**Mr HARRIS** - Peter, I'm a great believer in 'You can't get any fairer than fair'. If it was fair across everyone - every contractor who'd lost out, what else can I say? If it was looked at - it really insulted me what Dick Adams said to me, reading between the lines of it. He basically said: you are not a logging contractor so piss off. Then I had my spill, which I have to do and I said, 'You explain to me how that's fair when they can't get in without us? Where's the justice in that?'

**Mr BOOTH** - Do you think, in terms of the construction of that package in the first place, that it should never have happened, or if it happened then everybody right across the board should have got something based on the value of the work they had done that year or something?

**Mr HARRIS** - Yes, I don't say it should never have happened because a lot of people - you try to do the best you can for yourself and your family, and if that's the industry you end up in. In my letter, I admitted we had some good times, I won't deny that. There were times when we made decent money but it should have been a bit better thought out and it should have been a blanket coverage of it. They should have got everyone who would lose out of it and then looked at them and said - even down to the fact that, I presume some people got more money than what they owed. I don't really know but that's how I see it.

I'm not greedy, I only wanted enough to pay my debt to get me out of the industry. I didn't want a golden handshake out of it and I certainly didn't get a golden handshake off



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Gunns. All those years of service weren't even recognised and there are people who have been there longer than me who just got 'See you later, it's over'.

**CHAIR** - On that date, around July 2010, you just finished and no more phone calls after that date, or were you told your services were no longer required?

**Mr HARRIS** - Basically, my supervisor said - it was getting to a point where we were getting less and less and obviously the phone calls were going to and fro.

**Mr GROOM** - Over what period of time was that decline to your work?

**Mr HARRIS** - I could see it a couple of year previous. You could just see it start to taper off.

**Mr BOOTH** - Were you part of the Tasmanian Forest Contractors Association?

**Mr HARRIS** - No, Kim, because we weren't log carters, we were a separate thing altogether. Someone said to me this morning that we should have been in a union. Why, what union are we going to be in - the gravel carters' union?

**Mr BOOTH** - In 2005 Paul Cook and Associates was commissioned to do a report for the Tasmanian Forest Contractors Association and they found there was about 30 per cent overcapacity in the industry then. That would have been to do with logging contractors rather than people such as yourself because you are obviously part of the industry, quite clearly. Were you ever made aware of that?

**Mr HARRIS** - No.

**CHAIR** - So we have some idea of the scale, how many roading contractors like you are you aware of that would operate?

**Mr HARRIS** - Peter, I'd have to go back and write a list.

**CHAIR** - Ballpark? Are we talking about dozens or 30?

**Mr HARRIS** - Yes. Bear in mind, some came and went as required, but there'd be 30, probably more. You didn't only have us, you had the fellas with the machines that formed the roads, it went on and on. You had the people who built the bridges. There was a lot that relied on us. Then you had the maintenance crews that used to keep the maintenance up to the roads, as in cleaning drains out. It was basically endless.

**CHAIR** - You were a Gunns contractor predominantly but did some FT work and there is quite a supply chain that flows from this, everybody can see that. You cannot cut a tree down unless you have a range of people who have done a range of things. Was anybody talking at any time to the people who were not contractors in the bush relative to your business? Was it FT? I can try Dick Adams, I suppose, but was there anybody else that you talked to?

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**Mr HARRIS** - Only my Gunns supervisor who's been a big help, but basically with all the other stuff that was going on in my life at the time, I just walked away from it and thought I'd put it down to experience. I didn't have much choice, Peter.

**Mr BOOTH** - Anton, apart from trying to sort out the mess that's been caused, what is your view as somebody who has been in the industry and not in it anymore in regard to what level of interference in the industry the government should get involved in, or should they just leave it to the dog-eat-dog reality of the capitalist system to sort it out? How do you think the industry can operate in a global marketplace?

**Mr HARRIS** - How long is a piece of string? Personally, because I'm out of it now, I don't have much interest in it at all since I have been bitten hard by it. I don't think I can really answer that question, Kim.

**Mr BOOTH** - If you can't answer it, that is fine.

**Mr HARRIS** - I'm pretty bitter, along with hundreds of others.

**Mr BOOTH** - But if there had not been assistance made to certain people in the industry in 2010, what would it have looked like for you if you had tried to remain in the industry? If there had been no exit assistance so that you were competing on a level playing field with everybody else, would you have been able to survive?

**Mr HARRIS** - Not with the demise of Gunns or that industry because we were set up specifically for that industry.

**Mr BOOTH** - By Gunns with the contracts?

**Mr HARRIS** - Yes, but bear in mind that we didn't have contracts.

**Mr BOOTH** - No.

**Mr HARRIS** - What do you do? Do you spend another heap of money so you can survive out on the highway? A lot of people couldn't do that either. That is very competitive.

**Mr BOOTH** - The same thing could happen, hypothetically. With the transport industry, for example, if you get overcapacity or the market is down, the government steps in and pays out certain people who are then able to compete in another industry sector that might be viable but becomes unviable because there's a whole lot of free gear around.

**Mr HARRIS** - Because there is a flood in the market, yes.

**Mr BOOTH** - Do you have a general comment in that regard, whether the government should completely keep out of the way?

**Mr HARRIS** - No, I don't think they can keep completely out of the way, but they need to make it fair. That is probably why everyone is here trying to sort it out. The way it was done was very unfair because it seemed to favour the people who were doing all right, but it didn't favour the little fellow.

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**Mr BOOTH** - It is interesting what you said about Dick Adams. I wrote to DAFF in approximately 2010 on that exact point, that it was unfair and roading contractors and other people should be eligible for the same sort of assistance. He was well aware of it but apparently did nothing.

**Mr HARRIS** - In my case he didn't.

**CHAIR** - Anton, is there anything else you would like to say?

**Mr HARRIS** - Just thank you for letting me have my say.

**CHAIR** - Thank you very much, Anton. I remind you again of the issue of parliamentary privilege. I am not going to make a judgment as to whether anything you have said is defamatory, but be mindful of the fact that if you repeat statements outside you do not have parliamentary privilege.

**Mr BOOTH** - Just a clarification - I wrote to Bryan Green, not DAFF, on 3 December 2010.

**Mr HARRIS** - Obviously we know the outcome of that.

**THE WITNESS WITHDREW.**

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**Mr ALLAN HOUSE** AND **Mr DAVID BESSETT** WERE CALLED, MADE THEIR STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - Gentlemen, for the benefit of *Hansard* can I ask that not too much discussion goes on because it is difficult for them to pick up everything that is going on.

Allan and David, before we start, thank you for coming along. We have Rebecca White on the phone, Matt Groom, and I am sure Kim Booth will be joining us shortly. Before we take your evidence, I need to read to you some matters in regard to the conduct of the committee and parliamentary privilege.

Thank you for appearing before the committee. Have you received and read the guide sent to you by the committee secretary, a copy of which is on the table?

**Mr BESSETT** - Yes, I have.

**CHAIR** - A committee hearing is a proceeding in parliament. This means it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of parliament. It applies to ensure that parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you if statements that may be defamatory are repeated or referred to by you outside the confines of the parliamentary proceedings.

This is a public hearing. Members of the public and journalists may be present and this means your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private, you must make this request and give an explanation prior to giving the relevant evidence.

**Mr BESSETT** - That's not necessary.

**CHAIR** - Again, in regards to questions that may be asked, if you felt that you wanted to have the answers provided in private, the committee can consider that and if they agree then you can give that part of the evidence in private.

I want to quickly refer to the terms of reference of the committee. The House of Assembly has appointed a select committee to examine issues arising from the implementation of the voluntary forest industry exit program with the following terms of reference:

1. To inquire into and report upon exit packages for the forestry industry, including the Tasmanian Forests Intergovernmental Agreement - IGA - voluntary exit programs, specifically -
  - (a) the development of the rules of the program;
  - (b) the application of the rules throughout the process;

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- (c) the concerns raised in the Australian National Audit Office report into this matter in relation to the administration and delivery of the program of grants;
- (d) the outcomes of the exit program and the impacts on the participants and the remaining industry;
- (e) any government agencies involved in compliance with rules and requirements of support in voluntary exit programs; and
- (f) any other matters incidental thereto.

With that said, I welcome you both before the committee. We have received your letter, Allan, and we have your submission, David, but I will pass it over to you now if you would like to make some opening remarks or talk to any part of your submissions you may wish to.

**Mr BESSETT** - First, I would like to thank you for the opportunity to come before this inquiry. I think that's important. I'd like to state my position. I'm not a member of a political party, I'm not a member of a trade union. With respect, Matt, I don't have the slickness of tongue of a solicitor and I come as an individual representing Allan on two grounds. He has been crook quite recently, come out of hospital, today he is not well so I will do most of the talking if that's okay but I'm sure he is able to answer any questions.

More importantly, I'm here because I believe that he is in a terrible financial situation as a consequence of forest operations. He is not here because of the IGA itself - if I can just simplify, I don't want to use 'the IGACEP', but if I could use that term collectively - he is not in this position because of the IGA, but the IGA could well have been a lifeline which has prevented him from getting into this position that he is now in.

I'm not suggesting for a moment the IGA is responsible for his situation. Allan is a man who is one of the longest serving forest operators on the north-west coast. He and his father have been in the forest for - Allan goes back 50 years. He was a supplier to APPM. A lot of this information is in the submission, if you'd like to follow that through. They were supplying logs to APPM, which was a major player in the development of the north-west coast. Many, many good things came as a consequence of APPM. I was working for that company for a long time myself.

Allan has a history of long-term involvement in forestry. As a consequence of the turmoil in the forest industry, decisions have been made by employers and others, which have led to the great demise of the people who work in the industry. Many people have come out of this situation financially destitute. I don't know whether some of these people are present here, but certainly Allan is. He is in a situation where he not only owns nothing, including a house, but he also owes many, many thousands of dollars because all of his equipment has been repossessed.

When I saw the IGA and the associated matters, I thought this is a lifeline that can help this man get out of this absolute financial mess that he is in. I have been acting sort of on his behalf when I examined his situation. He gets constant letters from creditors, he is harassed with phone calls, he gets lawyers' letters, two from the same firm in the last

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week, and it's just frankly I don't know how he hasn't gone over the edge. I'm here trying to see if he can get some kind of justice out of this whole system.

The only grounds on which I believe he failed to qualify for an exit payment was the fact that he worked in private forests. As I have pointed out in the submission, what was happening, because he worked in private forests, the delivery of logs were going to the same destinations, in effect, as what they were coming off public forest operations - exactly the same situation. These people were qualified for exit payments, but because he didn't qualify for that one point, he was ineligible. That, to me, is a gross injustice because the destinations were the same. They were going to Ta Ann or to sawmills for processing of boards and specialist timber or they were going to mills that chipped it and finished up at Gunns.

The other point of contention is that there have been situations raised where the initial payments, to my understanding, only applied to people who were suppliers to Gunns, but somewhere down the track - if my information is correct - the rules were changed and people who didn't supply to Gunns were also given exit payments. You may well have better information than I, but it also seems that some people who did not make application at all were granted exit payments by the federal government component of the IGA process.

When you look at other situations - again, Allan knows of some situations, but given the Australian way he doesn't want to dob mates in, but clearly it seems some of the people who have received exit payments have received the money, gone back into operations in the bush under another name or in a different capacity, and they have received exit payments. They have the money, they still have their work and they still have their assets. Totally different to Allan's situation, where he has lost all his assets - all of them have been repossessed, he's got no money and he's destitute. This situation is grossly unfair. Here is a man who has been living comfortably by way of the bush operations and, through no fault of his own, the operation has suddenly ceased.

One thing you don't have is a letter on his behalf that I would like to table. May I read this? This is a copy which I will give you anyway.

**CHAIR** - Yes.

**Mr BESSETT** - In September 2010, Allan had been working since 2008 as a logging contractor at Britton Brothers and it says in paragraph 3:

From April to August, Allan has been earning between \$20 000 and \$35 000 per month ex-GST. We would expect his monthly production to remain stable in the \$25 000 to \$35 000 range for the remainder of the current year. The demand for sawlogs remains strong and stable for a longer term. We foresee no changes in the current marketplace.

This is in September 2010.

**Mr BOOTH** - From Britton Brothers?

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**Mr BESSETT** - From Britton Brothers, and there is a copy I will leave with you. So that was September 2010. On 16 November 2011, we received a letter from the same firm, Britton Brothers, via an accounting firm acting on behalf of Allan at that time, which said:

The pulpwood received from private native forest was supplemented with our sawmill residues and supplies to Gunns at export woodchips. As a direct result of the collapse in the woodchip exports from native forests, Gunns ceased taking woodchips from us on 27 December 2010. This resulted in Britton Brothers having to wind back AW and MA House production to nil volumes immediately.

I want to point out what this implication is. Here is a man who has, on average, been earning \$30 000 a month, \$360 000 a year, who suddenly had his income cut off - blunt, finished. As a consequence of that, with the turmoil which was currently going on in the forests at the time - and we are all aware of that - Allan could not find other work. You can imagine if you are earning \$350 000 a year, it is not unusual for people to invest in machinery, et cetera, and to commit themselves, believing on the basis of the information of the first letter that he had three to four years' work in the operations he was currently then involved in.

As well as that, just preceding the information he received in this letter, he was working in another area, a private property, also belonging to Britton Brothers, in the Cradle Mountain area in mid-winter freezing conditions and the tonnages which are contained in the other letter in 2010-11, he was supplying over 13 000 tonnes, excluding that which came from the area up near Cradle Mountain, so it is not too difficult to assume that his future was assured. But suddenly comes this letter out of the blue, preceded by a phone call when he was up at Cradle Mountain, saying, 'Your services are no longer required.' Where does that leave a man? He has all this equipment. He has had his dozer reclaimed, his excavator reclaimed, his Nissan Patrol reclaimed, his family caravan reclaimed and he has absolutely zilch and yet he is harassed continually by all these situations. This is not the cause of his dilemma but it is a consequence of not being granted a lifeline through the IGA.

The IGA was meant to reduce the numbers of logging contractors in the bush because, rightly or wrongly, people felt that the forest industry needed restructuring, and that is a fair enough comment, but now we find as a consequence that there are too many people who have exited the industry and they do not have enough contractors to fulfil the sawmill requirements that the sawmills need in the state of Tasmania. The consequences of the IGA have been very badly managed.

Did the people in the federal institution get it wrong when they didn't check on people being paid maintenance, even though they did not make application? Have people gone back into the bush under a different identity or a different model of operation? Yes, they have. Allan, I would imagine, like most Australian bushies, is not going to dob in a mate, but this is happening. We can look at the causes of the problems in the bush. There is no question the downturn in woodchip markets overseas has had a big effect on forestry operations. We cannot sell chips overseas at the same price and in the same quantity.

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The other thing that has happened is that there have been, rightly or wrongly, bad managerial decisions by Gunns in not foreseeing they could have handled things differently. There have also been the continual protests in the forests by the greens and bad-mouthing of Tasmanian forests by green representatives of people who would normally sell to overseas markets. These are, I believe, facts of life. With respect, Kim, this is how I see the situation. This is what led to the development of the IGA. As a consequence of these problems we have in the bush, something needed to be done. We had a long, cooperative situation where representatives met and tried to come up with a formula. The reason behind the IGA was that those logging contractors who decided they were going to leave the industry would be compensated financially and the carrot for the Greens was that they would receive a big expansion of the forest reserves. I believe most Tasmanians understand what the situation is.

I have my own conclusions. The forest industry has been of great benefit to the state of Tasmania financially. As far as I know, there have been 13 major inquiries into the industry and all have found that the industry is sustainable, though not without fault. The instability and uncertainty that still remains in the forest industry, without reflection on any political party, unquestionably has direct political implications for the present government. If the Labor-Greens accord fails, so will the government. It was an opportune time for the Greens representatives in the Parliament of Tasmania to seize the opportunity while the circumstances were favourable to gaining extra forest reserves, and that is understandable given their political position. It is also clear, as I have outlined, that it is the combination of events that have led to the ultimate IGA.

I have covered most of the points during my submission here, but I will willingly answer any questions if it is within my power to do so.

**CHAIR** - Thank you for that respectful overview of the different political positions that are being placed. Allan, I know you are not feeling the best, so rather than going back and looking at the outcome you find yourselves in right now and talking about some of the more difficult decisions you've had to make, I would be very interested in what you think needs to happen now?

**Mr BESSETT** - As to some of the things that need to be done first of all, for all those people who have received payments who should not have for any reason at all, I would suggest all that money should be recouped.

**CHAIR** - As a result of the Senate inquiry I understand that 18 claims have been referred for investigation. I am not sure of what the outcome may be, but having read the Senate report again last night, I know that 18 referrals of grants to the appropriate authorities to look at to see whether or not they have been received honestly and fairly, as per the rules of engagement, is underway.

**Mr BESSETT** - Thank you for that. This is information I have not been privy to and this is why I have had to tread carefully with it. I am not sure just what has gone on behind the scenes to rectify the inadequacies that the IGA has brought. The other matter is whether any investigation has been commenced as to people who have returned to the forest under another identity?



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**CHAIR** - I understand as part of the concerns raised during the Senate process that a number of those circumstances are currently being investigated again. At this stage I am certainly not in a position to comment because I have not seen the outcome of those investigations. What you have raised again today has been raised by a number of other witnesses as well and has certainly been talked about in the press of late in regard to the circumstances some people have found themselves in, and I understand they are being looked at.

**Mr BOOTH** - If I can ask for clarification - and thank you for what you have said so far - in your submission on page 3 you actually have some recommendations and you seem to have been following that in talking to us. You have started now talking about the matters that you think should be taken into account now and it seems like that path there would be worthwhile if you wanted to refer to that because you made the point that all contractors who did not apply but received an exit payment should be required to repay the money immediately into a reserve fund, and all contractors who were paid exit money and have returned in any capacity to forest operations in Tasmania should be required to repay the money into the same reserve fund. Do you want to expand on that?

**Mr BESSETT** - The thinking behind that, Kim, is this - is it all right if I call you Kim?

**Mr BOOTH** - Yes, of course, I've been called worse', I can tell you.

**CHAIR** - Whatever you do, don't butter him up.

**Mr BESSETT** - The idea was that if money has been paid out and it should not have been, recoup that, put it into a fund and give it to the people who are in Allan House's situation - and there are probably others in this room who are too. The whole purpose was that nobody should come out of this process adversely. If you are going to take people out of the forest operations to reduce the numbers to sustain the industry, then nobody should be disadvantaged. The money that has been recouped from the sources where they shouldn't have gone, put that into a pool and give it to the people who have found themselves in the situation that Allan has.

If it is necessary to change the rules to include people who have worked in private property operations where the deliveries have gone to exactly the same places as the public, a boundary fence should not decide whether it is fair or not. They have worked in exactly the same conditions, the destinations have been the same, and so on. What I am saying is that this money that has been already paid out should be recouped and at least some of that distributed to these people who have been disadvantaged.

**Mr BOOTH** - David, to be clear, are you saying that you know of contractors - you are aware of what is going on in the industry - who did not apply but still received exit payments?

**Mr BESSETT** - I do not know the names of people and I can't go on hearsay, and I'm not prepared to do so, but there are too many people within the industry who know of people who have returned under another identity, and that may well have already been said by others and it may well be said by others to come.

**Mr BOOTH** - Are they the ones who did not apply and have received exit support?

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**Mr BESSETT** - Yes.

**Mr BOOTH** - As well as that you make the point that all contractors who were paid exit money and who have returned in any capacity to forest operations should be required to repay the money, so you are aware of contractors where that has occurred, where they did apply, received an exit package and have returned to the industry?

**Mr BEST** - Yes, I am.

**Mr BOOTH** - I am not asking you to name them but if you want to you can, but could you just give us a general comment in regard to what extent that has occurred and how that has affected Allan?

**Mr BESSETT** - I have recently heard, even today, of some logging carters, for instance, who have changed the name on their trucks and gone back into the industry. Others have taken the identity of the company they are working in and put it in family members' names under another identity. This is the sort of thing that I am talking about, but I can only go on what has been told to me and if I had to name names and say with authority 'This is a fact', I can't do that.

**Mr BOOTH** - There is an audit process happening, I think, through the federal government, but I am interested in a general sense broadly across the contracting landscape that is happening to your understanding, and that is all I can ask of you.

**Mr BESSETT** - All I can say is there is certainly evidence that this has happened. How widespread it is I don't know. I guess in life in general most people play by the rules but there is always a minority that is not going to.

**Mr BOOTH** - So you have seen people who you know were in the industry and received an exit payment and who are now ostensibly doing the same thing in the industry?

**Mr BESSETT** - Yes. As to their personal circumstances, I don't know enough about that.

**Mr BOOTH** - No, but they are still there and they were paid to get out.

**Mr BESSETT** - Yes, sure. They're working in the forests.

**Mr BOOTH** - How would that have affected Allan given his circumstances if those people had not come back into the industry? Would Allan's position be any better?

**Mr BESSETT** - All I could say to that is that Britton Brothers which was employing him at the time would be the best one to answer that question because his services were terminated abruptly. So he has gone from \$350 000 a year to nil. I don't know if Britton Brothers would have changed its decision had Gunns' situation been different.

**Mr BOOTH** - Is anyone doing Allan's work for Britton Brothers now that you are aware of or do you think the volume has disappeared?

**Mr HOUSE** - I think Northrop has it as far as I know.

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**Mr BOOTH** - Are they a contractor who got a payout?

**Mr HOUSE** - No.

**Mr BOOTH** - But they have been given the volume that Allan once had?

**Mr BESSETT** - Yes.

**Mr HOUSE** - I think Northrop is on crown land, not on Britton's property.

**CHAIR** - In looking at possible solutions in the future, could you give an indication, if you are comfortable doing it, of what amount you were left owing at the end of the day? What amount would have paid your debts and loans out and allowed you to have at least retained your assets and not had to sell them in a fire sale? How much money would have at least left you clean?

**Mr GROOM** - How much was owing?

**Mr BESSETT** - Are you asking how much is he in debt?

**CHAIR** - Yes. Turning over \$350 000 a year, would you have owed \$100 000, \$200 000?

**Mr BESSETT** - About \$220 000.

**CHAIR** - And the circumstances now after the sale of assets?

**Mr BESSETT** - That is what his situation is now. He's somewhere between \$200 000 and \$250 000 in the red.

**Mr BOOTH** - Could I ask, Allan, when you were advised on whatever date it was by Britton Brothers that you were no longer required, did they just drop the axe on you immediately? Were you given any period of time to unwind?

**Mr HOUSE** - I was up at Cradle Mountain and got a phone call to just clear up and finish up and get out.

**Mr BOOTH** - How soon after that did Northrop take on the contract?

**Mr HOUSE** - I was talking to Glenn in February this year and he said he was working for Britton Brothers.

**Mr GROOM** - How long had you been doing contract work with Britton Brothers?

**Mr HOUSE** - Three or four years.

**Mr GROOM** - And before that, Gunns?

**Mr HOUSE** - I was out on private property - about 30-odd years on crown land with APPM.

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**CHAIR** - As I understand it, the circumstances are that as a direct result of Gunns' exit from native forest and their reasons, whether it was the price they could get for chips or whatever, you lost your position because you were contracting for Britton Bros and Gunns was taking the chips from Britton, but as a result of your being on private land, you were not eligible to even apply for an exit package?

**Mr HOUSE** - That's what I was told, yes.

**Mr BOOTH** - To clarify that, the same volume was then undertaken by Northrop, was it not? Post you being told they did not need the wood anymore, they put somebody else on subsequent to that?

**Mr HOUSE** - I don't really know, but five days after talking to him he was working for Britton Bros. I think it was on crown land.

**Mr BOOTH** - Did they offer you a reduced rate or anything? Was it as a result of rates, that your rate was too high? Did they get a cheaper contractor?

**Mr HOUSE** - They supplied the rate to me; I had no input into it whatsoever.

**Mr BOOTH** - The point there would be whether in fact exit payments and an overcapacity as a result of people who did not have to pay for their gear anymore meant that the prices they were paying were unsustainable for people who had to pay for their gear. Is that something that happened to you, do you believe? If not, say so.

**Mr BESSETT** - In conversation with Allan I know they got good value for money at the rates they paid him.

**Mr BOOTH** - Presumably then there was a lower rate they paid this next bloke?

**Mr BESSETT** - I don't know. I'm not in a position to know that.

**CHAIR** - Coming back to your submission, there is some other money that could be on the table this year for contractor exits. I note you have made a comment about what you believe should happen there. Do you want to expand on that? You have dealt with the people who have received money when they shouldn't have and what should happen to that, but what about extra money being available?

**Mr BESSETT** - If there is extra money, could you clarify this point for me? On my behalf, someone has got two lists of payments off the internet. One was under the heading 'Tasmanian Forest Intergovernmental Agreement - Contractors Voluntary Exit Grants Program', with the relevant website named. All of those totalled \$46 million. There is another one under the heading 'Tasmanian Forest Contractors Exit Assistance Program - aimed to reduce business overcapacity in Tasmanian native forests and haulage contracting sector' - and that totals \$18 million. I have checked through the lists and none of the ones on the lesser list appear on the big list. Have there been two separate payments already?

**CHAIR** - Yes, there has been. Prior to the federal election in 2010 both major parties agreed to a \$20 million forestry exit restructure. I believe the total payment was around

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\$22 million with GST and then there was \$4 million, from memory, that was put into some infrastructure at the Burnie port.

**Mr BOOTH** - No, generally fuel subsidies, I think, Peter - \$17 million went to exit contractors and \$4 million-odd went to fuel subsidies.

**CHAIR** - So that is the \$18 million on the first list, and that was the first round. Then, as a result of the forestry IGA, there was a further \$45 million.

**Mr BESSETT** - Excuse me, the first one was paid when?

**CHAIR** - It became available in 2010, from memory. That was the first one.

**Mr BOOTH** - They were paid out in 2010 at some stage.

**Mr BESSETT** - Thank you for that. I wasn't sure why there were two things in the pipeline.

**CHAIR** - That was one and then there was a second one for \$45 million.

**Mr BOOTH** - It was in the 2010-11 financial year.

**Mr BESSETT** - When was the second one paid?

**Mr BOOTH** - That has just recently been paid out. They are the latest federal payments that have been occurring over the last few months and that is what the Senate inquiry has been about.

**Mr BESSETT** - So in 2013 that would have been paid?

**CHAIR** - I am trying to think. It would be 2012-13.

**Mr BOOTH** - No, 2012.

**Mr BESSETT** - Thank you for that. I couldn't make the connection between the two.

**CHAIR** - I think most of those payments were finalised by around August or September last year.

**Mr BESSETT** - Going back to your original question regarding future payments, I would strongly argue that private property contractors who wanted to leave the industry who had made an application should at least be considered. If this means 'will' change, so be it, but they at least should be considered because in Allan's case, he has been working in the industry for 50 years and to go out this way is an absolute disaster. The man is history, to say the least. Surely it is not too late to make this change if there are future payments in the pipeline. I would strongly advocate that private contractors also be included in future exit payments.

**Mr BOOTH** - You make the point somewhere in your submission, David, that an exit payment would only pay off his creditors anyway because of the situation he is in.

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**Mr BESSETT** - Exactly. What I have done on his behalf is written to all his creditors, the major ones, asking them for a stay of execution, as it were, until I see what is eventually going to happen with your committee of inquiry and future payments. I can tell you, these blokes are pretty aggressive. Some of the information he has been getting is completely over the top. He doesn't answer his phone during the day because the poor bloke has been driven off his head with creditors phoning him up and saying, 'We want your money'. Where can he go, he's got nothing to give?

**Mr BOOTH** - The creditors who lent him money obviously extended loans on the basis of some sort of business case he provided to them.

**Mr BESSETT** - My understanding is there is money owed on his machinery, his machinery has been repossessed and sold off and they have just debited him with the balance.

**Mr BOOTH** - Yes, but to borrow the money in the first place, he must have had some sort of business case to take to them. You can't just walk into a bank and say, 'Give me \$200 000', you have to produce some documentation. Did he rely on the letter from Britton's that you mentioned before?

**Mr BESSETT** - They only had to have a look at his income. If he was earning \$350 000 a year, most financial institutions are prepared to lend people money on that basis. He has a lot of money coming in, therefore we can loan him x amount of dollars, but that would be information, I suppose, between the financial institutions and Allan. I'm not sure what requests they made.

**Mr BOOTH** - But Allan could perhaps confirm. When you borrowed the initial money that got you into the problem you have now, it was on the basis of the representations made to you by Britton Brothers at that stage?

**Mr HOUSE** - Yes, I took that letter down to them.

**Mr GROOM** - When was that? What was the most recent point at which you undertook a further reinvestment in equipment?

**Mr HOUSE** - The last one was a work bus and I only had it six months and that went.

**Mr GROOM** - When would that have been?

**Mr HOUSE** - Last year sometime - I couldn't really tell you.

**Mr BOOTH** - But in 2010, I think you said somewhere here, you had the letter from Britton Brothers and then in 2011 Britton Brothers abruptly ended your contract. Is that correct?

**Mr HOUSE** - I reckon about four months after the payout - that's when everything went.

**Mr BOOTH** - I want to make a general comment in terms of the effect on other sections of the industry. You were a logging contractor and carting wood to a mill, but there are other people like roading contractors, for example, who didn't meet the eligibility criteria, right through to the tyre suppliers and mechanics and so forth. Do you have a view in regard to the effect of both of the two tranches of payouts as to whether they

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were fit for purpose, whether the schemes were well conceived or ill conceived and if not, how they should have been done?

**Mr BESSETT** - Do you specifically mean the IGA?

**Mr BOOTH** - There are the two payments really. You mentioned that it was due to the IGA but it is simply the methodology behind the payouts. You have mentioned people who were ineligible because they weren't working on crown land, for example, but more broadly across the forest industry it is a lot more than just the people who are logging contractors.

**Mr BESSETT** - Exactly. My response to that is that when a scheme like this is implemented all the associated fields should be taken into account. It is not just the people working in the forest driving an excavator, bulldozer, harvester or something like that. A scheme of this magnitude, where you are restructuring an industry as big as the forestry industry is in Tasmania, has to take into account all the peripheral associated things as well, such as the people who maintain the roads.

One of my great concerns right now is that in the state of Tasmania with so many people exiting the forests, if we have major bushfires, who is going to come to the rescue? The expertise has gone, the contractors have gone, the machinery has gone, and if we have major bushfires in this state we have a real problem because the people who are used to working in this area are the experts. Provision has to be made for supplementary services. Do we build up our fire service and country fire brigades as a consequence of this, and what equipment do they have? It is not just a matter of associated people like truck drivers who continue to build and maintain roads and things like that, but the associated services. As we all understand from the catastrophic bushfire events in the south this year, we know how necessary this is.

These are considerations that should have been made in conjunction with these payouts. Let us not jump in too quickly. From my own point of view, with respect, once the supposed agreement had been made, the implementation of the IGA was a very hasty necessary action thereafter to placate everybody within the industry. Now we find that consideration had not been given to the idea of what if too many people applied and where that leaves us. Our sawmills now are not getting enough logs because there are not enough contractors to produce the logs to fulfil their contracts.

When you are implementing a scheme of the magnitude of this, you have to really sit down and follow all these areas through - 'What about this and what about that?'. I believe that has not been done. Maybe the understanding from the federal government authorities has not been sufficiently understood as to what effect it was going to have on Tasmania.

**Mr BOOTH** - I appreciate very much the evidence you have given and also the standard of it. I mentioned to Matthew earlier on that I think you are doing an excellent job and being an excellent advocate for Allan. What is your involvement in the industry? Are you just a friend of Allan's making a submission for him?

**Mr BESSETT** - I am just a friend of Allan's; my son happened to mention this man's dilemma.

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**Mr BOOTH** - But you are not in the actual industry?

**Mr BESSETT** - No, I'm retired.

**Mr BOOTH** - I just wondered whether you were involved yourself as well.

**CHAIR** - David and Allan, is there anything else you would like to say before we wind this session up?

**Mr BESSETT** - No, only that I am grateful to be given the opportunity to be able to come and on behalf of Allan try to represent him because I believe a gross injustice has been done here with him and with some other people as well. I welcome the opportunity to come before you and to state his case and I am very grateful for that, otherwise people like Allan would not be heard, so thank you.

**CHAIR** - Thank you on behalf of the committee, and may you get better.

**Mr HOUSE** - Thank you very much.

**THE WITNESSES WITHDREW.**



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**Mr NOEL DESMOND JACKMAN**, UNITED LOGGERS, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Gutwein) - Noel, I must read a statement before you provide your evidence. First, thank you very much for appearing before the committee today. I need to reiterate some important aspects of that document which I presume you have received from the secretary in regard to matters of privilege.

**Mr JACKMAN** - Yes.

**CHAIR** - A committee hearing is a proceeding of the parliament which means that it receives the protection of parliamentary privilege. This is an important legal protection and allows individuals giving evidence to the parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of parliament. It applies to ensure that parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not afforded to you if statements that may be defamatory are repeated or referred by you outside the confines of the parliamentary proceedings. This is a public hearing. Members of the public and journalists may be present and this means your evidence may be recorded. It is important that should you wish all or part of your evidence to be heard in private you must make this request and give an explanation prior to giving that relevant evidence.

I will refer to the terms of reference as I have with each of the witnesses. This select committee is to inquire into and report upon exit packages from the forest industry including the Tasmanian Forests Intergovernmental Agreement voluntary exit programs. Specifically, the development of the rules of the program; the application of the rules throughout the process; the concerns raised in the Australian National Audit Office report into this matter in relation to the administration of and delivery of the program grants; the outcomes of the exit program and the impacts on participants in the remaining industry; any government agencies involved in and compliance with rules and requirements and support in voluntary exit programs; and any other matters incidental thereto.

Here on the committee we have Mr Booth, Mr Groom, myself and Rebecca White on the phone. Noel, if you would like to make an opening statement you have the floor.

**Mr JACKMAN** - Thank you for the opportunity to come here today. I have been a contractor since 1966 as a sawlog contractor only. I later went on to work for Tasmanian Pulp and Forest Holdings, an integrated chipwood operation, and that has been right through until March 2010, when the contract was terminated. I did have an evergreen contract and was always to renew 12 months before it ran out and Gunns decided that they didn't want to renew it because of what was going on at the time. We stuck with the union to close the industry down. I'm totally convinced that both the Liberal and the Labor governments are totally responsible, and the Greens, for where the industry has gone to today.

The deregulation of cart licences was one of the issues. The lifting of the export quota was another issue. While it had those things with the industry, it had some form of

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control. In 1996 I went over to be a DFC contractor, where a group of us went over from Tas Pulp and it was more or less put together to harvest sawlogs for the sawmills. They called it the Derwent Forest Company. A lot of the sawmills were shareholders as well as North Forest Products. It originated back in Tas Pulp and Forest Holdings' days. Then Gunns bought North out and then it all just went downhill. The last two years I worked they wouldn't even pay the CPI. That's where it's at.

**Mr BOOTH** - Was that 2003 you are talking about there, or 2002?

**Mr JACKMAN** - Yes.

**CHAIR** - Can I bring you back to the terms of reference and to the forestry exit payouts? In 2010 your contract with Gunns wasn't renewed?

**Mr JACKMAN** - It ran out in December 2009. They would not renew it because there were things beyond control of the people who I dealt with. This thing was on the table well before it got out, as you know and I know. Jane Calvert was one of the main instigators of it from the union, but she didn't consider all the people that were going to get screwed over.

**CHAIR** - Then after Gunns not renewing that contract, were you in a position where you could apply for that first round of exit grants?

**Mr JACKMAN** - No. The way the legislation was written, and really as it sits at the moment, whoever wrote the legislation didn't abide by the rules. The rules were: you had to have a zero quota, so therefore no Forestry contractor was eligible. It quite clearly said you had to have a zero quota. Then you had to have either a contract or an arrangement as at August 2011. I couldn't comply.

**CHAIR** - Which exit process was this that we are talking about?

**Mr JACKMAN** - The second one, not the first one. I applied for the first one.

**CHAIR** - Okay, that's the question that I was asking. You did apply.

**Mr JACKMAN** - Yes.

**CHAIR** - And on what basis did they look at that? Did you receive money or not?

**Mr JACKMAN** - No.

**CHAIR** - On what basis didn't you receive money? On what basis did they say that you were declined?

**Mr JACKMAN** - They just wrote back and said that I wasn't eligible for it.

**CHAIR** - Did they provide any reasons for that?

**Mr JACKMAN** - No, no reason whatsoever.

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**CHAIR** - And the second process?

**Mr JACKMAN** - I couldn't apply, there was no point because I could not fit the guidelines.

**Mr BOOTH** - Noel, you said you had to have a zero quota. Can you expand for the committee's benefit what you mean by that?

**Mr JACKMAN** - Gunns had to issue the contractor with a zero quota or a letter to say they had a contract or an arrangement. As I say, Forestry contractors did not have a zero quota, they still had ongoing work. It might have been at a reduced rate but they still had sawlogs, peelers, Hydro poles, different grades of sawlogs, so they did have work.

**Mr BOOTH** - Are you saying that the moneys were paid out to people who did not meet the criteria because they still had work, they were Forestry Tasmania contractors?

**Mr JACKMAN** - Yes, totally. The ratio was at \$35, 2:1; \$24 for a harvester, if you were a harvester only and \$12 if you were a transport contractor only. I can name plenty of owner-driver truck owners who were paid out the \$35.

**Mr BOOTH** - Who only had a transport quota?

**Mr JACKMAN** - Yes and were paid out the \$35.

**CHAIR** - Was that in the first round or the second round?

**Mr JACKMAN** - Second round. I don't know anything much about the first round but I've really looked at the second round, big time.

**CHAIR** - What is your view on the basis that the initial discussion that was had was all about arriving at a package to move Gunns contractors out and then, by the time it got to the second package, with the 50 per cent requirement for logging on public land, that it then became very much FT only? What is your view about how that shift occurred when it was the Gunns contractors who bore the brunt in the first place?

**Mr JACKMAN** - Are you saying, why did that include Forestry contractors?

**CHAIR** - Why was there a shift to where FT contractors were the ones?

**Mr JACKMAN** - To be included?

**CHAIR** - Yes.

**Mr JACKMAN** - I reckon all the Forestry contractors were broke because they had just suffered many months of very low quota, and to save the embarrassment on their behalf, we'd better include these fellows.

**Mr BOOTH** - Is this the Forestry Tasmania contractors, people contracted to them, you are saying that the whole payout thing was subverted and transferred to pay out Forestry Tasmania contractors to avoid embarrassment to who, to Forestry Tasmania?

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**Mr JACKMAN** - Yes, Forestry Tasmania. In 2008, and here are the documents and you are quite happy to have them, I was assigned to go over to Forestry Tasmania as a contractor. What they tried to do was rearrange the whole contract from what I had with Gunns into a new contract.

**Mr BOOTH** - Is that because you became a mill-door contractor for Gunns?

**Mr JACKMAN** - I was always a mill-door contractor, I did the whole lot. The assignment was supposed to take place. There were six contractors. They took over four. Gunns kept another contractor on in the Derwent Valley, not with a contract but just as an arrangement type of thing and I had to go off. But the reason why Gunns wanted these contractors to go over was that Forestry wouldn't supply the wood to keep those contractors going. They wanted to have those contractors, so they had more of a hold on the business to supply the wood to Gunns and not just supply the coupes. That's what was really behind it.

But if you step back a little bit, when Gunns took over and bought the industry, when they had a monopoly on the industry, they really cut Forestry Tasmania off, apart from just a supply of sawlogs for their own mills, probably because they had spent such a lot of money and they had so much freehold. They put a lot of contractors off state forest onto Gunns' own freehold probably to save a bit of money. That was one option.

But the second option was, I totally believed, Gunns wanted total control of state forests and this was the way how they thought they could back Forestry into a corner and slowly force them out. It wasn't very long down the track that Paul Lennon virtually handed over native forests to Gunns, didn't he, and then it all went pear-shaped.

**CHAIR** - With these things occurring in the industry - and I want to keep coming back to the terms of reference and the payouts and where we have ended up - you said that in 2009 people knew that things were afoot, that things were starting to happen and you said that Jane Calvert, was her role then in the CFMEU?

**Mr JACKMAN** - Pardon?

**CHAIR** - Was Jane Calvert then in the position that she was with the CFMEU?

**Mr JACKMAN** - These things started well before then.

**CHAIR** - Can you just explain what you mean by that?

**Mr JACKMAN** - Obviously, there was a deal done behind closed doors. Gunns was in a very bad financial position, as we all know. If they get some funds together they can get rid of logging in native forests, which the Greens wanted, but Gunns got paid out a heap of money by the state government at all of us people's expense.

**CHAIR** - I presume you are talking about the \$23 million payment that was made to Gunns?

**Mr JACKMAN** - Yes. But if you put that into real calculation, you times that by four.

**CHAIR** - Do you want to just explain that?

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**Mr JACKMAN** - For any business the ratio is 1:4, isn't it?

**CHAIR** - It depends which ratio you are talking about.

**Mr JACKMAN** - As in: if I buy a truck I need a quarter to pay the payment, a quarter for the fuel, a quarter for R&M and a quarter for myself. You really times that by four. When you analyse the big picture, look at all the money they've got.

**CHAIR** - In stepping through that, then, and if there were an arrangement as you said and things were put in place, Gunns got their payout and then there was the original initial \$20 million payment that went to contractors.

**Mr JACKMAN** - No, forty -

**CHAIR** - There were two. There was one initially of \$20 million, of which \$17 million went to contractors, and then the further one of \$45 million. How would you like to have seen that dealt with?

**Mr JACKMAN** - To deal with it properly, why didn't they abide by the guidelines that DAFF and the TFCA put out? If they had abided by the guidelines and it also said in the guidelines that if you were trading insolvent or you were in bankruptcy, you weren't eligible. All those Forestry contractors were trading insolvent.

**CHAIR** - All of them?

**Mr JACKMAN** - Yes, the bulk of them.

**Mr BOOTH** - The ones who were paid out you mean, who received payouts?

**Mr JACKMAN** - Yes, that's how Forestry fixed it up so the embarrassment didn't turn on them. It's here. They wouldn't accept the terms of my contract in the assignment because of the rate I was getting paid. They wanted to change the contract from 50 000 tonnes back to 35 000. For that 35 000, they wouldn't take 100 per cent of the quota on a per annum basis. If they wanted to reduce it by 20 per cent for the month of December, they could.

**Mr BOOTH** - In terms of this inquiry, are you saying that the funds, the pool of public money, was manipulated so that the contractors who ultimately got paid out were the ones who were insolvent?

**Mr JACKMAN** - The funds were made available and the boys' club reaped the benefit. I have been a longstanding member of the TLA going back to Allan House's days, with the TFCA. I was a board member in David Hazell's days and I left the board because the board did not represent the members; they represented themselves. That's why I quit.

**Mr BOOTH** - Can you expand on that in terms of its relevance to the payouts of contractors under the packages?

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**Mr JACKMAN** - Yes. You only have to see what's happening today. People like Ron O'Connor - he was advised what to do. Bob Gordon told him what to do. How could Ron O'Connor give back that wood to accept the money when he had already given it to his son? You had to give them something back, didn't you? That was the whole objective of it - to reduce the volume of wood and they haven't done it.

**Mr BOOTH** - Can you expand on that? You are saying that he received a payout and there was no cancellation of a quota; the quota had already been assigned to his son or what?

**Mr JACKMAN** - Yes, he wasn't eligible.

**CHAIR** - I know it can be tempting with parliamentary privilege to throw around allegations and test them. Do you have any proof of what you are saying? At the end of the day, regardless of what we think, people do have reputations and families. Again, I ask if it's hearsay or do you have proof of what you are saying because I think we have to be very careful.

I want to be clear.

**Mr JACKMAN** - Yes, I know what you're saying.

**CHAIR** - I do want to be clear. Parliamentary privilege should not be used to make baseless allegations. What I am saying is, if there are allegations that you have proof of, then I am certainly happy for the committee to hear them but I want to caution you.

**Mr JACKMAN** - I haven't seen the allegations in black and white.

**CHAIR** - Can I ask you the question that we have asked every witness who has appeared before us today and I think it is the penultimate question in regards to what this committee is about: where do we go from here?

**Mr JACKMAN** - Where do we go to?

**CHAIR** - Where do we go from here and if you were looking for recommendations out of this committee in regards to the circumstances that we find ourselves in now, what would you want this committee to be recommending?

**Mr JACKMAN** - I would recommend that there is a private institution put together to investigate these people who've been paid, what their activities are at the moment, the money be returned, and that the people like myself who have had a longstanding time in the industry - and not only longstanding but in a very viable industry, where we paid, in four years, \$650 000 in tax. You are not getting that any more.

**CHAIR** - We are not getting this from a lot of people at the moment.

**Mr JACKMAN** - That's right. We employed up to 24 people at one stage. When we were in the industry and it was viable, we always bought a bit of land, subdivided it and did other things. We no longer do that because we don't have a cash flow.

## **PUBLIC**

**CHAIR** - One final question, you said that a private institution should look at it. Are you talking about a commission like a Royal Commission, as a broad-based inquiry?

**Mr JACKMAN** - A Royal Commission but it needs to be conducted by some private people, not government. Things get kicked under the table too much.

**Mr BOOTH** - A commission of inquiry is run by effectively a judicial inquiry run at arm's length from politicians and the parliament.

**Mr JACKMAN** - Right away from that.

**Mr BOOTH** - To confirm that, are you suggesting there ought to be a commission of inquiry or a Royal Commission, which is the same thing, into Forestry Tasmania - is that what you are saying? Or into specifically these grants or a broader theme?

**Mr JACKMAN** - It needs inquiry into the taxpayers' funds that have been misused by a fairly large majority of people. I think that is one of the best starting points. When you look at the tax I've paid and for them to do what they've done, that's pretty ordinary.

**Mr BOOTH** - Peter has made the point that if there is actual evidence then you should name those people but if there is not, then just in a general sense, do you have knowledge of people who received an exit payment from the industry and are now back working in the industry?

**Mr JACKMAN** - Yes. I was one of the ones who helped to put a document together - and my name went on the bottom and I am proud of it - of people who are beating the system through the way the legislation was written, thanks to DAFF, the TFCA and the people who grease the squeaky wheels.

**Mr BOOTH** - Within the TFCA, we have had those allegations with regard to the way that payments were made and who received them, the favoured sons of the industry, et cetera. Can you give us a bit of detail?

**Mr JACKMAN** - The TFCA made one particular fellow aware of it and he applied for the very first package and because it was only for a harvester only, they were cartage contractors only, the harvesters they were working for received the money but the transport fellow didn't because transport wasn't included in the first package, as you realise. This particular fellow was told, 'Don't worry about it, the next round will include you and the money will be 10 times better.' What this fellow did in the interim -

**CHAIR** - Who told him that?

**Mr JACKMAN** - Who told me that?

**CHAIR** - When you say this fellow was told, 'Don't worry about that, the next round will be 10 times better', where did that information come from?

**Mr JACKMAN** - That came from a couple of fellows by the name of Shannon Williams and Kevin Williams from Perth, in their own kitchen.

## PUBLIC

**CHAIR** - Who were they told that by?

**Mr JACKMAN** - Ed Vincent.

**CHAIR** - Who at the time was the head of the TFCA?

**Mr JACKMAN** - Yes.

**Mr BOOTH** - Are you saying that they did not apply for an exit package at that stage but then subsequently were given one?

**Mr JACKMAN** - I remember you were at a meeting with them - Padgett and Noel Gerke - and there was an article in the *Examiner* where you were going to try to get some funds for them.

**CHAIR** - Which meeting was that?

**Mr JACKMAN** - Not long after it all took place, where they weren't included.

**Mr BOOTH** - That was in the first package?

**Mr JACKMAN** - Yes.

**CHAIR** - I am trying to think.

**Mr JACKMAN** - The article in the *Examiner*. Anyway, that is what was said to them.

**CHAIR** - By whom?

**Mr JACKMAN** - Ed Vincent.

**CHAIR** - Okay.

**Mr JACKMAN** - You were trying to get some funds for them, Peter, because they weren't eligible to apply.

**CHAIR** - On what basis?

**Mr JACKMAN** - Because they weren't harvesters, they were only haulage contractors.

**CHAIR** - I can remember Noel Gerke raising at the time that were issues with regard to who was eligible or not.

**Mr JACKMAN** - Yes, that's it, that was the time.

**Mr BOOTH** - At that period of time, they could not get an exit but then Ed Vincent, you say, said, 'Don't worry about it, there'll be a second package come through', and how much did you say they would get?



## PUBLIC

**Mr JACKMAN** - Yes, and between the TFCA and AFCA and whoever it may have been in Canberra, they just wrote it to suit themselves, like they always do.

**Mr BOOTH** - You mentioned that the cartage was \$12 a tonne on their contracts.

**Mr JACKMAN** - Yes, that's right.

**Mr BOOTH** - On their contracts it's written as \$12 a tonne but then they subsequently were given an exit package of \$25 a tonne - is that what you said?

**Mr JACKMAN** - No, they were given an exit package at \$35 a tonne. If you were a hauler you were only allowed \$12. If you were a harvester only, you were allowed \$24. I was a harvester and a hauler so if had been eligible, I would have been eligible for all my tonnes by \$35.

**Mr BOOTH** - It's actually \$36 that adds up to, but you are saying that people were paid \$35 a tonne who were only ever haulage contractors, not harvesters?

**Mr JACKMAN** - Yes, and one particular fellow who rang me up and abused me just recently used his pine cartage from the north of the state back to Norske Skog to get the volume up.

**Mr BOOTH** - Just to make it really clear for our record because we have to go through this stuff and try to analyse it, what you are saying, Noel, is that people in the industry who were only ever haulage contractors were paid \$35 a tonne on the basis of their haulage contract and that this particular character used his pine log volumes and was paid out on pine logs as well as native forest?

**Mr JACKMAN** - Yes, that's right.

**CHAIR** - This list that you were saying that you put your name at the bottom of, was that presented to the Senate inquiry?

**Mr JACKMAN** - Yes.

**CHAIR** - I know that information was taken in camera of that and I do not want to stray outside it because I am not sure if you were part of those in camera discussions. From that report I think there were 18 claims that they were looking into. Is that the basis of those claims?

**Mr JACKMAN** - I don't know what they've done about it. I've had no feedback from them.

**CHAIR** - There are 18 cases that are being looked into, as I understand it, by DAFF.

**Mr JACKMAN** - Is there?

**CHAIR** - That is certainly in the Senate report that they have referred on to the appropriate audit and compliance people, and then they will refer them on to any other appropriate bodies that might need to look into it, but I understand that there are 18 cases that are being looked into. Is that list you were talking about what they are investigating?

## PUBLIC

**Person unknown** - I gave evidence and I would just like to interrupt there because the list you are talking about was tabled by me and Jason, who is in the room here today, and Noel was on the phone, as is Rebecca today, and he was cut off so he is unaware, but I can tell you that that list contained about 29 names, not 18.

**CHAIR** - As we are talking about this now, do you want Nick to come up and join you at the table if you want him to be part of that discussion, or do you want to continue with your evidence?

**Mr JACKMAN** - No, I'm all right, thanks.

**CHAIR** - I have read the transcript and I knew that you were a part of that original discussion and that is why I was asking.

**Mr BOOTH** - Chair, perhaps we could get Nick up after Noel has given his evidence because there are matters he has raised from the gallery.

**CHAIR** - It is slightly unusual for a parliamentary committee but I am happy to do that should time permit.

**Mr BOOTH** - Sorry, Peter, I just want Noel to continue on about this business. Clearly if that is the case, that is a complete rort. If you pay \$35 for something that was a \$12 contract and you pay for pine logs, which are nothing to do with any of these exit things, then that is a complete straight-out rort. Are there other examples you can give us?

**Mr JACKMAN** - Yes, there are other examples. Poor old Allan there was not eligible and I have known Allan going back to TLA days; a long, long time. He suffered because he had been working on private property, as he said. There are people who have used private property tonnes to get the money in haulage contractors.

**Mr BOOTH** - Private property tonnes on native forest or plantation?

**Mr JACKMAN** - No, native forest.

**Mr BOOTH** - If you wouldn't mind could you expand for the committee's benefit on anything you know as an industry participant of longstanding that represent rorts of the scheme; in other words, flagrant abuses of the payout criteria? Can you give the committee examples? You have given us a couple now.

**Mr JACKMAN** - There is an instance where a friend of mine received part payment and the fellow that transported some of the wood for him that came off private property received more than the original harvester.

**CHAIR** - There is one thing I really want to be cautious about. As I say, I know from reading that Senate inquiry report that there are a number of factors, as it said in there, 18 separate issues that are being investigated.

**Mr JACKMAN** - They are definitely being investigated, are they?

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**CHAIR** - That is what it says in the Senate inquiry report. If we start talking about particular individuals here and instances, if there are investigations going on, as this is on the public record, I would not want this to jeopardise anybody or the processes they might be already involved in, so I suggest you be relatively cautious there.

Kim, do you have any other questions you want to ask on that particular track?

**Mr BOOTH** - I understand the Chair's advice in regard to naming people under hearsay but if there are instances and evidence that you are aware of perhaps you should give it to the committee in writing, Noel. That would be one suggestion if you are aware of examples where the system has been rorted.

**Mr JACKMAN** - Yes, I don't have a problem with that.

**CHAIR** - Kim, I think that is a very good idea because we could receive that and then as a committee make our own investigations in respect of whether or not those matters you have raised fall into that broader investigation, and if not we could make sure that appropriate steps are taken.

**Mr JACKMAN** - One thing I would like to know is if there is going to be any money made available for the people they are talking about who slipped through the cracks? It has been a talked-about thing for some time. Are there going to be funds made available for that or not?

**CHAIR** - As a committee all we can do is make recommendations and they can involve recommendations as to what the state government should do and also what should occur at a federal level as well. Until we receive all the evidence we will not be in a position to finalise those recommendations.

**Mr JACKMAN** - For the TFCA to support the Tasmanian Forest Agreement, there were five contractors who had to be looked after, otherwise the TFCA was not going to support it.

**Mr BOOTH** - How do you know that and what do you mean by it?

**Mr JACKMAN** - I was at the two meetings the TFCA held at the Launceston Motor Yacht Club and that was the deal.

**Mr BOOTH** - They stated that publicly?

**Mr JACKMAN** - Yes.

**Mr BOOTH** - So what did they state?

**Mr JACKMAN** - They said publicly that there were five of us. There were three fellows who worked on private land who did not comply. I was totally a crown land contractor and there was another fellow who had part payment and he was to be fixed up. That was the deal that was eventually supposed to be put on the table.

**CHAIR** - That was agreed by the TFCA?

## **PUBLIC**

**Mr JACKMAN** - Yes.

**CHAIR** - In relation to people who had missed out on the first round?

**Mr JACKMAN** - No, the second one, not the first one, the latest one.

**CHAIR** - Who had missed out in the second round?

**Mr JACKMAN** - Yes.

**CHAIR** - Where was that in the process of that meeting?

**Mr JACKMAN** - When all the secretaries went back to their different divisions -

**CHAIR** - Before the legislation was finalised?

**Mr JACKMAN** - Yes, before the legislation was finalised, this is what had to go on the table.

**CHAIR** - So for the TFCA to sign up to it there was agreement within the TFCA that there were five contractors who had to be sorted out?

**Mr JACKMAN** - That's it.

**CHAIR** - Roughly when did that occur? Bearing in mind the legislation was passed in the -

**Mr JACKMAN** - The first meeting took place in May of last year and the second meeting was probably about two to three months after that, but I can get the right dates. I have them in my diary.

**CHAIR** - Would you be happy to provide the dates and, if you felt comfortable, the names of the people who were supposed to be there and what was agreed?

**Mr JACKMAN** - I know the names of the people now if you want them.

**CHAIR** - I am not sure whether those people may want their names raised.

**Mr JACKMAN** - Well, two of them went to Canberra.

**Mr BOOTH** - So Noel, are you saying that there was knowledge of a second exit payment agreement of \$45 million that the TFCA were aware of before it became public knowledge or before it was announced at a political level?

**Mr JACKMAN** - No, the \$45 million had all been paid out. There was extra money going to be made available for people to slip through there, wasn't there?

**CHAIR** - So I am clear, we had the original \$20 million; we had the next \$45 million; and then as a result of the legislation passing in parliament last year there was going to be some extra funds available for contractors, which I think was a further \$20 million in the budget?

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**Mr JACKMAN** - That's right.

**Mr BOOTH** - But I am not sure whether that's forest contractors or sawmill quotas.

**CHAIR** - There was money there for contractors. As part of the arrangement, when this coming round of money becomes available - which is not yet, I don't think, is it?

**Mr JACKMAN** - I don't know.

**CHAIR** - I do not think it is available yet, but the TFCA said, 'You will get our agreement if these five people are looked after'?

**Mr JACKMAN** - The TFCA put on the table - and why they did it I will never know- was for people to still exit the industry, as you are aware. Why would they want more people to exit the industry when the amount of contractors they have can't produce the volumes that they have to get now? The reason they can't produce the volumes is that the bulk of them are trying to conduct business with gear that is totally worn out. I went to Forestry on two occasions and they are not interested in talking to Noel Jackman because Forestry is too dear.

**Mr BOOTH** - You are not working in the industry at the moment, Noel?

**Mr JACKMAN** - No, I haven't had anything to do with it since March 2010. One thing I will say for one of the people at Gunns is that I'd just about finished the coupe in December 2009 and he said, 'I'm going to take you to look at another coupe tomorrow so it can keep you going for two to three months in case our sales pick up because we don't want you to go', but it never happened. This other deal was on the table. He didn't know about it and I never knew about it.

**Mr BOOTH** - What effect has the payouts to contractors in terms of the prices for both harvest and haul prices had on the industry? What is your understanding of where they are at the moment as a result of these exit payments?

**Mr JACKMAN** - As in what they're getting per tonne?

**Mr BOOTH** - Yes.

**Mr JACKMAN** - You only hear a bit on the grapevine. If I had agreed to what they put on the table with their rates and things, they probably would have signed the assignment, but I might as well have just gone around the corner and threw a couple of hundred grand on the floor and put a cigarette lighter to it. That's what it really meant.

**Mr BOOTH** - Is that because there is still overcapacity in the industry or because people are able to put prices in that are unsustainable because they got their gear effectively paid for?

**Mr JACKMAN** - The industry has always had a problem, Kim, because very few of them what their true cost is. It has always been an issue.

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**Mr BOOTH** - Evidence we have heard in the committee is that people right across the board, not just harvest and haulage contractors but roading contractors, people in civil engineering and so forth, cannot get a rate that will give them a living wage or enable them to pay for their gear because people who have been given an exit package still retain their gear and are either back in the industry under another name or are using gear they have now converted, like putting a 10-yard body on a log truck or a prime mover, for example.

**Mr JACKMAN** - The bulk of the ones at the moment have had a fair injection of money. What happens when the money runs out? They're not interested in putting the money into some decent gear, they'd sooner buy toys.

**Mr BOOTH** - Are you aware of anyone in the industry who has received a payout who is now still in the industry or has come back into the industry in some other iteration?

**Mr JACKMAN** - Am I aware of people?

**Mr BOOTH** - Are there people?

**Mr JACKMAN** - Yes, I am.

**Mr BOOTH** - Under what form are they doing this? How are they doing it?

**Mr JACKMAN** - They have obviously changed their business name. That's just how ridiculous it was the way it was written, to allow them to do it.

**Mr BOOTH** - Can you expand on that, Noel, what does it look like? Company A was company A and it's now company B that is exactly the same as company A, or is there some difference?

**Mr JACKMAN** - A is the same as B but with a different name.

**CHAIR** - I think the point has been made, and I think you made it yourself as well, that the rules were written in a certain way that allowed that to occur.

**Mr JACKMAN** - They were written wrong. They allowed it to happen. Padgett openly said at the inquiry he had handed over to his boys and he held his hand out for the money. Good one.

**Mr BOOTH** - He was paid to exit and got the money, but effectively the same -

**Mr JACKMAN** - The boys continued on with the work.

**Mr BOOTH** - With the same gear?

**Mr JACKMAN** - I suppose so. He said it himself.

**Mr BOOTH** - Did he hand over the actual contract, were the contracts renamed or were there new contracts reissued?

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**Mr JACKMAN** - I can't answer that, I don't know. I'm not privy to any of that information. All I know is that it needs a big investigation.

**CHAIR** - Noel, can I just bring you back and I am mindful of the time; I don't want to stifle or cut you short. Is there anything else that you would like to add that you think this committee should be aware of, bearing in mind that we would like to receive those documents from you with some detail in regards to the TFCA -

**Mr JACKMAN** - I don't have a problem with anything I can do to assist to bring this into reality.

**CHAIR** - Is there anything else that you would like to put on record today?

**Mr JACKMAN** - Just recently there was an article in the *Mercury* where the government - Bryan Green was talking about making \$91 million available for people to change their logging business into another type of industry. There are some funds being made available.

**Mr BOOTH** - That is the Regional Development Diversification Fund, I think it's called.

**Mr JACKMAN** - Yes, \$91 million.

**Mr BOOTH** - That's what is left of it. It was \$120 million I think.

**CHAIR** - There has been \$100 million announced today. All of the projects have been announced today.

**Mr JACKMAN** - Because I have gone nowhere with what I was doing, I will be able to - and it's only in a very small way - I've been cutting some sandstone and I am going to export it to China. For me to do that successfully I need an injection of money. It can make work for up to 20 people if I can get some funds to do it, bearing in mind I haven't had any income since March 2010. All I have been able to do is just survive. Over the years we have put money into our super fund and the entitlements that the fellows were entitled to when the job finished up, we paid out of my super fund - my own retirement money. I could have put it into liquidation, but I didn't do that, I paid their entitlements out of my super. I did have over \$2 million in my super fund and now I have nothing and I can retire this year. That's where the industry has taken me to. As far as being a good logging contractor, I will stand up against anybody as in segregation standards, environmental standards, and I was the one that introduced cording and matting to save the forest floor. I did all that at my own cost.

Over the years where people have been paid money out in the Howard days to go from native forest to plantation, they were paid for that transition and they were paid to get out of the industry. It's as Christine Milne said, you were paid to go into and you were paid to go out of it. We haven't been eligible for any of those funds whatsoever. Even when quotas were very low and that \$10 million you talk about was made available, we weren't eligible because we were still conducting a profitable business

**Mr BOOTH** - What effect do you think these payouts have had on the viability of the industry?

## PUBLIC

**Mr JACKMAN** - Pardon?

**Mr BOOTH** - What effect do you think these exit assistance grants the way that they have been handled and made have had on the industry as a whole? You mention the fact that people were paid to get out of native forest and then into plantation and then paid to get out of that. What effect has that had on the industry in terms of its own ability to survive?

**Mr JACKMAN** - The effect it's going to have on its own industry, Kim, is that they just keep getting all this money so they are never going to learn how to conduct a profitable business, are they, because they have had too many flaming handouts. It has been going on for too long. I would like to add the industry at the moment is self-destructing again. I was over in town the other day and I saw three B-double loads of logs - and I do have a log grader's ticket, by the way - going out to the transport hub at Bridgewater to come north for chip wood. Those logs were suitable for Ta Ann and here they are going to chip wood. If that's not self-destructing, what is?

**CHAIR** - Gentlemen, any other questions? If there is anything you want to leave as a parting comment you are free to do it.

**Mr JACKMAN** - The wife and I need some special consideration. We just haven't got any money whatsoever, it has all gone, through no fault of our own.

**Mr BOOTH** - What you are saying there, Noel, about your own situation is that you think you should be entitled to some form of support?

**Mr JACKMAN** - The tonnes I had, Kim, at the same ratio that they paid everybody else, I am entitled to \$3 million, or \$3.5 million, at the same ratio. Because I harvested in old, as you know, I had a second job with Gunns, which I never, ever wanted to do but I was backed into a corner; they wanted a contractor and I had a spare piece of gear and a spare dozer and they talked me into going up Caseys Road where the wood was suitable for that type of operation. I never wanted the work and as it vamped up I had to buy some more gear because the volumes that they wanted I couldn't make it happen with two pieces of gear. Stupid Noel did it and then they decided to terminate the contract 40 months before the end of its time. Just imagine the impact that had on us. We took them to court and beat them, but as far as money there was nothing.

We had put an application in to the government about some funds to help us get this sandstone business going and it can be developed into a very, very sustainable business - I mean very good and make a lot of work for a lot of people, over a long time.

**CHAIR** - Since you've raised that with the committee, that \$91 million that you are talking about which then became \$100 million, Kevin Rudd today has announced all of the projects that have applied for that, so that money has gone. Obviously, again, we are not in a position as a committee to do anything other than to take evidence and to make recommendations, and certainly we will consider what you have put forward today.



## **PUBLIC**

**Mr JACKMAN** - Thank you for giving me the opportunity to come here and talk about it. Anything I can do, I will do whatever you ask. Those documents are there if you want them and you can keep them.

**CHAIR** - We will be happy to have them.

**Mr JACKMAN** - There is a bit of worthwhile reading in that.

**CHAIR** - Thank you.

**THE WITNESS WITHDREW.**

## PUBLIC

**Mr NICK BENNETTO**, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Gutwein) - Before you begin giving your evidence, I need to reiterate some important aspects in regard to parliamentary privilege. There is a document in front of you and I think you have had experience before in front of other committees. However, a committee is a proceeding of parliament and this means it receives the protection of parliamentary privilege. This is importantly the protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of parliament. It applies to ensure that parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not afforded to you in statements that may be defamatory, are repeated or referred by you outside the confines of the parliamentary proceedings. In this small room the parliamentary proceedings are what happens at this table, so any comments that have been made elsewhere are not covered by parliamentary privilege.

This is a public hearing. Members of the public and journalists may be present, which means your evidence may be recorded and it is important that should you wish all or part of your evidence to be heard in private, you must make this request with an explanation prior to giving the relevant evidence. Do you understand?

**Mr BENNETTO** - Yes.

**CHAIR** - Very quickly, the terms of reference we are working on is to report on the Tasmanian Forests IGA exit programs, specifically the development of the rules for the program; the application of the rules throughout the process; the concerns raised in the Australian National Audit Office report into this matter in relation to the administration and delivery of the program of grants; the outcomes of the exit program and the impacts on participants and the remaining industry; any government agencies within and compliance with rules and requirements that support voluntary exit programs; and any other matters incidental thereto.

Before we start, you know who is at the table, Mr Booth, Mr Groom, myself and Rebecca White is on the phone. We have roughly 16 or 17 minutes left. If you do not get through what you need to today, as we have discussed before, the committee will have a further hearing and we can ask you back to complete it.

**Mr BENNETTO** - Thanks, Peter, for affording me the opportunity to speak at short notice. I have been in the industry all my life in one way or another and before I go any further, I believe the industry has a future in Tasmania but I don't believe in its current form and the way things are currently proceeding that the future is that bright. I think we need a total restructure.

Today I am going to give an overview of where I see the effect of payments that have been made to people within the industry, the effect that has had on businesses, including myself, and the effect it has had on my family and other colleagues. There is a common theme in the whole lot. We have heard a number of submissions and I think we need to

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go back to one of the causes of the demise of the industry. A couple of people have commented on that and I'd like to expand on it.

The industry got out of control a number of years ago when the export quotas were lifted and a monopoly was put in place for some of our processing plants. The effect of that - and we had a previous speaker comment that when Gunns were in operation how they took contractors off public native forest coupes and put them onto private coupes - that pressurised Forestry Tasmania in their sawlog production and put Forestry in a position where they re-issued mill door contractors and put their own contractors into the equation. So we saw a new range of contractors that weren't in the industry come into the industry. Then we had Forestry seeking their own markets and Gunns seeking their own markets.

With the demise of it and the export volume where it was, that pressurised - it is all about supply and demand. There was too much supply and not enough demand. What needs to happen is that the export quotas need to come back and there needs to be a cap on them. That's just an overview. We went from Triabunna doing 800 000 to 1.6 to 1.7 million tonnes. We went up the Tamar and ended up with about 7 million tonnes a year woodchip export in its prime out of the state, and that has just pressurised the whole thing.

What we've got now is the remnants of that. We saw the state government in its current form pay Gunns to get out of native forest. They paid them \$23 million - I think that's what it was - and at the same time they retired \$19 million worth of debt, which was unpaid royalties for wood.

**CHAIR** - With FT?

**Mr BENNETTO** - Yes. It's the government, it's still government money; it doesn't matter where it comes from.

**CHAIR** - I understand that.

**Mr BENNETTO** - To put that into perspective, and Noel touched on it before, if you have to pay \$19 million, you have to earn \$80 million. It's one in four; it's profit that you have to pay bills out of. Effectively that's \$100 million that the state government signed off on and gave Gunns as a get-out-of-gaol-free card. When they did that the industry collapsed overnight.

The government has to take some responsibility for the community's pain because they caused it. We have other people with submissions today and one of the questions put forward was that if they didn't interfere, Gunns could have sold the mills - or the administrator or whoever - to other people and continued on. We haven't seen that, it was just a closure overnight. Because they had them all, there was no other avenue apart from Artec. We've supplied timber to Artec in the past. Nobody can stall payments for 10 months. You can deliver a load of logs to Artec and it takes 10 months to get paid. No-one can operate like that. It's ridiculous. I'm not sure if it's going on now but it has gone on in the past.

## PUBLIC

Because of the oversupply of contractors, the forestry business - as in Forestry Tasmania's business - ramping up to the capacity that it was as a competitor with Gunns - and let's get it on the record - if you were working as a harvesting contractor for Gunns, if you could demonstrate that you were a worthy contractor, knew your costs, ran good gear, employed good men and did a good job, were there for the long term, were a half-reasonable negotiator and fought the fight at the negotiating table when the rate negotiation was on, as they did on an annual basis - everybody was called in, every single contractor would go into the office. Some of it was a fairly short and sweet conversation and some of it went on for days - but at the end of the day, if you could demonstrate your worth in the industry, they would pay. That's not the case with the other government business enterprise at the minute. They are, in my view, capitalising on a depressed industry.

We have a situation at the moment where we have people paid by the government sitting in an office in Burnie - one in particular who is on contract - analysing a contractor's business, a private business. So we've got a government business enterprise analysing a private individual's business. That private individual is being supplied the best coupes on the coast, he is being given a good volume, every assistance he needs, whether it be allocations of wood movement, trying to maximise things - we have a government business enterprise being Forestry Tasmania examining that. The operations manager's wife on the north-west coast does the books for this particular contractor. It is common knowledge that they are trying to work out what a person needs to survive as a borderline break-even-type arrangement. Once they get the cost, that spells the death knell for anyone else because we all go to work to try to do a good job and make some money, and deliver a good outcome for our clients.

**Mr BOOTH** - Could I just interfere, sorry -

**Mr BENNETTO** - Am I making sense in what I am saying?

**Mr BOOTH** - You are -

**CHAIR** - Can I interrupt for a second. Kim mentioned to me before that you don't have parliamentary privilege -

**Mr BOOTH** - Unless he comes and sits in the chair here.

**Mr BENNETTO** - That's all right. I am happy for Noel to speak; I will give up my time for a minute to ask a question.

**CHAIR** - He has been sworn so he can sit at the table with you.

**Mr NOEL JACKMAN** WAS RECALLED AND EXAMINED.

**Mr BENNETTO** - I'd like to continue with what I want to say. I want to say where I believe the whole thing has gone wrong. You, as an inquiry - and I have sat in on the federal inquiry - I believe I have nothing to gain whatsoever by it other than the fact that I believe I'm a decent contractor giving good value for money and a proud Tasmanian who is sick of our taxes being wasted.

## PUBLIC

**Mr BOOTH** - In regard to the contractor you are talking about, is that a new contractor?

**CHAIR** - On that, does it go to the terms of reference?

**Mr BENNETTO** - It does, absolutely.

**CHAIR** - In regards to the flow-on effects of the contract payments?

**Mr BENNETTO** - Yes, it does, absolutely. Where we are at the moment, we have an industry that has collapsed. Everybody in the industry is under pressure; there is no doubt about that. But we have seen an industry collapse, businesses that have  $x$  amount of tonnes. When people are going out the door backwards - and we have heard from Allan and a few others who have been tipped out like yesterday's rubbish - why is it that we have other contractors who were doing 30 000 and 40 000 tonnes a year, who in the same breath are now doing 120 000? Beaumont Logging on the north-west coast, 115 000 tonne a year. I don't know how much volume it is but it's up around that. There are three gangs up there working, the microscope is on to see what these people can do. There is a Forestry Tasmania representative trying to determine the price and analyse the books to know what to do with other contractors.

We have another business that has risen from the ashes of the Tasmanian forest industry called SFM - Sustainable Forest Management. Forestry Tasmania is tied up with the certification thing, trying to get sales based on the certification of chips. SFM has a business model that is based on certification from private property where they are not allowed to clearfell. So it is selective forest management on private property.

I'm not too sure of the contractors they are running now but it's in excess of a dozen. These are new contracts that have been put in place since these exit packages were put out.

**Mr BOOTH** - Are any of the people doing the work ones who received a payout?

**Mr BENNETTO** - Absolutely.

**CHAIR** - Private or public?

**Mr BENNETTO** - They are working for Forestry Tasmania. Forestry Tasmania is not issuing contracts in their own right. The only new contract that I'm aware of that they have issued in their own right is the Beaumont haulage on the north-west coast, and I'm not too sure if there is one in the south. But everybody else has to go through this SFM.

What I can say, and this comes back to demonstrating your worth in the past, if you are a contractor who could work, knew your costs, presented your case, you could get the money for it. Now, if you want to get into that business with FT, you can't present your facts, you can't present the business case and say this is what we need, because the market that they are dealing with - because they have no idea of what it costs themselves, so they have set the price. They are not good negotiators with the overseas mob - they can't support the higher-end contractor. Do you know what I am saying? You don't see any new gear, you don't see improvement in the workplace with regard to safety -

## PUBLIC

**Mr BOOTH** - Is this as a result of the payouts, Nick?

**Mr BENNETTO** - Absolutely. It's part of the system. You can't have an industry shrinking at one end and expanding at the other, with a middle man. If Forestry Tasmania as a government business enterprise, with the amount of clowns they've got running around in utes, can't run their business and they need another bunch of clowns to run around in a ute to run the contractors that they are running, you have to ask the question. If there is not enough money at day one, how can there be money in it to support another middle man? It's no good.

**Mr BOOTH** - That's the point I am trying to get to. In regard to these contractors you are talking about -

**Mr BENNETTO** - SFM received a massive payment in these rounds of money. They might own a chainsaw in each ute which is only in the ute in case a tree falls across the road. Do you know what I mean? They are not a contractor.

**Mr BOOTH** - So they subcontract all these people out?

**Mr BENNETTO** - Yes, and that sort of stuff.

**Mr BOOTH** - But are the rates they are paying unsustainably low because people have come back into the industry and contracted SFM because effectively they got free gear?

**Mr BENNETTO** - Not so much free gear, they might have rearranged their business. Nobody has ever got free gear, it has all come from somewhere. It always costs money to operate equipment, it doesn't matter which way you look at it, and you will never, ever run equipment cheaper than you will run it when it is new. The thing is that at the minute our business is not sustainable in any way, shape or form because the contractors in it, unless you are in Beaumont on the north-west coast, cannot afford to run new gear. Do you understand what I mean?

**CHAIR** - I do, but because of issues with *Hansard* and this committee we are happy to have you come back before the committee when we meet in Hobart.

**Mr JACKMAN** - Just before you go, what Nick was trying to say is you might have a coupe that is cutting one hectare is going to cut 600 tonnes for that hectare. Okay?

**Mr BENNETTO** - Yes.

**Mr JACKMAN** - If one contractor goes in there with three pieces of machinery, because it is such a high-volume coupe, he probably can produce 300 tonnes per day. Next door you have one hectare with only has 300 tonnes per hectare on it, still three pieces of gear, it is only going to produce 150 tonnes. So if you convert it into an hourly rate, he needs double to have the same ratio as the fellow at 600 tonnes per hectare. This is why Forestry Tasmania feeds one particular person up the backside, produce a rate, and then they expect the rest to work for it.

**Mr BENNETTO** - That's what is going on. That has painted the picture on it and that is where the industry is going at the moment.

## PUBLIC

**Mr JACKMAN** - It will be back to where it was in no time.

**CHAIR** - All right. We would be very pleased to have you come and present to the committee again at the next hearing and to continue this discussion. We can give you, to be fair with other witnesses, another half an hour to make up to an hour.

**Mr BOOTH** - Peter, just one point; I think it was a bit confusing in that there was a list of contractors he was saying who have rorted the system that you were going to provide, and I thought that was what Nick was going to do.

**Mr JACKMAN** - We had a classification a, b, c, d -

**CHAIR** - Sorry, I think Kim is on a different issue.

**Mr BENNETTO** - I want to answer that question. Kim has just said that there was a list of contractors who rorted the system. There were a number of conversations that went on and I can recall there were 11 people involved in putting that list together, so they were 11 concerned taxpayers from Tasmania who put together that list. Myself, Jason and Noel put our names to that list. What I would like to say is that I and Noel have had phone calls from people who appear on that list. That list was given under parliamentary privilege in Canberra in camera and now that list is in the public domain. I have had a phone call saying, 'What am I doing on that list?' I have said, 'I don't know mate. You're obviously worried about it otherwise you wouldn't be ringing me. What's the drama?'

Kim asked me a question a minute ago about a list of the people who have rorted it. There was a list put together of concerns. I would like to say on record because the people who reckon they are on this list need to understand that there was a comment put in that that said while some of these cases may be genuine there may be some that are not genuine that need some investigation. So if their names appeared on the list it didn't necessarily mean they were guilty; it meant that they needed some investigation. As I mentioned before, there were 28 or 29 people on that list from right around the state in a number of different businesses. You mentioned, Peter, that there were 18 or 19 under investigation. I don't know that.

**CHAIR** - That was what I read in the transcripts last night.

**Mr BENNETTO** - They are yet to be proven to be rorting, they are under investigation. I can be under investigation, I wouldn't know, but I would like to say that they may not be necessarily guilty. You're innocent until proven guilty.

**CHAIR** - So there was information that you provided to the Senate committee on the basis of concerns that had been raised and those concerns were asked to be looked into.

**Mr BENNETTO** - Those concerns are in the public domain.

**Mr BOOTH** - Would you like to provide then to the committee -

**Mr BENNETTO** - I will do that again.

## **PUBLIC**

**Mr BOOTH** - If you could do that it would be good. The other point that I will make quickly is that if anyone rings you in regard to this you are protected under parliamentary privilege -

**Mr BENNETTO** - We have already spoken to the police on it.

**Mr BOOTH** - Okay. It is a contempt of parliament if anyone does hassle you about evidence that you give to this committee, so you can do so with impunity and you can refer them back to this committee.

**Mr BENNETTO** - I will welcome anybody's phone call. If anyone wants to ring and discuss why they are on the list they can discuss it and I will happy to answer the question.

**CHAIR** - That makes it very clear for the moment. With that I am going to call the proceedings closed. Nick and Noel, in regard to your testimony today thanks very much. If you want to come forward, and I think you probably have things you want to say -

**Mr BENNETTO** - Put it in writing, I think, is probably the best way.

**CHAIR** - What we can do is have the secretary get in touch with regard to the time frame, and Noel, if you provide that information that you have undertaken to do regarding the TFCA that would be great. With that we will close the committee.

**THE WITNESSES WITHDREW.**