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THE HOUSE OF ASSEMBLY SELECT COMMITTEE INTO FOREST INDUSTRY EXIT PACKAGES MET IN COMMITTEE ROOM 3, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 18 SEPTEMBER 2013

Mr EDMOND VINCENT, PRIVATE CITIZEN, WAS CALLED (TELECONFERENCE) AND EXAMINED.

CHAIR (Mr Gutwein) - With me I have Scott Bacon, the Minister for Finance, and Matthew Groom from the Liberal Party. We are waiting on Kim Booth to come; Kim and I were both at another committee prior to this.

Even though you are on the phone, you are under oath, and I need to read the evidence statement to you. Just before you begin giving your evidence, I would like to ask whether you received and read the guide sent to you by the committee secretary?

Mr VINCENT - I did.

CHAIR - 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 the parliament receives the very best information when conducting its enquiries. 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.

Do you understand those matters I have read out to you?

Mr VINCENT - I do.

CHAIR - As a matter of courtesy, as you are on the phone and it is a public hearing, to let you know who you might be speaking to, in the committee room at the moment there are the Chair and three members of the committee; we were expecting Mr Booth, we have Hansard staff with us but at any time a member of the public or the press could enter the room. If there are matters though that you feel you need to give in private, please let us know.

Can I say first, thank you very much for agreeing to appear before the committee and have a conversation with us today. For the benefit of the committee members and *Hansard*, would you mind providing a bit of context in regards to your background and the role that you played with the Tasmanian Forest Contractors Association over the last period of three to four years whilst this has been going on?

Mr VINCENT - I was the CEO of the Tasmanian Forest Contractors Association during 2010, 2011, 2012 and 2013.

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CHAIR - And that was based here in Tasmania?

Mr VINCENT - Yes, based in Launceston.

CHAIR - Do you have any opening statement or remarks you would like to make? Or could we just move on to questions?

Mr VINCENT - Just move on to questions, I think that would be fine.

CHAIR - One of the things that we have been looking at with this committee is the fact that it appears that for many of the contractors who provided evidence before the Senate committee and whom we have also heard from, there was a view that any exit packages when initially spoken about were going to be focused on Gunns contractors. We have heard through both this committee and from evidence that was provided to the federal Senate committee that there are a lot of contractors who fell through the gaps. Do you have any view on that?

Mr VINCENT - Yes. Our [inaudible] was when we were trying to get some assistance packages through was primarily aimed at the Gunns contractors because those were the contractors that were most adversely impacted by the situation with Gunns' chip mills being on very much part-time work, subsequently on to stage closures and ultimately then closing down completely.

CHAIR - What happened? Why did things change?

Mr VINCENT - I don't know for sure, Peter. The proposals that we put forward put the emphasis on those people who had the biggest downturn in work; that priority was to go to those. It was not possible to nominate a Gunns contractor because [inaudible]. The proposal that we put up to them and the discussion that we had, as there was on the Australian Forest Contractors Association for quite an extended period of time, was based on giving a priority to those who had the biggest reduction in work. Ultimately, after the program and applications closed and for reasons best known to themselves, DAFF and/or the minister at the time chose to change the assistance criteria without reference to either us or any of the contractors -

CHAIR - Can I just interrupt and ask you to clarify one point. Mr Booth has just joined the conference as well. Did the rules change after applications had closed?

Mr VINCENT - Yes.

CHAIR - Prior to applications closing, and what seems to be an issue that comes through clearly during the Senate inquiry is that there was this swing to a certain percentage being in public native forests.

Mr VINCENT - Certainly the criteria for public native forest were that through out the funding, and we are obviously talking about here at the second set of funding that this [inaudible] was the result of an election promise of \$20 million. But the second set of exit funding was always paying debt - those people who were coming out of working public native forests, because of the funding being applied through to the statement of

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principles agreement and the memorandum of understanding between the state government and the federal government, which limited it to public native forest.

CHAIR - Can I ask for clarification - there were the two programs, the initial - I think it was - \$22 million with GST that was committed to just before the 2010 election, and then managed throughout 2010; then there was the second contractor exit package as a result of the intergovernmental agreement. One of the things I wanted clarification on is, when looking back at some of the Senate transcripts, in talking about the intergovernmental agreement, it is in the Senate committee report where they received evidence from Mr Wiggins, who was a former Gunns contractor who had missed out, where it was pointed out, and I quote, that: 'The Tasmanian and Australian governments agree that' - this is as part of the IGA - 'a package of immediate assistance will be provided to workers and contractors who are losing their jobs and livelihood as a result of the current changes in the industry, namely the exit of Gunns Ltd from the native forest sector'.

It goes on to make a couple of other points about the IGA being signed to support and assist those Gunns contractors - in fact they are the only contractors named. Was it your view, when the IGA was signed in or around the middle of 2011, that it was going to support Gunns contractors?

Mr VINCENT - That was very much the intention. [inaudible] that it was to be primarily for Gunns contractors. We knew that there were FT contractors who were also in an equally powerless state because of where they were located and where their markets were. There were a couple of FT contractors, for instance, up in the north-west, who were particularly badly impacted because of the closure of Gunns, and they basically had no market for any of their wood off the landings.

Mr BOOTH - You clarified what I was going to ask then. Basically what you are saying is that the rules, or apparent purposes of the grant, which was to assist Gunns contractors, actually was changed to provide an exit package for Forestry Tasmania contractors.

Mr VINCENT - Yes. The assessment criteria were changed after the closure for applications. The impact of those assessment criteria changes actually added a lot of weight to those FT contractors that had applied, and disadvantaged the Gunns contractors - every Gunns contractor immediately went down to a lower priority.

Mr BOOTH - Can you explain that, how do you mean went down to a lower priority?

Mr VINCENT - Almost every Gunns contractor had done some work in private. Because they weren't 100 per cent on public native forest, the weighting on that score in the final assessment was lower than the weighting that was applied to FT contractors, who it was assumed, not necessarily always accurately, that they worked on 100 per cent public native forests.

Mr BOOTH - What documentation do you hold with regard to the processes that you went through - the criteria and any changes that were made to the criteria?

Mr VINCENT - I do not hold any documentation. That rests with the [inaudible] contractors association. I really can't provide you with documentation.

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Mr GROOM - How was the change communicated to you? How did you become aware of it?

Mr BOOTH - That is exactly what I was going to ask.

Mr VINCENT - We became aware of it after contractors were started to be contacted by DAF, trying to work out why it is that they would do it, why they were being assessed the way they were being assessed.

Mr BOOTH - Are you saying then that DAF independent of the assessment that you were involved in, which I understand was a committee looking at it or taking recommendations, is that right?

Mr VINCENT - No, we were not involved in the assessment process at all. The assessment process was conducted by DAF and I think it may have, but I am not sure, whether there was a Tasmanian representative or a Tasmanian government representative in that assessment process. I do not know that to be the case. It was the case with the first the \$20 million but the subsequent round, the IGA round, I cannot recall without checking notes which I do not have because they are the property of the association, whether there was a Tasmanian representative on there.

We recommended that there be a Tasmanian representative on the assessment panel but I do not recall that actually happened.

Mr BOOTH - Just for clarity then - the first assessment, the TFCA was heavily involved in that, weren't they? There was, I think, you were on the assessment panel, Tim Creek and John Tabor is that right.

Mr VINCENT - No, Tim Creek was representing the Tasmanian government on that panel. There was Don Talbot and there was one other but TFCA has no involvement in the actual assessments.

Mr BOOTH - Who was the other then?

Mr VINCENT - A federal government appointee, Kim, I am not sure who it was.

CHAIR - So we are clear, Ed, we were just talking about the first panel, the first assessment panel for the first round of grants that came about prior to the 2010 election through that commitment.

Mr VINCENT - That is right.

CHAIR - In regards to the second round where we started the conversation the assessment process was changed after applications so this would have been for the \$45 million is that right?

Mr VINCENT - That is right.

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CHAIR - So for the \$45 million a lot of people put forward their applications fully expecting them to be supported because the IGA, as is stated in the senate report specifically named Gunns contractors as being those who were disadvantaged, people put forward then realised that the rules had been changed?

Mr VINCENT - The rules had been changed and there were some quite perverse outcomes.

Mr BOOTH - Do you have a summary of those perverse outcomes that in your view -

Mr VINCENT - Only those that I can recall, Kim. The situation of one contractor, quite a significant Gunns contractor, who is based in the Derwent Valley who had I think from recollection around 70 000 tonne contract and was paid around \$500 000 and the exact figure escapes me. Yet a subcontractor who worked for him on a part-time basis doing cartage received almost the same amount even though he had probably about 10 per cent of the capital investment and 10 per cent of the employment.

Mr BOOTH - Are you saying then that the same volume was used? In other words, the principal contractor received an exit for 70 000 tonnes but he had subcontracted that out to a subcontractor who used the same or part of the same 70 000 tonnes to receive an exit for that as well?

Mr VINCENT - In that particular case my understanding was that the principal contractor had an arrangement with the cartage contractor so the principal contractor had some of his own trucks but also all of the other [inaudible] equipment and he had one subcontract haulage person who apparently re-sent a very similar amount to the one that the principal contractor did.

Mr BOOTH - For clarity, what I am getting at, it was all a total of 70 000 tonnes, we are talking about exiting the industry and that 70 000 tonnes -

Mr GROOM Tonnes twice.

Mr VINCENT - I do not think that was quite the case because the 70 000 tonnes by our calculation was heavily discounted and a lot of it was paid out to the principal contractor.

CHAIR - For clarification, there were instances because the second package took in to account harvest and haulage, did it not?

Mr VINCENT - That is right.

CHAIR - In the case of the principal contractor if he was contracted to 70 000 tonnes of harvest and with perhaps some percentage of haulage, it is quite reasonable to have somebody else paid out for haulage as well.

Mr BACON - It should not have been the same or similar amount.

Mr VINCENT - The point I was trying to make their was that the equality of handling vary quite dramatically for these people and the principal contractor in this particular case was paid basically less than half of what we believe he equitably should have received and it has put him in the incredibly powerless position.

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Mr BOOTH - The subcontractor, did he receive what you believe he should have received? In other words, the correct amount or did he receive over generous exit?

Mr VINCENT - Possibly over generous but was treated in a more beneficial way than the principal contractor.

Mr BOOTH - Do you have a picture that you can paint of how that could possibly have happened? If these are supposedly an objective impartial assessment based on volumes, can you explain why that would happen in your view, or how it would happen?

Mr VINCENT - The only way it can happen would be if they started using previous system processing adding a lot of weight to very subjective judgements.

Mr BOOTH - Can you be a bit more precise about that, Edmond. This is a parliamentary inquiry, we are trying to get to the bottom of it, so if you have something to tell us we need to hear it.

Mr VINCENT - It would appear that some of the criteria for assessment was ignored. I have spent quite a lot of time trying to work out how they came up with some of the numbers that they did. We have with the association, in consultation with the Australian Forest Contractors Association, put forward basically one A4 page assessment criteria which was pretty clear and transparent and covered off on how people should have been handled and quite efficiently allowed those with the biggest investment, the biggest number of employees, to get a pro rata amount which can enable them to deal with their employee entitlements, capital losses, where a smaller contractor had a lesser amount because they had a lesser number of employees and a lesser capital loss.

We also have it divided up in such a way, a multiplier range, because it is pretty standardised and accepted number of a harvest contract of any number, it is almost a straight line, a 20 000 tonne contract. The capital investment for the harvest component of the 20 000 tonne contract is about double the capital investment for the haulage component of that 20 000 tonne contract. Also, almost exactly double the employment [inaudible]. There is a fairly simple algebraic formula for calculating how to do it.

CHAIR - Ed, that makes the case in regards to the concerns about the 70 000 tonne principal contractor or his subcontractor that was getting similar amounts of money where no weighting appears to have been taken into account regarding either investment or employment.

Mr VINCENT - That is right. Also no sign off, no understanding to say that that subcontractor actually carted 70 000 tonne because it is a physical impossibility for one person with one truck to cart 70 000 tonne of wood a year.

CHAIR - May I take you back a step because you were there from the start and the public record indicates that you and I had discussions a number of years ago about the quantum of money that needed to be placed on the table to do this job appropriately.

Mr VINCENT - That is right.

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CHAIR - The figure that I recall from some of the conversations that we would have had, and I think it has been publicly put out there by the TFCA and AFCA and Terry Edwards at the time, was that there needed to be an exit package of around \$240 million to exit the volumes that were being requested to be exited, to adequately ensure that contractors could leave the industry and exit would mean exit. Is that about right or not?

Mr VINCENT - Yes, that is about right. That is a pretty good recollection of what AFCA and the TFCA position was.

Mr BOOTH - Edmond, can I ask when did you come up with that figure? What year would that have been that you required \$240 million?

Mr VINCENT - I think it was \$243 million from memory. That work started prior to my commencement with TFCA, late 2009, and completed around about March 2010 which was around the time that I started, the beginning of March 2010.

Mr BOOTH - Can you explain how it could be that in 2005, and I am sure that is the right date, TFCA had that report done by Paul Cook and Associates who said that there was something like 30 per cent over capacity in the industry that would about \$18.76 million, or thereabouts, to exit that component industry, to get the industry stable and under control in regard to native forest harvest and haulage. It seems odd that Paul Cook, it is not like someone pulling it out of their back pocket. [inaudible] came up with a report commissioned by you guys which I have taken advice from that it went up to over 10 times.

Mr VINCENT - There were similar reports conducted by various people, some commissioned by TFCA and others by different commissions which came up with varying numbers.

Mr BOOTH - Did you have a report you could refer us to with that \$240 million?

Mr VINCENT - The \$240 million was a figure that was done by AFCA, Australian Forest Contractors Association, by their consultant who worked for them at the time, Col Shipard.

Mr BOOTH - Did industry each do one at one stage where they talked about they could not get more efficient, in other words the industry was as efficient as it could be in terms of size of trucks, size of machinery and that basically it could end up being a cottage industry because you could not get any more profitability? Is that the one that you are talking about, is that the Shipard one?

Mr VINCENT - No that was not Shipard. Shipard's was done under the AFCA banner.

Mr BOOTH - That was one of your ones was it? Was that industry edge, that one?

Mr VINCENT - No. It was not industry edge.

Mr BOOTH - Who did that one?

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Mr VINCENT - The Shipard one? Look, I am aware of the report, I can't remember who the author was.

CHAIR - Ed, the original starting point, back in around 2010, was for a \$243 million exit package to be on the table. That then materialised as a \$45 million exit package. Can you explain to us how circumstances changed - that the industry was prepared to accept a \$45 million package when its original starting point was \$240 million? If you could then take us further through this process of assessment after the applications were closed off and give us your view in regard to the outcome.

Mr VINCENT - The process from the TFCA perspective was that in April 2010 there was a meeting in Launceston of around 109 contractors, and that was the first time the \$243 million figure had been put to our directors and board members and contractor members who were present. Over the next 18 months there were regular members' meetings and forums where there were reports back on where we were, and what was going on. It was the view of those member meetings and member forums that whilst no-one was particularly happy with the sum of \$45 million, everyone was in such a financially parlous position, they thought it was better than nothing. Let's just accept it and go.

CHAIR - Obviously the contractors you represented, and the industry you represented would not have been willingly negotiating down its own number. How was that done - with interaction with whom? Was it the commonwealth you negotiated with, was it the state government you negotiated with, or a combination of both?

Mr VINCENT - It was primarily the commonwealth. When it got to the IGA, there was a point where there was no further negotiation going on and we were presented with the \$45 million figure, which we then took back to our members to say, 'Well, what will we do with this guys?'.

Mr BOOTH - Was there any sort of analysis provided with that? There must have been some basis to the numbers they came up with.

Mr VINCENT - I suspect they were looking at a report from a few years ago which talked about \$100 million to resolve the issues. They certainly would have been lobbied by some of the processors to maintain high capacity within the contracting sector and I believe they had already spent \$20-odd million exiting contractors. This would have given them around about two thirds of the original amount called for - the roughly \$100 million amount - and was exiting around two thirds of the contracting capacity that was mentioned in that \$100 million document.

Mr BOOTH - Can you recall the name of that report, or the authors, Edmond? I am sure we can find them.

Mr VINCENT - I know exactly where it was [inaudible].

Mr BOOTH - Do you know the name the author? The name of the consultancy?

Mr VINCENT - There were about eight or 10 different reports that we were referring to - I could not say exactly who that was. One of the ones we were referring to was a report

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done by Access Economics, another one was done by [inaudible]. There were quite a few reports that had been done on the contracting industry over a period of about eight or 10 years.

Mr BOOTH - Thank you for that, Edmond. You referred to industry pressure to minimise the reduction in capacity - where was that pressure coming from? Who was pressuring that the exit be less than ideal, effectively?

Mr VINCENT - I think certainly FT, at the time, was reacting in that space.

Mr BOOTH - Can you give us a bit more detail? They were not wanting the capacity reduced for what reason? Have you got a view on that, or did they put a view?

Mr VINCENT - Well, my members put a very strong view. They thought they wanted to keep contractors hungry and desperate for work.

Mr BOOTH - You are saying your members felt that FT wanted to keep them hungry - is that what you are saying?

Mr VINCENT - Yes.

CHAIR - Ed, we have about five minutes left and parliament will be resuming shortly. What is your view on where things have ended up today? We have heard from a number of contractors, and we have heard from some other industry players through this committee. I understand you are no longer with TFCA but, perhaps as an interested observer, where do you see things as they stand at the moment in regard to the adequacy of the funding of the exit package. Also, how do you feel about the outcome that occurred after the changes were made to the rules of the program?

Mr VINCENT - My personal view is that the adequacy of the program, for the contracting capacity that was exited, was probably a bit lame. But, the biggest issue I have is the fact that so many Gunns' contractors were quite shabbily treated by the whole process. That result came about because of the changes that were made to the assessment criteria - which were done without any consultation with TFCA, or almost anybody else as far as we can work out - in Canberra, after the closing of assessment applications.

Mr BOOTH - We have also had information brought before the committee that there has been roting of the exit packages. Even though it was intended that people exit the industry, names were changed on the doors of trucks and the same capacity is there, just under a different name, and FT has gone back and recontracted people. Have you got any comment on that?

Mr VINCENT - I have seen an interview on TV where the guy admitted that was going on. I am also aware of documentary evidence of another contractor who sold a lesser part of his business to one of his sons, prior to applying for an exit for the remainder of his business. That was definitely an exit package, but that particular contractor has been unjustly pilloried. There is a lot of rumour and innuendo going on about almost everybody who has received any exit assistance. A lot of it has been quite mischievous and unjustified, but I suspect there may well be some truth in some of the accusations.

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Mr BOOTH - In the first package, I am interested in the fact that the first package had similar allegations and there were allegations, I guess, that contractors who had no native forest contract but had had at the time when the package period was that they could claim an exit but no longer had a contract for native forest and work a plantation, were paid out? You would be aware of those from the first package?

Mr VINCENT - Yes.

Mr BOOTH - Was there anything learnt as a result of those things in regard to the second package?

Mr VINCENT - It would appear not, Kim. The proposals we put forward were much more robust in the verification and audit. In fact, the proposal that we put forward to DAF included an ongoing allowance of \$120 000 a year to cover audit to ensure that machinery gets to the industry. The proposal was that machines were exited and that serial numbers were kept but the only use that they could be put to was for spare parts. So the active capacity was removed from the industry which we saw as having some benefits. It achieved the stated aims that we were programming. It did not have a long-term economic impact on machinery suppliers. It also ensured that contractors who remained in the industry were having to compete against really cheap gear and could get some productivity gains when they went forward by investing in the best quality machinery available but effectively that opportunity has been lost because of the way it was handled.

The productivity for the contracting industry in this state will suffer for probably a decade.

CHAIR - Ed, on that note I am unfortunately going to have call this to a stop because we have to get back to parliament. On behalf of the committee thank you for giving up your time. If there are any other issues that you think of that might be useful for the committee please feel free to get in touch with either the secretary, myself or one of the other committee members. If there are matters that you want to bring before us feel free to write and we can take that in-confidence if there are sensitive matters that you want to raise.

We may need to come back to you for clarification at some later date but at this stage if I could thank you on behalf of the committee for giving up your time and as we progress this if we need to get back in touch with you we will.

Mr VINCENT - Okay. Thank you.

THE WITNESS WITHDREW.