

**THE LEGISLATIVE COUNCIL COMMITTEE ON GOVERNMENT ADMINISTRATION 'A' MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON FRIDAY 8 APRIL 2011.**

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**Mr TERRY EDWARDS**, FOREST INDUSTRIES ASSOCIATION OF TASMANIA, **Mr TONY JAEGER**, MCKAY TIMBER AND **Mr SHAWN BRITTON**, BRITTON TIMBERS, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Hall) - Welcome, everyone, to the first of our public hearings. We have one simple term of reference, and that is to inquire into and report upon the impact of the proposed transition out of the public native forest management and harvesting in Tasmania. You are protected by parliamentary privilege but I will remind you that any comments made outside the hearing may not be afforded such privilege. Thank you for the submission, Terry. It is quite comprehensive. Are you happy for the submission to be placed on the website? It is entirely your call.

**Mr EDWARDS** - Yes, absolutely, we have no problem at all with it being posted on the website.

**CHAIR** - Terry, would you like to make some comment in regard to that and then we can open up and ask you some questions.

**Mr EDWARDS** - I had a bit of a think about how we might want to play this and, subject to the committee being happy, I thought I would make some preliminary comments just drawing on some of the points that the report we have written goes to. Then Tony and Shawn want to make a short presentation to the committee. We have a written copy of their submissions which we will table as each of them go to it because, particularly in Shawn's, there is some arithmetic. If you are anything like me, you don't follow arithmetic unless you can see it, so Shawn will go through that. Then we believe the optimum time should be given to the committee to question us to find out the answers to the questions you have, rather than our giving you the answers we think you need. So if you are happy with that, that is the way we would like to proceed.

**CHAIR** - Indeed, yes.

**Mr EDWARDS** - As you have indicated, we have provided a base submission, which goes through a fair bit, we think, of essential background material that needs to be understood before anyone can turn their mind to whether or not a transition of any description is possible, feasible and if it is, when it might be. So they are issues that are all dealt with in a fair bit of detail in the submission. I have confidence you have all read that, either overnight last night or alternatively as things move along.

There are a couple of typographical errors in the submission and I apologise for that. Unfortunately, due to staff downsizing I am my own typist and I'm not very good at it. Even on the front cover the name of this committee looks a little bit odd, when it is 'andinistration' instead of 'administration' for example. There is one more important

typographical error on page 25, if I can just do this housekeeping first, the last sentence on that page where it says:

'The volumes of sawlogs from private property and plantation sources on public land.'

That is a typo, the word 'public' the third last word on the first line there should read 'private' and it does make a fundamental difference. I apologise for that.

**CHAIR** - Apart from that you have done very well.

**Mr EDWARDS** - My wife picked it up last night.

**Dr GOODWIN** - Two errors in a document this size is pretty good really.

**Mr EDWARDS** - There are more, but they don't make any fundamental difference, they are typographical errors like 'hectares' is 'hactares' or something.

**Mr WILKINSON** - It's because you are multilingual, Terry, we understand.

**Mr EDWARDS** - Sometimes when I reread it I think I was writing in Chinese. FIAT is a signatory to the Statement of Principles I think that is a well-known fact, but I think it is worth restating, and we are active participants in the processes before Bill Kelty. We have our own reasons for being there. We think it is important that we are there to properly inform those processes from an industry point of view. We had a fear, and continue to have a fear, that those processes could well continue if we weren't there without our input and that would be a situation that we would not be prepared to entertain. So we think it is really important that those talks are informed by the industry perspective. Whether or not there ends up being an agreement at the end of that process is an issue that still needs to be teased out and that is going to take some time to unravel.

Bill Kelty's report tabled last week with the State and Commonwealth Governments makes very clear, I think, that reaching an agreement will be an exceptionally difficult task and one that will take a lot of hard work by a lot of people. Whether there is an agreement or not, as I say, is an issue that will emerge at a later time.

One thing we do want to make absolutely clear and we do say so in our submission is that the Statement of Principles is not an agreement, and no one should construe it as being an agreement. There is no binding force or effect in that Statement of Principles. What it is is the assembly of a series of agendas of disparate parties that will guide the negotiations process towards a potential agreement. It is no more and no less than that. So the fact that there is a transition specifically talked about in the Statement of Principles does not make it a foregone conclusion that there will be a transition.

What there will be is a very frank and open discussion about the potential for a transition out of native forests into plantations, and that is established as an agenda item by the Statement of Principles. But it does not mean that anyone's particular agenda of what a transition might look like would be followed. The ENGOs have a very clear position established by their written policy position of what their transition looks like, which is to get totally out of native forests within 10 years.

I have given a reference in the submission to where their policy document can be found and I invite the committee to examine that at their own leisure rather than taking my word for the fact that is someone else's position. It is not our position, nor do we believe that is possible in any pragmatic or realistic assessment of the potential of the transition and we will talk a little bit more about that as we go through.

The other thing that I wanted to say about the Statement of Principles is that anyone who has read them would understand very clearly that there are a number of interdependencies throughout that document and no one principle can be read in isolation. If you do, you are going to fall into a grave and manifest error, quite frankly. So, using any normal doctrines of construction, it has to be looked at as a whole, not a very strict reading of each individual word because if you do that, you are going to fall into error and you will interpret them in a way that they are not intended to be interpreted. They are more often than not contradictory one with another and through the submission I draw a couple of those contradictions to the committee's attention to make you quite aware of the contradictions that exist within that Statement of Principles. There is a clear tension between a claim for an increased area of forest reservation of 572 000 hectares, which is the now established, ENGO-proposed, HCV reserve area and the requirement on Forestry Tasmania to continue to observe its contractual and statutory obligations to supply wood to its customers. There is a clear tension there.

I have given some numbers in here which I do not want to go to in any great detail in these preliminary comments. I am happy to answer questions about them should the committee have any. But it is quite clear, I think, when you look at those that a reduction in FT's production forest estate area down to about 200 000 hectares of forest available for wood production, that that would not sustain the existing industry requirement for 150 000 cubic metres of high quality sawlog. This is all ex-Gunns, so Gunns do follow through with their intended vacation of the field of native forest harvest and processing. Existing contractual obligations remaining would be about 150 000 cubic metres of high quality sawlog, 265 000 cubic metres of rotary-peeled veneer billets, 12 500 cubic metres of special species timbers and 70 000 to 80 000 cubic metres of second-grade eucalypt sawlog which would sustain the country sawmilling sector. So that is one of the obvious tensions that is there.

There is another tension in the transition area which is coming back more to the specific terms of reference of this committee and that is, that the ENGO claim is premised on a transition to the existing plantation estate that is on public land at the moment. I have probably been a little overly laborious in the submission of going through and categorising the existing plantation estate, what it is made up of, what proportions of it is which species, what years it was established and those sorts of things, and which regions it exists in. But I think it is really important if you are talking about transitions, to understand what it is that you may or may not transition into and that is an issue that we have been laborious about, quite unapologetically, and I know it will be as boring as anything to read but that is why you paid the big bucks, I suspect.

The other thing I would like to say about the terms of reference of this committee is that any discussion of the moratorium, because of the reasons I have just given, is very hypothetical in nature. There is no actual transition that you can talk about. There are a number of potential transition strategies that could be played out after the negotiations.

Ours is certainly going to be very fundamentally different to the one that is on the table at the moment from the ENGOs. So there is no one transition to discuss. What we have tried to focus on are the issues that need to be resolved as part of any discussion of any transition. We then have tried to turn our mind to the specific terms of reference, which is an examination of the impact of a transition. That impact is analysed toward the back of the submission where we have done some modelling of potential job losses and potential moneys that might need to be forthcoming from either State and/or Federal governments and I will turn to that a little bit later on. That is a modelling of the way we understand the ENGO transition claim to play out.

**CHAIR** - What page is that, Terry?

**Ms FORREST** - Page 44. Is that the document in there, Terry, that you are referring to - the ENGO's document?

**Mr EDWARDS** - It is pages 46 and 47 that is the actual modelling.

**Ms FORREST** - There are some comments before that.

**Mr EDWARDS** - There is some blurb - you have to have some blurb. Pages 46 and 47 provide the numerical assessment that we have undertaken of what we believe the impacts might be and I think they are probably significantly understated and I will go to why I believe that is the case a bit later on. We don't want to be accused of overstating the costs of these things either because it just simply gets dismissed by the public and I guess even by this committee potentially if we look like we are trying to build up a cost factor to prevent something from happening. We don't want to be accused of that so we are being a little bit on the skinny side, but I will talk about that a bit more later.

Any transition and the costs of a transition must necessarily bear a direct relationship to what underpins that transition and that is why I say this is hypothetical. We don't believe a transition into the existing plantation estate that exists on public land in Tasmania is feasible or even possible without the total destruction of the industry and we will go to greater detail on that shortly and particularly Shawn and Tony will talk a little bit about an overseas study mission that they took part in in April and May of last year where they went to Spain, Chile, Uruguay and Argentina to try to find out on a world scale what is best practice in terms of plantation management and processing for the production of high-value appearance grade products. Both Shawn and Tony will talk more about that and we will table a copy of the mission's report.

We believe there are a number of key issues that need to be the trigger points for any transition. We are not trying to put a time line on any potential transition because we think there are too many things that can get in the way when you start saying we can transition in 25 years or we can transition in 30 years. In that context I ask the committee to keep in mind that this transition process actually started with the Helsham Inquiry. In the Helsham Inquiry a large tract of native forest production area was removed from production and put into reserve and Forestry Tasmania were provided with funding to put in place plantations to replace that native forest area. The same scenario played out in the RFA and the same scenario played out again in the Community Forest Agreement in 2005.

This transition has been underway for a long time and there have been all sorts of predictions during that time about when we could start using this plantation-grown material. The reality is today we still cannot use it so that is why we don't want to put dates in place, rather we are identifying trigger points that need to be satisfied that would facilitate a transition, a practical transition if there is to be one.

The issues that we identify are shown on page 6 in our executive summary that we need a sufficient plantation estate of the correct species, in the right place geographically because you cannot carry wood long distances without, firstly, doing damage to the properties of the wood itself and, secondly, making it unviable for the processor. They have to be the right age class so they have to be mature enough, they have to have sufficient volume - and Shawn will talk a little bit more about why that is so important to the processing sector - and it has to be available at an economically viable price and we will chase that rabbit down the burrow a little bit as well.

The quality of the plantation estate to replace native forest sawlogs and rotary-peeled veneer billets must be demonstrated. You cannot transition into something that is inadequate for the purpose and we will go a little bit more to that and that is borne out by the overseas study mission.

We have to have a rotation length that would ensure perpetual supply so we have to make sure that we have enough wood in the ground that we can harvest the right amount each and every year without running out so that when we get to the end of what we have, the next lot is ready to go again - that is called sustainability. That is what we do with our native forests and that is what we want to do with our plantation forests. Every indication is that that rotation period will be in the order of about 30 years. With our native forests that varies a little bit, depending on where you are in the State, rainfall, soil factors and the like, but the overall projection is about 80 years to 90 years' rotation. So this is why plantations become a somewhat preferable approach if you can achieve it. You can reduce your rotation times provided you are getting the same quality outcomes from plantations as you can get from the native forests. We will talk more about that.

We need sufficient suitable and available land to grow the right species of trees. Now that talks about the quality of the land, it talks about rainfall, it talks about other water availability and it means that it has to be in the right places. At the moment there will, in our estimate, be a significant dearth of available land on which to grow sufficient plantations managed on a proper silvicultural regime to produce high quality sawn material. I have some detail in here about that of our estimates of the land area that will be required and that has been modelled out by a forest economist so that we have it somewhere near right. It is plus or minus probably 10 per cent but it will give us a pretty good feel.

The mills themselves will need to be equipped to process the plantation-grown feedstock. The way you process a plantation species is not necessarily going to be the same way you would process a native forest species, particularly as we continue this transition from big old logs to smaller plantation and regrowth logs and that will be a factor that we will talk about. I have a graph in here that shows the change in the diameter class distribution across time as we move forward. Also, we must have markets for the new material, whatever that might be.

**Dr GOODWIN** - Terry, can I ask a quick question before you move on in terms of the mills being equipped to process the new feedstock. Are you thinking that it would need to be completely new equipment or could existing equipment in the mills be modified?

**Mr EDWARDS** - Yes and no. It will depend very much on a mill-by-mill analysis. What we need to determine is what the properties of the new timber are going to be. If it is particularly high in growth stresses and the like it may be that we have to go to the process that was being used by FEA at Bell Bay potentially or, if it is stable enough, then the sort of equipment that both Brittons and McKays have recently invested heavily in and they will talk to you about will probably be adequate for purpose. There is a lot of talk about linear versus reciprocating mills and the like. I do not understand any of that; it is all technical stuff and that is what these guys are here for, but there will need to be changes to gear and equipment. If you look at some of the country sawmills, particularly the family-owned mills out in the regional areas, a lot of those have quite dated equipment and based on big old logs that will not be fit for purpose in terms of trying to process plantation-grown material which is much smaller diameter and from which we will have to recover much higher proportions of select-grade material because they are going to be more expensive. Shawn will take us through those econometric analyses later.

**CHAIR** - And if you do not mind, Terry, we will just take the odd quick question. Are you happy with that?

**Mr EDWARDS** - Absolutely.

**CHAIR** - It will not break your train of thought?

**Mr EDWARDS** - You will not break my train of thought. Good luck trying. I am very focused.

I will not go right through the rest of the executive summary but I ask you to note that Forestry Tasmania - this is point 9 of the executive summary in the report tabled by Bill Kelty last week - have advised that they cannot meet industry resource needs and supply the ENGO-claimed HCV area. That is in writing in Bill Kelty's reports, not my analysis, although our analysis agrees with that. That statement is just pointing to one of those tensions that I talked about before that exist within the statement of principles that the signatory parties are going to have to wrestle with in the next little while to see if we are able to reconcile them.

**Ms FORREST** - Through you, Mr Chairman, on that point -

**Mr EDWARDS** - I did not make it a challenge to break my train of thought.

**Ms FORREST** - I think that Ta Ann have a contract until 2027?

**Mr EDWARDS** - Correct.

**Ms FORREST** - Shawn will probably talk about this. Others do not have contracts out that far. So whilst this comment is made now, saying that FT couldn't meet its contractual arrangements at a particular time - I am not sure how long Britton's contract lasts -

**Mr EDWARDS** - It is 2016.

**Ms FORREST** - so 2016 comes and the pressure then is to say, 'We don't renew Britton Timber's contract' and that makes it easy to meet the requirements.

**Mr EDWARDS** - That is something that we have contemplated. FIAT initially took a decision at our board level not to sign on to the statement of principles. One of the reasons we did that is that we were uncertain about just those sorts of issues about our contractual security, the nature and quality of supply going forward and issues of that nature. As a result we wrote to the Premier of the day, Premier Bartlett, and sought from him some assurances. I should have perhaps included those letters in this submission, and I will provide them to the committee - both our letter to the Premier and his response to us. In that letter we sought security about supply and contractual certainty for long-term contracts. In response we received a commitment from the Premier that sawmill contracts will be extended out to 2027.

**Ms FORREST** - All sawmill contracts?

**Mr EDWARDS** - Yes, all sawmill contracts would be extended to 2027. Annexed to the response we received from the Premier was an advice from Bob Gordon, Managing Director of FT, advising that he could meet contractual obligations and extend contracts to 2027.

**Ms FORREST** - Under the current arrangements?

**Mr EDWARDS** - It cannot be read any other way, in my view, but that is why I will supply it so that the committee can make its own assessment. It is only on the basis of that assurance that FIAT agreed to sign on to the Statement of Principles. Had that not been forthcoming, we would have continued in our role of refusing to sign. We have subsequently written to the new Premier, wanting to make sure that the new leadership felt the same way as the old leadership, because sometimes things can change, and we have received correspondence from Premier Giddings in the same vein, advising that she supports and will continue to pursue the same commitments that were given to us by Premier Bartlett.

**Ms FORREST** - That buys some time, I guess, until 2027 but 16 years in the life of a tree is not very long.

**Mr EDWARDS** - No.

**CHAIR** - Or in an investment cycle it is not very long either.

**Mr EDWARDS** - I guess that is one of the reasons we are talking about plantations.

**Ms FORREST** - That was a buying time sort of thing, in a way?

**Mr EDWARDS** - Yes, in way. It provides certainty for investment because it is a reasonable investment horizon for a processor to invest in new processing equipment, as Britton's and McKay's have already done in the case of \$10 million and

\$7.5 million respectively. That has already been done to some extent. We want a return on the investments we have already made, and 17 years is a reasonable horizon in which to do that. We also believe that in that 17 years there are a lot of things that will and must play out. A lot of them are discussed in this submission in terms of the plantation estate. To be perfectly frank with the committee, our druthers, if we were given them, would be to say that we continue on with native forest harvesting, and the plantation estate once we have one of sufficient quality and in the right places at the right time at the right prices et cetera, should be a growth opportunity for the industry rather than a substitution factor. If that were to come to pass as being an outcome, your question becomes irrelevant because we have a significantly-enhanced wood pull for the processing community. If, however, that does not come to pass and substitution becomes the reality, it will depend on the available land area for the establishment of plantations, and there are a number of tensions in that which I identify in the submission including the protection of agricultural land policy, the permanent native forest estate policy and both of the existing forest certification schemes which prohibit the conversion of native forest to plantation.

**CHAIR** - Given that the McKays and the Brittons of this world have already made that capex commitment and they will get a return on their capital hopefully if it comes to pass in that 16 years -

**Mr EDWARDS** - Sixteen.

**CHAIR** - That is okay, but in the future anybody else thinking about investment is probably not going to do it. Is that a fair comment at this stage?

**Ms FORREST** - It depends on how long it takes.

**Mr EDWARDS** - It depends on the timeline. I guess we are playing hypotheticals. If I were a sawmiller at the moment and I was faced with 17 or 16 years' security of access to a higher quality resource that would give me sufficient incentive to think about an investment strategy.

However, McKay's, at the current point in time, have about 12 months security left on their contract. We are talking about 2016 for Britton's, but McKay's and a number of other major mills only have security until July of next year. Now, what investment would they make at the moment if they knew what they know now? The \$7.5 million they have invested may not be able to be repaid unless we can renew the contract and give them an investment horizon to get a return on the investments they have made. So that was the equation that we faced when we looked at this as FIAT and wrote to the Premier.

**Mr WILKINSON** - The investment wasn't made with the knowledge as to what was happening. So the investment was made with one horizon and then the horizon has completely changed.

**Mr EDWARDS** - One of the problems we have faced in this State for a long time is a little devil known as 'sovereign risk' and it constantly revisits us. Frankly, from an investment point of view by the processing community, and I suspect by the public forest grower as well, is that every time we think we have peace in our time and we are assured we do,

and we are assured we have resource security going forward, another little worm crawls out of a piece of wood and wants to bite us. We had it with Helsham, we had it with the Regional Forest Agreement and we had it with the Community Forest Agreement. Each and every time the industry were assured, 'There will now be peace in our time. You will have secure access to the balance of the resource for the rest of eternity.' Yes, and we are here today. Why are we here today? Because we are talking about it again.

The reality from our point of view is that at the end of this process it is just as likely we will still be talking about it, even if we were to reach an agreement. I read today's newspaper with a mixture of horror and dread. Bob Brown is quoted as saying we shouldn't be talking about locking up 50 or 60 or 70 per cent of our forests, we should be locking up 100 per cent of our native forests - or 95 per cent to be fair to him - 95 per cent of our native forest and that the ENGOs are making a mistake in making such a small land grab.

You really do need to start to think seriously about why would people want to invest in an industry that is going to be so constantly beset with sovereign risk issues. I can't answer that. I would have to talk to them; maybe there is something loose.

**Ms FORREST** - The question then becomes, if that were to happen - and I am not saying that - even any future lock-up, I guess, or removal of resource means the demand for timber doesn't seem to be diminishing, or wood fibre, so it is going to have to come from somewhere.

**Mr EDWARDS** - Correct, and the realities are if we locked up 100 per cent of our native forest estate today, we don't have a plantation resource that we can transition into. So the societal needs for solid wood products will come from overseas. It will come from forests which are less well managed than our own, almost certainly. We're talking about the Borneos, the Indonesias, the Vietnams and we are importing wood from them now. Australia has a balance of trade deficit in wood and paper products in excess of \$2 billion every year. We're bringing in more and more timber and locking up more and more of our natural resource.

I constantly ask myself the question: Is it fair that we are extracting so much of someone else's resource to sustain our needs while we lock ours up and hold ourselves up to the world as being so green, pristine and clean? It really is a paradox to me and I think we really should have a good, long hard look at the overall forest policy in Australia of this 'lock everything up and throw the key away' approach. I do not think it is a good approach. I do not think it is good for our forests.

The forests in our reserves are very poorly managed, not just in Tasmania's case, but in the case of all of the reserve forest areas in Australia. Go and ask the Victorians about the fire experience in forests that are allowed to not be managed effectively. Everyone saw the results of that, as graphic and as unfortunate as they were, it should really sheet home to people that we are following a policy which is entirely incorrect. We have an opportunity at the moment to make submissions to a House of Representatives inquiry, which is looking at overall forest policy issues in Australia and we will be making those points and I think they do need to be made. Unfortunately, we cannot change them from Tasmania by ourselves, but the Commonwealth Government needs to have a very serious look at how it approaches forest management generally. If we were to add another

500 000 hectares to our reserve structure in Tasmania, who is going to pay to manage that?

**CHAIR** - Exactly.

**Mr EDWARDS** - We cannot manage what we have. We have 1.3 million or 1.4 million hectares in reserve at the moment. If we add another 500 000 to that to take it up to, say, 2 million, just for a round number, who is going to pay to manage that? Is Tasmania going to manage that and, if so, with our billion-dollar deficit in our budget at the moment, where are we going to get the money to do that? Forestry Tasmania are not paid to manage the reserves that they have under their jurisdiction at the moment and they have assessed that costs them in the order of \$9 million each and every year, as a community service obligation. Is it fair that they, as a business enterprise, should be required to bear that cost when the lock-up has been for the public good?

**Ms FORREST** - Should that be separated out, Terry, in your view? Should that be managed under another department and the commercial operation of Forestry Tasmania be a separate entity?

**Mr EDWARDS** - I think the level of management by Forestry Tasmania in those forests is superior to those of the Parks and Wildlife Service because they employ foresters who understand how you grow a tree, how you manage a tree and how you manage a forest estate to protect it both from wildfire and other infestations. Having Forestry Tasmania manage those is a good approach. I think that is where the expertise lies, instead of putting in walking tracks and other things, which is what Parks and Wildlife tend to concentrate much more on. But they need to be funded. You either fund Parks and Wildlife additional money to manage those reserves inadequately or, on the other hand, you have them managed effectively and provide some money to Forestry Tasmania to do that. I prefer the latter because I think the forests would be better managed.

**Mr WILKINSON** - In all other States, Terry, we heard yesterday - and Ruth had the same person speak with us - they have split it up. Is that correct?

**Mr EDWARDS** - I do not know about all other States but certainly it is starting to unravel right around the country, as we speak. The Victorian model is now under significant review. The Western Australian model has fallen over completely and is in the process of being completely rewritten. The South Australian model, they do not have any native forest areas so it is not a good comparison, and in Queensland all of the public forest that is available for wood production has been sold off to a private company. So there are different models around but not all of them are all that successful. I do not have a detailed understanding of the New South Wales model, except I think that they are second only to us in areas reserved and they have more fires almost than any other State. Every year, just before Christmas, we always see the New South Wales fire scenario and that is because of the inadequate management of their reserve structures. I think Phil Koperberg became quite famous because of the annual fire regime. He was on our TVs every night, telling us about the fires and it is because of inadequate management.

So I do not think the structures that are in place are correct and, in any event, we have a peculiar scenario in Tasmania with the relationship between public forest and privately-owned forests and we need to develop a solution that is right for Tasmania.

**CHAIR** - Yes.

**Mr EDWARDS** - I do not believe in just locking up areas, throwing away the key and letting that big undergrowth that grows under our wet forests particularly to grow up and create a fuel load in our forests, such that we are not able to stop fires when they start. If we do that, these wonderful forests that we have locked away for future generations just are not going to be there, they are going to be ash beds. Is that what we are locking them away for, is the question you have to ask. What were the conservation values that gave rise to those reservations in the first place, and are we managing them for those conservation values?

Take old growth - old growth is a transient point in time in the life of the forest. It is like being an old person. At some time you stop being an old person and you become a dead person.

*Laughter.*

**Mr EDWARDS** - But the life cycle goes on because sometimes, during your life, most of us -

**Ms FORREST** - If you are a Huon pine you can grow again as a new tree, but people do not do that.

**Mr EDWARDS** - The Huon pine lasts for 3 000 years so they have a slightly different scenario.

**Ms FORREST** - True.

**Mr EDWARDS** - But old growth is really just an age class of a tree and with our tall wet forests, when a big, old tree dies and falls down in the forest, it is not replaced by a eucalypt because there is insufficient disturbance to the forest area to allow germination in the fire so what you have is the conversion of an old-growth eucalypt forest to a rainforest. That is not a bad thing, it is natural but let us not pretend that we are locking up that forest to preserve old-growthedness because we are not. Eventually it won't be; it will change, it secedes to a different forest type. I am not quite sure that we are on the terms of reference here but it is a useful discussion.

**CHAIR** - No, it is all relevant.

**Mr JAEGER** - There was one thing, if I may, in answer to your question, Ruth, about contractual arrangements into our previous contract and contract before that and before that there is always a renewable clause and had we been able to renew our contract at the right time we would have a bigger horizon. But, because of all these uncertainties that have come about, there has been a sort of a hesitation by the grower to enter into significant contracts or arrangements. So that is why at the moment we only have a horizon of 12 months.

**Ms FORREST** - The growers are nervous as well, you are saying?

**Mr JAEGER** - Absolutely.

**Ms FORREST** - Then that impacts your security of supply even from them. These are private growers you are talking about?

**Mr BRITTON** - No, Forestry Tasmania.

**Ms FORREST** - As well. Are private growers, are they -

**Mr JAEGER** - We don't have contracts with those. They are spot sales.

**Mr EDWARDS** - I will talk more about the private land resource a bit later on. Suffice it to say in the short term for an answer, there is very little sawlog available from private land. We are talking about no more than 50 000 or 60 000 cubic metres a year.

**Ms FORREST** - Is that likely to change, Terry?

**Mr EDWARDS** - I don't believe so. That has been a longer-term trend downwards and it is to do with a whole range of factors and the things that are measured are landowner intent. We also have the significant intrusion of our forest practices code where up to 30 per cent of each and every person's farm is not available to them for wood production because they are conserving it for conservation but they are not receiving any remuneration from the public purse for doing that, that is their duty of care. I believe those sorts of intrusions on a private landowner's capacity to productively and economically use their land ought to be met from the public purse. I have said that to the Legislative Council in the past on more than one occasion and I think I got challenged last time in a joint House committee by Nick McKim on just that point but I do not see why a private landowner who needs to make a profit from the land they have purchased should be restricted to the extent they are. I understand some restrictions for the protection of biodiversity and the like, they are all grand ideals, but who pays the piper is the big question. Can the State afford to be as green as it pretends to be? I think probably not.

**Ms FORREST** - You certainly hear from private forest growers, a significant stakeholder in this whole debate, you are saying that they are not big suppliers of sawlogs, though?

**Mr EDWARDS** - But they are big suppliers of pulpwood.

**Ms FORREST** - That is predominantly where they are headed.

**Mr EDWARDS** - And they are also potentially big suppliers of plantation resource if there is going to be a transition. They have the land mass that is going to be needed. They also have plantations but the plantations on private land are almost exclusively being managed for pulpwood production and they will probably make a really good feedstock for a pulp mill in the Tamar Valley but they will not make sawlogs for Brittons or McKays because they are not being managed on the silvicultural regime to produce sawlogs. That is too expensive for a private landowner to contemplate and the time frame of the investment is too long, we are talking 30 years with no return at all potentially during that entire 30-year period.

**CHAIR** - But there are some, Terry, if I may. Are there not some private landowners who have specifically got areas set aside for sawlog production in the future?

**Mr EDWARDS** - Yes, absolutely, but we are talking miniscule areas in the scheme of things, but some are. Some are taking that longer-term view as part of a mixed farm management approach and I think Ian Dickinson is a classic case in point and I am sure he will talk to this committee. I would be surprised if he didn't. You would be hard-pressed to stop him.

*Laughter.*

**Mr EDWARDS** - A couple of more quick points from me and then I will be quiet. I have hinted a couple of times that the existing Eucalyptus nitens resource is inadequate as a sawlog species and Shawn and Tony will talk a little bit more about why it is, but suffice it to say it is not capable of being used for high-value appearance grade products. You could not make this table out of Eucalyptus nitens.

**Mr JAEGER** - You could but it wouldn't look too good.

**Mr EDWARDS** - Well, exactly.

**Ms FORREST** - It would split, wouldn't it?

**Mr EDWARDS** - Checking, splitting, warping - a whole range of things.

So the last point probably to make then before I let the others take over is at point 15 of the executive summary on page 7 I just summarise quickly there that the transition strategy of the ENGOS as we understand it will cost somewhere in the order of 3 500 to 5 500 jobs directly and indirectly. The 3 500 represents a multiplier of one for one, which I think is highly conservative. Nearly all of the reports that I have read about analysing the economic contribution of the industry suggests 1:2 is a much better ratio and much more accurate and that is Professor Jacki Schirmer, Bruce Felmingham, IMC-Link have all recently written reports and all of them use about that 1.2 but we have decided to put a conservative number in as well as a more realistic number so it is between 3 500 and 5 500 jobs.

**Dr GOODWIN** - Out of a total of how many?

**Mr EDWARDS** - It is produced at page 46 I think I get the total number, do I not?

**Dr GOODWIN** - Oh yes.

**Mr EDWARDS** - No, that does not show the existing - I apologise I meant to put the existing report in there as well.

The most recent report by Professor Jacki Schirmer from the Fenner School at the ANU which was produced last year which shows a recent 30 per cent decline in industry employment, predominantly the Gunns closure of Scottsdale and other things, the Australian Paper closure and the like, I think shows it is in the order of 5 500 to 6 000 but that is just off the cuff. I will provide a copy of the Schirmer report if I can.

**Dr GOODWIN** - Thank you.

**Mr EDWARDS** - So they are indicative costs that we have modelled out to try to explain what we think the impacts might be. Beyond that the areas that we have not been able to do proper analysis of yet, including what the socioeconomic adverse impacts might be in regional communities. If, for example, the transition to Eucalyptus nitens were to happen tomorrow I suspect Britton's mill would close in Smithton and I am sure Ruth is more than capable of analysing what that might mean for that community. It would be horrendous on top of the loss of the vegetable processing facility and the potential loss of Gunns' sawmill as well at the moment. You throw Britton's into the mix and you have a real mess. You have another Scottsdale on your hands.

McKay's, because they are predominantly in a metropolitan area, it is not quite as immediately obvious but they are an employer of 115 people and one of their mills operates in St Helens. Now the north-east of Tasmania has already been pretty hard-hit through the Scottsdale windbacks; if you throw in a windback of the St Helens mill you are starting to again look at quite significant socioeconomic impacts. I think if you marry those sorts of numbers against what we all already know about the Tasmanian economy, which I believe is in deep trouble, we are heading for a train smash potentially. That train smash is the fact that we have lost almost our entire manufacturing base over the last couple of years. We have no civil construction works on the forward order books. We have a housing construction industry that is predicting a heavy spiral downwards over the next few months and through next year and if you marry all those things up along with a retail sector that is sluggish at best, probably almost in recession in terms of that industry sector, we have a number of problems. If you impact on top of that 3 500 to 5 500 jobs which are mostly out in regional communities, you can see the size of the problem this State will confront. There are issues.

Having said all of that, as I say in the submission we are a signatory to the statement of principles, we are committed to seeing on a genuine basis whether an agreement can be reached out of that Statement of Principles but, if part of that agreement is for a transition out of native forest into plantations, it will be long term and we suggest it would be in the order of 30-35 years. I said earlier that I don't want to put years on this, but what we say is that the transition should not take place until the six dot points mentioned in point 7 of our executive summary are satisfied. It is not about years, it is about trigger points - trigger points being an adequate resource to replace the existing resource and only then should we contemplate a transition.

**Ms FORREST** - As to the employment figures, Terry, someone spoke yesterday to Naomi Edwards who has done an economic analysis of FT particularly. In the paper that she provided yesterday she quoted industry employment figures from Jacki Schirmer. I assume it is from the same report you are referring to?

**Mr EDWARDS** - Yes, it is.

**Ms FORREST** - She said in that report that in 2006 there were 6 000 employees in the industry and from the Auditor-General's annual report there were 516 in Forestry Tasmania, in 2010 there was 4 340 jobs in the industry and 461 in FT. That gives a total

in 2010 of 4 800 employees in the industry and FT combined. There are not even 5 200 jobs in the industry -

**Mr EDWARDS** - No, but I've said directly and indirectly.

**Ms FORREST** - Oh, sorry.

**Mr EDWARDS** - There are about 1 700-odd directly. Those figures by Naomi Edwards are extremely conservative. If you read the Schirmer report in full it tells you it is highly conservative. There are something like 1 600 private growers of forest products that are not included in the Schirmer report. There is a very significant sector within the contracting community which is not included because it was so difficult to capture on the basis the data capture occurred.

**Ms FORREST** - So you're trying to capture those in your figures?

**Mr EDWARDS** - No, we're not, we are going to rely on Schirmer at the end of the day. Our analysis is that there will be approximately 1 700 direct jobs lost in the industry - let us call it 2 000 for the sake of a number, just to make it easy to discuss -

**Ms FORREST** - When you look at 4 340 in 2010 -

**Mr EDWARDS** - It is a big proportion. We believe that it will be significantly higher. If the transition happens the way the ENGOS propose, the industry would disappear in very short order because no-one will invest, no-one will hang about, you can't sell the product that you've been given to process, even if it was given to you literally. Forestry Tasmania would be bankrupted virtually immediately because they have an unsaleable product and their 400-odd employees would become zero almost overnight, except to the extent that they need to manage those reserved areas but without an income stream. At the moment the income stream that Forestry Tasmania receives is all from the sale of forest products, other than a little bit from their tourism operations, which means the sawmillers and rotary-peel veneer industries are paying for the cost of the reserve structure that they're not allowed to access.

**Mr WILKINSON** - We hear time and again the environmentalists talking about tourism jobs in the forests. I have not seen any real new ones over 15 years. There have been a couple of guides into these areas. Can you point me to any areas of tourism in any of the forests that the environmentalists have been talking about where there has been an employment boom?

**Mr EDWARDS** - I would have to be fairly clear about my definition of what tourism was. If it includes accommodation facilities, there is the one at Lucaston and a number of smaller B&B-type operations of that type. If you're talking about tours being led through forest communities, there are very few. There are a number of microsize ones that operate on State forests. The problem you have with tourism in the forest areas is that it relies on access and access isn't easy to obtain. You try to build a road through the Tarkine wilderness and see how much trouble you get into. We know what happened there.

**Ms FORREST** - Or try to do anything there.

**Mr EDWARDS** - There is a bit of drilling going on, I am told by the newspaper this morning.

So the problem is access and equally the ENGOs articulate strongly the need for tourism in our forest areas, and that that is Tasmania's future. I will not go too much into the 'all eggs in one basket' scenario, but if you can't access the forests you can't tour them. Who puts the roading into the forests? I haven't seen the ENGOs build a road. Forestry Tasmania spends millions of dollars every year on constructing and maintaining the very roads that would need to be used and maintained to support any tourism industry, so if you take FT out of the equation, they are bankrupted, they are gone, and we have tourism. Who is going to maintain the roads?

**Ms FORREST - DIER.**

**Mr EDWARDS** - The people of Tasmania?

**Ms FORREST** - Exactly, that is who it would be.

**Mr EDWARDS** - Are we then doing what we're told we shouldn't be doing in respect of a pulp mill and providing infrastructure support to a private industry development? We are told we are not allowed to do that for a pulp mill, why would we be allowed to do it for the tourism industry? We provide ships for the tourism industry and that is infrastructure support, but when we want to do the same for a pulp mill and just provide some access roads and the like, we are told that that is not appropriate. There are double standards playing out all over the place here. Tourism is a wonderful industry for Tasmania and I very strongly support our tourism industry, but it is not our future on its own. It can never be. You cannot have all your eggs in one basket. We cannot become Australia's national park, to quote Premier Barnett of recent days. The most embarrassing thing I found about his comments over the last weekend was that they are true. We are a mendicant State.

**Mr WILKINSON** - It is not just his, though, now is it? It is starting to become a bit -

**Mr EDWARDS** - It is becoming a mainstream cry. I go to Western Australia quite regularly and I am constantly being told that Tasmania is a mendicant State and that Western Australia is sick of propping us up, when we won't do anything for ourselves in terms of resource development, in terms of infrastructure, in terms of any industry at all that is proposed for Tasmania is opposed and more often than not gets knocked off. So we put our hand out to the other States that are doing the right thing and responsibly using their resources and we say, 'Give us a bit of your money, so we don't have to use ours.' Sorry, you've got me on a soapbox.

**Mr HARRISS** - Just a couple of issues. That matter that you just visited with Mr Wilkinson, there is a real contradiction there, isn't there, because if we are truly protective of these HCV forests and the like, we would close off the roads, we would have no human access to them and the like. So where are we heading with the HCV, in particular, with that as the backdrop? Also related to HCV is the cry that came only a few weeks ago that we must adhere to the agreement and immediately place a moratorium on harvesting in HCV. You have told us that it is not an agreement. We understand that it is not an

agreement, but some people are calling it an agreement and demanding compliance with the statement of principles. There are a couple of issues there for you.

**Mr EDWARDS** - Thanks for those questions. They weren't Dorothy Dixers either, by the way.

*Laughter.*

**Mr EDWARDS** - In respect to high-conservation-value forests and whether or not they would or would not need to be closed up, there are a number of schools of thought that play out there. To us as an industry sector the proper management of our forests does not revolve around putting them into secure reserves, putting big fences around them and throwing the key away. Even under the Forest Stewardship Council Certification Scheme you can manage high-conservation-value forest for a range of different things, including wood production. That is under the ENGO's own sponsored certification scheme. You can manage a high-conservation-value forest for wood production and other things. What you need to ensure is that you protect the value for which it has been identified and reserved. I will put 'reserved' on it, but I don't like using the term.

I do not believe HCV forests should, by themselves, be a 'throw the key away' proposition. They should in fact be managed to protect their conservation values that make them special. Let us take an example. One of the things we need to protect HCV forests for is Aboriginal culture. So we have a coupe area that is 50 or 60 hectares, say, and there is a cave there with Aboriginal paintings in it and they should be protected. We should not be injuring that sort of heritage. So we put a dotted line around that of, let us call it five hectares we reserve out of that coupe to protect the value that is in that cave. Why can't we use the other 50 or 55 hectares of that coupe for other things, a variety of things? Our forests are all managed for multiple uses. They are not managed for wood production alone. They are not managed for tourism alone. They are not managed for recreational activities, such as bike riding, horse riding and the like, they are managed for all of those things and I do not see that the two things are necessarily incompatible. Yes, it would not be fun to go bushwalking through a clear-felled coupe that had just been burnt and I am not suggesting it would be, but not all our forest areas are clear-felled, firstly. Well in excess of 50 per cent, probably about 70 or 80 per cent of our harvesting is done on a non-clear-felled basis. So they are still available and could still be used for tourism and horse riding. We have rallies on our forest roads quite regularly. I think Targa is using them in the next few days. Is that tourism? Is the forest industry therefore supporting tourism in Tasmania? I am told that Targa bring in millions of dollars to the State every year and if that is the case then we are supporting that. So I think that, hopefully, Paul answers that question.

In terms of whether or not this is or is not an agreement, you are quite right, there are those who make the mistake of calling the Statement of Principles an agreement and if you look at the advertising campaign being run on our TVs at the moment by the ENGOs, they just make that point, that this is an agreement and it should be implemented immediately. There is no agreement. What we do have an agreement on at the moment is a moratorium and it agreed between industry, unions, community representatives and the ENGOs, what that moratorium is. The fact that they are still out in the forest, agitating for it by stopping honest, hardworking people from earning a living, is an absolute disgrace. The fact that they have agreed to it but are still running

an advertising campaign, trying to achieve something else outside the Kelty process, is another disgrace and it should not be countenanced.

The actual terms of the agreement on the moratorium are included in our submission in full, deliberately, so that is not my interpretation and that includes that there is harvesting available inside the high-conservation-value areas identified by ENGOs, if that is necessary to maintain wood supply to the industry. That is, to continue to employ Tasmanians. That is, to continue to generate wealth for the State. It is a pretty simple proposition but the principles themselves are not an agreement, they are an agenda and we will work through each and every one of those principles over the next however long. I think Kelty is due to report again at the end of June, so presumably by then and we will see whether we can reach an agreement. But if you look at the heading on the Statement of Principles, the full title is: Tasmanian Forest Statement of Principles to Lead to an Agreement. It is not the Tasmanian forest statement of principles of agreement or any other interpretation that you might want to come up with.

**Mr HARRISS** - Just to round that out there, Mr Chairman, on the HCV issues. You have just said, Terry and we understand, that these are areas identified by the ENGOs.

**Mr EDWARDS** - Correct.

**Mr HARRISS** - If, through this continuing negotiating process, for those HCVs identified by the ENGOs, it is not agreed that there is somehow a reduction in them, is there a feeling that challenges, significantly, the progress to an agreement?

**Mr EDWARDS** - Potentially so but no more so than an outcome that would see the industry not being able to continue to receive its contracted wood supply volumes. At the end of the day, each party that sits around that table has an agenda. Each of us wants to see our agenda be the final outcome. None of us is going to succeed 100 per cent in that. If there is an agreement by definition it must involve compromise. Will that compromise mean industry accepting less resource than its current contracted volume? I don't know, I am not going to provide answers to those rhetoric questions but it is a question that needs to be asked. Will the ENGOs have to accept less additional reservation area than their total claim? Again, I don't want to answer that, but they are the sorts of questions that we, as participants in the Kelty process, will be required to answer and talk through and that is why I keep saying, every time I make any public statement at all about this whole process, that this is an exceptionally difficult process. This is not easy stuff and no-one is sitting around that table just simply banging it at the moment and saying, 'Deliver our agenda or else' but what is happening is we are reaching agreements inside the process and are being confronted with the 'or else' actions outside the process by effectively the same people. That is what I find so disappointing.

**CHAIR** - Thanks. Terry, bearing in mind the time I think perhaps we had better pass on to the other two.

**Mr EDWARDS** - Shawn has come all the way down from Smithton, so I had better let him speak.

**Mr BRITTON** - A four-and-a-half hours' drive this afternoon.

**Mr EDWARDS** - I might also just pass around a full copy of the overseas study tour report.

**CHAIR** - We can table those, thank you.

**Mr EDWARDS** - Shawn will be talking to that as well and so will Tony.

**Mr BRITTON** - Most of you are aware of our business and have a reasonable understanding of what we do and what we try to achieve in Smithton. To start off, we are now a 104-year-old company in Smithton that has been processing native forest timber since 1907. I think that to start with speaks volumes for itself about the resource that we process and the sustainability of it. It is often claimed and purported that we are about to cut down the last tree and if that were the case after 104 years we would not be there.

We are now a fourth-generation company. We consist of a sawmill, veneer slicing, drying and processing plants in Smithton and as well as our Smithton operations we have distribution and wholesaling companies in Melbourne, Sydney and Brisbane. In Smithton we directly employ more than 75 people and another 30 contractors who would supply our resource and cartage in and out of our plant. Our mainland operations employ approximately 40 people.

We process in the order of 30 000 cubic metres of native forest sawlogs and everything we cut, everything we produce is aimed at the high-value appearance grade markets - furniture, joinery, cabinet-making and feature flooring - so the products end up in commercial jobs and also residential fit-outs, in your house floors, your house furniture. You find our timber in Harvey Norman and that is probably a base level where our timber ends up and the higher-value stores above that. As we are aware, there is always a great demand for a quality hardwood resource for those sort of products whether it is flooring or whether it is shop fit-outs and we have briefly touched on it before, if we are not processing that from a resource in Tasmania it will come from overseas.

The log resource that we cut is supplied by Forestry Tasmania from our native forests and, as I mentioned, the forests in north-west Tasmania have been used for timber production for 150 years and we have some direct examples where our company has extracted sawlogs from the same areas of land at least three times over four generations. So that is quite substantial.

Sixty per cent of our cut today is Tasmanian oak - our eucalypt - 35 per cent is blackwood and the remaining 5 per cent is made up of myrtle and celery-top pine. In 2005 we had the signing of the Tasmanian Community Forest Agreement and we agreed with the Commonwealth and State governments to forego our allocation of deep red myrtle to allow the governments of the time to reserve the area specifically known as the Savage River Pipe Line rainforest, which is part of the Tarkine.

To maintain our viability we were offered an allocation of regrowth eucalypt sawlogs in place of the higher-value myrtle. We saw this as an opportunity to move away from the - at the time - very grubby rainforest debate and it is something that we do not want to go back into. We saw the new eucalypt resource being available in perpetuity as a sustainable resource and as such we invested more than \$10 million. Somewhere in the order of 25 per cent of that was government funding we received -

**Ms FORREST** - Was that CFA funding, Shawn?

**Mr BRITTON** - CFA funding, yes.

We did a complete re-tool of our plant and equipment to enable us to process the eucalypt as well as our traditional blackwood resource viably into the high-value Tassie oak products that we sell today.

In Smithton we have a payroll of \$3 million annually and we spend another \$1 million annually in Smithton on repairs, maintenance and other capital improvements. I believe that there are approximately 400 jobs in Smithton that directly rely on the native forest sector. If we break that down, we are talking about ourselves, Britton Timbers, 100, Forestry and then we have Ta Ann with approximately 100 as well. That includes direct employees of plants and also contractors and those sorts of people. We are talking about a transition; a transition away from native forests would jeopardise all four of those operations in Smithton immediately. That is the sort of effect that we are talking about in that regional community.

Following on from that we look at a transition to plantation processing for Brittons and what it means. I have some reasonably basic examples of what it means to process wood and the value of return to give you a bit of an understanding of our situation.

To operate a sawmill as we currently do successfully, we need to recover as much sawn timber as we possibly can from our sawlogs. Our measurement of recovery is made on two facets; one is the total volume of sawn timber recovered from the sawlog and the other one is the grade of the timber recovered from the sawlog. A modern native forest sawmill in Tasmania is recovering approximately 35 per cent of sawn timber from each log that it processes. The grade of the timber that we currently produce falls into three categories: select, standard and utility. Select is the highest grade that ends up in our furniture, standard grade ends up in furniture and flooring and utility generally ends up in the carcass work of furniture or stuff that is not seen and in some other processing areas such as McKays it ends up in framing products.

So to look in a broad sense at what we do, if we process 30 000 cubic metres of logs we recover 35 per cent sawn timber and we produce 10 500 cubic meters of sawn timber. Now if we have a look in the table below under the grade, out of the sawn timber we produce 60 per cent select, 30 per cent standard and 10 per cent utility, which is a rough mix of our native forest species that we currently process. We have a saleable volume and an average selling price in rough terms for each of those grades of timber and we have a turnover. Now that is pretty basic. We do lots of other things: we do veneer, we have high-value products that end up in the tables and furniture that end up in the BHP boardroom, Parliament Houses et cetera. I think we did the boardroom table for the Hawthorn Football Club just recently made out of Huon pine.

**Ms FORREST** - A local craftsman made that out of your timber.

**Mr BRITTON** - Yes, Toby Muir-Wilson made that beautiful table. We downstream process a lot of our products into feature flooring as well.

I have also included on that page a picture of some plantation nitens showing some of the problems that occur. If we had to transition to the current plantation resources, which is the eucalyptus nitens, there would not be the volume of suitable sawlogs available to process, so immediately we would have nothing to process. We believe it will probably be in the order of another 25 years before we can get substantial volumes of a quality plantation product suitable for sawmilling into high-value appearance-grade products. We don't believe that what's in the ground now is suitable for that. The predominant species that is grown is the nitens and we believe - and this is a rough rule of thumb - if we were processing the nitens and we were processing 30 000 cubic metres, we could probably recover an extra 5 per cent sawn timber to 40 per cent because of the uniformity of the logs and if they are grown to the right diameter we know that we can recover slightly more. Often the native forest logs that we process are misshapen so we would get a slightly better sawn recovery, but our grade recovery from the nitens would suffer. As evidenced by the photos, there are lots of cracking - which we call 'checking' - and collapse problems, twisting and warping of the timber. From what we have seen, we believe our grade recovery from a current plantation resource such as nitens would drop substantially. We believe we would struggle to get 15 per cent select grade, maybe 20 per cent standard grade and the bulk of what we would produce out of nitens would go into utility.

**Ms FORREST** - Are you saying that we need to move away from nitens and plant something that's going to do the job and allow that process to unfold, hence the 25 or whatever years? Is that the rationale behind that?

**Mr BRITTON** - Yes, that's right. We need to plant other species where appropriate.

**Ms FORREST** - Do we know what that is?

**Mr BRITTON** - We believe it is globulus, blue gums, which is a Tasmanian species. We believe it can be grown in plantations on the correct regimes for high-quality products.

**Ms FORREST** - What's the turnaround for the globulus?

**Mr BRITTON** - We're looking at probably a minimum of 25 years.

**Mr EDWARDS** - On that point, one of the reasons that nitens were selected is the amount of frost we get in Tasmania; nitens are frost tolerant and globulus are not. It does produce a challenge for us that less than half of FT's current plantation sites would be suitable to be converted to globulus. That is why I said before that we have that land area imbroglio that we are going to need to solve, but globulus certainly seems to produce the goods in terms of the quality of the timber, the recovery of grade and the like that Shawn is working through. The problem is going to be getting enough of it in the ground.

**Mr BRITTON** - I believe the line of least resistance was taken. Nitens are easy to grow, they grow well in the higher country where there are lots of frosts and they are a good pulping species. That was another good factor.

Our grade recovery drops down, our turnover suddenly plummets a couple of million dollars and we are making a loss and you can't make a loss for very many years before you're not there anymore.

There is a photo of some plantation regnans grown on a sawlog regime in Chile, so they are quality logs grown in plantations that were about 27-28 years old. What are the options for a transition so far as we can see? We need the correct species and we believe that is globulus in Tasmania. The plantations need to be managed to produce sawlogs by pruning and high-thinning from an early age; that the trees are grown to a suitable diameter, and that those trees, the timber in those trees, produce a higher grade as possible to maximise the return for the processor. If the processor can maximise its return and be profitable then that flows through to the grower. The lower the grade of log the grower produces the less money the grower will get.

We believe that native forests can be managed for biodiversity, carbon capture, sawlog production, either in perpetuity or until we have a plantation resource equal for processing. But this is going to take 25 years. Until such time as when we have a plantation estate capable of producing the quality of timber required by the saw and veneer mills, any discussion of a transition is hypothetical.

**Mr WILKINSON** - But they are really saying that there is no need. To me it seems that that is the bottom line, isn't it, you probably don't want to say it out aloud, but a person like me can say, 'Well, why do that?' There is no need now because our forests are being managed extremely well when you compare them to any other places around the world. When you compare the studies that have been done on them by environmental bodies, they come back and give us a gold star. So you say why change? That must be the frustrating part.

**Mr BRITTON** - Yes, and Glen had another trip overseas last year and spent a bit of time in the States and also Europe, and in North America and Western Europe they are managing their native forests for wood production very well.

**Mr EDWARDS** - I think part of the answer to your question, Jim, from our point of view is, I suppose, what price peace? Can Tasmania continue to be the subject of 'the forest wars', which has done substantial damage to our brand overseas and cannot be ignored, we don't believe. It is one of the reasons we have agreed to continue to participate in the talks. Do we think locking up more of our forests is necessary? No, we don't. But is it a price we may need to pay to get an overall better result for the State? Maybe. That is yet to be teased out. It really does come down a little bit to what price peace.

**CHAIR** - That might never be the end of it, though.

**Mr EDWARDS** - I think I have already made a remark on that.

**Mr JAEGER** - I have a little bit of a story here to hand out to you. Being aware of the time and that you may want to ask some questions, I just want to point out that McKay Timber is a family-owned business. It has been in existence for 64 years and it is in its third generation. It employs 115 people, predominantly at Glenorchy with about 17 at Bridgewater at the sawmill and 13 at St Helens and another dozen in Launceston. I just want to skip over it briefly. I want to let you read what is said in there rather than going into it in chapter and verse, but what I really want to talk about is what we have done as an industry to try to come to terms with the eucalyptus nitens, which is the predominant plantation species that has been grown.

Our company has participated in trials and recently Britton has done the same. It was mentioned in there where we have had scientists join us on those journeys and we have found that the eucalyptus nitens was a non-performer as far as appearance-grade species went. It is largely due to the checking nature of the timber and that comes about because it has got early-wood and late-wood growth rings, which are very vast in their dimension. One is a very narrow, very dense band of wood and the next one, the fast growing cycle, is very porous, a bit like a violet crumble bar. In the drying process it pulls itself apart because of the opposing forces within the growth rings.

Some of the photos that Shawn has shows the external of it, but also you can look at the end of a lot of timber and it is honeycombed because of that growth ring nature.

**Mr EDWARDS** - On page 51 of our submission there is a picture there of what checking is.

**Mr JAEGER** - We have found that as an appearance-grade timber there is not enough recovery of appearance-grade in it to be viable. Given all this information that we had, we decided, that Glen, Shawn, Dr Peter Volker, who not only works for Forestry Tasmania but is the Chairman of the Forest Institutes of Australia, and I, and our companies, should self-fund the trip so that we could get overseas as an independent group to look at what other people are doing. We went to Spain, where their government is really supportive of forest industries and they have an organisation similar to the CSIRO in Australia where they pour a lot of investment into investigating what they can do with timber. They are having the same problem with nitens that we are having and so we went to Chile and we found that the same problem also existed there with nitens. We were very impressed with the blue gum they were growing, and they can also grow our native species in plantation. You will see in the report that the bugs that affect our native species here in plantation, and in nature too, are non-existent over there. So they have a bit of a dream run compared to us. They were, nevertheless, having very much the same problems with the nitens and, at this point in time, although we do share some optimism, we should not just run away and hide from it, we should still try to find a solution because there is a lot of wood out there in the ground. At this stage, the only use we can see of a commercial value is in paper production.

We found all these things and we went to Uruguay and Argentina as well. But in Uruguay, there is a company over there owned by the Otegui family that has been in sawmilling for a long time. They grow eucalyptus grandis very successfully and that grandis will only grow in warmer climates, like around the Coffs Harbour region and those places, so we cannot grow it here. That particular company grows its own wood in plantation and they built a new mill at \$US42 million just recently and they are producing 375 000 cubic metres of logs through that one mill. So it is quite significant -

**Mr BRITTON** - Which is more than the entire Tasmanian sawmilling industry.

**Mr JAEGER** - They grow in what we call a lonely, happy tree regime, which is-

**Ms FORREST** - I read that in there.

**Mr JAEGER** - I am not going to bore you to death with all of that, but it is a silvicultural process they have that works and the photographs that we have taken and the viewing we

seen there, they are beautiful-shaped trees, et cetera. We believe that same silvicultural regime could be applied to our species here into the future and that we could have a similar outcome, but it is going to take a long time.

Just touching quickly on McKay Timber, and you will read it in my presentation where, through all these agreements and things, we felt we had the resource security. We bought other businesses. The figure I quote in there of \$7.5 million investment, that was on capital. We paid extra dollars for the purchases of those businesses but we felt that to have sufficient volume to upgrade and everything like that, we needed to do this. We have done it and we feel very vulnerable and nervous right now because we have a lot of money to pay back and it will decimate McKay Timber if we are told that we can no longer have access to the resource and there is no plantation wood to go to. We have cut, in trials, what is available now and the outcome has been bad.

**Ms FORREST** - Do you agree with Shawn's comments about this 25-year approach we would need if you were going to use a suitable plantation product? Will that not work for your business?

**Mr JAEGER** - What was that, again?

**Ms FORREST** - Shawn was saying that you need that 25 years to get a new tree, whether it is globulus or whatever it is; would that work for you?

**Mr JAEGER** - Yes, definitely. It is the same scenario. If you line the two businesses together, we are very similar in a lot of things we do. Some of the outcomes are a little bit different because we have access to different markets for different products. But if you took a broad approach with this, we are very similar in size and outputs and problems.

**CHAIR** - Thank you very much, Anthony.

**Ms FORREST** - I would just like to raise that I understand recently there was a FIAT conference down here in Hobart -

**Mr EDWARDS** - I got tipped off about this question.

**Ms FORREST** - Were you? There are a number of papers that were presented there and it may be helpful to have copies of those if they were provided.

**Mr EDWARDS** - Yes, I will undertake to get those to you.

**Ms FORREST** - Thanks, Mr Edwards.

**CHAIR** - Could I just ask a question with regard to that overseas study tour? It has commercial-in-confidence there up at the top; is that for the viewing of the members of the committee only or how does that work? Can that be tabled or not or do you want to get back to us on that?

**Mr EDWARDS** - These two guys are joint authors along with two others.

**Mr BRITTON** - I have no problem with it.

**Mr JAEGER** - I don't have a problem with it. We put that on initially because it was our property; we funded it and it was our property but now we think it is a story that needs to be told and we wouldn't have a problem with that being circulated.

**Mr EDWARDS** - I think it is a significant input to the public debate about transitions and it needs to be on the record.

**CHAIR** - Thank you very much.

**Mr JAEGER** - We didn't do it to sit on it.

**Mr BRITTON** - We wanted a document that we could put out - exactly what we are doing now.

**Mr EDWARDS** - The committee will read the whole submission, I have great confidence in that, but if I could just draw your attention very quickly - and I know we are over time and I am always over time - to page 42. I have tried to there, through some fairly extensive modelling, demonstrate the order of magnitude of the land availability issue and this cannot be understated. To grow 265 000 cubic metres of rotary peel veneer billets using the lonely happy tree silviculture, depending on whether we can prune to 6 or 11 metres and that is an unknown at this stage so we have modelled both, if we can only prune to 6 metres we are going to need nearly 56 000 hectares. FTs current hardwood plantations state is 37 000 hectares, and this is only dealing with the rotary peel veneer billets. If we can prune to 11 metres we can cut that land area back to 34 000 and then you need to add in the second table, which is figure 18, which is the 150 000 cubic metres of sawlog which, if we can prune to 6 metres, is 32 500 hectares and if we prune to 11 metres there is 20 000 but you can see there the immediate disconnect between the current area available and what might be required. I just wanted to highlight that point.

In respect to the issue of nitens as a species for high-value appearance grade products, Dr Bruce Greaves said to me the other day that he had been to a conference in New Zealand on this subject and one of the New Zealand experts on nitens says the best way to process Eucalyptus nitens for high-quality appearance-grade products is to plant another species. They have tried extensively in New Zealand and failed.

**Mr BRITTON** - The Chileans are ahead of us, too. Their nitens resource is probably five, six or seven years ahead of where some of Forestry's is at the moment and when we were on our study tour they were asking us what we did with it and how we processed it and we said that was why we came over there, to see what they were doing and whether they could do anything with it. They are also throwing their hands in the air.

**Ms FORREST** - So they just pulp it then?

**Mr BRITTON** - Possibly - maybe some construction grade pallet-type material.

**Mr JAEGER** - I do mention that in my submission there about the comparison between plantation pine and nitens and the nitens just do not stack up against plantation pine in economic terms and/or strength. It is not a very strong timber either.

**CHAIR** - Thank you very much, gentlemen. Thank you very much for your evidence, the committee do appreciate it and it is the start of perhaps a significant journey.

**Mr EDWARDS** - If there are further questions arising from the submissions we have put in or the subsequent material I have been asked to provide, I am more than happy to come back at some later time and talk.

**CHAIR** - Thank you very much, I was going to ask you that.

**THE WITNESSES WITHDREW.**

**Dr PHIL PULLINGER**, ENVIRONMENT TASMANIA; AND **Mr RUSSELL WARMAN**, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - Welcome, Dr Pullinger and Mr Warman.. Thank you for coming along to this hearing. As you are aware, the one term of reference is to inquire upon and report upon the impact of the proposed transition out of the public native forest management and harvesting in Tasmania. Just to clear with you, Phil, you have given evidence to a parliamentary committee before I think, you know that you are protected under parliamentary privilege whilst you give evidence but anything you say outside this room may not be protected.

Dr Pullinger, as you are aware, this is our first day of hearings. How long that goes will be up to the committee and we have, as I say, that single term of reference. This morning we had Forest Industries Association of Tasmania in and this afternoon we have Timber Communities Australia (Tasmania) following yourselves and we will consider how we go after that. What I invited the others to do this morning was to make some brief statements or give an overview and then we can be interactive and have the committee ask questions as you go along.

**Dr PULLINGER** - Yes, sure.

**CHAIR** - Thank you very much.

**Dr PULLINGER** - To give a bit of context we put together a written statement that I am going to use as a reference point. I will not read it word for word but I want to essentially work through some of the issues as we see them. Russell Warman is the Environment Tasmania policy coordinator so he has done a lot of the technical research work for Environment Tasmania in terms of some of the trends that are occurring within the timber industry and plantation processing and so on, so I am going to lean on Russell, if needed, for some of the specific technical and policy expertise.

In summary, from our perspective, we see that the fundamental pressures pushing towards a transition of commodity timber production out of Tasmania's native forests into plantations have increased over recent years and are highly likely to continue to grow. These pressures include increasing public awareness of the values of native forests and an expectation that they will be protected, a market shift away from native forests towards plantation timbers, and an increasing scientific understanding of the natural values and importance of protecting our native forests. A transition of commodity timber production out of Tasmania's native forests is already occurring due to changes in the marketplace. We have found that there is a strong and growing view within the timber industry, or at least sections of the timber industry, that there is not a strong and conflict-free and predictable future in logging our native forests and the resolution to the conflicts surrounding the timber industry is vital for their future.

This transition out of commodity timber production in our native forests can either occur in a structured and facilitated and supported manner where regional communities and timber workers are supported through the transition by governments, or it can occur in an unstructured and chaotic manner. Certainly the Statement of Principles process

demonstrates a commitment from parties to that process that there is a belief that the manner of the transition should occur via the former. There are certainly opportunities for a solution to the conflicts over our native forests, including particularly for the timber industry to move to a sustainable, predictable and conflict-free environment where there is much more certainty to plan for the future. The protection of our native forests offers the potential for immense environmental benefits for the whole community in terms of the protection of natural landscapes, wildlife, waterways and carbon stores and will also open up new opportunities, we believe, in emerging sustainable industry such as tourism, for example.

We also believe there is an opportunity, in terms of a resolution to the conflict over forestry in Tasmania; it does open up the opportunity for our community more broadly to heal a generational divide that has split the State for many, many years and crippled opportunities to build a strong future for Tasmania. Certainly, Environment Tasmania is committed to the Statement of Principles process. Many of the outcomes of this process are still underway and in progress, such as the plan and timeline for the transition, and a significant economic, social and resource work that is in train to occur. Much more critical information and details about how our transition will occur and the impacts of that transition are likely to emerge out of that process as it proceeds. For example, in his interim report Bill Kelty recommends Professor Jonathan West and Dr Jacki Schirmer, for example, to do some regional development and transitional work that will obviously be critically important.

That is a summary point. I have some more detail under each of those subheadings and I am happy if people would like for me to continue to work through and just questions to be fired as is appropriate. Is that fine?

**Mr WILKINSON** - I asked the last witness in relation to tourism that it has been mentioned now over the years how tourism is going to play a part if there were a halt to the cutting down of native forests. How can you see tourism playing a part, and how has it gone in the past in creating jobs? Can you give us any figures on that, please?

**Dr PULLINGER** - Certainly - and again this will be a very broad answer to your question - I do think that tourism obviously is one of the critical industries in Tasmania. The resource, if you like, for the tourism industry is, to a significant degree, based on our outstanding natural assets, wilderness areas, landscapes and natural assets. Many of the areas of native forests that would potentially be protected under this agreement or process have absolutely outstanding values on a global scale. For example, the Tarkine rainforest, the largest temperate rainforest in Australia, the Styx Valley and the valleys along the border of the World Heritage Area and certainly the north-east highlands as well and a number of the other areas. So there are important assets there for the potential to further build our nature-tourism industry. There is certainly, in my feeling, a need for good planning for how you can develop the tourism around those assets.

One really good example of how things can be done that I would point to is the Tarkine area on the north-west coast. There is a lot of really good regional development work that was led by the Cradle Coast Authority on examining the number of jobs that could potentially be delivered from protection and good tourism planning in the Tarkine and lots of opportunities.

**Ms FORREST** - Those employment things were around the Tarkine Road, which was opposed broadly by environmental groups.

**Dr PULLINGER** - The EDMA report that the Cradle Coast Authority developed was a broad look at tourism in and around the Tarkine and certainly there is a lot of road and other infrastructure in that area. As an example, there is definitely a need for investment in improving the facilities and access to make it into a viable, well-functioning tourism asset. So not in any way begrudging the fact that there needs to be good access and good facilities, there is that opportunity in the north-west. There are other opportunities right across the State.

**Mr WILKINSON** - I asked that because it seems to be that when you look back at 1989, all the so-called crossroads in the debate, the argument and comment has always been brought up that it would be extremely good for tourism. What I am trying to find out, to support that argument, is what has grown up, how many people it employs and if it has not had anything in the last, let us say, 25 years, do you believe that it will have something in another, say, 10 years and, if so, why? What is the difference between 10 year from now, now and nearly 30 years ago?

**Dr PULLINGER** - I did not come prepared with all the figures on tourism but there has certainly been a strong growth in the nature-based tourism sector in Tasmania over the last 20 years. Do not get me wrong; we are not, in any way, shape or form saying that tourism is the only economic answer. We believe that there needs to be a suite of regional economic development opportunities for rural and regional Tasmania and a diversified, well thought out approach about how you help communities through the transition period that is occurring, particularly some of the communities that are most vulnerable. I think that the two people that Bill Kelty was looking at appointing to do some of that work come with really good credentials. So I am certainly hoping that they will develop some really good, well thought out ideas and opportunities for diversifying the economic base in those rural and regional communities and also helping these communities through the transition.

Part of it is about a new, strong future for the timber industry and getting the timber industry onto a strong and sustainable footing. Some of it is about new opportunities in tourism and it is also about looking across the spectrum of the economy, sustainable agriculture and other areas.

This is a comment, which to me relates to the crippling impact that this conflict has had more broadly on Tasmania. I make the observation that there is an immense amount of human capital, if you like, that has been chewed up in this conflict of people, rather than focusing on building a strong and innovative future for the timber industry, a strong and innovative future for rural and regional Tasmania. So many Tasmanians who have been focused on fighting each other and all the energy that goes with that, that is one -

**Mr WILKINSON** - Do you really think that will end?

**Dr PULLINGER** - That's certainly what we hope and what conceptually this process is about trying to achieve, notwithstanding that it is obviously incredibly difficult and there is generational divide there.

**CHAIR** - Pardon me for interrupting. I know Jim is probably still going there in relation to his question. Could you stay on that tourism aspect just for a second? Jim, are you still going with that?

**Mr WILKINSON** - No.

**CHAIR** - Can I put it to you, Dr Pullinger, that in terms of tourism and ecotourism we have a significant national park system in place at the moment, and we are well known for those and we have a very good forest reserve system. I'm a bushwalker, Jim is a bushwalker and we get out there and like those wild places. But I'm just struggling to see how the proposed transition of putting more of some of those areas into - locking up those areas, if you like - will actually increase Tasmania's tourist opportunities. I know you have mentioned the Tarkine, but I wonder about that.

**Dr PULLINGER** - I certainly absolutely believe that that is the case, and there is no doubt that these places are significant on a global scale. So in terms of the capacity for Tasmania -

**CHAIR** - Sorry, which places?

**Dr PULLINGER** - Right across the State. As you know, Tassie does contain one of the world's great temperate wilderness areas, a significant proportion of which is already protected in a World Heritage Area. However, significant parts of that temperate wilderness remain unprotected - places such as the Weld, Huon, Styx, Florentine, Upper Derwent and Picton rivers, the Tarkine and some of the foothills of the Great Western Tiers are all of recognised as being of World Heritage significance. Certainly the protection of those areas will only further and strengthen opportunities in the tourism sector, further strengthen Tasmania's brand and the flow-on impacts across other sectors as well. As we know, in agriculture one of the key strengths of Tasmania's agricultural sector is in the capacity to sell to the rest of the world clean and green produce, so there are flow-on benefits. Bringing it back to -

**CHAIR** - I just want to focus on tourism for a minute. Could I put it to you that a lot of those areas that you are speaking about are not accessible to most people. If you are talking about ecotourism, the fact remains that only a minority of the population wants to put a pack on their back like perhaps you and I do. So I'm just wondering how that is going to have any sort of impact. Surely you must have thought about that, how those numbers are going to increase, if so and to what level?

**Dr GOODWIN** - How are the people going to access the areas, is that what you are saying? How are the other people who don't want to put the pack on their back going to access the areas?

**CHAIR** - Yes, that is the other part of it. If, for example, these areas were closed up would you then have to develop infrastructure there to cater for those tourists?

**Dr PULLINGER** - Absolutely.

**CHAIR** - You would have no objection to that?

**Dr PULLINGER** - Absolutely not. I mean, sustainable and well thought out infrastructure is critical for those areas. You are right in that if you look at the breakdown of the tourism market, you will realise that most people want to stop at a car park and take a photo.

**CHAIR** - That is what happens at Cradle Mountain, that is their ecotourism experience.

**Dr PULLINGER** - That's right, and then a whole chunk of people would like to go for a short walk and the numbers dwindle if you are talking about more remote experiences. So I think the challenge is in achieving well thought out infrastructure and facilities in and around those areas, and there is plenty of opportunity to do that in a sustainable and sensitive manner.

**CHAIR** - Would that include roading and huts? I would like to put it to you, if you compare us to New Zealand and other places, we have been very reticent to go into national parks and/or reserves with any sort of infrastructure. There has always been opposition whenever that has been mooted.

**Dr PULLINGER** - I think that is absolutely one of the things that needs to happen, that there is development of a well thought out, sustainable, nature-based tourism plan for areas that are protected, when and if that occurs. Certainly it has been flagged in the process. It's only a broad set of principles but it certainly clearly needs to be one of the parts of what is done here, the development of a good, well thought out and sustainable strategy around nature-based tourism in those areas.

**Ms FORREST** - Phil, it was put to us previously that a lot of these areas currently under the management of Forestry could be further reserved. To allow access to them Forestry has roads into some of these areas. It has been claimed that if Forestry Tasmania got out of native forest completely, this could be the demise of FT. Not that that is being suggested, but the scenarios have been put and, as Greg said, not everyone wants to walk into the area at any distance more than about 100 metres to look at a waterfall or whatever. Who then would maintain and build the roads? If someone comes through and knocks out a bridge, who is going to fix that? Currently Forestry Tasmania does a lot of that work.

**Dr PULLINGER** - That's right and it is an issue that is flagged in that set of principles, that it is highly likely that there will need to be reform and support for government agencies as part of this process. I am not saying it is perfect but the approach I would advocate is a strategic review of Tourism's public information access. I have been a big fan of the approach that the Cradle Coast Authority took with the Tarkine in that they involved a broad range of stakeholders, from councils to tourism interests and conservationists, in doing a strategic review on what infrastructure existed there, where the best potential access points and facilities were and where some well-thought-out and strategic public investment needed to occur to provide the sort of necessary access. Most of these areas have roads, facilities and potential access points that are Forestry-managed. Certainly there will need to be some consolidation of that but, again, I think it's about being strategic about where we can best focus good access points and facilities for those areas in a well-thought-out manner.

**Ms FORREST** - It's about having some income to support that expenditure on roads, building, maintenance, bridges - and anyone in local government can tell you how much

a bridge costs. How would you see the future here? If people want access, do you think we could open up the tourist industry as a way of making up for the reduction in other income to the State. We have a tight budget so how could that work?

**Dr PULLINGER** - That's absolutely right and it's one of the critical challenges. The Parks and Wildlife Service, in our view, is already underbudgeted and stretched, so one of the critical challenges is to look at the different ways, funding models and mechanisms, that you can manage new parks, the infrastructure and facilities and improve them.

**Ms FORREST** - Would you need a user-pays system?

**Dr PULLINGER** - Absolutely right. I think you're going to need to look at entrance fees, a capacity for private investment in and around these areas and a range of models. I don't have all the answers right now; a lot of this work still needs to be done. You are right that it is a critical question that needs to be worked out. We are pragmatic about the fact that there does need to be a sustainable funding model for parks and reserves.

**Ms FORREST** - So you're saying that part of the support would need to come from the private sector. Would you be happy to see private sector development in these reserved areas to support this?

**Dr PULLINGER** - You are right, there have been fights in the past over private development within national parks and if you get it wrong you could go down that track as well. The way that the Cradle Coast Authority dealt with it in the north-west was to say, 'Let's try to find a consensus here. Let's get the tourism sector, conservationists and the local councils and do a strategic review of the infrastructure and facilities. Let's look at where the wilderness areas are that we are going to keep remote and pristine, where the access points are and the opportunities for private investment'. That was all identified as part of that regional planning process and I think that is the sort of process, rather than saying yes or no to any particular thing -

**Ms FORREST** - The planning process is part of it.

**Dr PULLINGER** - Yes, I think the critical thing is to get that process right.

**Dr GOODWIN** - I think this is a pretty significant issue because Forestry Tasmania is already struggling to repair some of the bridges that were damaged or lost completely during the floods. You mentioned Parks and Wildlife being, in your view, under-funded and a lot of the bushwalking tracks that we already have are not very well maintained so it does raise some serious questions about our capacity to actually expand into new areas and the viability of that when we cannot even maintain what we already have. That starts to reflect pretty badly on our brand if people come and have a poor experience here, would you concede that?

**Dr PULLINGER** - I would say there is an issue which you raise which actually goes to the sustainability of the current business model for Forestry Tasmania; irrespective of any of this discussion it is a business model that is unsustainable as of today or as of the last several years if you look at the Auditor-General's report and some of the issues that are raised through that. So that is an issue that is a major problem that needs to be fixed irrespective. So I think it is important not to conflate those issues. One is the need for

sustainable business and funding models for how we manage our parks and reserves. That definitely needs to be well thought through and solutions to be found there that create a top-notch system of parks and reserves that are well managed and thinking through the next several decades - that is a problem that absolutely needs to be thought through and worked out.

There is a separate problem that you have raised which goes to the sustainability of that current business model of Forestry Tasmania.

**Dr GOODWIN** - Because we would be competing with places like New Zealand if we wanted to get really serious about going into that bushwalking experience market?

**Dr PULLINGER** - That is exactly right. I think that is part of the challenge and the opportunity for Tasmania. I think Tasmania can and should be able to match it with those other places in the world, such as Costa Rica. We have just as much in terms of top-quality natural assets, landscapes and wilderness areas so that is something that Tasmania should aspire to.

**CHAIR** - Would you not agree though, Phil, that those really iconic things are already there? It is already being used and what we are talking about is a periphery really; we are talking about stuff that may not value-add to what is already there.

**Dr PULLINGER** - No, I certainly disagree with that. The Tarkine is a natural asset that is absolutely on the scale of Kakadu or the Daintree in terms of iconic, superlative natural values. Certainly the tall forests along the border of the World Heritage Area, in my view, match it with the redwoods in California so these are pretty outstanding natural assets on a global scale and going to be incredibly valuable for Tasmania.

**Mr WARMAN** - Can I add to that? This can also add value to the brand. If you protect these areas and assess and revalue them, and at the same time we have pictures of chopping down 400-year-old forests that are recognised as having World Heritage value, that actually compromises the brand. So it is also about how we actually support the brand, which is a key part of how we sell our tourism to the world.

**CHAIR** - I have been through a fair bit of the Tarkine and as a bushwalker I would struggle to find more than a couple of days there; that is just my opinion. Whilst it has some attractive assets, I suppose, in terms of large natural features - mountains and all that sort of stuff - it tends to go a little bit missing. That is a personal view.

**Ms FORREST** - Did you go to the Tarkine lookout?

**CHAIR** - Yes.

**Ms FORREST** - I am a bit worried about my patch.

*Laughter.*

**CHAIR** - I could feel a bristle starting to come up already.

**Dr GOODWIN** - Are there any other areas? You mentioned the Tarkine but what about the Styx and what else is there?

**Dr PULLINGER** - All those areas along the border of the World Heritage Area. I think all these places are fantastic, but all along the border of the World Heritage Area down the south, as I said, are some of the tallest hardwood forests on the face of the planet. Certainly the Great Western Tiers is an amazing backdrop to northern Tasmania and -

**CHAIR** - I walk up there all the time, it is multi-use and it is not an issue.

**Dr PULLINGER** - The north-east highlands as well is quite a spectacular region again with a mixture of rainforest and glacial refugia to giant eucalypt forests and waterfalls and a whole range of really spectacular natural features. I think developing a well-thought-out strategy for all those areas in the north-east can greatly benefit the communities across the north-east. I just want to re-emphasise that we are not in any way, shape or form saying that tourism is some sort of magic bullet; it is one of a number that needs to be worked through in a well-thought-out regional development strategy and there definitely needs to be a strong future for the timber industry as well.

**Mr WILKINSON** - That being the case, let us say the decision is that Tasmania is to move out of native forests and the high-conservation native forests which we are talking about are not to be encompassed in a national park. How long should that be to allow what you are talking about to take place, to allow these people who have been working those areas for generations to renew themselves, find a new job, find this new strategic employment that you are talking about? Should it be 25 years, should it be 10 years, should it be 30 years - how long should it be?

**Dr PULLINGER** - Some of that is an open question -

**Mr WILKINSON** - What do you believe?

**Dr PULLINGER** - To start off with I would point to some of the trends that are already occurring because, as people know, some of this is already happening as we speak. For example, as people know, Australia's leading native forest processor, Gunns, has chosen to exit the native forest sector altogether and transition its business to one based on plantations. Traditionally they have been the lion's share of the native forest sector in Tasmania, so that decision and that process is occurring as we speak. The decline in native forest sawmills in this State has been significant over recent years from figures coming from the country sawmillers - from 45 in 2004 to 29 in 2009 and specifically country sawmills from 85 in 1990 to 26 today. Jacki Schirmer's report last year pointed to a decline in assumed native forest jobs in Tasmania from 3 818 in 2006 to 2 382 in 2010. I am just trying to point to some of the other trends. I guess the point that I am making is that the timber industry is already in the process of transitioning -

**Mr WILKINSON** - As a committee we spoke with Britton Bros, who were in earlier. If they can't access native forest for their hardwood they go belly-up, to put it bluntly. McKay is probably the same.

**Ms FORREST** - In the short term.

**Mr WILKINSON** - Yes, unless there is a time period. I am trying to understand what time period you believe is the appropriate one.

**Dr PULLINGER** - That is one of the issues that needs to be worked through. I don't want to pre-empt the process that we are working through and I think broad level there is in the order of 300 000 hectares of plantations in Tasmania in the ground as of today. That is a massive resource. There are issues -

**Mr WILKINSON** - It is a different story with Brittons, though, because they can't use that timber.

**Dr PULLINGER** - There are issues when you have a sawmill that has traditionally been set up to use old-growth timber and moving across to a completely different resource. Forestry Tasmania has established I think in the order of 30 000 hectares of high-quality pruned nitens plantations managed specifically for the production of high-quality sawlogs. My understanding is that they are projecting in the order of 150 000 cubic metres a year of high-quality sawlog available from that plantation estate by 2020.

**Ms FORREST** - We heard that nitens are not suitable because they are porous and the rates of growth varied and so they are not suitable for that high-quality timber or only very small parts. The percentage of high-grade timber that you get out of nitens, even if it was a decent size, is not the same as you get out of the native tree. The problem is the species that is currently in the ground at the moment.

**Dr PULLINGER** - I think this is some of the technical challenge that needs to be worked through as a part of this process. There is a different technology. Certainly, we have talked to country sawmillers who have said that they would be able to process nitens.

**CHAIR** - Which ones?

**Dr PULLINGER** - I cannot remember off the top of my head, to be honest.

**Ms FORREST** - But not for high-grade timbers, they are for construction timbers, that sort of thing?

**Mr WILKINSON** - Maybe framing?

**Dr PULLINGER** - Yes, again, there is a whole range of questions around which product it is and which market and what the technology the mill is using and changing from one type of resource to another. That is what needs to be worked through. But certainly, I guess, at a very broad level you have the biggest native forests processor in the State, Gunns, saying, 'We are getting out of native forests.' Traditionally they have had in the order of two-thirds of the high quality sawlog allocation and obviously most of the woodchip market as well. So it does create, in a broad sense, the space to allow more time for some of those smaller country sawmillers using much lower volumes of wood to work through a transition process. That is what needs to be worked through in this process, in our view.

**Ms FORREST** - Phil, you talk about Gunns transitioning out of native forest plantation. It has been evident from when a pulp mill was first proposed that Gunns had an intention to

move toward plantation timbers anyway because plantation timber is the preferred feed-stock for a pulp mill. So their decision to transition out of native forest is not really based necessarily on the want to get out of native forests because their business model was always towards a plantation-based pulp mill. Also, the financial situation that they found themselves in in recent years has necessitated some serious actions to deal with that. So, when you say that they have led the way in this, in some respects, haven't they done that from a purely business sense?

**Dr PULLINGER** - To some degree that is true and that is one of the key points that we make; that there is a transition occurring and a big part of it is driven by market pressure and market expectation. Certainly the woodchip market and pulp and paper is one component that plantation is preferred by the marketplace and, again, in simple terms, from my understanding, from an economic efficiency point of view. But also there is a consumer pressure associated with that as well where, increasingly, consumers are demanding full FSC-certified timber that does not come from native forests. That has been part of the pressure that has come back in recent years on the industry. For example, the Japanese woodchip market is saying, we don't want to take timber from high-conservation-value forests.

**Ms FORREST** - But that is only because the contents of plantations timbers are much better in a lot of regards. But then, going down that path, if the pulp mill is not built, Gunns would have to just chip and send off the plantation timbers anyway. If they cannot put them through a pulp mill they will eventually have to export them when they are due to be harvested. So they may not have that imperative then to get out of native forests.

**Dr PULLINGER** - Again, I point to the fact and it is certainly our belief that that trend, in terms of moving away from native forest plantations is a big, broad trend that is occurring and driving this change and that that will continue to occur and accelerate. It is a trend occurring in Tasmania but it is also a national and international trend. If you look Australia-wide, over the last two decades, from 1990 to 2010, plantation timber production has nearly tripled, from 6 million to 18 million cubic metres a year, and over the same time period, native forest production has dropped significantly, shrinking from 11 million to 8 million cubic metres a year. So that is a trend that is occurring and it is highly likely to continue and to accelerate.

**Ms FORREST** - Do you agree though, that there still needs to be a native forest industry, in that there will always be a need for timber products, whether it be for paper, furniture, flooring or whatever, and if you have a sawlog industry you have to have a woodchip industry as well to support each other? You cannot operate one without the other, so you have to deal with the non-recoverable parts of the timber. When we start to hear about this total move out of native forest harvesting, even though that is not what is necessarily in the Statement of Principles, this is the sort of thing that gets bandied around.

**Dr PULLINGER** - I do think that it is important that there is an ongoing managed native forest sector in Tasmania and particularly around our high-value signature furniture, craft and boat-building sector. But in terms of the actual volume of timber that you need for that sector and the amount of wood that they actually use, and the scale of what has been coming out of our native forests, it is very small. I guess the point around the collapse of the woodchip market is that it has thrown a big question mark over the economic model

and base of the whole native forest sector. That is the reality that the industry in Tasmania faces.

**CHAIR** - When you talk about those niche products, how would they be accessed if in fact we ran down the industry to such an extent, and if this proposed transition ended up with another 570 000 hectares gone out of the equation? Will there be sufficient contractors left? Who will maintain the infrastructure of the roading and everything else to access those particular special species that are needed? And what do you see as the number of hectares left that should be available to accommodate all that sort of thing?

**Dr PULLINGER** - Some of this, again, needs to be worked through and it is basically identified at a broad principle level that there does need to be a speciality timber sector and there needs to be a plan and timeline worked out for how that operates. I would just say that in terms of the actual volume of timber that is currently used by that high-value niche sector, it is actually very small. So I think that you are looking at smaller areas that are managed to the absolute top FSC certification levels on a much longer term rotation where it is actually a management regime that is focused on that niche sector, rather than at the moment the management regime has been largely geared around the native forest woodchip export sector.

**CHAIR** - What about the impact on the private forest estate if the scenario was that the transition was out of a lot of the public forest sector? What sort of impact do you think that would have on the private forest estate then? You know there is quite a significant amount of it out there.

**Dr PULLINGER** - That is right, there is in order of 800 000 hectares of native forest on private land, so it is a huge area and certainly there is critical conservation significance around private native forest, as well.

**CHAIR** - Would you like to see some of that reserved as well?

**Dr PULLINGER** - The principle that has been developed as part of this process is really about encouraging and supporting but not mandating private forest owners to seek assistance for certification. For example, the Downeys in the central highlands have gone through a full FSC certification for their property and also to find ways to protect, maintain and enhance high-conservation-value forests on their property. There is a range of potential ways that that can be done. There have been programs in the past that have been really good, such as the Private Forest Reserve Program where private landowners who want to voluntarily put nature covenants on their land to protect threatened species or other critical conservation areas can do so.

There are also emerging opportunities in the voluntary carbon market. Earlier this week, it didn't seem to get much media coverage, but there is a company called Redd Forests that actually announced an agreement on the protection of about 8 000 hectares of native forests on private land in Tasmania under the voluntary carbon market over a 25-year period. They have indicated that they think it is possible to protect much more significant areas of private forest, but also to generate an income stream from those private landowners who would otherwise have generated an income stream from woodchipping. So that is the sort of emerging area and possibility.

**CHAIR** - As you know, Jan Cameron has bought significant tracts of land. - Would you agree that the reason a lot of that timber resource is in good condition is that it has been well managed by Gunns in a lot of cases with harvesting over previous generations?

**Dr PULLINGER** - I don't really know, to be honest, a lot of the details about the conservation significance of that set of properties. I know Jan Cameron and the Tasmanian Land Conservancy identified a range of critical conservation values but they are probably better placed than I am to speak on that.

**CHAIR** - It is okay for one generation to perhaps take some cash to do that, but what about subsequent generations? Who is going to pay for the ongoing maintenance, management and protection? It all costs money.

**Dr PULLINGER** - That is absolutely right. I think the challenge is that the community does highly value the natural values and conservation values of these native forest areas, so if it is the case that the community values these areas and wants them protected then there needs to be ways of funding that.

**Ms FORREST** - Do you think they'll pay?

**Dr PULLINGER** - As I said, I identified the Redd Forests example that occurred earlier this week and I think that is an emerging opportunity. There are also premiums that have been built into some of those voluntary markets around biodiversity conservation and land management as well and that will be an emerging potential way of bringing funding into the protection, conservation and rehabilitation of native forests and natural landscapes on private land across the board. Some good pilot projects are already under way but that emerging opportunity is only going to significantly increase over coming years.

**CHAIR** - That may be so, but there might be a lot of private landowners who don't wish to go down that path. You might consider that they have significant values on their property but there might be a lot of those landowners who don't want to go down that path. Who is going to compensate them if by legislation that is removed from them?

**Mr WARMAN** - This is really clear about using voluntary mechanisms only. I don't think anyone at this stage is talking about any legislative or forced protections. Coming back to the values, Jan Cameron is one example and I have had experience of others in Tasmania where there is a market where people are willing to buy land because it has forest on it; they are willing to pay more than it's worth - either cleared as farming land or putting the timber on it - and they are willing to put a conservation covenant on it, which is a long-term commitment recognising that there is a risk to the value of the land in putting that restriction on it. That, to my mind, says that there are people in the community who are willing to make that investment. I think that demonstrates that that commitment is already there and I think that will be an increasing market. What we have seen already is that there are people who have the money and are willing to say, 'For lifestyle reasons, I want to put my money where my mouth is and make a change to how this land is managed'.

**CHAIR** - Would you agree, Dr Pullinger, with Dr Brown's statement this morning that we ought to have 95 per cent of our native forest reserves locked up?

*Laughter.*

**Dr PULLINGER** - The process that we are committed to is outlined in this agreement that outlines the need for immediate protection of high-conservation-value forests identified by environment groups on public land, a transition for the commodity non-speciality forest industry out of public native forests and suitable plantations through a planning time line and a niche native forest sector. To me, the process is really important.

**Ms FORREST** - It's not an agreement, though, is it? It's a document to drive an agreement.

**Dr PULLINGER** - Yes. It's a set of principles that creates a foundation stone for a more detailed agreement, a process that is identified to work through all the details and all the complexities it entails.

**Ms FORREST** - There is not actually an agreement to those principles as such; they are just the guiding principles of hopefully reaching an agreement?

**Dr PULLINGER** - Yes, everyone signed up to the principles that are contained in it and there are processes identified - some of the principles are really clear, some of them just identify that there is a need to negotiate a plan. Like the transition, it does not identify how long, how it works, what the volumes are; it says that there will be a transition of the commodity forest industry out of public native forests into suitable plantations through a negotiated plan and time line. That has not, as yet, occurred; we are just not at that stage in the process to work through that level of detail and complexity.

**Mr HARRISS** - If I look at the HCV forests statement, even though the words suggest immediately protect, maintain et cetera, isn't it true that of recent times you have called for an immediate moratorium in accordance with the agreement?

**Dr PULLINGER** - That is correct, but certainly there are a number of principles that were identified in the agreement and there is also -

**Mr HARRISS** - No, no not the agreement. A number of principles that have been identified.

**Dr PULLINGER** - It is saying there are principles to lead to an agreement and there are also a number of processes, I guess, that were identified on the front page of the agreement and the process is that we regard it as critically important for this whole process to succeed, from the provision of each of the systems of the industry, support for harvest haulage and silvicultural contractors and things that the industry people have -

**Mr HARRISS** - If finally agreed to.

**Dr PULLINGER** - And a process for putting a moratorium in place. Some of that progress has been made and some of it has not.

**Mr HARRISS** - Yes, but we all understand that this statement of principles is a mud map that might lead to an agreement with that Statement of Principles. Some of the principles may not ultimately be agreed to to form an agreement, if an agreement is finally formed. So hypothetically, the group may not ultimately agree that we need to protect, maintain

and enhance HCV values identified by the ENGOs on public land because it may be that the group does not agree with that suite of HCV identification by the ENGOs and it might be reduced or it might be dismissed. Yet, I am right, aren't I, in indicating that you did call for an immediate moratorium in accordance with the agreement?

**Dr PULLINGER** - Yes, that is correct. As have other parts of the industry called for other interim measures such as the contractors looking for support from government because they are under intense financial pressure, as are timber workers who are looking for support for those people who are losing their jobs. I think it is fair to say that there is a lot of pressure on the groups involved and a number of interim steps that were identified as really important, if we were going to be able to give this a fine chance of succeeding in terms of getting a holistic agreement. So that is one of the time-pressured interim things.

**Mr HARRISS** - So if the HCV forests identified by the ENGOs are watered down by the continuing process, if by the continuing process there is a majority view that the tracts identified by the ENGOs ought not be at that quantity, what then from your perspective?

**Dr PULLINGER** - We would have to look at that at the time. Obviously, as you identified there is a broad set of principles here and there is a lot of work and a lot of challenges involved and as Bill Kely identifies in his report there is a huge amount of difficulty and challenges in terms of whether or not it is possible for a solution to be delivered or not. It may not be - and I think he was quite frank about the challenges that people face - but certainly I would agree again with the assessment that the alternative to this process not succeeding and people going back to the trenches, the industry continuing to collapse in an unstructured and chaotic way, ongoing fighting, all those issues and problems and ongoing loss of our native forests, I don't think that is a very good path for Tasmania to go. Certainly, we are committed to this and we want this to succeed.

**Mr HARRISS** - Of course, and so are the others, but there is a fundamental premise to all of this, as I see it, and correct me if I am wrong. The HCV forests are a fundamental plank because of the previous discussion you have had with this committee earlier. The ENGOs have in fact identified what they see as fundamentally important in terms of more reserves, essentially HCV forests. That being the case, again my question to you is, if in any way those identified areas are watered down or don't continue with the maps that you have drawn, doesn't that then throw into jeopardy the whole process because of that fundamental premise of extra native forest reservations?

**Dr PULLINGER** - I think that the way that this has been seen is a lot of these things are interconnected and they are all critically important so if you pull out one critical issue and you throw it off the back of the bus, there is the potential for the thing to fall over.

**Mr HARRISS** - Is that a critical issue?

**Dr PULLINGER** - It is a critical issue, absolutely. It is a critical issue for environment groups that those areas of forest are protected but I also think that it is a critical issue that there is support for impacted rural and regional communities, workers, contractors and business through a range of economic development, financial assistance, compensation and retraining.

**Mr HARRISS** - They are all critical, aren't they?

**Dr PULLINGER** - Yes. If that is not delivered I can see major problems, as with a range of the other areas that are identified there.

**Mr HARRISS** - Isn't it true that the framework around identifying high-conservation-value forests is less robust than the framework around identifying comprehensive, adequate and representative reserves as was done in the RFA?

**Dr PULLINGER** - No, I wouldn't agree with that proposition. I would say that in terms of those areas of forests identified for reservation they have been identified over quite a number of years through a number of overlapping processes - from scientific processes through to local community group work on a whole range of issues. I think part of it is to say that part of the context for this is to try to find and work towards a resolution. So if areas that have been identified as critically important from a conservation or local community group or previous assessments point of view continue to be logged and a source of conflict, it is very difficult to see that you can generate a resolution.

**Ms FORREST** - You made some comments a little while ago, Phil, about the FSC certifications. I understand that, not only in Australia but also in other areas of the world where FSC certification is granted, logging or harvesting still goes on in some of these high-conservation areas as long as the reason for the conservation aspect is being maintained. Is it possible that these extra areas that Paul has been talking about where they are high-value-conservation areas could still be available for harvest? Do you see that that could work?

**Dr PULLINGER** - I might ask Russell to talk more about the FSC process. There is actually a conflation of issues here, there are two separate issues. Again, like the process you talked about, Paul, in terms of the RFA, there are very different processes. You have areas that are identified for reservation under a reserve system and there are different things that you need to think about and work through in terms of logical reserve system, the design of reserves, how you manage those reserves and so on - essentially, areas that are identified by environment groups as a part of an expanded reserve system, versus the FSC certification system, which is a very different process. I can get Russell to talk about this in terms of the FSC.

**Mr WARMAN** - In broad terms of the FSC it is possible to have timber harvesting in areas where there are high conservation values but it is important to make the distinction between the high-conservation-value reserve proposals that the ENGOs have put into this process which are specific reserve proposals, as opposed to what is a particular high-conservation value. With that, it is not true that all high conservation values are consistent with harvesting. There is a range of values and it would depend on those values. So, clearly, if the values are wilderness or old growth or un-roaded areas, which is one of the high conservation values under FSC, then you have to be able to demonstrate that your logging protects those values. So, clearly, logging in a wilderness area does not protect the wilderness value. But if the value is the presence of a particular threatened plant species that grows in the understorey in delicatensis forest and some disturbance allows that species to continue and you can demonstrate that, then under the FSC that would be allowable.

**Ms FORREST** - The question still remains. Could you see that happen with these additional reserved areas?

**Mr WARMAN** - No.

**Ms FORREST** - Are you saying that once they are reserved, they are reserved, end of story, as far as you are concerned?

**Mr WARMAN** - The reserve proposals are not just about protecting the suite of specified, high conservation values designated under FSC, it is about a range of values that the ENGOs and various reports that we have referred to over time have said, okay, this area, for whatever reasons, needs to be reserved. Part of it is some of the things that you alluded to in terms of, for example, reserve design issues.

**Ms FORREST** - So if this map that is in the report were agreed to, hypothetically, then all those areas that are green, orange and yellow, would not be available for any harvesting at all? That is, existing informal reserves, proposed HCV reserves and current informal reserves.

**Mr WARMAN** - Yes, I just needed to check the colours, but, yes. The yellow I think are -

**Ms FORREST** - Current informal reserves, it says.

**Mr WARMAN** - Yes. So within the areas of high conservation value reserve proposals that we have identified, part of that includes already existing informal reserves. I think about one third of the 500 000 hectares in the reserve proposal is informal reserve.

**CHAIR** - Is it not the case that a lot of the ENGOs proposed HCV areas are, in fact, areas that have had a history, quite a long history in some cases, of timber harvesting, management, human intrusion and the like? Is that the case and, if so, how many hectares of those apply there? How much can you say is absolutely pristine, has not been touched, that you want to add to what has been there, what is already reserved?

**Mr WARMAN** - Off the top of my head, I would not be able to give a breakdown on those figures. I could take that question on notice though.

**CHAIR** - Would you be happy to provide that information to the committee, as you see it?

**Mr WARMAN** - Yes. How I am thinking that could probably be answered is in relation to the proportions of the areas that have mature or old-growth forest, unaged regrowth and aged regrowth. They are categories that Forestry Tasmania uses and I do have those figures but not with me here and not in my head. But I could give you those, which would give you some indication of how you might answer that question.

**CHAIR** - Just one point here that comes from one of your publications, 'Forests for the Future'. I'll just read that:

'The transition from native forests includes forests that are the result of the research in the 1960s when the old Forestry Commission implemented the clear-fell, burn and sow method of regeneration which mimics natural

wildlife occurrences. Since that time 250 000 hectares of forest have been harvested and successfully regenerated.'

Now, would you consider those forests, previously claimed by your movement as destroyed, to be native forests, for example?

**Mr WARMAN** - Yes, we would consider them to be native forests. In terms of the basic distinction between native forest and plantation, we would not consider them to be plantation. Our understanding is that they still contain a range of native forest values.

**CHAIR** - Is there any plantation in your list of HCV?

**Mr WARMAN** - At the moment there are about 2 000 hectares in the area. We went through a process recently, about a month ago, and sat down with Forestry Tasmania and looked at all of those areas and removed several thousand hectares of plantation that were included within the area. And then there were areas in terms of reserve design. So where there are small areas of plantation largely surrounded by areas that we otherwise want to see reserved, we have proposed that those plantations would be grown through to maturity, harvested and then restored to natural forest.

**Dr PULLINGER** - From the perspective of sensible reserve design.

**Mr HARRISS** - Mr Chair, if I can go back to the point or the question you put a moment ago and having a look at history, if I heard you right, your question went down the track of the fact that those forests, which were harvested back then, were described as having been destroyed.

**CHAIR** - That's right, that was the point I was getting to.

**Mr HARRISS** - They have now been regenerated and managed and so now you are saying they are of high-conservation value, but at an earlier time they were destroyed. I find an inconsistency in that. Somebody has regenerated, looked after them and put them into a state now, which is considered of high-conservation value. That tells me that the process has been managed really well to get them to this stage where they now are. And if we were to harvest them again tomorrow on a proper rotation, I suspect you would claim that they had been destroyed and then in another 40 years somebody will come along and say, 'Fantastic forests.'

**Mr WARMAN** - I think what has been destroyed is if the forest was 100, 200, 300, 400 years old that it contained hollow-bearing trees, a whole range of habitat and values; if it held large volumes of stored carbon in the landscape and a lot of those other conservation values. When it is clear-felled a lot of those values are missing. If it is clear-felled with an intent to keep that down on a 65- or 80-year rotation, so that the forest never gets a chance to regenerate all of those values that have been lost, then in a sense that has been lost. But if that forest is allowed then to grow on for another 150, 200 years you will actually restore those values, yes.

**Mr HARRISS** - But they have only been growing for the last 40 years and now you are telling this committee that they are, after having been destroyed only 40 years ago, high-conservation value now. But you just suggested we needed to give them longer.

**Mr WARMAN** - They are part of the reserve proposal areas and they will contribute to those values over time.

**Mr HARRISS** - Either they contribute now or they don't. If they are high-conservation value now, then they are. That is what you are saying.

**Mr WARMAN** - Yes.

**Mr HARRISS** - But we have only had 40 years to deliver those high-conservation values. What is wrong with that?

**Mr WARMAN** - Well, some of those values are already there. Say, for example, carbon, as the forest is growing it is restoring the carbon. As it gets more mature it increases its habitat values, depending on what the values are - if the values are landscape values, for example. So if it is an area of forest that is important from a scenic or landscape value then obviously it has some of those values already and those values will increase with time if it's protected.

**Mr HARRISS** - But those values have been delivered over the preceding 40 years by good management, I would contend. Doesn't it tell me just that, because you're now identifying them as such?

**Mr WARMAN** - If it hadn't been logged those values would probably be higher than they are now.

**Mr HARRISS** - Subjective, as you said, probably. The high-quality wilderness that was identified through the RFA, we didn't deliver it all and I understand that, but that was based on the National Wilderness Index. I think that is developed by the Heritage Commission, if that's their right description. They set the requirement of that identification at greater than 12 and so we did deliver at the RFA process. Has your process for identifying HCV taken into account the National Wilderness Index and, if so, what level of compliance with that index has been achieved?

**Mr WARMAN** - I can give an answer exactly. It's some years since I looked at those maps but I think most of those areas would be included in the high-conservation value reserve proposal areas. So of those outstanding areas that were left outside of the reserved area in the RFA I think most would now be included and encapsulated in the high-conservation value reserve proposals.

**Mr HARRISS** - Do you realise that after the RFA and the Tasmanian Community Forest Agreement we got to 97 per cent of those, so there was only 3 per cent left? So you are telling the committee that you picked up that final 3 per cent and got us to what was identified in the RFA.

**Mr WARMAN** - I would need to check those figures but my sense from when I looked at the maps before is that they have all been picked up. I would have to go back and check, though.

**Mr HARRISS** - Can you do that, please?

**Mr WARMAN** - Yes.

**Dr GOODWIN** - I wanted to pick up on something from that conversation, Russell, that you were just having with Mr Harriss about the high-conservation value of a particular area. It sounds to me as though it could vary from one area to another, is that right? Are you saying that one particular proposed reserve might have different conservation values to another?

**Mr WARMAN** - Yes.

**Dr GOODWIN** - So what underpins the terminology 'high-conservation value'? Can you define it?

**Mr WARMAN** - Yes. Within FSC there is a particular definition. For areas within the reserve proposal, the types of values we have looked at are areas of undisturbed forest, relatively large areas of ecologically mature forest, reserve design principles - the roles of buffering, connectivity et cetera in the landscape - and biodiversity values. Off the top of my head, probably geoheritage values have been picked up in there as well. I think there is a large range of different reports and sources that we use to inform.

**Dr GOODWIN** - So they are fairly broad criteria that you're talking about?

**Mr WARMAN** - Yes.

**CHAIR** - Gentlemen, we heard this morning that many other countries in the world, particularly in America and Europe, are still harvesting their native forests successfully and with certification. Why can't we do that here? Why are we so much different here in Tasmania than anywhere else?

**Mr WARMAN** - I think some of the same pressures are happening in other parts of the world. My understanding is that some of the same debates we are having in Australia about our native forests are also being had in North America and Europe. I don't know that the situation is actually any different here to what it is in those other parts of the world.

**CHAIR** - I would suggest that perhaps it is. We have a more intense debate here in Tasmania than probably anywhere else in the world.

**Dr PULLINGER** - The debate was equally fractious in New Zealand over native forest logging and they got it largely resolved in terms of the shift of their industry out of native forests and to being a largely plantation-based industry.

**CHAIR** - The other question is, bearing in mind that Australia is a net importer of wood products, would you not agree that if we do potentially have a transition out of a lot of our native forests then we will be importing more - perhaps could I put it - unsustainably produced wood products from South East Asia without any FSC certification and all that sort of thing? That is a real threat I think. Are we not throwing out the baby with the bathwater by not doing what we ought to perhaps be doing here with a renewable

resource, instead bringing it in from overseas where it is probably not sustainably produced?

**Mr WARMAN** - There are two things. Firstly, my understanding is that Australia's balance of trade is that we are a net importer in dollar terms, but we are actually a net exporter in volume terms. So in terms of the measured quantity of wood products, a lot more goes out than comes in. I do not have the figures off the top of my head but I can get them. They are available from ABARE. So generally when that is put forward that we are a net importer, what is referred to is the dollar amount. What we are actually doing is exporting large amounts of unprocessed wood and then importing much more valuable smaller quantities of processed wood products. So that is the reality.

The other part of that equation is that current projections based on ABARE data is that from around about now, or 2010, Australia is going to be producing in the order of 30 million cubic meters of wood products from our plantations alone. Over the last 10 years Australia's total consumption of wood products has been in the order of about 18 million -

**Dr PULLINGER** - We have 20 million here.

**Mr WARMAN** - Okay, 20 million. This is a change that is just occurring right now where Australia is actually producing from our plantations alone a larger volume of wood than we consume as a nation. So we actually have the scope to meet all of our needs and export, so that is one way we can address that balance of trade and be self-sufficient as a nation.

The other thing is that we need to look at the whole balance of trade in terms of ceasing to be somewhere we think that the way to redress the balance of trade is simply to chop down more trees.

**CHAIR** - But export that plantation timber in what form?

**Dr PULLINGER** - Part of the challenge is to find a diverse range of plantation processing opportunities and products for that estate to account for some of the balance of trade issues that Russell was talking about. Certainly you are right that the loss of native forests in Indonesia and other parts of the world is absolutely shocking and we should not be importing rainforest timbers or native forest timbers from those parts of the world that are losing critical habitat and values as well. The challenge is really to make that shift across to being a largely plantation-based sector.

**Mr HARRISS** - I go to the Statement of Principles which contemplates the possibility of a pulp mill; that is in a form of using the plantation resource. Does that sit comfortably with you?

**Dr PULLINGER** - Again, the statement of principles does say that there needs to be development of a range of plantation-based timber processing facilities, including a pulp mill, and certainly it is our view that we are not opposed to plantation processing. We do think that there needs to be a diverse range of plantation processing options. As an environment group we have policy prescriptions around what is appropriate. It is not a blank cheque but there is a range of options and a pulp mill is one of them - paper. There

is LVL, OSB, solid wood products, a whole range of things that we think need to be part of that mix.

**Mr HARRISS** - A pulp mill, or the only pulp mill which we have in the pipeline at the moment?

**Dr PULLINGER** - We don't support the current pulp mill proposal. We have made that clear. We have a policy about the range of prescriptions from our organisation's point of view. Other environment groups have policies on that as well but we have a range of prescriptions for what we would regard as acceptable in any downstream processing facility, including any pulp mill proposal.

**Mr HARRISS** - Because you have a range of areas which are acceptable and the current proposed pulp mill is not acceptable, does that mean that if that cannot be resolved this process falls over from your side?

**Dr PULLINGER** - Bill Kelty has made a range of recommendations in his report in relation to the mill. He has basically recommended more assessment for the mill in a range of areas.

**Mr HARRISS** - It might not be done, though.

**Dr PULLINGER** - It may not.

**Mr HARRISS** - He has recommended.

**Dr PULLINGER** - Yes.

**Mr HARRISS** - Your point of view?

**Dr PULLINGER** - If that occurs we will be putting our policy positions forward and we will be raising the issues that we see as unacceptable and unaddressed through that process.

**Mr HARRISS** - The pulp mill which is currently on the table might still come out as being the only one that you don't agree with - that pulp mill. If we get to an agreement, by its very nature it contemplates compromise. If we get to the stage where it is either pulp mill or no pulp mill, where does that leave you? Not a pulp mill, that pulp mill.

**Dr PULLINGER** - We don't support it and we are not going to support it.

**Mr HARRISS** - So you won't support an agreement which includes that pulp mill?

**Dr PULLINGER** - Again, in terms of this statement of principles it is a broad set of principles and in some areas it is specific and in some areas it is broad and it sets a principle around plantation processing. There is obviously a current proposal that Gunns has State and Federal approval for and they are looking at pushing ahead with it. We don't support that project.

**Mr HARRISS** - What does that do to this Statement of Principles in the event that compromise is required to get to an agreement? Does it mean that your group will not sign off on the ultimate agreement?

**Dr PULLINGER** - To answer the question again: we don't support that pulp mill.

**Mr HARRISS** - I have heard that.

**Dr PULLINGER** - This Statement of Principles does not ask us to do that and we are not going to do that.

**Mr HARRISS** - We understand the Statement of Principles, Phil; the aspiration is to get to an agreement. Again, I am taking it that you will not get to an agreement if that pulp mill, the Gunns pulp mill, is the delivered one through this process? If everybody else agrees somewhere along the line, you won't. Does that then mean that the agreement will not be signed off and we will continue to have discord in our forest industry?

**Dr PULLINGER** - I don't think so, but it is an open question. Clearly there remains a big divergence of opinion about the current proposal and it continues to be highly controversial. It doesn't have the support of the environment groups and it is a major issue and a major challenge. There is a range of processes that Bill Kelty has identified in terms of that pulp mill proposal, and where that goes to remains an open question, I guess.

**Dr GOODWIN** - The pulp mill proposal that is on the table, the Gunns pulp mill, let us say, is not capable of conforming to your policy prescriptions; is that essentially the issue?

**Dr PULLINGER** - Yes, that is right. From the point of view of Environment Tasmania we have a very clear policy prescription around what we would and what we wouldn't accept as a pulp mill proposal. There is a number of areas where the proposal has improved. We are obviously completely opposed to any mill that would use native forests and they have changed that, but there are still areas that we have major concerns and problems with in relation to that proposal, from the impacts on the marine environment to some of the air pollution issues and local amenity issues. Certainly the original assessment process was totally unacceptable in terms of the fast-tracking. So there is a range of problems there that mean that it is not something that will have our support.

**Mr HARRISS** - To pick up on that then, you mentioned the marine environment and the air environment. They have all been assessed, scientifically, rigorously and approved. So you are second-guessing those outcomes?

**Dr PULLINGER** - Yes. Going back to the assessment process, as you know, there was a joint State and Federal assessment process that was being run by the RPDC and that fell apart and it split into separate Federal and then State processes. So, obviously, at a State level in particular, our view is that the assessment process and that fast-tracking process was not acceptable and even the SWECO PIC report that led to the State-based assessment identified a number of deficiencies in terms of guidelines for the project. At a Federal level, which was mainly focused around the marine environment, there has been a final approval for the last three modules. There was some tightening up of the standards in terms of chlorine emissions. We have not had a chance yet because,

obviously, the information that is associated with that is highly detailed and highly complex, so we have not had a chance yet to fully analyse that and we are in the process of doing some work to fully analyse it. But certainly we are very concerned about the impact that the billions of litres of effluent will have on that marine environment. As I said, we are still in the process of doing some work on analysing that at the moment in terms of ongoing marine issues.

But certainly the State-based assessment process was not acceptable in any way, shape or form, in our view, and so there remain some issues and problems there associated with that assessment.

**Mr HARRISS** - Do I read into that then that you are suggesting the scientific analysis, the scientific judgments and the scientific outcomes were not appropriate and were not robust?

**Dr PULLINGER** - I am saying the State-based assessment was flawed and was not an acceptable and rigorous assessment process.

**Mr HARRISS** - My question is, why? On what premise?

**Dr PULLINGER** - Because basically there was a joint, rigorous, State-Federal assessment process that was being run by the RPDC that was halfway through and which a whole range of experts had submitted to, a huge number of people from the local community had submitted to, environment had submitted to and engaged in that process and it was cut off halfway through and the subsequent fast-track assessment process is something that obviously we vigorously opposed and we did not see it as in any way, shape or form an acceptable process for an assessment or approval of any development project in Tasmania. It was not an acceptable process. So there are issues that we believe have not been adequately addressed. If there is a further assessment, as Bill Kelty has identified, we will look at raising issues that we are still unhappy about through that process.

**Ms FORREST** - On that point, you said you were in the process of assessing the highly complex scientific information from the Federal Government on the marine environment which could convince you that has all been dealt with adequately.

**Dr PULLINGER** - I do not think so. We have done, again, a very simple level analysis in terms of the amount and scale of the marine effluent that would be dispersed into a sensitive part of Bass Strait. Even if you had the absolute top level of technology that is available globally, there will definitely be an impact on the marine environment. As I said, the information associated with the Federal approval is highly complex and we are working through it at the moment to essentially highlight where we think that currently stands.

**Ms FORREST** - They tightened up the conditions around that, such that there was even less discharge in terms of dioxins or chlorine by-products and things like that, so do you accept that potentially you could get to an opinion on good examination of all those facts that that might have been adequately scrutinised and this is okay? Do you accept that could be the case?

**Dr PULLINGER** - I don't think so. At a very simple level, from an environment group's point of view, strongly we have to have a precautionary principle underpinning our approach. Certainly at a simple level, yes, there are some areas in terms of the marine effluent that have improved, and chloride was one of them because they changed the technology. But there are still a range of chemicals that will be put out into the marine environment and significant volumes of effluent. There will be a significant impact on the marine environment, but as I said we are at the moment looking at working through the complexity of that data. We have got an oceanographer who works with Environment Tasmania who is starting to do some work and we will be consulting with relevant experts until we analyse that complex data.

**CHAIR** - I appreciate we are running out of time, we have got other witnesses coming in a moment, so have you got a really quick question?

**Dr GOODWIN** - Yes, just a really quick question on this. Is there somewhere that something is written down to say where the Gunns pulp mill proposal fails to meet your policy prescription? Something that is an easy reference?

**Dr PULLINGER** - Yes.

**Dr GOODWIN** - On what tests does it fail in your view against your policy prescriptions? Is there some easy way we can look at that and identify what the issues are?

**Dr PULLINGER** - We can certainly provide that and that is one of the things that we are in the process of doing as well. As I said, one of the biggest environmental concerns for us associated with the mill is the marine impact and because there is so much information and so much complexity associated with the information from that final decision, we have not yet had a chance to work all of that through. But we can provide that.

**Mr HARRISS** - Mr Chairman, a fundamental issue here, as I see it, is that in the Statement of Principles is the proposition of transitioning out of native forests to a plantation-based industry. That embraces the whole gamut of a timber industry. Phil, you are on the record as having indicated that Eucalyptus nitens plantations have a detrimental health impact and yet that is the majority of our current plantations in the ground. Where do we go, given that you are on the public record, on national television, commenting about the detrimental health impact of E. nitens plantations? That is the majority of what we've got. How do we then reconcile Environment Tasmania's proposition that we can transition to a plantation-based industry within 10 years?

**Dr PULLINGER** - That is a really good question and, again, we see this as critically important. It was identified through this process that there is a need for reforms to the way that our plantations are managed with an aim for plantations that are managed in an environmentally sustainable and socially acceptable manner. And certainly also there has been identified the need for the development of a fully integrated catchment management framework as a part of this process, and that is needed across regional and rural Tasmania. Certainly there are major environmental problems associated with our plantations, from pesticide use to the impacts on water catchments, particularly in northern Tasmania where a lot of the rollout of the plantations has occurred.

It is certainly our view that those reforms are critically important in terms of fixing a number of the problems that are associated with the current plantation management and framework.

**Mr HARRISS** - I take it from that, then, that you are saying that you are reconfirming your position that there are negative health implications with our current plantations?

**Dr PULLINGER** - There are definitely significant environmental and social problems associated with the plantations that currently exist and the way that they are managed, and those problems need to be fixed as a part of this process. There are mechanisms that are identified there that need to be worked through. Getting a strong integrated catchment management program in place and associated regulatory and governance reforms and significantly improving the way that those plantations are managed is a critically important challenge to get the management of those areas onto a much better footing.

**CHAIR** - Gentlemen, I think there are a lot of other matters that we could raise with you, and we may still do that. Would you accept that even though there has been some structural change going on in the timber industry at the moment, and there are other external factors such as exchange rates et cetera, that if there is a transition out of native forest harvesting in this State it will have severe impacts on rural and regional communities, and the State as a whole?

**Dr PULLINGER** - The transition is occurring, the timber industry is in crisis, jobs are being lost on a daily basis and the key thing by way of process, in our view, is that the transition out of native forests needs to occur in an orderly manner where the losses and impacts on workers, rural communities and businesses are minimalised whilst we optimise the protection of native forests. Having a structured transition that is facilitated and supported and delivers a whole range of solutions and benefits for the community as a whole is critical to how this process proceeds.

**CHAIR** - Thank you very much, gentlemen, for your input today.

**THE WITNESSES WITHDREW.**

**Mr BARRY CHIPMAN**, MANAGER, TIMBER COMMUNITIES AUSTRALIA (TAS); **Mr RICKY WATSON**, and **Mr ANTHONY WATSON**, HUON VALLEY TIMBER GLEN HUON WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - Welcome everybody here from the TCA and associated groups. We have one single term of reference and that is to inquire into and report upon the impact of the proposed transition out of public native forest management and harvesting in Tasmania. You are protected by parliamentary privilege for anything that you say within this hearing but if, on the other hand, outside you make statements you may not be accorded that privilege.

It was been a reasonably long day at this stage and we do not want to cut you short at all but I would ask people to be succinct in what they do say and we will try to stick to the time. I will hand it over to you, Barry.

**Mr CHIPMAN** - Thank you, Mr Chair, for this opportunity for the TCA to provide evidence to this very important inquiry. As you would be aware, the TCA is a signatory to the Forestry Statement of Principles process. The purpose and aim of our involvement is based upon a desire to reach a destination of a final long-term certainty for timber families throughout Tasmania. We don't know whether this can be achieved by this present journey but using the old adage, nothing ventured nothing gained, we are continuing with this journey, but this continuation does not commit us to any final destination. The destination we are looking for is one that will put Tasmanian timber families in a better position than they are today and we have tabled documents to support our position in this process. To people outside our industry, transition can be viewed as an easily done exercise but timber families see this as very much the opposite.

I will now introduce a diverse range of families and representatives from our membership throughout Tasmania who will convey their views and experiences relevant to your terms of reference. The first family is the Watson family of Glen Huon and they are a Tasmanian sawmilling family of many generations. I hand over to Ricky Watson.

**Mr RICKY WATSON** - I would like to thank you for your time and allowing us to come and meet with you today. We run a family sawmilling business and myself and three of my sons are involved in it and totally we employ 15 people in our Huon Valley timber sawmilling business and dry yard business. We all live in the Huon Valley. Eleven of the 15 that are employed are family people supporting families. We come from a long line of sawmilling families. My grandfather was born in 1869 and he was a sawmiller. My father was a sawmiller and myself and now my sons, so we range over some 100 years as a sawmilling family.

We had a wage bill of \$572 466 in 2009-10, which was all spent in the Huon Valley. We purchased logs from Forestry to the value of \$670 300. We purchased dry timber from other sources that we on sold worth \$84 000. We purchased fuel in Huonville worth \$58 000 for the year and gas and electricity to the sum of \$36 000 and telephone bills to the sum of \$6 500.

We support a lot of local small businesses in the Huonville area: Griggs' Mowers, Duggan's Tyre and Brake, Huon Motors, Independent Oils, Mitre 10 Huonville, Strapmark, WHK Accountants in Hobart, Huon Tyres, Duggan's Concrete, Robbie Griggs Electrical, RJ Auto Electricals, Woody's Diggers and Caltex Fuel, along with some other small businesses. We register and run three trucks, four small vehicles, three loaders, four fork trucks, a small excavator and the majority of the servicing and parts for those is done in Huonville at a cost of \$20 981 last year.

We are one of the smaller sawmilling businesses, if you look at people like Britton Brothers and McKay and of course Gunns who are the biggest sawmiller. We are concerned that once again some of our resource is going to be locked up as has happened over the last 20-odd years where portions of our resource have been locked up and reserved, and again we're sitting around the table where we feel we shouldn't be at this time. We have a current Regional Forest Agreement in place that has still several years to run, and we are a bit saddened that we're sitting here once again taking up valuable time when we should be feeling secure in running our family business with the legislation that is currently in place to allow that to happen.

We need some security right now and into the long-term future we need that security. We have recently in the last two years purchased an existing dry yard facility which was run down and we've had to build that back up. Our sales have increased by 40 per cent from the first year in operation to this current year to date. Our sales have increased by 40 per cent through that dry yard business. Our green mill sales have increased by 12 per cent in the last 12 months. The current old sawmill that we are operating out of is at full capacity. We are flat out with orders. We have people booked out to several weeks in front waiting on orders because we are so busy with green orders.

Since buying the dry yard we've started to prepare a site for a new sawmill. We have all the equipment sitting there ready to be installed. We paid half a million dollars for the site to build a new mill on and to buy the existing old dry yard business. But we need to spend probably in the vicinity of \$600 000 to \$700 000 more to put the new sawmill in place, to put down concrete and build the building and install the equipment. That has been on hold for the last 12 months, probably, because we are just a bit hesitant about spending that kind of money with the uncertainty that is in the industry at the moment.

I do not know whether you are aware - well, you would be, I take it - Gunns have just closed their intake of pulp for two months at Triabunna. We produce mill waste from our sawlogs, which ends up chipped and delivered to Triabunna. They have contacted us in the last couple of days and said that they were prepared to continue to take the chip, but they do not want to pay us for it until it is actually loaded on a boat and delivered. How long that will be we don't know, but it is a cost that we really are unable to bear. We still have to get rid of the mill waste. We cannot stack it in the yard, we would have our yard chock-a-block full of mill waste drying out in no time at all. That is another problem that we have to work around next week to see whether we are going to have to borrow money to actually chip the chip and transport it to Triabunna and then wait for payment - and we do not know how long before we would get paid for it. So there are some other problems that are putting pressure on the sawmillers besides the resource looking like being, or wanting to be, locked up by certain parties.

**Mr ANTHONY WATSON** - On the prospect of building a new sawmill to expand our business, the financing is pretty well arranged for us to go ahead and do that. If we had security we could go ahead and start engaging engineers next week to start that process. It would mean an expansion of our business, our major customers, not the timber if we can get a cut from them because the log supply is in legislation to allow that to happen but it is not currently utilised because we do not have the capacity to utilise it. If the sawmill was built it would mean a few extra people working, it would mean more money going around the system inside the local community. The only thing stopping us at the moment is security.

**Mr HARRISS** - So the security you are talking about, Anthony, really is the comfort level for the banks if you cannot produce the security?

**Mr ANTHONY WATSON** - No, because it is not the banks that the money is coming from. We have the finance organised separate to banking. We do not want to commit ourselves to having more than \$1 million worth of debt and then find that in six months' time we have lost half our log supply and cannot utilise the equipment we have put in and end up going broke as a result.

**Mr HARRISS** - Just on that then, Mr Chairman, we heard earlier from Brittons and W A McKay and the term of their contracts for supply. Do you have any contract with FT for supply?

**Mr ANTHONY WATSON** - Porter Mouldings have a contract with FT and we cut their log supply. Currently, it is not all utilised because we do not have the capacity in the sawmill to do so. They are short, I think, about 2 500 cubic metres a year that is not utilised, which they would like to utilise. It is in the legislation, it is in the contract.

**Mr HARRISS** - Are you aware of how far out Porter's contract extends?

**Mr ANTHONY WATSON** - To 2018, but that is not long enough to make repayments on a \$1 million worth of loan.

**Ms FORREST** - Not unless you are making lots of money.

**Mr ANTHONY WATSON** - No, that is right and sawmilling is never going to have lots of money in it. All it ever is is just a living. It is a good living but it is still just a living.

**Mr RICKY WATSON** - So we are concerned that some more of our high-end forests, where the best of our sawlogs come from, are going to be locked up. We have been affected already with Bruny Island and other areas that were part of a moratorium of forests being locked up where we were purchasing logs from. Right now we are struggling to get enough logs for next week because of the pulp not being received at Triabunna. A lot of contractors are going to have to be shunted around to try to keep up the sawlog supply. Even for next week and this week we struggled to get enough sawlogs because of them not being available through these other good bushes being locked up. So that is a concern into the immediate future - whether we are going to have enough sawlogs to even produce what we are currently doing. We order our logs each Friday off Forestry. We order 180 cubic metres of whatever we want and invariably we get less than what we ask for because the sawlogs are not being produced since some of these better quality

bushes have been locked up. We have some real concerns about any further high-value sawlog areas being locked up.

We would like to see the bush remain as it is, the available land remain as it is, so we can rotate at a 70-, 80-, 90-year rotation for the mature sawlogs and have enough land to do that with a minimal impact on site impacts that people complain about.

Just a couple of weekends ago we were in the caravan at Gordon down the Channel and spoke to several tourists from Perth and from Brisbane who were city folk and they were amazed at what all the fuss is about here in Tasmania. Some of them have been here for three months, they have travelled all over Tasmania extensively and all their comments were, 'What a beautiful place it is.' I indicated to them that I was a sawmiller and had been a logging contractor in the past and they said they were amazed at the hype that was out there about the destruction in Tasmania because -

**Ms FORREST** - They think there is only one tree left standing, don't they?

**Mr RICKY WATSON** - That is the perception for a lot of people. They come here in amazement, expecting to see the forest destroyed and denuded. All their comments were about how beautiful Tasmania is and the timber that they drove through, how nice the countryside and the roads that they drove on were. As I said, some of those people had been here for three months.

**Ms FORREST** - A couple of questions. What recovery do you get from the logs at the moment, and if you had to move to a plantation-based product, how would that impact?

**Mr RICKY WATSON** - If we had to move to a plantation-based product, if we are talking about the nitens and the plantations with all the straggly limbs and that on it, we would not be sawmilling because there would be no way that we could.

**Ms FORREST** - You would have to completely retool to do it, would you?

**Mr RICKY WATSON** - You would not even retool to do it because you would not get the product out of that. It is just not there. We have done trials with that timber in the last several years and it is just not a viable option to go to that to produce the high end. All of our timber is appearance-grade timber. It is sold through Porter Mouldings chains right across Australia into dowels and architraves and picture framing and doorjamb.

**Ms FORREST** - We have heard about the problem with nitens. I knew the answer, or I assumed I did. But if the plantation resource was a different tree, like globulus, which has been suggested as a better product, acknowledging that would take several years to get to a point where that was available, perhaps 25 years or more -

**Mr RICKY WATSON** - Or more, yes.

**Ms FORREST** - Would that be an option for your business, if there was a 25- to 30-year lead into this?

**Mr RICKY WATSON** - It would be if there were the right trees in that.

**Mr ANTHONY WATSON** - Provided the plantation was managed correctly to produce the sawlog without all the limbs growing on it.

**Ms FORREST** - So it would have to be pruned appropriately and everything.

**Mr ANTHONY WATSON** - Yes.

**Ms FORREST** - If you want to have peace in the forest, as has been suggested, and we have had a number rounds of giving and a little bit of taking, mostly giving in some sectors, with Helsham, then RFA and then CFA and now, as you said, we are going down another path. But if there was to be, for the sake of a future for the industry, that was the way that was deemed appropriate, would you support it with that long transition period to enable a different type of timber to be predominantly used? Could you sawmill a globulus that has been well grown and managed in your sawmill along with some of the native timbers if there was only a small amount available?

**Mr RICKY WATSON** - If that was what was going to happen, we would support it but we would prefer to continue on harvesting native forest. We know our native forest is sustainable the way it is. As an example, a few years ago, Paul and some of his family bought a block of ground at the back of Glen Huon. My father logged that block in 1958. We logged that again in 19 -

**Mr HARRISS** - The recent one was 1999-2000.

**Mr RICKY WATSON** - Yes, it was logged again then and we took good quality sawlogs off that block again in 50 years.

**Mr WILKINSON** - It is the way Paul managed it.

**Mr HARRISS** - We just clear-felled it.

*Laughter.*

**Mr RICKY WATSON** - Paul bought it as an investment, knowing that there was good timber on it and we were lucky enough to source most of the sawlogs that came off that block and they were good sawlogs again in 50 years. I am just pointing out that that is a beautiful, renewable resource - one of the best renewable resources there is.

**Ms FORREST** - Could you sawmill both if there was a general change and there was a focus on trying to get to a plantation resource that could meet some of the high-end market requirements? Could your mill, without putting up millions of dollars more, sawmill both?

**Mr RICKY WATSON** - Yes, we could.

**Mr ANTHONY WATSON** - Our current mill would not but the new one we are planning on building would. Along with that, there would need to be a pretty intensive education program for the general public because, at the moment, the general public walk into a hardware store to buy a piece of timber and they will go for the best looking piece every

time. Once they get there, they do not care where it came from, they want the best looking piece of timber.

**Mr RICKY WATSON** - Invariably, it came out of our native forest.

**Mr ANTHONY WATSON** - It came out of our best native forest.

**Ms FORREST** - I guess what we are talking about in this scenario is many years in transition and obviously education going with it.

**Mr RICKY WATSON** - If there is going to be many years of transition to give these other forests a chance to grow into maturity, yes.

**Dr GOODWIN** - On your new proposed sawmill, if you are to proceed with that would you need to know before you go down that path that we are moving towards a plantation-based industry or can you build it and it would still be suitable?

**Mr ANTHONY WATSON** - We could build it and it would be suitable, but the one thing we do need is long-term security of log supply, a guarantee at 2018 when our contract expires with FT that it is actually going to be renewed past that to give us the opportunity to repay the repayments and have a viable business.

**Mr RICKY WATSON** - And continue to build our business.

**Dr GOODWIN** - And you need to know that it is going to be the right sort of timber obviously for your business.

**Mr ANTHONY WATSON** - Yes.

**CHAIR** - As you pointed out, you have increasing demand for your product, contrary to what some people put about that there is not the demand there at the moment?

**Mr RICKY WATSON** - We have been on the current site for 17 years and there has never been a time when we have had a slack period. We are always under the pump trying to fill orders.

**Mr ANTHONY WATSON** - And we are the busiest we have ever been right now. Generally, we have about a week to a week-and-a-half wait for timber. Earlier this year we were at about five weeks that people had to wait if they wanted three pieces of timber just because there were so many people in front of them

**CHAIR** - Thank you very much.

**THE WITNESSES WITHDREW.**

**Mr JOHN HOLLIS**, OAKDALE INDUSTRIES MORNINGTON (TASMANIAN NATURAL TIMBERS VALUE-ADDING PROCESSOR), WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Hall) - Welcome, John.

**Mr HOLLIS** - The handout will give members an indication of what Oakdale Industries are all about. The first section is indeed focusing on the social values and then there is another section on the actual economic values associated with our business sector. There is some evidence and documentation towards the back which you can read at your leisure. I am very conscious of the fact, firstly, that what people say needs to actually be backed up with fact and evidence, and that is very important. One of the disappointing things in this debate that we are going through is that a lot of people make motherhood-type statements without actually any evidence being able to back them up, in my opinion.

First up I want to talk about the social value of Oakdale Industries and then the economic value of Oakdale. We have a number of people at Oakdale Industries with enormous special needs, a great diverse range of special needs. If we look at the first page, that is one of our guys who has actually been with us for 39 years. Some of our supported employees, special needs employees, have been with us for 45 years. Our youngest and newest member to our program has just come out of the education system and he has just turned 17. So we have a full range.

The majority of our supported employees are in fact long term. One of our objectives is to develop life skills, personal skills, communication skills to enable our supported needs people to actually go out into the able-bodied workforce, for want of better terminology, and secure open employment. The reality is that that is extremely difficult because of the special needs of some of our people.

In the front couple of pages as a feel-good thing I have put a couple of the great products that we manufacture. Whether it be bread boards, tables or those type of things they are well-regarded products right throughout the State, the nation and also we are renowned internationally for our products, particularly our flooring products.

Interestingly, we talk about the social values of our employees and we actually measure the output as a rule of thumb against what we regard as the average output of an able-bodied timber manufacturing plant. What it actually tells us is that our supported employees on average have a 13 per cent output to someone of an able-bodied timber manufacturing plant. Those types of things for us are very important. We are an Australian Disability Enterprise and our mission is to actually bridge the gap to independence for our special needs people.

We have a focus on empowering our disabled and disadvantaged community into becoming equal and active citizens. We are recognised in the local community and as such we are members of people like the Housing Industry Association. We are recognised nationally throughout Australia; we are members of the Australian Timber Flooring Association. We are recognised internationally, predominantly in North America where we are also members of the National Wood Flooring Association. So within the flooring sector, and that is the majority of our product, we are recognised

widely around the world for the quality of product and the quality of service that we actually provide.

We are an Australian Disability Enterprise under the banner of OAK Tasmania and within OAK Tasmania we support something like 350 people with special needs on a day-to-day basis, supported by 115 staff members. Some 140-odd of those people with special needs actually work in Australian Disability Enterprises, which in our organisation includes Oakdale Industries, Tahune Fields, Walkabout Industries, Mailhouse Tasmania, Oak Sewing Service. There are also another 200-odd people with special needs who actually go into some of our programs for people with high special needs who cannot contribute into a workplace for one day, two days, five days a week or whatever.

We focus very much on a team approach. We are very proud of Team Oakdale and I know Vanessa you have been over to see the guys. It is fair to say that with these special needs we have a lot of complex issues and diverse needs to deal with on a day-to-day basis and they are very individual needs as well.

We are able to have some timber product that we can actually manufacture by the way of some timber tables or drink coasters which someone with higher special needs can actually be there sanding. Someone with intermediate needs can actually be manufacturing something else. So it is very much a case of our ability to develop. The manufacturing that I talk about is not necessarily just manufacturing timber product. It is actually manufacturing and developing all the skills that we as able-bodied people actually take for granted: the skills of mateship, the skills of value status, the skills of pride in the product, and the individual development. Things like respect, responsibility and reliability really work well.

We manufacture timber products. For us to be able to do that, if you flick to page 25 you will actually see the real social value of what we are actually talking about. You can actually see there the social value with this. These pictures have been taken throughout the year, a couple of them at our Christmas party, but you can actually feel the vibes coming out of those pictures, the mateship that has developed, the feeling of value that our guys have, the school development we have spoken about. These guys go through certificate training and work skills for life in timber manufacturing. We want to make all our people not just good workers but want to make our people good people in the community as well and we work very close to that.

In saying all of that - and I could go on for hours on the social values but we will stop that there - we need to make sure that we have the tools to achieve those things. What we chose to do some 10 years ago now was to go down the track of manufacturing timber product on a grander scale. Ten years ago we actually had a budget of something like \$1.2 million. Now we are about to embark next year - I am starting on budgets already for next year - and we are looking at \$2.9 million worth of timber and timber products. We need to be able to be utilising our resources to be able to deliver the services that we can.

In the year 2009-10 we actually used approximately 1 700 cubic metres of timber valued at about \$1.8 million; that is of Tasmanian oak - *Eucalyptus delegatensis*, *E. regnans* and *obliqua*, not *E. globulus*. There are, if we can digress a little, some issues with *E.*

globulus in regard to the drying component of it, so there needs to be technology to maintain the dryness of it. E. globulus has been available on the market as southern blue gum of course for a number of years and some of that product has been used for decking, boat building and things like that. So some of that product has been but there are some inherent issues with the processing of it, particularly the drying of it.

The special timbers, about 160-odd, we have actually purchased around about \$2 million worth of timber that we are talking about here today, from native timber resource.

Whilst we can talk about the social things, we have to be able to finance it somehow. Besides the services we put into the community with our special needs people we need to be able to make sure that we are a viable business. There is a component of it which comes from funding; in the Australian Disability Enterprises of course we have Commonwealth funding. Oakdale Industries currently attract about \$300 000 a year - that is dependent on the number of people we have in our program. We have a contract for 29 people at Oakdale Industries; we currently stretch to 31. That funding could fluctuate a little so for the next budget year we are focusing on somewhere around \$300 000 to \$360 000 of that and that is on top of our sales.

In a snapshot of our 10-year period our Australian Disability Enterprise has had \$23 million, \$24 million worth of sales. I actually have on here that in 2010-11 we had it budgeted as \$2.491 million and we are on target to achieve around \$2.7 million, \$2.8 million worth of sales. Of that of course there are suppliers, product suppliers, engineers, all the types of service industries that we have for which expenditure ranges from \$5 million for service providers to \$15 million for product suppliers et cetera. In 2009-10 native timber species represented 83 per cent of our actual sales revenue so 17 per cent at that time was from others - radiata pine and other types of species. For 2010-11 that is currently running at 87.6 per cent. It is important again that I make the distinction that all the profits that we generate - or losses in some cases - go back into the organisational funds for the support and funding of other programs within the organisation.

Interestingly, I will just touch briefly on some budgets, because we are talking about the economic situation here and the value of the economics. I'm in the budget stage right at the moment and we have a draft, so we take that as being the number one draft. We've got a scheduled budget of sales of \$2.9 million. Of that we have direct expenditure of \$2.4 million, we have a Federal grant of around about the \$300 000 to \$360 000 as I mentioned and then we have other indirect expenses of some \$770 000-odd, which at the end of the day if everything goes all right we should just about have a 1 per cent return on our sales, which is about a \$30 000 profit. So we would be really happy with that.

But if we don't have access to native timber forests or native timber resource I've done up another budget as a draft as well, bearing in mind, whether it would be next year or the year after, if we run out we will probably still have timber flowing through for the next 12 months or so. It actually reads like this - and this is real life stuff: we're going from sales of \$2.9 million to sales of something like \$780 000. We still have quite a bit of cost associated with it; our direct costs are going from \$2.4 million back to \$916 000 because we're not buying the native timber forest product. Our expenses as such, our indirect expenses will pretty much stay the same. They will vary a little because of the cost of waste and things like that. But the nature of our business being an Australian

Disability Enterprise, we are actually there to support people with disability, we wouldn't put our people off. If you are in business, all of a sudden you might decide to start retrenching people and making people redundant. We wouldn't be doing that, we would be looking to totally restructure.

Quite frankly, I've got a few grey hairs and I've had a few sleepless nights thinking about what we can actually restructure to the value of \$2.4 million to keep us going. The bottom line, for example, without the native timber resource, is horrific. It reads like a loss of \$531 000. So we go from a slight profit to a negative. I make the point again that this is a first draft and it needs to be tweaked right up. But that is the type of issue we are going on. Whether the loss is \$500 000 or whatever it might be, it will be quite significant if we haven't got that resource that we can actually put it into.

Just finally, I have a key economics indicator in there, which is another bit of a snapshot during 2009-10, 2010-11 and budgeted for 2011-12. Again, I make the point that in 2000-01, 10 years ago, we had a budget of \$1.276 million. This year we will finish with about \$2.77 million, next year we have a budget of \$2.9 million. Our native timber resource will be running at about 87 per cent. Sales from our native timber will be about \$2.5 million, this year it will finish at about \$2.4 million and next year it is budgeted at about \$2.5 million. Importantly, the actual sales that sold outside of Tasmania, that is new income coming into the island, will be around \$1.8 million. This year it will be about \$1.75 million and next year it is forecast to be about \$1.85 million if we have native timber resource. If we don't have native timber resource we have got zip.

In conclusion we are a socially vibrant and an economically viable ADE and we want to stay that way. We have some fantastic outcomes for our people. People who have been there make comment on a regular basis about how happy the guys are and they are, and I am very proud to sit here as their divisional manager and say that they are a really good bunch.

**Dr GOODWIN** - Very proud of their work too.

**Mr HOLLIS** - Yes, we are very proud of their work - very proud. So we are facing a situation here where we will transition from being a socially vibrant and economically viable ADE to one that will be struggling, anxious and stressful, with all the associated problems..

In conclusion, we are a significant user and manufacturer of timber species sourced from the working production sector. We are a business that is heavily reliant on a sustainable resource from the sector and we are a significant contributor to the building industry supply chain and the economic health of Tasmania.

**CHAIR** - John, well presented and your message is very clear.

**Mr HARRISS** - John, you have made it clear by that presentation that if you don't have access to native resource then the viability of the industry is challenged. Does that go to the notion of the high-quality sawlog specification to deliver the product, which is in demand from the company?

**Mr HOLLIS** - Yes.

**Mr HARRISS** - And are you saying that you can't get that high-quality sawlog from plantation timber, which is currently out there and it won't be out there for years to come?

**Mr HOLLIS** - Yes. Certainly, we would not be able to run our operation if we didn't have the high-quality sawlog available to us now. For us to replace that delicate eucalyptus delegatensis, regnan and obliqua, and some of the minor species with something like nitens and globulus it would not work for us. Earlier it was said that the nitens was recognised as not being an alternative for the quality, and indeed the globulus has been available for many years, but there are some inherent issues in that. We are really talking about not having available any of the products that we have developed our business on over the last 10 years. What you are seeing with our flooring products, with our furniture products - the sassafrases and myrtles and things like that - are not going to be available.

**CHAIR** - Thank you very much, John.

**THE WITNESS WITHDREW.**

**Mr MARK TURNER**, TURNERS BLACKWOOD FURNITURE LAUNCESTON (FINE FURNITURE MAKERS AND MARKETERS), AND **Mr RODNEY STAGG**, MEANDER, GENERATIONAL DEPENDENCE UPON WORKING NATURAL FORESTS, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Hall) - Welcome.

**Mr TURNER** - Thank you very much for this opportunity to address you on where we are at. We are at the very end of the chain, so to speak, we are the ones that turn it into furniture to present to the public. We are a business that has been going since about 1958 so I worked for my father when I left school. Helen and I bought the business in about 1990 and it continued on. We have between 11 and 13 employees and we turn over just under \$1 million. We use roughly around about \$200 000 or \$220 000 worth of blackwood a year sourced mainly from Britton Brothers and a couple of other merchants that we have used over the years, basically all from the north-west where our resource comes from.

Just to get the timber bit out of the way first, we have tried plantation timber. When someone tries something new they tend to give it to Turners to see what can be done with it. We have the machinery, et cetera. We find it very carroty, so if you were moulding the edge of this table here, for argument's sake, it would just chip out and you would get gouges and chips. If you were making a chair the back leg would crack and just fall apart like a Chinese one. From that point of view, we have tried and tried it over the years. We realise where this has all been going as we have been in the industry for a long time and we try new things, but basically we are a native-forest user. As I say, blackwoods are not very good in plantation form. I don't know whether Britton did try it many years ago as that was with my father so I can't really talk on that, but obviously it hasn't come to fruition because we are not using it now, so it has not been presented to us since then.

Our business is unique. I don't know whether any of you are familiar with our business. We are probably the leaders in the solid blackwood market at the moment. Two-thirds of the floor over at Lifestyle Furniture is ours and that is the only shop we serve. The rest of our nearly \$1 million turnover we sell out of our own showroom, for which we have just built a new \$1.5 million facility at the airport and which is really good timing when you consider just what has happened in the last 12 months. There is not a person who comes into the showroom and says, 'oh, you have no logs, you have no timber' and you have to then go through the whole process.

I have been interested in this for 12 months. We have met with Bryan Green, with Bill Kelty and had a very good three-hour session at our factory and went through the whole thing. I thought he was going to start up some machinery there for a minute, he was very interested.

There is a market for our furniture. I am now going to talk on an overview of our industry. We are the top end. We have a couple of other makers that make the cheaper pine SP furniture, that serve the cheaper market. In our industry right now, because people are bucking against imports, there is a market for someone below us and above SP to probably have two or three different factories going with a range of probably between six and 12 men to make a range of furniture out of, not reject, but second-grade timber that would then allow the sawloggers to use up more of their resource. Not

everybody can afford a \$6 000 dining suite, but a \$3 500 good Tas oak one or second grade blackwood one, still with the strengths in the timber, there is nothing wrong with it, it is just a little bit lesser in quality and then, from a Tasmanian point of view, they would get to pick their own cover on the chair. They get to the point where if it has something wrong with it, they go back to the manufacturer and we are finding that naturally they are probably coming to our showroom, but people will buy local rather than imported. They do look for local and they are looking more and more for locally made stuff.

We have people coming into our showroom and saying, 'Oh, you are a little bit out of my area, is there anywhere else I can go to buy something on this level?' So, from a business point of view, as far as using the resource, there is a lot more potential out there. I am sure that if we had a bit more of a marketing thing on that, it could be tapped, Many years ago, before Harvey Norman and all those people came here, they said, 'Never come to Tasmania, there are too many manufacturers.' Of course, we self-disintegrated and people retired and bits and pieces, let them in and now they have come in and, of course, all they do is import, import, import and we do not have the advertising budget to push our point of view across that. Yes, we in Tasmania are regarded as some of the best furniture makers in the world..

Blackwood is one of the best furniture timbers still in use in the world. We sell our furniture all over the world. We ship it all over the world. People come into our little showroom. I do not even have a website but people still find me.

**Ms FORREST** - You need to get with it, I reckon.

**Mr TURNER** - I did yesterday, okay. A bloke was in yesterday.

**Mr WILKINSON** - If you do not have the resource, you are wasting your money even doing that, aren't you?

**Mr TURNER** - Yes, exactly right.

**Ms FORREST** - Because websites are not cheap either, decent websites.

**Mr TURNER** - That is another thing, yes and you are not going to look at a picture on the website and spend \$6 000 or \$8 000 on a dining suite without sitting in the chair to make sure it is comfortable. So that has been my argument.

*Laughter.*

**Mr TURNER** - We, as an industry, do meet. These meetings that we have with various people do take place in our workshop and all my competitors, all their friends, we have grown up together over the years. We have all been in it as long as the others. There are a few other family businesses around. We have two main concerns. One is, they say, yes, we will release the minor species for you. Do they then release enough minor species to keep a sawmill viable, or do they just give enough to keep us viable which is then not enough for a sawmill to be viable? He cannot make enough out of us to warrant starting up his business. So then we get to that point.

Myrtle is now 20 per cent dearer than blackwood, black heart sassafras is dearer than blackwood, celery top pine has come up to the price of blackwood. Do we then start to pay more of a premium price for our timber which then forces us out of the market because people just do not have that money to spend. You can have one shop perhaps like Rex Heathcote who has his 'out-there' furniture, but you buy one of those pieces but you do not put a house on with him.

**Ms FORREST** - Not unless you have lots of money.

**Mr TURNER** - Lots and lots.

As an overall view of our side of the industry we are very confident, obviously, because we have spent all this money going forward thinking that we would always have a market. People will still fly into the airport and now they walk across the road. When we were at Prospect they would catch a cab and make the cab wait. They would come from Melbourne, be here at 10.30, order their furniture, have lunch and fly home. I'd ask how they found me and it would be that the next-door neighbour had said if they wanted blackwood it was the only place to go. Now that is not just me; Tasmania is the only place to come to get your solid timber furniture now. We ship a lot back to Britain as well, for that reason. They come in and they just fall in love with it. We ship it back off door to door to get it delivered. It is a world-renowned resource.

**CHAIR** - Thanks very much, Mark; that was an interesting presentation.

**Mr STAGG** - Can I back Mark up, which is the reason I am here today. In October last year I was interested to know how many furniture manufacturers there were in Launceston, the number of employees they have and other associated industries so I took it upon myself to look at the Yellow Pages. I have here the business names, the species they use, the suppliers, the markets, the number of employees but in particular on the second page under the heading 'classic doors', when I contacted the bloke who does this he told me he supplies 50 other businesses in Launceston just with doors and the turnover last year was \$425 000, just in doors.

The last page is probably the most important one - the employment figures for furniture manufacturers and the associated industries in Launceston. Going from the employees on the previous page it is 78; then you need to incorporate the sawmills and I have put a fairly conservative estimate of seven employees per mill, which brings it up to 91. In the Yellow Pages as well there are some 64 other businesses that rely on our native forest timber to keep going. Again, a conservative estimate of seven makes 448 so therefore the total number of employees reliant on native forest timber is 627, just in Launceston. Not included again is delivery to the sawmill, from the sawmill to the timber merchant, the timber merchant to manufacturer and manufacturer to the retailer. Most important of all if you look at it from a statewide point of view, if there are 627 in Launceston how many are there in Burnie, Devonport and Hobart wholly and solely reliant on our native forest industries? As Mark has just said, he cannot survive without native forest. There are 627 others who cannot either.

**Mr HARRISS** - Just in furniture manufacturing.

**Mr STAGG** - Just in furniture manufacturing.

**CHAIR** - I suppose, Rodney, you could argue perhaps that the businesses you have listed sell other products as well like the kitchen, bathroom and bedroom plastics and all that sort of thing.

**Mr STAGG** - I did go to Hiddings and they said that in their business they would have a number of employees who do nothing else but make these robes and their kitchen stuff. Also, something which has not been taken into account but which is fairly important, in new houses people actually want solid wood flooring. That is another area that has never been taken into account. I am looking at finding out how much of this is being used and whether it is a specific thing or whether the house builders themselves are building it or whether there is someone actually putting the flooring down and then you have the sanding and the other stuff so there is this flow-on. At this stage there are 627 and I could imagine it would be more like 1 000.

**Mr TURNER** - Just before I finish, we take a big exhibition to Agfest. We put up a 20-metre by 10-metre big with Tas oak floors and we take \$80 000 worth of furniture there. It is one of the must-see tents.

**CHAIR** - What street are you on this year?

**Mr TURNER** - Second Avenue.

**Mr TURNER** - We do put a lot of effort into it. People come through and they rub it and say, 'Is that real wood?'. My sister runs the showroom. My nephew is with us so we are predominantly a family business. We have three to four apprentices at all times - as they leave and we put another one on to replace them.

**CHAIR** - Thank you very much; we do appreciate your time.

**THE WITNESSES WITHDREW.**

**MR ROBERT ARMSTRONG, MAYOR, HUON VALLEY COUNCIL, WAS CALLED,  
MADE THE STATUTORY DECLARATION AND WAS EXAMINED.**

**CHAIR** - Welcome, Robert.

**Mr ARMSTRONG** - Today I am speaking on behalf of the majority of councils of southern Tasmania. I spoke to a majority of those members of the different councils and they have given me the authority to speak on behalf of them. I'm currently the Mayor of the Huon Valley and have been for the last 10 years, and an elected member for 15 years.

The Huon Valley has a population of 15 000 people and has over 5 000 square kilometres in area with a large portion of that being World Heritage area. Forestry has played a major part in the Huon Valley over the last 100 years. A book called *Hearts of Oak*, which Bill Leitch wrote many years ago, has some very interesting reading about the Huon Valley and surrounding areas.

Forestry in the Huon Valley does play a major part. They have more than 390 full-time equivalent employees and that spreads right throughout the community. The schools have children and we have the parents and friends where the family members, forestry workers and their families make up all those committees et cetera, so they help the running of the school. The flow-on from all this forestry work goes through all our shops, from the tyre companies to the takeaways to the supermarkets, and all these family members make up parts of the community.

In 1989, after the Helsham committee hearing, the town of Geeveston actually died, as anybody who went down there after that could tell you. You couldn't sell a house or a business, the banks would not lend any money unless you had a ridiculous amount of deposit for it and the community was really down and out. I had just been elected to council not long after that and if you went down through the Geeveston community it was a really sad time for that area. There was nobody in the street. You would talk to people and their heads were always down; they just had no confidence in the area whatsoever. Cricket clubs folded - Dover, Geeveston and there might have been one other; that wasn't just one club, that was all the grades. There were probably three and four grades of cricket in that, so you probably lost anything up to 50 people playing sport in the Huon Valley that we lost out of the area at the time.

People left the area; they had to find work. These people wanted to work and there was just no work there. They had been tied up with the forest industry and there was no work for them, so they left Tasmania, or the Huon Valley but mainly Tasmania, and went interstate or somewhere like that to find work.

I was actually in a taxi in Melbourne and the taxi driver asked me where I was from. I said, 'Tasmania', and he said that he owned a house in Tasmania. I asked whereabouts and he said a little town that I had probably never ever heard of. He said it was a real vibrant little town once - Geeveston. I said I lived straight across the river. He said that when he bought the house in the late 1980s it was a good buy and he was renting it out for whatever the cost was. He said now he has that house sitting there and he can't rent it out and he can't sell it; that was his redundancy or superannuation or whatever. He was devastated because he thought he had made a good buy and that is just one example of

what has happened in that community over the time when we had that downturn in the forest industry.

My belief is that we have an agreement through the RFA and both the State and Federal governments signed off on that at the time. It was done by science, it was based on science, it gave security for the resource and security to the workers in the industry. That was the be-all and end-all of everything with forestry. That was what everybody agreed on and everybody walked away with and thought they had the security they needed for years to come. Now we are going through another process.

Like Rick Watson, we have other sawmillers in the Huon Valley that need to have that security of resource. At the moment there is uncertainty in the area. We already have people leaving the area because of that uncertainty. When you are talking to people now they say, 'What is happening with forestry? What is happening with the forest industries?'. We just can't get that security. We have had that security through the RFA. The RFA is an agreement that everybody has signed off on and that is where it should be so that we can get that 300 000 cubic metres of sawlogs there every year so people like Rick and the other sawmillers know that they have that security.

It is not only that but Forestry Tasmania is also a very good corporate citizen. In Tasmania they pay \$2.8 million in rates to local government and that is a lot of rates to be paid. In the Huon Valley alone they pay \$356 000 in rates plus \$12 000 to Tahune and that is for very little cost to the Huon Valley because they maintain most of their roads themselves. It is only when they come on a link road to the State Government highways et cetera that it costs council and at those times they often contribute to the cost of keeping those roads graded or whatever.

If we lost Forestry Tasmania and that \$350 000 - and 1 per cent of our rates in the Huon Valley is \$70 000 - it would be a 5 per cent increase to the ratepayers of the Huon Valley.

**Mr CHIPMAN** - That rate is only paid on productive forest. If Forestry Tasmania has forests that are managed for conservation, they are not rateable.

**Ms FORREST** - They pay rates on the active forest and on the Tahune footprint?

**Mr ARMSTRONG** - That is the \$12 000, I believe.

**Ms FORREST** - Is there any other rateable property down there that they pay rates on?

**Mr ARMSTRONG** - Their offices et cetera in Geeveston. That is it.

**Mr CHIPMAN** - Parks and Wildlife pay no rates.

**Ms FORREST** - Neither do Hydro.

**Mr ARMSTRONG** - As I said, we are 5 000-plus square kilometres as a municipality but we have already the majority of that locked up in the World Heritage area and we don't get much rates from Macquarie Island, which is a part of us too.

**Mr CHIPMAN** - In the Tasman municipality, Forestry Tasmania is the biggest ratepayer for the whole municipality. It pays more rates than the Port Arthur Historic Site.

**Mr ARMSTRONG** - We might have a couple of big processing companies that pay more but Forestry would be right up there as one of our largest ratepayers. The forest industry down there sponsors your sporting clubs. We do joint ventures with Forestry in different areas and different sponsorship things. There is a list of their sponsorship in that attachment. They are the lifeblood of a lot of those small clubs. Without Forestry, those clubs are not going survive.

When Ta Ann started in 2005 there were a lot of long-term unemployed people who are now working full-time at Ta Ann. It has given them a new lease of life. They had not worked for years, some of those people, and now they are back in the workforce. They really feel that they are a part of the community again. It has been such a godsend for a lot of those people.

Forestry in the Huon Valley has been there for more than 100 years and the Huon Valley people are proud of Forestry. All right, you will get your other movements into the valley that complain and things like this but generally the people of the Huon Valley are very supportive of Forestry and the contribution it makes to the area. I am a born and bred boy from the Huon Valley. I have lived there for most of my life, apart from about 12 months or so, and Forestry has been a part of that valley all that time. I, for one, am very proud of it and I know that the majority of the people are.

We have an agreement, as I said, the Regional Forest Agreement. That has been endorsed by both the State and Federal parliaments. I think we have an agreement there that gives resource security to the workers so they know the job is there next Monday and the Monday after. I think that is where we should stay.

**CHAIR** - Thank you, Mr Mayor, that was a very good social perspective.

**Mr WILKINSON** - Yes. There were questions earlier on and the same story seems to drift across all the submissions.

**Mr ARMSTRONG** - Thank you

**THE WITNESS WITHDREW.**

**Mr KEITH BILL**, PRIVATE LANDOWNER, BRUNY ISLAND, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** - Welcome, Mr Bill.

**Mr BILL** - Thank you for the opportunity to address you this afternoon. I believe that the subject we are discussing here today is of high significance for the whole of Tasmania, but from my perspective, very significant to Bruny Island. That is the area that I would certainly like to address, as a resident of that area.

The first tree cut down on Bruny Island was probably by Captain Cook and the first one planted was an apple tree, probably by Captain Bligh. Since then there has been logging activity on the island. As has been indicated by others, there are generational issues associated with the timber industry. My wife, Jennifer, is a fifth generation Bruny Islander. Her father, grandfather and great grandfather were involved in the timber industry, all on Bruny Island.

Our particular coupe that we have on our property has been harvested three times since the late 1800s and the last occasion was four years ago. The point I am trying to make is the sustainability of our native forest. Predominantly what came from our coupe was stringy bark obliqua and also globulus blue gum.

Firstly, as the majority of people are probably well aware, there are significant national parks and forest reserves on Bruny Island. To that extent what I would like to point out to this committee is that the total reserves on the island are 38.8 per cent. Private land on the island is 52.6 per cent. We do have the availability for logging purposes of 2 974 hectares which represents 8.43 per cent of the island.

Forestry Tasmania's normal activity on the island is to work through a coupe over the last 10 years of approximately 35 hectares. A simple arithmetic division would indicate that 2 974 hectares divided by about 35 gives an 85-year rotation of the coupes on Bruny Island. If Forestry Tasmania were to withdraw its activities from Bruny Island it would have a significant adverse effect not only on the local community but also on tourism.

**Mr WILKINSON** - How many people are now on Bruny Island? I know it is growing all the time.

**Mr BILL** - The normal population is around the 600 mark. During holiday periods that would probably expand to 4 500 or thereabouts.

**Ms FORREST** - The die-hards are about 600?

**Mr BILL** - The die-hards, yes.

*Laughter.*

**Mr CHIPMAN** - You have to be five generations.

**Mr BILL** - The point I would like to make with regard to Forestry Tasmania is that if they were to withdraw native forest activities from Bruny Island, the community and tourists would be disadvantaged in relation to activities such as the maintenance of the roads on Bruny Island used by tourists. One specific road that I will mention particularly is the Coolangatta Road, which is the main road that goes over Mount Mangana from Lunawanna to Adventure Bay. There are two magnificent viewing areas as you go over that mountain road - one looks back to Cloudy Bay; the other one looks over towards Adventure Bay. If that road were not maintained and those look-outs were not kept up to standard tourism would be at a disadvantage in that area.

**Ms FORREST** - Are there any plantations on Bruny?

**Mr BILL** - There is one plantation. That is the plantation where Forestry activity is being conducted at the moment, but it is only the one.

**Ms FORREST** - What is that growing?

**Mr BILL** - It is stringy bark and I think there is a bit of blue gum. The history to that is that plantation was put in about 25 years ago when the technology was not available then as it is today and the quality of the timber that is being logged from that is, I suggest, not very high.

**CHAIR** - Mr Bill, if I look with the map with which we have been provided -

**Mr CHIPMAN** - Bruny is all gone.

**CHAIR** - Well, the proposal is to take out all of the rest of South Bruny?

**Mr BILL** - Yes.

**CHAIR** - And North Bruny I would suggest is a much drier spherical forest, isn't it?

**Mr BILL** - That is correct.

**Mr CHIPMAN** - In a way, Mr Chairman, that is an accolade to forestry families because it has all been logged two or three times prior.

**CHAIR** - Yes.

**Mr BILL** - Mr Chairman, while you are on that point, can I just make a comment on your statement?

**CHAIR** - Yes.

**Mr BILL** - That is, just as you have indicated, the whole of Bruny Island is possibly to be locked up because of high-conservation value. Can I indicate to you that specifically in that area you have regrowth that is probably only three or four years old and it is only three or four foot high and I cannot quite grasp the terminology of high-conservation forest from saplings. I just make that comment from your question.

**Mr HARRISS** - We have been told that it might develop into high conservation.

*Laughter.*

**Ms FORREST** - And all babies are cute.

**Mr CHIPMAN** - I might become a highly educated politician too!

*Laughter.*

**Mr BILL** - To continue, I did mention the significance of Coolangatta Road. Another area that I would like to mention to you with regard to forestry activity is the maintenance of the roads themselves, which is slashing. Weed control spraying on the side of the verges is significantly important and unfortunately at times we do have fire down on Bruny. One of the most significant things that Forestry do is to maintain their waterholes for fire-fighting purposes. If for some reason Forestry were to withdraw from their activities, as I said, it would be detrimental to the island.

Probably one of the most important things that I would like to bring forward in my presentation to you is that what has worked very well over probably the last decade, is that there has been an alternation of coupes. There has been a Forestry coupe and then there has been a private coupe. This has worked out very harmoniously within the community and this is because of the 35-hectare area that I've indicated with Forestry.

If Forestry were to withdraw and the single contractor on the island was to leave the island, I would doubt very much whether a contractor would become available to come over to the island to do a private coupe. It is significantly important that primary producers on the island supplement part of their farm income - whether it is sheep, cattle, or whatever - through harvest activity. So I would see that that would be detrimental to the whole of the island.

Mr Chairman, my next comment is relevant to the topic that you are going through with the native forests. This has been mentioned, but I would like to point out to you that with the pulp that is available, it seems that there has been a lot of discussion that it is exported to China, Japan, et cetera. Recent media statements that I have read indicate that there is a possibility that the pulp chip could be used for the production of rayon, a fibre for making garments. I would like to think that there is that possibility. Also with the production of rayon is the cellulose, which is again a timber-based product. Cellulose is used as a packaging fill for food stuffs, such as pies and that sort of thing, and part of the criteria there is the breathability of the product.

One of the reasons I'm putting this forward is that I would like to think that Tasmania could expand. We've got the product here, which is the pulp, the machinery could come into the country, we could make cellulose packaging material, we could make fabric and we're looking after our own carbon footprint then because the resource is here. Now, this is certainly not something that is going to happen overnight, but this I believe is something that could be further looked at by the Government to see other possibilities for the base material. That seems to be where a lot of the conversation is going now, where there is the requirement for the high-grade materials, such as furniture making, et cetera, but there has to be something happening with the residue. I would just like to put that forward as a suggestion, if you feel that is appropriate.

**CHAIR** - Thank you very much, Mr Bill. Any questions? Thank you very much for your presentation.

**THE WITNESS WITHDREW.**

**Mr RODNEY STAGG WAS RECALLED AND EXAMINED.**

**Mr STAGG** - I've come with two hats today: the first one is to represent the furniture makers and the second is the forestry one, which is important especially for the communities such as Meander on the base of the Western Tiers. I think there is another fact to this and that is the culture and the historical side of forestry. Meander has long been associated with forestry and with the Western Tiers. I think Greg would be only too aware from his time as councillor and mayor of the obstacles that have been put in place for a lot of the forest activities which took place in the Meander Valley.

I will mention some names from Mole Creek: the Tewsons, the Blairs, the Lees and the Howes; and in Caveside, Bruce Hill, the Higgs's, the Abeys and Parsons. Who would be more passionate about the mountain than Kelvin Howe. In Meander, families like the Johnsons and the Bostocks with six generations in Meander, the Burns and the Paynes and my own family of six generations. Yet we see the Western Tiers identified by the ENGOs as being high-conservation-value forests, but it is more than that, because they want the Western Tiers to become a national park.

I refer back to the forest operations which have been continuing for over 100 years. I refer in particular to one under the heading 'Showdown at Jackeys Marsh' dated 1981, and a comment from Kim Clark:

'Ten kilometres away Smoko Creek is still recovering from massive clearfelling by two loggers for three years. They left economically worthless myrtles standing 30 metres tall but little else. Now after five years, at least four large-scale Forestry Commission aerial seedings and extensive 1080 poisoning of the native animals that resorted to eating the trees for food, Smoko Creek has started to regenerate. The burnt myrtles, like upright pick-up sticks in a bush carpet of two-metre eucalypts, contrast with the virgin bush covering the opposite creek'.

Why I feel strongly about this comment is that my father and I were the contractors in that bush that logged Smoko Creek.

I will go again to another comment, again coming out of Smoko Creek, 21 years on. This was at the opening by Paul Lennon of our barbecue and picnic facilities which the community built. The comment was:

'Tasmanian Greens candidate for Bass, Kim Booth, said no sawlogs remained in the Huntsman after 30 years of woodchipping. Any spin doctor can stand on the edge of an unlogged stream side reserve and pretend it is all okay but I challenge Mr Lennon to a tour of the real Huntsman.'

As we sit around this table now there is one forestry operation continuing in Meander recovering sawlogs. That is the case with much of our forest on the Western Tiers. Who is more passionate about our forests? The ENGOs or the people who live and work in those forests there, because that is the other side of this debate - the cultural part. If the Western Tiers is now classified as high-conservation value forest, in 1983 there was a wildfire. It took out thousands and thousands of acres of forest which was loggable and

that is how it looks today. Is that high-conservation value forest? This is what the ENGOs are telling you and they are telling us.

I have been president for the last 17 years of the Meander Resource Management Group. In those 17 years, every month I put out a newsletter, and I think Greg gets that newsletter every month. It also goes to every one of our members and it also goes to a number of politicians, both Federal and State. This is our April 2011 newsletter which I wrote last week:

'17 years ago this month the Meander Resource Management Group was formed to become part of the Forest Protection Society which became Timber Communities Australia. At that time the environment movement was focusing on the push to make a Great Western Tiers national park, therefore excluding all activities, whether it be recreation or industry.

The Meander, Mole Creek, Caveside and Western Creek communities have a long history of families who for generations have worked the forests and built and maintained walking tracks for hunting, fishing and bushwalking, which have become an integral part of the economic and cultural development of this area. What incensed these communities most was the creation of a national park that would remove and rehabilitate roads, walking tracks, huts and all visible signs of human activity that were not in keeping with the Greens agenda.

For the last 17 years, activities which have been part of the social fabric of communities on the northern face of the Great Western Tiers have been able to continue. Is this about to change?

A key point in the forestry statement of principals is the creation of high conservation value forests. These areas of forest have been identified and marked on maps by the signatories of the environment movement as worthy of reserve status and, in the case of the Western Tiers, all current State forest not in reserve is to become a national park.

These same working forests of the Western Tiers have for the past 40 years been attacked by parliamentarians - particularly Booth, Milne and Brown - and single-minded antiforestry activists with their endless campaign of misinformation and untruths, painting the picture that these forests have been trashed and destroyed forever, but now all of a sudden these same working forests, by the same activists, are being labelled as high conservation and a national park icon.

How should those who have lived, worked and managed these forests take this? The ultimate insult or the ultimate reward?'

I put that question to you.

**Ms FORREST** - Very good question; we will put that to the environmental group.

**Mr STAGG** - From a personal point of view, with three generations working the forest, particularly the Huntsman, for those who have been to the Meander Dam and have stood at the wall and looked out across that dam, you are looking at the forest over there. Yes, they have been managed; yes, there have been fires there; yes, a lot of people have worked there. They are still working there now producing logs and that is the way it should continue.

**Mr CHIPMAN** - For Timber Communities Australia and timber families it is a transition into the unknown. Nitens was to be the replacement and it is now clear that nitens will not achieve that. There is now talk about globulus, as in blue gum in a plantation, but it is a transition to the unknown, which is very unfair for any family that spent a great deal of their money in maintaining their businesses and their enterprises.

**Mr HARRISS** - Referring to the Statement of Principles, we understand, as all of you do, that it is just that; it is not an agreement.

**Mr CHIPMAN** - No, that is exactly right.

**Mr HARRISS** - We challenged Phil Pullinger earlier in the day as to his group's demand that the moratorium and logging in HCV-identified areas be immediately brought in because that is part of the agreement, and we got some answers to that. But I go to the preamble to the Statement of Principles which suggests that the parties to the principles seek from State and Federal Governments a number of things. One is support for and delivery of all of the principles in full.

**Mr CHIPMAN** - Yes.

**Mr HARRISS** - How does your group reconcile with that? Are there any major components of the principles which, if not agreed to, would see TCA withdraw from the further process which would lead to an agreement?

**Mr CHIPMAN** - When Timber Communities Australia signed up to the statement of principles, we signed up to the next phase, which was formal discussions. We most certainly do not see the Statement of Principles as an end. Those principles are a start to a process. We provided a letter, which you have, a letter we sent to Premier Bartlett at the time outlining the concerns and conditions we had for signing up to this process. What is fundamentally important to Timber Communities Australia is that we are looking for certainty and that has been reflected by people here today - certainty to continue on. Whether certainty can be achieved from this process is still an unknown, because it is a journey. We have not found that station of certainty as yet but we are still committed to endeavour to go for that. For the timber families, like those represented here today, if we do get to the end of this journey the outcome for those families has to be better than what we are today, because if it is not then what is the point? There is no point for us. The environmental movement want this moratorium yesterday. What they are overlooking is a very clear, vital principle that states:

'Note that no party, including Forestry Tasmania, shall be required to accept a principle that would otherwise apply to it where to do so would cause a breach of existing contract or statutory obligations.'

Forestry Tasmania has a statutory obligation to provide 300 000 cubic meters of sawlogs per year to the sawmilling industry. That then goes on to the likes of Oakdale Industries and Turners Blackwood Furniture; that has to be maintained. We would argue that that principle is equally as important as the principle of high conservation value. We understand that, from Forestry Tasmania's position statement they have provided to Bill Kelty, they would find it impossible to meet that obligation if every area of high-conservation value forest that has been nominated by the environmental movement was put into reservation. Forestry Tasmania has indicated they could not meet those statutory obligations to the industry.

**Mr HARRISS** - Well that then goes to the notion set out in the preamble - 'interim support for the development of a plan to deliver the principles, including verification of HCV boundaries'.

**Mr CHIPMAN** - Yes. There is one thing that the Prime Minister said when Bill Kelty was appointed to this process back last year - there was to be due diligence process adopted. One of the things that had to occur was an agreed definition of high-conservation value. Now we understand that the Federal Department - DAFF - is going through that process right now. At this point in time high-conservation value is nothing more than an environmental wish list. Tony Bennett, one of our members, was moved out of a coupe before Christmas when Forestry Tasmania voluntarily put 39 coupes into a moratorium based on high-conservation value. That coupe had shoot stumps and chain-sawed stumps and a tramline in it. It had been logged two times previously.

As Rodney has mentioned about the forest in Western Tiers, they are all of a sudden high-conservation value. It depends on how you want to look at it, but in one way the families at Meander can feel quite proud that the forest they had so-called trashed and destroyed are now high-conservation value. Now if that is the case then we would argue there is no need to do anything other than let the sustainable management that is in place continue, because the environmental movement have identified forest that once they said was trashed and destroyed and is now returned to something of great conservation value.

**Ms FORREST** - Do you have an opinion that the only areas that really should be considered for locking up so that no logging can occur would be areas that have not previously been logged, that have not been trashed by these terrible people in the past at all and so there is no logging history in them. It would be reasonable to perhaps protect those but for any that have, if they are considered high value conservation, it is because of that good management and so if that good management continues they will continue to be high-conservation value forests. Would that be a fair thing?

**Mr CHIPMAN** - There are two issues with that. First off, what is very frustrating with this and any debate about forestry is that there is never ever any recognition of what has already been achieved. If we look at the amount of old-growth forest that we have, a million hectares, 80 per cent, in round figures, of our old-growth forest is in reserve forever. Of our wilderness, it is 95 per cent. Tasmania has half its land mass in a reserve for conservation values and that is never spoken about. It has never once been mentioned. I have had the misfortune of sitting at the table and there has never once been any recognition of what has already been achieved.

The other point is when you look at high-conservation value in other parts of the world and then talk about the Forest Stewardship Council certification. The Forest Stewardship Council internationally has a high conservation value -

**Ms FORREST** - But you can log in it.

**Mr CHIPMAN** - Yes. In anywhere else bar Australia it is a value that you take into account when you manage that particular area's forest for whatever the management is, which includes timber harvesting. Now Forestry Stewardship Council Australia has adopted every standard that is used internationally bar one, and that is high-conservation value forest, because in TCA's opinion it does not suit the agenda - because the agenda they want is to lock it up. Of course we have just about locked up all the old-growth forest, all the wilderness reserves, so just locking up forest does not generate that emotive argument. So let us call it high-conservation value. Then the people who do not understand say, 'How could you be logging high-conservation value?'. It has created the new area of campaigning - let us save the high-conservation value forests.

**Ms FORREST** - It used to be old growth.

**Mr CHIPMAN** - That is right. In other parts of the world it is a value that is managed. We would argue that that is what we should be doing. Evidence proves that that is justifiable because, as Rodney and Keith have identified, what has been logged previously, not once but two or three times, is high-conservation value. To me that is the evidence to let us just continue to manage it. Manage it carefully but let us manage it and then we don't have to make this transition into the unknown. The Watson family know that they can continue sawmilling where they have been for five generations.

**CHAIR** - We thank you very much for coming along and presenting evidence today, in particular in organising and co-ordinating with military precision, might I say, your presenters.

**THE WITNESSES WITHDREW.**