



CONSTRUCTION
FORESTRY
MINING
ENERGY
UNION

FORESTRY &
FURNISHING
PRODUCTS
DIVISION

20 April, 2011

These comments come from the Construction, Forestry, Mining and Energy Union (CFMEU) which represents the forest and forest products industry's workers including elements of the Forestry Tasmania (FT) workforce.

FT should manage Tasmania's state forests for triple bottom line purposes; social, ecological and economic. This approach is consistent with FT's Constitution and direction from the State Government. Although FT's fiscal performance is important, its financial well beings' main significance is in order so that it can provide benefits to the Tasmanian community brought by the sustainable management of their forests. This should be the main priority for FT in contrast with providing large yearly dividends to the Treasurer.

FT has been adversely affected by the global down turn in demand in traditional international markets for Tasmanian residual wood fibre, a situation which in turn has grossly affected the profitability of the entire integrated forest and forest products industry. It is anticipated that as the industry is restructured to a sustainable footing through the implementation of the Statement of Principles, that FT will again be in a position to provide ongoing dividends to the shareholder (community) as it has done historically.

It is necessary that FT, as well as the rest of the state's timber industry undergoes a restructure, part of which has begun and has been a trigger for this inquiry. This restructure already has entailed job losses (including in FT) and will likely entail more, however more jobs will be lost if nothing is done due to the forest industry crisis. The restructure provides an opportunity to mitigate job losses through the maintenance and creation of new jobs in an economically sustainable industry.

The Statement of Principles process is likely to require a provision of timber of volumes negotiated by parties to the Principles, the broader community and governments from a significantly reduced state forest estate. The provision of the amount of timber likely required by local industry from the reduced estate, keeping in mind the current resource profile, represents a significant challenge. Under this scenario, FT will likely be required to reduce the amount of timber that it supplies which may have serious preliminary ramifications for the business from a cash flow perspective.

Due to the necessity for the delivery of the rest of the Statement of Principles at the same time as providing a yield from the remaining areas of forest available for harvesting, including the development of a landscape conservation, restoration and integrated catchment

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management program and over time transition the timber industry largely out of native forests into plantations, the principles process represents a significant challenge to FT. The company does have the runs on the board in providing timber and concurrently ecologically sustainably managing the state forest estate to third party monitored internationally endorsed standards, an outcome which is clearly required. These runs on the board are evidenced by the fact that many of the forests earmarked for immediate protection by ENGO's because of their values on a landscape level have been actively managed by FT in the past including for timber production.

It should be acknowledged that FT provides the community with essential services through its forest management. One example is the company's role in fire fighting. Although the preservation of the fire fighting capacity is important for the protection of the timber resource, and therefore FT's financial position, it is also important for the defence of regional communities, conservation values and for the prevention of unnecessary carbon emissions through wild fire. The maintenance of the fire fighting capacity is also essential for the implementation of the Statement of Principles including to ensure the sustainable supply of timber to industry and the maintenance of forest values in reserved areas.

It could be appropriate that these sorts of services are funded in the future or at least acknowledged in any analysis of FT's financial position in inquiries such as this.

FT does need to be fiscally sustainable whilst providing the community services it has traditionally provided and it is important that the temporary deficit is indeed just temporary. A restructure of the Tasmanian timber industry is necessary and will help in the longer term, but there are significant opportunities which the company can, is and should pursue in order to boost its bottom line, mitigating expected job losses whilst retaining as much as possible of its extremely professional workforce. A mechanism for FT to expand its business in this area is already in place through its consultancy arm Forest Technical Services. Its expertise in managing forests for a multitude of values concurrently is in demand domestically and internationally.

The obligation of this inquiry is uncertain given the relative performance of other elements of the Tasmanian forest and forest products industry in the same period. There is little surprise that FT's bottom line is affected in a parallel tough period for the industry. As the industry is restructured on a sustainable footing through the principles process, FT will need to adapt and restructure too. There are opportunities for FT to limit its exposure to the relative performance of the Tasmanian industry through diversification whilst at the same time playing a key role in the establishment of a sustainable industry in Tasmania through the implementation of the Statement of Principles in full.

Sincerely,

Jane Calvert

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