

The Hon L Giddings
Premier
Level 11, Executive Building
Murray Street
Hobart Tas. 7001

20 July 2011

Dear Premier,

RE: Triabunna Wood Chip Mill

FIAT has become aware that the sale terms of the Triabunna Wood Chip plant from Gunns to Jan Cameron and Graeme Wood includes provisions that could see the mill unable to operate for up to 12 months due to certain sale conditions imposed by Gunns Limited.

FIAT is aware that former Premier Paul Lennon has been contacted by a prominent Tasmanian businessman at the specific request of Jan Cameron to advise him that she and Graeme Wood have agreed to a condition of sale imposed by Gunns that could prevent the Triabunna mill from operating for a period of up to 12 months if Gunns is not satisfied with the level of financial compensation they receive as part of the statement of principles process.

FIAT understands that Jan Cameron may have also informed you of that condition last week.

FIAT regards this condition by Gunns to be outrageous and tantamount to holding the rest of the industry to ransom and requires an immediate explanation from Gunns Chairman Chris Newman. We also ask that the State Government immediately rule out this abhorrent misuse of taxpayer funds.

If the Government is minded to find the funds to meet this demand from Gunns it must first ensure all of the innocent victims of Gunns business decision to exit native forests are provided adequate and fair compensation. We also believe that any available funding should be directed to assisting the industry that remains so that it can continue to employ Tasmanians and generate wealth for the State not provide money to facilitate putting Tasmanians out of work.

We had previously been given to understand that Gunns had advised Forestry Tasmania in writing of the surrender of it's wood supply agreements and if this is the case we cannot see what legal basis could exist for this demand by Gunns nor any basis upon which the Government could respond positively to that demand.

From FIAT's perspective this most recent demand and the potential for the Triabunna facility to remain closed for up to 12 months clearly demonstrates the callous disregard this Company has for other Tasmanian businesses, their employees and the regional communities within which they work.

As we have previously advised the Government the Triabunna export facility is an essential part of the infrastructure of the industry in southern Tasmania and was recognised as such in the in-principle-agreement reached between statement of principles signatories in the meetings in Melbourne facilitated by Bill Kelty. That document clearly records that the industry agreement is predicated on the Triabunna facility remaining open. In light of the information now to hand that this facility is highly unlikely to operate for up to 12 months we have no alternative other than to advise that industry will regard the 'peace' agreement as null and void if we do not receive immediate advice that this condition has been withdrawn.

The FIAT Executive Committee that consists predominantly of long term family owned sawmills and Ta Ann at its recent meeting in Hobart determined to instruct FIAT and its Chairman, well known sawmilling identity Glenn Britton to now make clear our entire dissatisfaction with the current status of this whole process.

As you are aware FIAT has participated fully in this process since its inception and have done so in good faith with the fervent hope that we would be able to secure an outcome that provides a viable future for the industry that remains after the full implementation of Gunns business decision to exit native forest harvesting and processing activities. Unfortunately we have not witnessed a reciprocal good faith from ENGOs as protest activities continue to attack the industry in its markets and in the workplace. The agreement that was intended to secure peace in the forests clearly falls well short of that objective.

As advised at our meeting on Monday afternoon this week FIAT are willing to work with Government to secure the ongoing operations of Triabunna or to pursue realistic and viable alternatives but we will not countenance the industry being held to ransom by Gunns or indeed anyone else.

We believe a solution to this issue that is viable and enduring must be identified within the next week or we will have no alternative but to consider the agreement reached being null and void. In our view this means no new forest reservation, no industry restructure, no transition process and no compensation for Gunns.



Forest Industries Association
of Tasmania

Premier, no doubt you can detect our anger and frustration from the tone of this letter, but we trust you can appreciate why.

We have attached a copy of a media release that will issue very shortly.

We await your urgent response.

Yours sincerely

Terry Edwards
Chief Executive

Cc Deputy Premier, Bryan Green

Premier

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Mr Terry Edwards
Chief Executive
Forest Industries Association of Tasmania
GPO Box 1682
HOBART TAS 7001

24 OCT 2011

Dear Mr Edwards *Terry*

Thank you for your correspondence of 18 July addressed to the Deputy Premier and myself and also your letter of 20 July 2011 concerning the Triabunna woodchip mill. I apologise for the delay in responding.

I share your frustration at the outcome of the Gunns Ltd sale process for the woodchip mill. I thank you for your offer to work with the Tasmanian Government in identifying a solution to the unavailability of the facility for the export of pulpwood. Forestry Tasmania is continuing to investigate contingency options to address the risk of ongoing unavailability of the facility, and as you would be aware the State Government has recently provided \$1.1m to assist in transporting logs to Bell Bay to relieve some of the immediate pressure on the industry.

While further work continues on alternatives to Triabunna for the medium to long term, the Government is continuing to try to resolve any outstanding issues that would impede the reopening of that facility. As you are aware, the Tasmanian Government believes the Intergovernmental Agreement between the Tasmanian and Australian Governments offers significant assistance to the forest industry and the Tasmanian economy, security of supply of forest products and an opportunity for an enduring outcome that includes a long-term commitment by the forest industry and major environment non-government organisations to an agreement. The Intergovernmental Agreement provides an important incentive for all parties to work together constructively over coming months.

In relation to Gunns Ltd's long-term wood supply agreements, you are aware that the termination of these agreements was an important precondition to achieving the outcomes envisaged by the Tasmanian Forests Statement of Principles and your subsequent negotiations with the other parties.

The Australian and Tasmanian Governments were therefore prepared to expedite the complete surrender of all legal rights under those agreements as part of an Intergovernmental Agreement. However, I can assure you that no money has been paid to Gunns Ltd that other forest industry businesses would otherwise be entitled to and nor has either Government acted improperly to secure this outcome.

I trust this information has been of assistance to you.

Yours sincerely

Lara Giddings MP
Premier

25 OCT 2011



Gunns demands threatens the forest peace deal

Attempts to provide an enduring peace in the Tasmanian forest debate will have been in vain if there is not an immediate announcement by the owners of the Triabunna wood chip mill that it will reopen at the earliest possible time on a commercial basis without any preconditions or limitations.

The peak Tasmanian forest industry body, the Forest Industries Association of Tasmania (FIAT) said that they have now been engaged in this process for well in excess of 12 months and it is time to bring it to a close. The willingness of the industry to reach an agreement with ENGO's (environmental non-government organisations) was directly predicated on the Triabunna facility remaining open on normal commercial terms in addition to a firm commitment to guarantee peace for our industry.

FIAT CEO, Terry Edwards said the 'tied' nature of the sale of the Triabunna facility in that it was conditional on the implementation of the Statement of Principles agreement being implemented to Gunns satisfaction was totally unacceptable to the industry.

"The agreement in principle reached between the industry, ENGO's, Unions and Community groups was conditional on Triabunna remaining open. Any failure to reopen that business with immediate effect would mean that the agreement negotiated would be null and void from our perspective," Mr Edwards said.

"In effect, from the industry perspective this means that we will not support one additional hectare of reservation of the forests, no industry restructure will be possible and no compensation will be paid to Gunns for their wood supply agreements, which we understand were handed back voluntarily, in writing to Forestry Tasmania in April 2011.

For more information, contact Terry Edwards – Chief Executive Officer

Forest Industries Association of Tasmania

42 Sandy Bay Road Sandy Bay TAS 7005 • GPO Box 1682, Hobart TAS 7001

Tel (03) 6224 1033 • Fax (03) 6224 1030 • Email fiat@fiatas.com.au



Forest Industries Association
— of Tasmania —

MEDIA RELEASE

"FIAT has engaged in this process from the beginning in good faith and have genuinely sought to achieve a consensus outcome but we do not feel that this goodwill has been reciprocated by environmental groups who have continued to engage in direct protest action in support of even more extreme positions including the action on Hobart wharf last week end against Ta Ann Tasmania, and therefore have not delivered forestry peace which was the initial catalyst for this long drawn out process" Mr Edwards said.

"This situation has been exacerbated by the hypocritical position of the Tasmanian Greens, and particularly Kim Booth who was prepared to bring down the Tasmanian Government over a commercial loan for \$6M to facilitate the purchase of the Triabunna Mill by a local Tasmanian business, whilst on the other hand publicly supporting paying tens of millions of Tasmanian taxpayer dollars to Gunns Limited to support their business decision to exit native forestry in Tasmania.

One obvious way forward we can see is for the Triabunna mill to now be offered to Fibre Plus (Ron O'Connor) on the same commercial terms that it had been offered to Jan Cameron and Graeme Wood to enable the industry to continue to operate in a viable manner, Mr Edwards said.

"Regardless, unless the assurances we seek about Triabunna mill and forestry industry peace are urgently met we will officially advise the Tasmanian and Federal Governments that the agreement has lapsed due to the preconditions not being met," he said.

It is now up to the Tasmanian and/or Federal Governments to ensure the continued operation of the Triabunna facility or the failure of the agreement process will certainly follow.

Ends

Contact Terry Edwards Chief Executive 0419 319789

For more information, contact **Terry Edwards – Chief Executive Officer**

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Tel (03) 6224 1033 • Fax (03) 6224 1030 • Email fiat@fiatas.com.au

The Hon. J Gillard
Prime Minister
Parliament House
Canberra ACT 2600

29 July 2011

Dear Prime Minister,

RE: Tasmanian Forestry Heads of Agreement

I wish to confirm with the Government a number of issues that arise from the Heads of Agreement negotiated between the Federal and Tasmanian Governments last weekend. These are issues which I canvassed in the meeting of Signatories with the Premier and yourself.

FIAT has indicated its general support of the Heads of Agreement outcome but in so doing has raised a number of issues which must be resolved in the context of that Agreement before we could commit to its terms.

1. Residue Utilisation

We note that the Heads of Agreement contains a provision that clearly expresses the expectation of both Governments that the Triabunna wood chip export facility will remain open in accordance with the statement of principles and the terms of the Heads of Agreement.

We acknowledge and appreciate this provision however we remain concerned that this may not, in fact produce an outcome that will provide the relief the industry needs. The In-Principle Agreement brokered by Bill Kelty contained an essential precedent provision that the Triabunna facility remain open to the industry, in our view the wording of the HoA tends to water down that provision.

As you may be aware a number of the Signatories met with the General Manager of Triabunna Investments, Alec Marr on Friday 22 July to discuss the new owners intentions in respect to the reopening of the Triabunna facility. We were not left with any realistic expectation that the mill will be reopened and operated on acceptable terms that would permit the industry to have confidence that it will provide a realistic outlet for harvest and processing residues that will flow from the implementation of the Agreement.

Mr Marr raised a number of issues at the meeting that suggest that the new owners will not be "hands off" land owners rather the clear intent is for an interventionist approach to pursue additional restrictions on access to the site that will render its suitability at best questionable and more likely make it completely unavailable e.g. no wood from ENGO identified HCV forest, all wood from private farmers to be FSC certified and no guarantee of longevity of operation.

As advised to you and the premier on Sunday FIAT believe that should the mill not be available to the industry on fair and reasonable terms Governments must make provision for alternatives or face the very real prospect of the agreement and the industry failing.

We seek a commitment within the next 7 days from both Governments that in the event the Triabunna facility is not available on reasonable terms that funding of up to \$15M will be made available to identify and implement an alternative strategy/processing facilities to accept residues from forests and sawmills in all three regions of the State.

2. Durability/Peace

This whole process has been predicated on achieving peace in Tasmania's forests as spelt out in the Statement of Principles signed on 14 October 2010 i.e. *"To resolve the conflict over forests in Tasmania,..."* and therefore it is important to consider whether or not that aim will be realized by an IGA based on the HoA. As advised on Sunday we continue to harbor considerable concerns that this Heads of Agreement outcome will deliver the expectation of the Governments that a durable peace in the forest debate will be achieved.

The reactions of a number of high profile political and environmental groups has further fuelled our concerns in this regard (e.g. Nick McKim, Bob Brown, Jenny Webber – Huon Valley Environment Centre, Miranda Gibson – Still Wild Still Threatened). We also continue to confront market based campaigns by Markets for Change and The Last Stand who are actively seeking to destroy markets for native forest timbers including the current high profile campaign against Harvey Norman. We acknowledge and sincerely appreciate the actions of the Tasmanian and Federal Governments last weekend to assist us to prevent Harvey Norman implementing their decision to refuse to stock products from Tasmanian native forest material but a durable solution to these campaigns must be identified and implemented.

We are advised by Harvey Norman that, notwithstanding the reversal of their previous decision, their franchisees, and especially those operated by women remain subjected to intense protest activity. We must be advised within the next 7 days what actions Governments intend to take to stop this eco-terrorism throughout all of our markets.

In our view the expectations of both Governments as expressed in the Heads of Agreement are laudable but in the absence of any genuine mechanism to ensure that those expectations are realized it will simply be empty rhetoric.

Industry and the general public are looking to the two Governments to adopt a genuine mechanism to ensure that the expectation of peace will actually be delivered as a result of this agreement and this must include a provision whereby the environmental groups have something to lose should the protests/conflict continue.

Industry have been subjected to three decades of the most extreme protest activity including what can only be described as eco-terrorism and as a consequence we have been subjected to a process of a "death by a thousand cuts" and any continuation of that activity will be unacceptable. Senator Christine Milne on Sunday night said on local television that a "policy of appeasement does not work", those are sentiments with which we agree. It has been demonstrated in every previous "lock up" of forests to remove the social dislocation, that appeasement by the removal of further production forest for reservation has never produced a durable peace, in fact, it has never created any peace. It is vital that these mistakes of the past are not repeated on this occasion.

It is our strong insistence that any new reservation be placed in a category called "Transition Forests" which can and must be capable of reverting to production forest should the peace promise once again fail to be delivered.

3. Compensable Exits

We note the provision in the Heads of Agreement that allows for compensation for voluntary exits from the industry under specified terms. We have no specific issue with the general tenor of this provision where the exit is undertaken under the terms of this Heads of Agreement.

We cannot however, support any general proposition that taxpayers funds be utilized to fund any exit undertaken solely for commercial business reasons that are not undertaken under the specific terms of this Heads of Agreement and as a direct consequence of the Agreement.

It is our strongest possible position that any monies available under the terms of this Agreement must be directed to promoting and/or maintaining employment in the industry and not to fund any business decision that has the effect of reducing employment and is not undertaken as a result of the making of this agreement.

In particular we believe any monies available under the compensable exits provision of the Heads of Agreement would be better directed to ensuring a viable alternative to the Triabunna mill in the event that it is not reopened on acceptable terms.

4. Reservation Potential Vs Resource Security

We note the provisions within the HoA and the comments made by yourself and the Premier on Sunday about the primacy to be applied to resource supply to sawmills and the Ta Ann mills in accordance with existing contracts.

We are concerned that the media reporting of the HoA has given the impression that there will be 430,000 ha of new reserves created under the terms of the HoA whereas that is potentially not the case.



We draw your attention to correspondence from Bob Gordon, Managing Director of Forestry Tasmania to Bill Kelty as annexed to Mr Kelty's Final Report that makes clear that it is "very unlikely" that a reservation outcome of the order of 430,000 hectares can be achieved if the industry resource requirements are to be met. This proposition is further supported by the Forestry Tasmania *Evaluation of Wood Resource Scenarios Final Report* which was prepared by Forestry Tasmania, with independent oversight, for the Signatories.

It is clear from the Report that the maximum reservation outcome that is possible whilst retaining and assuring wood supply is of the order of 270,000 hectares as modeled in the industry scenario which is more particularly detailed within that modeling.

In FIAT's view steps will need to be taken at the earliest possible time to temper expectations that it is feasible to reserve 430,000 hectares and meet industry resource needs, in the event this does not occur people will feel that they have been deluded to believe that 430,000 hectares could be reserved. We do not ascribe that motive to the parties to the HoA but we do feel that is an interpretation that could be placed on the eventual outcome by those less well informed.

We also say that the evaluation to be undertaken by Professor West must use normal sustainable forest management principles when determining the area of forest available for reservation to avoid severe and irreversible damage to the forest ecosystem. This concept must be incorporated into the IGA and be a specific term of reference for Professor West in his verification programme.

To resolve this concern FIAT expect that the Inter-Governmental Agreement must specifically detail the correct methodology to be utilized to determine these issues i.e. that the amount of forest area required to sustainably provide the industry resource requirements be calculated using normal sustainable yield modeling and only the area not so required can be used for additional reservation and that area must then be subject to verification of its high conservation values.

As advised last week-end FIAT remain prepared to play a positive and constructive role in the development of a sustainable outcome to the current round of discussions over the future of the forest industry in Tasmania. The views we have expressed herein are intended to further the objectives of the HoA signed last weekend and to ensure that a number of the issues raised with yourself and the Prime Minister are considered in the promulgation of an Inter-Governmental Agreement.

In the event that the issues we have raised herein are not adequately addressed FIAT will not be in a position to offer our unqualified support for the outcome, as several issues will remain unresolved.

In many respects we believe that unless the Agreement properly deals with these issues it is almost preferable that there be no Agreement and that the future forest conflict can at least be taken from the position of fighting for the total remaining production forest not for a significantly reduced area. If there is to be no peace then we seriously question the value of proceeding with the current process.

We would be keen to meet with you at your earliest convenience to discuss these issues further with you and to allow you an opportunity to respond to these concerns.

Yours Sincerely



Terry Edwards
Chief Executive

Cc The Hon T Burke Minister for the Environment

The Hon. Lara Giddings
Premier of Tasmania
Level 11, Executive Building
15 Murray Street
Hobart Tas. 7001

29 July 2011

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In particular we believe any monies available under the compensable exits provision of the Heads of Agreement would be better directed to ensuring a viable alternative to the Triabunna mill in the event that it is not reopened on acceptable terms.

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We draw your attention to correspondence from Bob Gordon, Managing Director of Forestry Tasmania to Bill Kelty as annexed to Mr Kelty's Final Report that makes clear that it is "very unlikely" that a reservation outcome of the order of 430,000 hectares can be achieved if the industry resource requirements are to be met. This proposition is further supported by the Forestry Tasmania *Evaluation of Wood Resource Scenarios Final Report* which was prepared by Forestry Tasmania, with independent oversight, for the Signatories.

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To resolve this concern FIAT expect that the Inter-Governmental Agreement must specifically detail the correct methodology to be utilized to determine these issues i.e. that the amount of forest area required to sustainably provide the industry resource requirements be calculated using normal sustainable yield modeling and only the area not so required can be used for additional reservation and that area must then be subject to verification of its high conservation values.

As advised last week end FIAT remain prepared to play a positive and constructive role in the development of a sustainable outcome to the current round of discussions over the future of the forest industry in Tasmania. The views we have expressed herein are intended to further the objectives of the HoA signed last weekend and to ensure that a number of the issues raised with yourself and the Prime Minister are considered in the promulgation of an Inter-Governmental Agreement.

In the event that the issues we have raised herein are not adequately addressed FIAT will not be in a position to offer our unqualified support for the outcome, as several issues will remain unresolved.

In many respects we believe that unless the Agreement properly deals with these issues it is almost preferable that there be no Agreement and that the future forest conflict can at least be taken from the position of fighting for the total remaining production forest not from a significantly reduced area. If there is to be no peace then we seriously question the value of proceeding with the current process.

We would be keen to meet with you and the Deputy Premier at your earliest convenience to discuss these issues further with you to elaborate on the above issues and to allow you an opportunity to respond to these concerns.

Yours Sincerely



Terry Edwards
Chief Executive

Cc The Hon B Green Deputy Premier

FILE COPY

26th September 2011

Mr Alec Marr
General Manager
Triabunna Investments
555 Freestone Point Road
TRIABUNNA TAS 7190

Dear Mr Marr

Following progress on a number of issues as part of the Tasmanian Forests Inter Governmental Agreement (IGA), FIAT and its members are seeking clarification on the future operating arrangements for the Triabunna export woodchip facility.

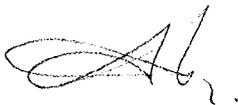
FIAT has been advised by its members that they are receiving wood supplies from a range of forests within Tasmania's public forest estate as well as from private forests.

We seek clarification on whether there will be any conditions placed on processing residue or pulpwood sourced from these forests. Specifically:

- Wood sourced from within the 576,000 hectare ENGO High Conservation Forest claim as identified by the IGA;
- Wood sourced from within the 430,000 hectare ENGO High Conservation claim as identified by the IGA; and
- Wood sourced from private forests.

FIAT and its members would appreciate written clarification on these issues within 14 days to facilitate industry planning as part of the IGA process.

Yours Sincerely



Allan Hansard

Acting Chief Executive Officer