THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION COMMITTEE A MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON MONDAY 18 APRIL 2011.

PUBLIC NATIVE FORESTS TRANSITION

Mr BOB GORDON, MANAGING DIRECTOR, **Dr HANS DRIELSMA**, EXECUTIVE GENERAL MANAGER, AND **Mr JOHN HICKEY**, MANAGER, PLANNING BRANCH, FORESTRY TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Hall) - Thank you very much, gentlemen. We will now go into the second part of today's deliberations and this of course is a different term of reference. As you know, it is to inquire into and report upon the proposed transition out of native forest harvesting and management in Tasmania. Bob, I am aware that FT is not a signatory to the round table discussions. The reason for doing what we are doing is that a lot of concerns have been raised within the industry from different industry players. We have already taken quite a bit of evidence and we have further evidence this afternoon and tomorrow.

Mr GORDON - You have already established, Chair, that FT is not one of the signatories to the Statement of Principles. We have, however, been providing objective information for at least the last year to parties to the principles. What we have been asked to do at various times is to provide analysis of, for example, what areas of forest are underneath the reported high-conservation-value claim forests from the ENGOs. We have also assisted them in that they have had several iterations of their map and we have assisted them in reporting on, again, what forest types underlie that.

We have also been asked by the processing sector to do some work analysing a whole lot of what-if questions about future resource supply. We have also been assisting Mr Kelty in his process and have provided information and briefings to him. I would also like to point out that Forestry Tasmania does not determine land use decisions for the allocation of land to particular land tenure classes, but we do have an obligation under the Forestry Act to report on the consequences of any proposed reservations if there may be a reduction in availability of sawlogs as a consequence of that.

CHAIR - When is that reporting likely to occur or have you already done some reporting back to government?

Mr GORDON - We have not had an agreement amongst the parties to the principles as to what that might be, so it is a bit difficult to report on something that you do not quite know yet.

CHAIR - The ENGOs in particular have talked about 530 000 or is it 570 000 hectares of new native forest areas to be locked up, which are purportedly HCV. Has Forestry Tasmania been across those areas and have you examined and analysed those as to whether they may or may not HCV areas?

Mr GORDON - We have not been asked to analyse their conservation values. We have reported on what types of forest there are in those areas, which obviously include some reasonable areas of exotic plantations, both radiata pine and eucalypt plantations, and considerable areas of clear-felled and regenerated forest, but we have taken no role in having a view as to whether these areas should or should not be reserved from production forestry.

Mr WILKINSON - Can I ask what the value of them would be approximately?

Mr GORDON - In dollars?

Mr WILKINSON - Yes.

Mr GORDON - You actually have to do a proper valuation exercise. The way we value the forest is both as a discounted cash flow, so a net present value of the net income streams. You then compare it with any market transactions and you then look at how that compares with some other valuation methodology. Again, the reasonably engaged tools to do the bigger valuation is actually quite an area of expertise.

Mr WILKINSON - In relation to the bigger valuation, the value is what?

Mr GORDON - Of our current forest estate which is not split is -

Dr DRIELSMA - Our total estate is valued at around $300 million but that incorporates within it a $65 million liability for those non-commercial zones we discussed this morning, so that the value of the commercial zones is about $360 million.

Mr GORDON - Which includes plantations.

CHAIR - Given that you are the experts in the field, if you like, the managers of the forests in Tasmania for a lot of years, do you think it is reasonable to expect that you should give advice to government with regard to these contested areas as to whether or not they are worthy of protection?

Mr GORDON - I think if you look at the media there has been quite a bit of commentary, even within the ENGO groups, as to what the values might be. I noticed even today there was a letter from one conservation group, or it might have been on the weekend, saying they believed that one of the top priorities for Conservation Tasmania was actually private land, not tall wet forest. Again, if you go back to the International Forest Stewardship Council definition of high-conservation value forests there is nothing in that definition which would preclude sustainable harvesting activities. If we were asked to do a scientific analysis of the values we could obviously do that but we have not been asked.

Ms FORREST - Potentially one of the problems associated with that is that Forestry Tasmania would be seen as not being independent.

Mr GORDON - I am sure some of the parties would not see FT as independent, yes.

Ms FORREST - So you do not like to be asked because if you did it, it is unlikely to be accepted; is that a fair comment?

Mr GORDON - If we go back in the history of that analysis, there was a royal commission that the Commonwealth ordered called the Helsham Commission, which appointed a retired chief justice. It made a finding that there were five small areas, totally about 20 000 hectares, that warranted World Heritage nomination and the previous Minister for Environment, Senator Richardson, overruled that royal commission finding and found that it was too scientific and therefore the Helsham Commission was overruled. They found all these other areas that were World Heritage value. So it wouldn't matter, I suppose, who the independent body was, even a retired High Court judge was found not be objective and impartial.

Ms FORREST - We can't rely on the science either, then? That is what we take from that comment.

Mr GORDON - I think probably some groups in the debate have not relied on science as part of their argument.

Mr WILKINSON - To me, that's the annoying part. In any area you look at the best evidence you can get. In relation to this it would be the science and when you're looking in law at the best-evidence rule you have the science and yet a number of people aren't willing to take into account that science - in other words, that best evidence - in coming to any conclusion, are they?

Mr GORDON - To use your analogy of a court room, I'm sure you would agree that not all court cases are decided only on the facts; often a good, emotional appeal from a lawyer will give a different result - so emotion is always going to be part of this debate.

CHAIR - I know there have been some marketing problems in wood products per se, and a lot of that is related to the high Australian dollar at the moment, but I would put it to you that it is an ever-changing world and it happens in primary exports, minerals and all sorts of areas, it would seem at the moment that Australia is a net importer of wood products. Hypothetically, as you are not a signatory and I know it puts you in a bit of an awkward position, but you have had a lot of people within your department who are very passionate about the way they have scientifically managed and looked after the forests. That being the case, do you think that we ought to still be managing our native forest areas? I know we have a lot in reserve; it is difficult for Parks and Wildlife and others to manage what they have. If another 570 000 hectares are put in, who is going to stump up the cash to look after those?

Mr GORDON - If we go back to the earlier inquiry this morning, obviously removing 570 000 hectares from State forest and putting it in reserve would substantially reduce the rates payments to the local council because none of that area would be eligible to pay rates and it would substantially reduce the cash flow available to FT from managing those forests. As I also said at the start, it's not FT's role to determine land use; that is the role of the Parliament to decide what areas should be allocated for wood production, multiple-use wood production, and what areas should be allocated for conservation. As you've rightly pointed out, there is a significant cost attached to those decisions, as well as a benefit. What we have been trying to do for the last 12 months is provide objective,

scientifically-rigorous information to enable the parties to the principles to work through the issues that need to be worked through if there is to be a lasting agreement.

CHAIR - Yes, but you haven't been specifically asked to provide that information on the 570 000 hectares?

Mr GORDON - We haven't been asked to do any analysis of what the conservation values might be of those areas. I don't believe the National Parks Service has been asked either. What we have done is provide the facts as to what type of forest is in that area and we have provided some commentary on the consequences of removing areas of forest from wood production.

CHAIR - Can you elaborate on any of those consequences here at this stage? Do you feel you are able to do that?

Mr GORDON - We did give formal advice to the previous Premier that removing, I think at that time it was 600 000 hectares of productive forests from our management was incompatible with meeting the current contractual commitments that we have and that was recognised in the Statement of Principles with the clause that says that no party, including Forestry Tasmania, shall be required to break any current contractual commitments or any legislative requirements. That was put in there deliberately because, obviously, we have contractual obligations to our customers about supplying wood.

Ms FORREST - I think there is probably acceptance that we could lock up more forest. Whether you agree with that or not, there seems to be a view that says that you can do that. For you to meet your contractual arrangements and potentially see long-term sustainability in the industry, what is the upper level that you believe could be set aside and not actively harvested? Is there a figure in hectares?

Mr GORDON - The biggest challenge is the types of forest. If we go back to Mr Hall's question as to whether we have been asked about conservation values, the HCV claim includes very large areas of clear-felled, burnt, regenerated forest, which we are quite proud of, frankly, but which have now been recognised as potentially having high-conservation values. They also contain fairly large areas of wild-fire regenerated or old-style sawmilling regenerated forests. If you take the Tasman Peninsula, for instance, it has all been clear-felled twice - once when Port Arthur was there and once in the early 1900s, so except for about 120 hectares, all of the Tasman Peninsula is regrowth forest.

Ms FORREST - How much of that is classified as HCV now, according to the assessments by others?

Mr GORDON - I think most of it. It is the same as Bruny Island. Bruny Island was all clear-felled again in the late 1890s, early 1900s. When you walk up and down all the regrowth on South Bruny it all has tramways and old sawmill sites. The reason I mention the regrowth is that that is the wood that we contracted to supply to Ta Ann in both Southwood Huon and Southwood Smithton. The reason I stress that is that Ta Ann only takes in regrowth material. I think most of you have been to the mills and you will notice the lathes that take the logs in - one lathe log is about that big and one log is about that big and that all comes from regrowth. We are very tight on being able to supply that

contract and so the regrowth in particular is really important in terms of meeting those contractual commitments.

I know I am answering your question a bit obliquely but it depends on what type of forest it is, how much sawlog it has, how much rotary veneer material, how much category 2 sawlog and category 8 sawlog and that varies quite widely amongst forest types.

Ms FORREST - Is there a way then of addressing this because this is obviously a big issue in that we have two veneer peelers that may or may not wish to increase their production - I do not know what their plans are. Potentially there could be others come into the State - for example, at Scottsdale, there was some suggestion. Can you see a way forward in this whole debate that will ensure that supply will be maintained? It is okay to say you can have 300 000 tonnes or whatever it is, but if you cannot get the timber that those particular ventures need, then where does that leave us?

Mr GORDON - That is why any analysis of the results of any further reservations need to be done on the actual areas that are being proposed. As I said, reserving forest that is now 70- or 80-year-old regrowth will have a big impact because that is all scheduled for Ta Ann in the next 10 or 15 years. I know I am diverting a bit but I just want to try to give people an idea -

CHAIR - That is all right; we allow diversions.

Ms FORREST - He is going to pull you up if you go too far off the track, I reckon.

Mr WILKINSON - As long as they are still on the forests.

Laughter.

Mr GORDON - If we go back to this morning's discussion, when we first started and announced that we thought we could get two or three world-scale rotary veneer mills peeling wood that was currently export woodchipped, everyone said it was not possible. Everyone said that. It took us 10 years of hard slog to get it there and I think there are some other things we could do that would substantially increase the employment and downstream processing in Tasmania by thinking outside the square a bit. For example, we have been supplying one mill which makes dissolving pulp viscose which is made into rayon and some other products that are made into shirts. We have been supplying that mill for a while because they have run a whole series of trials and as it turns out eucalypts are much better, they have higher alpha-cellulose content which is part of what you need to make this dissolving pulp and they are looking at converting one of their mills from processing softwoods to processing our eucalypts.

Ms FORREST - So where is that Bob?

Mr GORDON - In China. We have also done a series of trials using quite small logs. So again when you go to Ta Ann they cannot take logs smaller than about 20, 25 centimetres. This new technology that we have developed with the Chinese does not require chucks to hold the end of the logs. It has rollers that drive the log from the outside by using spiky rollers basically and it can take logs from about 12 centimetres

through to about 20 centimetres. At the moment all of that material goes to woodchips - all of it.

Ms FORREST - So the recovery rate in that process would be -

Mr GORDON - The recovery rate from green log to rotary veneer you would expect to be about 60 per cent. The average sawmill's recovery of good logs is maybe 30 per cent so, again, we believe that there is a significant opportunity. What it would also allow us to do is thin some of our forests earlier because this thinning material is suitable for this new technology that we have developed with the Chinese. It is not really suitable for Ta Ann's technology. Ta Ann's technology is really good if you want to produce the products that they are currently producing and their recovery from green logs to veneer would be well over 60 per cent. That same material all went into woodchip export before and if you put it into a sawmill you could not possibly make any money out of it using current technology. There are a whole lot of things that could happen, both in terms of the way we manage the forests and the way we process that material but none of them will happen without some certainty about the investment climate and none of them will happen without significant - it is more than just R&D; it is actually being in the marketplace. So we have had this material from using the small logs in the marketplace for nearly 12 months now. We have to do more of that. We have had the testing of our material for making dissolving pulp viscose and the rayon group of fabrics for a while. There needs to be more of than and if you get all of those things our view is you can substantially reduce the woodchip export from Tasmania and increase employment levels quite substantially. That is effectively what happened when about 350 000 tonnes that used to go to the woodchip export ports got diverted into the two Ta Ann mills. It just changed what people could see as being possible.

There is a series of engineered wood products that we have been developing, again with the Chinese, which substantially change the way you think about timber. At the lower House GBE hearings - and I forgot to bring the data - we had a series of photographs of multistorey timber buildings. There is a 10-storey building going up in Melbourne that the Grollo group has built and instead of using tilt slab concrete construction they are using a product called cross-laminated timber where you have timber slabs basically, like tilt slabs. They have some better properties in terms of give. There is also a series of buildings that have gone up in China and Europe that are much taller than that and, of course, every time you build with timber you are capturing substantial amounts of CO_2 permanently from the atmosphere. So the average timber house, like the ones we have been building in the Northern Territory, probably capture about 20 tonnes of CO_2 on each house. If they were made out of concrete, aluminium and steel, they would be emitting vast quantities of CO_2 in their production. If we look at these things differently, one of the things particularly about Tasmanian eucalypts that sets them apart from others is that they have a very high modulus of elasticity, MOE, which is one of the things you need to build high-strength timber products.

When I was in the United States and Canada last week we were dealing with people who want to buy these high-strength veneers to make some of the products that you need for these multistorey timber buildings because you can make them out of softwoods. However, it is really hard work because they are not intrinsically strong enough but by putting a bit of our eucalypt in it or by engineering it in a different way, there is no reason why you cannot consistently achieve 15- or 20-storey timber buildings.

Mr WILKINSON - The thing that immediately springs to mind with that flexibility that you were speaking about and the use is that it would seem to me that they would be more earthquake friendly than your concrete or steel buildings? Is that correct?

Mr GORDON - Correct - much more. I know they have had a 10-storey building in Japan on the earthquake shaker and what it does is that it shakes. So the reason we use MOE is that beyond that point it is broken, so it has reached its elastic limit, and wood is very forgiving. If this were an aluminium table and you jumped on it, you would gave great dents in it, whereas the wood gives a bit and bounces back. Certainly in earthquake zones timber buildings are much safer. They generally have pretty good thermal properties in fire as well because they normally char on the outside. So if you tried to set fire to this piece of table with a blowtorch, I think you would really struggle because it will char on the outside and once it chars, most of the heat is reflected. You would probably need a very long period of time, whereas I think if you applied a blowtorch to the chairs our media friends are sitting on they would ignite very quickly - not that I am suggesting that.

Laughter.

CHAIR - As you say, we have been through Helsham, we have been through RFA and we have been through the whole lot ad nauseam.

Mr GORDON - I was involved in the Salamanca stuff. It is not that long ago.

CHAIR - Given that hypothetically there may be some more smaller amounts of genuine HCV which might be added, would you still be concerned that with the proposed transition of that amount out of public native forest - 530 000 hectares, if that occurs - it will have an impact upon Tasmania, given some of the scenarios that you have outlined here now?

Mr GORDON - One of the reasons I outlined those scenarios is that the world does not stand still. There are huge potential markets for these high-strength engineered products now. We have to make sure that we are in the position that we can produce them rather than someone else getting in front of us. We have done a lot of work to make sure that we believe we are well in front of most other people in terms of these new products. So if everything stayed the same, what you said was probably true, there would be difficulty. But when we first proposed these rotary veneer mills people said, 'You cannot get 900 ml and 1.800 long billets. How do you get those out of the forest?' So that is why we put the merchandising yards in. At Southwood Huon there is a big one. Smithton has their own. We did that because you only need lengths this long and you cannot easily cart those on a log truck.

Again, if you look at things differently, one thing that could make it easier to potentially negotiate an agreement that would have some positive outcomes is re-engineering the way we do harvester transport and merchandising. There are still small logs that we do not completely capture all the rotary veneer billets from because there is just not enough to make it worthwhile putting through the merchandiser. If you put a big merchandiser in, I believe you would capture more wood. Again, if we looked at thinning, and we talked about the plantations this morning, we have now got a considerable plantation

estate which is about ready for thinning. The traditional wisdom is that thinning would be taken to a chip mill, chipped, and go into kraft pulp and paper manufacture. If we are clever enough, we might be able to put a considerable proportion of that thinning material into these new clever engineering wood applications, rather than just export woodchips.

Ms FORREST - So plantation nitens would be suitable for that purpose?

Mr GORDON - Plantation nitens is suitable for a whole lot of purposes.

Ms FORREST - Not so good for making paper, though?

Mr GORDON - It is also good for making paper but it does not have as high a pulp yield as globulus. The interesting thing about growing trees is from our point of view it is a very long time span. It might take us 25 years to grow a plantation. Twenty-five years ago there was no Internet, there were no real engineered wood products, so what we have to do is try to predict what the market will be like in 10, 25 years' time and to do that you need to grow the trees really well and you need to manage them well so that whatever you grow is a good quality, consistent product. They use eucalyptus nitens for sawn timber production in Chile. They use Tasmanian blue gum eucalyptus globulus for sawn timber and engineered wood products all round the world. It is one of the most widely planted hardwood species in the world.

Ms FORREST - So why isn't the Tasmanian eucalyptus nitens deemed to be suitable for Ta Ann, for example, or other sawlog-type purposes?

Mr GORDON - Part of the reason for that is that it is not very old at the moment. To get it to a size and a dimension where you have enough clear wood in it will take another 10 to 15 years. Most of the nitens we have we started planting in a reasonable scale about the mid-1990s, so it is only 10 to 15 years old. We have done some trials. At a trial at Britton Brothers about two months ago with some pruned nitens, but it was not pruned to the size you would like, it was younger stuff, they did produce some reasonable sawn timber from that.

Ms FORREST - The criticism we are hearing, Bob - we heard it at the last hearing from a number of people; Britton Brothers and others - is that nitens are not the tree of choice; we have actually been growing the wrong thing.

Mr GORDON - Again, it depends what you are growing the trees for. If you are growing them to produce floor boards then that is probably true. If you are growing them to produce 9 ml overlay flooring or architraves or decorative products then it is a good clean white wood that has good appearance products. I believe that it will make good clear-grade rotary veneer. With rotary veneer you either have construction grades where the appearance does not matter, just the intrinsic strength, or you have appearance grades. I was looking at that door over there. It has probably got a door skin of veneer, probably 3 ml thick. It does not matter how strong that is because it has either a chipboard or a solid wood core to it. So if you asked would nitens make a good door skin? Yes. Would it make good flooring? Probably not, unless it is overlay flooring. So part of this is about the markets that are currently there versus the markets that will be there in 10 or 15 years'

time. It is certainly different in its physical properties from most of the eucalypts that the Tasmanian sawmillers currently utilise.

Mr HARRISS - We had reserves prior to the RFA. The RFA added reserves. The TCFA added further reserves. I am struggling to understand what the conservation gains will be or what are expected as conservation gains out of the proposed further 500 000 hectares in reserves. Either the comprehensive adequate and representative reserves developed through the RFA stand the test or they don't. So what was wrong with the CAR process back at RFA? Where are we going now and what are the conservation gains expected out of the proposal to lock up a further 500 000 hectares?

Mr GORDON - The RFA process was a rigorous scientific process that looked at the distribution of forest types throughout Tasmania, both within and outside of current reserves, and set guidelines to achieve a minimum conservation outcome for each forest type. Where it did not meet those outcomes was generally on private property, on dry forests with grassy or rocky understoreys where most of it had been cleared for agriculture and therefore it is still under-represented, but it may always be because a lot of it is not there any more.

To answer your question about the outcomes from the conservation side from more reserves, as I said at the start it is not for Forestry Tasmania to recommend land use changes. Some people would argue that the more forestry reserve the better the conservation outcomes. Other elements of the conservation movement would argue that you are better off reserving areas which are poorly represented currently.

Ms FORREST - Are there areas that are poorly represented in your view?

Mr GORDON - If you look at the portion of forest types reserved as part of the RFA/TCFA process you will find that there are some dry forest types which are under-represented and they are almost exclusively on private land. Grassy understorey, viminalis and globulus on sandstones and granites are probably under-represented but there are none of them on State forests that are not already reserved.

Ms FORREST - So transitioning out of native forest will not assist that?

Mr GORDON - It is a different issue. The question Mr Harriss asked was about the conservation values. There are forest types which you could argue are under-represented but they are basically all on private land. One of the things that we have been looking at in terms of our contribution to the conservation debate is that we have a program called Trees on Farms where we have been actively promoting putting Tasmanian blue gum back on farms. A lot of it was on coastal farmland; a lot of it was cleared for agricultural use or in Hobart, Glenorchy, Clarence, Kingborough for people's houses. What we are trying to do is develop a strategy where we can grow trees under these brave new regimes where you thin heavily to get high quality sawlogs in a much shorter period of time, but at the same time providing foraging habitat for swift parrots, who prefer to feed on blue gum nectar. If you look down at Sandy Bay boat park, Nutgrove, in those blue gums that the council planted and then butchered by pruning them at the top there are actually swift parrots there because they have nesting hollows in them now and they feed whenever those are in flower, which is not every year.

Mr WILKINSON - The swift parrot bobs up a lot, doesn't it?

Mr GORDON - If the same guidelines applied to State forests as applied to other land tenures, then no-one would be allowed in Sandy Bay.

Laughter.

Mr HARRISS - The observation has to be then that the CAR process was robust.

Mr GORDON - I believe it was, yes. I believe any rigorous scientific analysis would come to that conclusion. The question then of course is whether it was enough, because in the CAR process there were targets set about what was an appropriate level of target reservation for each forest type. Some people say it should be 100 per cent, others would say that it should be 30 per cent or 40 per cent and some would say international guidelines are 10 per cent, and we have achieved in forests on public ownership considerably better than the 10 per cent.

Dr DRIELSMA - In fact nearly half of all forests in Tasmania is in reserve of one sort or another.

Mr HARRISS - Way in excess of any national benchmark or anything along those lines. If we then lock up a further 500 000 hectares through this process, who is going to manage conservation values so locked up?

Mr GORDON - Whoever the land manager appointed to manage that land tenure is.

Mr HARRISS - Forestry Tasmania?

Mr GORDON - That is in the hands of the Parliament. It is not within our role to recommend land use changes or land tenure changes. In the debate we went through this morning I think we presented a reasonable case that it would be much more economically efficient for Forestry Tasmania to manage areas of land for conservation purposes as marginal costs than it would be to set up a separate entity to do it. Therefore, our costs of management are likely to be lower but, at the end of the day that is a decision that Parliament makes.

Mr WILKINSON - The environmentalists argue, Bob, as you well know - and we went for the trip last year or the year before with Hans - that the bottom parts of the valleys are high-conservation value down at Picton, Weld and I think Maydena was the other one they mentioned and there is not enough of those locked up as there should be. What do you say to that?

Mr GORDON - Again, the RFA process went through each type of forest. I think that most core reserve is probably wet regnans -

Mr HICKEY - Old-growth regnans.

Mr GORDON - Old-growth regnans but, again, part of that is because say, Scottsdale, cleared all its wet regnans to grow potatoes, carrots and peas.

Ms RATTRAY - We are still trying to grow them too.

Mr GORDON - So part of it is what you have left. So there probably is an argument that if there was some more tall wet old-growth regnans, it probably has a higher conservation priority than a lot of other forest types but that is partly because a lot of it was cleared because it was generally on good rainfall, good soils and relatively frost free, therefore it was ideal farming country. That is why it was cleared. So there isn't as much left and therefore it has a higher conservation value. However, I don't support the argument that somehow we have under-achieved in conservation compared with international benchmarks.

Dr DRIELSMA - When the World Heritage Committee commissioned a study a few years ago, which was conducted by UNESCO, they looked at that particular question and, in their report, which is on the public record, they didn't support the view that there was an under-representation, at least not sufficiently in terms to require a re-prioritisation of future reserves. They looked at that quite closely.

CHAIR - They also did not support the notion of expanding reserves at that time. Is that the case?

Dr DRIELSMA - Well, their focus was particularly on World Heritage areas and they didn't recommend any change in the boundary of the World Heritage areas.

Mr WILKINSON - Who initiated that investigation?

Dr DRIELSMA - The World Heritage Committee, which is a UNESCO-based committee.

Mr HICKEY - And IUCN perhaps prompted some of the questions.

Dr DRIELSMA - They assisted but it came out the World Heritage Committee, which is a governmental international committee.

Ms FORREST - So they actually referred the matter to themselves. They weren't directed from somebody to look at it?

Dr DRIELSMA - Well, they were no doubt influenced and lobbied by various parties but it was the committee that requested of Australia that they come and undertake this review.

Mr WILKINSON - So that was a body from outside Australia?

Dr DRIELSMA - Correct.

Mr WILKINSON - That looked into Tasmanian practices as a result of the request.

Mr GORDON - Yes, and looked at international standards as well as the World Heritage obligations. To answer Mr Harriss's question a different way, it is really a value judgment; how much reservation is enough? People will have different views on that. That's not a matter for Forestry Tasmania; that's a matter for the people that make the decisions about land use.

CHAIR - In a lot of the evidence we have had, you must grind your teeth in exasperation when you see areas, particularly in the Western Tiers and other places, that particular people say have been trashed and destroyed forever and a day; they are gone and that's it. Yet those same areas now are being listed as HCV forests.

Mr GORDON - As I said before, I believe our forest management is of such a high quality that we are leaving the option open for future land-use decisions. When we leave a forest and we've regenerated it and managed it, future generations can make a decision about whether those forests should be used for multiple-use timber production or for some other use. Our obligation, I believe, is to make sure that we manage in a way that adopt all the principles of sustainable forest management and we leave the forest in a form that future generations have the option to make those decisions.

Ms RATTRAY - Can I take you back to the opportunities with the veneer rotary peel? Recently I had the opportunity to travel to New Zealand and Nelson Pine was one of the establishments we visited. They mentioned that they had approached Ta Ann to have a relationship so that they could source some of that extra-strength veneer that you were talking about as it was thought that would be really useful after the earthquake. We visited a building that had used these beams. Ta Ann turned them down, according to our information on the day, so is there an opportunity for FT to have some role in progressing that particular opportunity?

Mr GORDON - Yes. Last week in the Pacific north-west I spoke to four companies, all of whom are interested in that. We have Tasmanian eucalypt veneer sheets in the US and Canada at the moment being laid up in different engineered wood products to do the product testing.

Ms RATTRAY - Is that similar to the oriented strand?

Mr GORDON - No, this is a different type of product. Some of it is laminated veneer lumber and there is also a series of other engineered wood products, some of which are proprietary so I can't really talk about the particular technology used. That is what I was talking about before and you have given a very specific example. Using Tasmanian eucalypt veneers in softwood LVL would enable them to produce products they currently can't produce out of just softwood, therefore the veneer is worth a lot of money. We have done a whole lot of testing in China and the US and the feasibility study that's almost complete for Scottsdale builds on the work that we've done there.

Ms RATTRAY - Coming back to the crux of it, then, is it still that guarantee of resource and supply that is going to be the decision at the end of the day?

Mr GORDON - I think it is a low perceived investment risk. I think it's a stable operating environment with a highly-trained and well-skilled work force that is reasonably stable. It's having the technical back-up to make sure that the product that is produced meets the testing standards in other places, which is why we've sent the material to the US because if you test it in their laboratories they can't argue about it, whereas if they test it in ours or China's, they can. It's also about having a secure investment environment and a reliable wood supply. In the case of some of this technology, it doesn't need big logs. The technology we're looking at, as I said, is for logs between 12 cms and 25 cms.

Ms RATTRAY - The thinnings, if you like.

Mr GORDON - Or the heads of trees, which currently all goes to woodchip export. If we get ourselves out of the current processing mindset, a lot of things are possible, but when we went through this 10 years ago it was unanimous that all this stuff was impossible. I was told bluntly that I was wasting money and time, that we would never be able to produce rotary veneer from Tasmanian eucalypts and, if we did, it would never produce high-value products, because that was what everyone knew.

Ms FORREST - Thought they knew.

Mr GORDON - Yes, that's right, and I think there's probably a bit of that now. I believe that some of the products we're talking about can be made from the trees we currently have in plantation. I also believe that we can do a whole lot of different things if we do the hard slog and it is all about understanding the market. I have a really good understanding of what veneer of different strength grades sells for and there is a market there for our veneer. It can be produced in the new technology we have developed for the Chinese and it doesn't need to be large scale.

Ms FORREST - So, Bob, do you think the Chinese will genuinely entertain the notion of coming to Tasmania and operating a veneer-peeling operation here?

Mr GORDON - It may not be the Chinese.

Ms FORREST - So you'd encourage someone else to do it?

Mr GORDON - The Chinese are the market for all of this but for some of these engineered wood products North America and Europe are also large markets. I will give you an example. Say you want to make a laminated veneer lumber eye beam to support a double garage - which in Europe and the US they get snow-loads so it actually gets quite a bit of weight on it - if you want to make it out of Douglas fir you have to strength-grade the veneer maybe 10 times to get the top 5 per cent of strength. If you put three sheets of eucalypt in it you can use all the Douglas fir to get the same strength rating. So by looking at it differently we can see what our competitive advantage is, and we've only got a hatful of wood. I went to an LVL plant that processed 500 000 cubic metres a year of veneer. Ta Ann's total production at both mills is about 90 000-100 000 cubic metres. This is just one processing factory that bought the veneer. So we have to be clever about positioning our product in the market to get its intrinsic value, and that doesn't mean being in the commodity game.

Ms FORREST - So Bob, is there an opportunity then to use the same process - I think that's what you've been saying but correct me if I am wrong - the same set-up you use for plantation timbers and the heads of native regrowth timbers and that sort of thing?

Mr GORDON - And thinnings.

Ms FORREST - The problem now, as I understand it, is that Ta Ann cannot use nitens, for example, they just want the native regrowth, or it is not successful.

Mr GORDON - Again, I think it is a matter of age, so the nitens we have is mostly thinnings and Ta Ann's technology really needs logs between about 25 and 55 centimetres. Now at the time, and it is only four years ago, that was the world's best technology and it still is for that size of logs, but we've been working with some Chinese manufacturers of new equipment which would enable the unit to peel material much, much smaller than that with similar recoveries and similar operating costs.

Ms FORREST - And different types of wood?

Mr GORDON - Yes, but on the other hand it can't take logs as big as Ta Ann takes. So if you put a 60 centimetre log on these layers they don't work. It is about -

Ms FORREST - Diversity within your industry?

Mr GORDON - Correct, and it is about making sure we have different market segments for different product types.

Ms FORREST - I know you can't predict the future and if we had a crystal ball we would all be very happy, particularly if it was reliable and effective, but as far as seeing this sort of technology introduced to Tasmania, what do you realistically think would be likely? Whether it is the Chinese, the Americans or whoever it might be?

Mr GORDON - We are only at this stage because Forestry Tasmania has done all the grunt on it. We have done the intellectual work, we have done the research work, we have done the market development work. I would be very confident that the business case stands up to build these things. It is a matter of getting the investment dollars and the investment certainty to make that decision. We have had other proponents - we have actually had two - for some new renewable energy technology and unfortunately both of them went broke during the global financial crisis and one of them was a bank, so it has been a pretty tough three years.

At the moment everyone in the forest sector has probably gone through the toughest times they have ever experienced. When you do your risk analysis on your strategic planning none of us had down that there would be an earthquake and tsunami that wiped out the two Japanese pulp mills that take a lot of Tasmania's wood. So we had all this stuff organised and then, bang, all the stock got washed off the wharf, there were surplus chips that were travelling from around the world to these two Japanese pulp mills, which then got snapped up by the Chinese as distressed cargo, so they dropped off a couple of boats from Gunns at Triabunna. You would have to be really crystal-ball gazing to see.

Mr WILKINSON - That was a significant cost to Triabunna, wasn't it?

Mr GORDON - It's a significant cost to everyone.

Mr WILKINSON - Yes, but to Triabunna itself in relation to the port the flow-on was huge.

Mr GORDON - Correct.

Ms FORREST - Bob, just going back to that point that if it is to be an option for diversification here, for this to actually occur and for someone to come into the State, if

500-odd extra thousand hectares were locked up, would that threaten the possibility of this happening or is there enough resource in plantation and others to soak it up, so to speak?

Mr GORDON - There is an increase in plantation. Of course part of this is about timing as well, which is why when I've been asked I've said the transition is the most important bit of it because in 15 years' time we will have quite a bit of plantation material coming on stream. This technology we're talking about currently could use our current plantation thinnings and it would enable us to profitably thin some of the younger native forests. So the Mount Barrow-type stuff where we've gone in and thinned early produces material this big, which always went to woodchip export which is a problem because it is relatively low density, there is a lot of water in it and it was relatively far away from port. In putting a mill at, say, Scottsdale you've reduced the transport cartage, you're using material for which at the moment this is probably your best market, so it is about doing it differently and it's about the timing of it.

Ms FORREST - We were told by other witnesses in a previous hearing that the transition is important, as you said, and they were suggesting that you would need a transition of 25 years to really deal with some of the issues with the growth or the age of the plantations and some of the other issues surrounding the native forest. Is that a fair thing or do you think that is over-exaggerating perhaps?

Mr GORDON - Again, you've got to go back to the specifics, so it depends what the forest is left and what it looks like. For example, in the north-east, which was the earliest place we had a large-scale nitens and globulus plantations under these new sawlog regimes, this material comes on relatively soon; it's coming on now. In the southern forests where we were probably a bit later and we haven't got as much plantation it's a bit more problematic. In the north-west, again, we haven't quite got enough plantation to have a big enough lump to get the sort of volumes you need even for these smaller-scale plants and that's one of the reasons we've been promoting this 'trees on farms' concept.

Ms FORREST - But over a few more years, Bob, we might have, say in the north-west, for example?

Mr GORDON - We might have, but it is probably 10 to 15 years out up there, whereas in the north-east we planted earlier.

Ms FORREST - If the pulp mill goes ahead, what will that mean? Gunns have said they will operate their pulp mill on plantation only and so, as I understand it, there won't be a lot left over for other mills such as what you are proposing here.

Mr GORDON - It depends on the market. Gunns have to be able to pay more than everyone else.

Ms FORREST - You think it would be good then?

Mr GORDON - I think it would be very good to have some competition in the marketplace.

Ms FORREST - You would get more for your trees?

Mr GORDON - Correct. Again, some of these new technologies are quite efficient and should be able to afford to pay good prices. As a forest grower what we want to be able to have is a bit of competition in the marketplace. We want to have some smaller-scale players that can utilise new technologies and find niche markets that can afford to pay us a reasonable price for our wood.

Ms RATTRAY - I have a question in relation to Gunns. There has been, obviously, a lot of discussion in the community about Gunns and their potential sale of some of the mills that they still have left, particularly the Deloraine one and also the Smithton one. If they were to sell their mill, does the contract stay with Gunns or do they have to go back and negotiate?

Mr GORDON - It depends on the contract.

Ms RATTRAY - So they don't have a contract that could just go with a mill for a sale necessarily?

Mr GORDON - Most of Gunns' contracts with Forestry Tasmania have a whole series of clauses about the source of the wood and the requirement to take pulpwood as part of that contract, so it's unlikely that a new operator or owner of any of those mills would want to take substantial quantities of pulpwood at the same time, so it would all be up for renegotiation.

Ms RATTRAY - That is why they have probably not been able to have as much interest in their resource to date?

Mr GORDON - I do not know.

Ms RATTRAY - I would have to ask Gunns?

Mr GORDON - Yes.

Mr WILKINSON - If you had to summarise the impact of the proposed transition out of public native forest management and harvesting in Tasmania, what would the impact be?

Mr GORDON - It depends on the transition period, it depends on what forests end up being removed for wood production and it depends on what other action you take in terms of new technology and new processing what the employment impacts would be and also what the impact on the economy would be. But in all cases it would have a reasonably substantial effect on Forestry Tasmania's financial performance and cash flow because you are taking out wood production and cash flow now in the expectation of having a better outcome in the future.

Mr WILKINSON - Hans, do you have anything to add to that?

Dr DRIELSMA - I think the only element perhaps that Bob missed is that it would depend also on how much further investment goes into plantation development, particularly around the questions that you were raising, the industry's uncertainty about their ability to use certain types of timber, not that we necessarily share those but to the extent that that is the case, further investment, for instance, in globulus plantations, so using some of

the more intensive silviculture that they are now looking at would mean that in 25 to 30 years there could be a different sort of resource available which could open up other opportunities.

Mr WILKINSON - Therefore, if there is to be any transition at all, there has to be a lead-in time and if there has to be a lead-in time, what lead-in time do you believe is the appropriate lead-in time?

Mr GORDON - I think Hans is right, I did gloss over that importance of extra plantation establishment because what you need is a reasonable economy of scale to have both the processing and the marketing grunt. For example, what we have done suggested that most farmland in Tasmania could plant up 10 to 20 per cent of the farm without reducing agricultural production at all. The north-west coast dairy farms are a classic. They all have walkways, they have drainage line, all of which can be planted up to 20 metres wide with trees and you might get another 20 000 or 30 000 hectares of good growing, fast growth rate, well-managed, high-value timber production and that could easily produce more wood than we are currently produce from the native forest estate, quite frankly, because it is very productive and has high-growth rates. But to do that, you need a lead time. Maybe the lead time for some of these new regimes is 15 years because they will grow fatter much quicker because of the intensity of the management. But unless you have those lead times, it makes it very hard to keep the economies of scale you need on the production side.

Mr WILKINSON - With the major factor that would have to be taken into account, if there was this transition to occur, would that be the lead time and how many years in the lead time would be agreed upon?

Mr GORDON - That will be the transition out, for want of a better word, and the transition in of new types of plantation. They will be the two critical things.

Dr DRIELSMA - Bob said it depends on what forests are taken out of production. You seem to be suggesting that there would be a complete transition out of all major forests.

Mr WILKINSON - I do not know what.

Dr DRIELSMA - If that is the question then the plantation resource that we have in place at the moment would not be of sufficient size to replace it.

Ms FORREST - FT would have terrible trouble with their cash flow, more so than now.

Dr DRIELSMA - That is another question but, in terms of replacing the volumes, we are not in a position today to produce from the plantations in existence the full amount of timber that is currently available, even in 30 years' time. There would have to be much more investment and quite a significant amount.

Mr GORDON - But the investment also would substantially affect Tasmania's contribution to reducing atmospheric CO_2 levels because it would be grown for solid timber regimes, and this table has permanently captured carbon. All this plywood and MDF and probably particle board in the door is all permanently captured carbon for at least 50 or 60 years. It also gives farmers another income stream and a much better position to try

to negotiate their way through any carbon tax remission trading scheme but, more importantly, it gives you the wood production you need because unless you have a minimum amount, you're not going to be able to have the processing technology to meet economies of scale.

Mr WILKINSON - So Forestry Tasmania also would be saying that it would be at your own peril if you transition completely out of native forests?

Mr GORDON - We'd say that would be a matter for the Government to determine land use.

Laughter.

CHAIR - I think you've answered that one pretty clearly. Given the transition and how big it is out, even 17 to 20 years, for a private investor to come into the State, it is still a pretty short time frame on a return on investment if they wanted to do something innovative.

Mr GORDON - I think the interesting thing is that if we can get a couple of these new technology plants established based on the current resource, the volume of that type of resource increases over time, so we will have more plantation thinnings. The north-east goes up a bit and comes on stream reasonably soon, but in the other places that resource increases over time quite substantially.

CHAIR - You talked about trees on farms but sometimes with a forest practices plan it's difficult anywhere near watercourses or boundaries. There are a lot of setbacks and planning issues which can be quite difficult to get round; you have to be very careful about where you plant.

Mr GORDON - Everywhere else in the world the highest priority for planting up is to plant up drainage lines because that's a good thing to do. For some reason in Tasmania - if you look at the MIS plantation establishment or some of the stuff we have done ourselves - you buy a farm and plant it up and all the flat bits that were good for agriculture you plant for trees and all the gullies that were really good for growing trees you're not allowed to plant up. I still need to be convinced that it's a better environmental outcome having cattle wallowing through creek beds and drainage lines compared with maybe disturbing a little bit of it every 30 years when you harvest the trees.

Ms RATTRAY - In relation to private forests, there has been a suggestion amongst the farming community which owns those private forests predominantly that there's going to be an issue with their being able to get the best value for their investment in the future because if the industry winds down, as it appears to be doing in some respects, they won't have the same opportunity. Do you share that view or are you not as concerned as those landowners are at this point in time?

Mr GORDON - There are two competing factors there. When I did economics, supply and demand said that when the supply goes down and the demand stays constant the price should go up but, on the other hand, that only works if you have markets that are able to pay a competitive price. If you don't have the scale to have a world-competitive processing sector then you are reliant on export markets which go up and down like a yo-yo and get affected by the value of the Australian dollar, bunker oil prices and a whole range of things. Our argument has been that if there is a decrease in the amount of

sawlogs available, the price should go up substantially because that's the laws of supply and demand.

Ms RATTRAY - What about the access to get them harvested? Do you see that as an issue?

Mr GORDON - I think there will always be enough wood on private property to justify reasonable transport and harvesting economics. It's more a matter of having a big enough total supply to justify world-scale processing, which is where you get your proper market price. So if you don't get scale processing, whether it's in forestry or agriculture, then you never get the right price for your product.

CHAIR - Bob, thank you very much for your input. We wish you all the best.

Mr GORDON - Thank you.

THE WITNESSES WITHDREW.

Ms JANET DAVIS AND **Mr RICHARD BRETT COOPER**, TASMANIAN FARMERS AND GRAZIERS ASSOCIATION, WERE SWORN, MADE THE STATUTORY DECLARATION AND WERE EXAMINED

CHAIR - Welcome, Jan and Brett. I invite you to make a short opening statement if you would like to do so.

Ms DAVIS - We would, Mr Chairman. We are here in our capacity representing the private forest owners of Tasmania, of which there are some 1 600 who have ownership and management of some 885 000 hectares of privately-owned native forest in Tasmania. Quite clearly your terms of reference, as with many other things that are going on at the moment, are of great interest to our constituency, and we want to be sure that the voice of private owners of native forest is heard in these processes. Having said that as an opening statement, we have made a written submission which has been forwarded to your secretary. I have some copies of it here which you can peruse at your leisure.

Ms RATTRAY - It is good to see an organisation well prepared.

Ms DAVIS - I do not intend to speak to our submission directly because quite clearly you have all that information in front of you. We were rather more interested in having the opportunity to share with you information about the private sector and to answer any questions that your committee might have that we could add some value to.

CHAIR - Thank you very much. I will open it up to questions. As you are aware, the terms of reference points more to the transition out of public forests but obviously there is an impact, as you have said through your submission. If that does occur, and we are talking a little hypothetically at this moment because we do not know quite what is going to happen, what do you see as the major impact upon the private forest estate if that does occur? Will it be economies of scale or what will it be?

Mr COOPER - Yes, I think that's probably the main one. The quantity that gets moved is very much helped by having a decent-sized infrastructure for that, like sawmills and even woodchip mills. If you're moving out of native forests, it puts the pressure on extra production from private forests, which may upset the balance a bit. I think also the move out of public forests would increase the demand on farmland for plantation, which can be a two-edged sword. Well managed it is a good idea, but badly managed it can be taking over a lot of good food-producing land.

CHAIR - Could you quantify the effect on the private resource at this stage?

Ms DAVIS - We're doing some figures on that at the moment and we will submit them to you before your inquiry closes. I don't have a precise figure at this time, other than to say that the privately-held native forest estate is some third or so of the State's total, so you can extrapolate the figures from that - not in a straight line because quite clearly there's a significant alienation of private land through reserve expectations from forest practices plans or land that is simply not accessible or from decisions farm owners have made. We expect of that 885 000 hectares there's about 60 per cent that would be harvestable under varying conditions, and depending on what it was harvested for, that is a significant value. We're trying to crunch some numbers on that and give you a range of

options but we don't quite have that ready for you yet. It's not chump change, it's a lot of money.

Ms FORREST - If there was a transition out of native forest, as you say, the expectation might be that you would increase the harvesting on private forest. We understand that it appears to be the case that the conservation movement wants to stop trees being cut down broadly, so do you think their next target would be private landowners?

Ms DAVIS - The Greens Party and the conservation movement have been quite open in their comments about the fact that public native forest is goal one and private native forest is goal two. They have made no bones about the fact that they expect our privately-owned resource to be taken away from us next.

CHAIR - I think the TCT mentioned the other day that in their view there are more environmental and biodiversity values on private native forest than there is on public native forest, so therefore you would see yourself as a big target?

Ms DAVIS - We do, for many reasons, not least the conservation target, although that clearly is top-of-mind for us. There seems to be, once again, an expectation that the asset value of private farmers is something that's up for public confiscation and we're certainly not happy with that view. If that is the decision of government at some stage, from our quarters there will be some significant funding pressures to recognise the market rates of those asset values. We've been somewhat concerned by comments we've heard of late by a number of people, including Senator Brown, that absorbing the private forest would only cost $100 million or so. That's just not right.

Ms FORREST - Total private forest estate - $100 million?

Ms DAVIS - Yes.

Mr COOPER - I know it's hard to look at things quickly, but on page 7 there is an example of one of our farmers who looked at two options for some native forests. One was to put 205 hectares into a CAR reserve, which was a scheme that the Federal Government funded for reserving good examples of land they wanted to conserve. The amount of $61 500 was the offer to put that into conservation. The bottom of table 3 shows the actual money that came off that block when the farmer cleared it.

Ms FORREST - More than $5 million.

Mr COOPER - Yes, selectively logged, some plantation and some of the ground went to pasture for land production, so that's the sort of difference between the offer from a government program and the reality.

Ms FORREST - I would expect for the next few years that it will be very difficult for any government, Federal or State, to fund any sort of compensation along those lines.

Ms DAVIS - You would think so. The issue that we are dealing with is almost confiscation by stealth by a government policy that is alienating more and more of private resource through incremental requirement for reservation or for set-asides under varying pieces of regulation and legislation. So we're finding more and more that is happening anyway,

with little opportunity for recompense for the farmers. So we're not particularly happy about that at all and it's already happening.

Brett mentioned earlier that if there is a move out of native forests altogether then that puts more and more pressure back on the private forests, which means we are, if it's possible, driven to harvest perhaps beyond what sensible environmental management would expect you to do to get the resource harvested before somebody changes their mind. More importantly, it puts more and more pressure on farmers to put plantations in and our concern there is two-fold. It certainly alienates some very scarce agricultural production areas. We don't have a lot of land in Tasmania that we can use for agricultural production and we certainly don't want to alienate any of that. The other side of that is a risk we face from those in the community, particularly on the conservation side, who have in the past made it very clear to us that they don't really want plantations either. So we're stuck between a rock and a hard place with some pretty heavy expectations being put on private forests to deliver critical mass, which we just don't think is going to be at all possible.

Mr COOPER - The evidence also says that there isn't a great potential to get sawlogs from plantations at this stage, the nitens just aren't delivering, and the private native forests haven't got the big quantity of sawlogs that the public native forest has, so that's going to cut down the scale of market for the sawmills.

Ms FORREST - Generally the public native forest estate is in generally bigger chunks of land and so it's easier to manage them. It's easier to have that critical mass within that one area to deal with, whereas the private growers are often relying on their native forest and perhaps dairy farming or beef or cropping or whatever it is. Is that part of the issue here? Will it come down to perhaps supporting or assisting private landowners to manage their forest asset differently?

Mr COOPER - Depending where the forest is; it's more the geography of where the private forests are. There is quite a lot in the highlands that have been good mill log country, but a lot of the other areas aren't quite so good. I'm not quite sure why that is -

Ms FORREST - But it's in smaller bits here and there.

Mr COOPER - Some are quite large, but, yes, smaller bits are definitely a factor. I guess in the past a lot of those were called bush runs. They were managed for grazing, so the sawlogs probably didn't get as good a chance as they did on the public land either, which could be a factor.

Ms FORREST - Yes, it's a multi-use property, whereas native forest is really just that and it doesn't have to deal with multiple use.

Mr COOPER - If you're managing it for forestry you do tend to manage it differently than if you're just got livestock. You wouldn't burn it as much to protect regrowth and that sort of thing.

Ms DAVIS - It is an interesting point you make, Chair, about the statements being made about greater biodiversity values on private forest. It's an easy argument for us to make that that's because we've managed them differently, and over a long period of time

farmers have, whether advertently or inadvertently, in some respects managed an estate of private plantation and private native forest much differently to the public management because they take much more care of it in that they can afford to do things that are not necessarily possible on a bigger scale in a public forest area. So the fact that they do have greater biodiversity value in some respects reflects the different management strategies that you would see there.

Ms FORREST - Forestry Tasmania said you need to look at not only the acreage of native forests but also at what sort of native forest you have. Their contention was there is probably more significant resource that should be perhaps protected, for want of a decent amount of a certain type, on private land as opposed to public land anyway. Does that ring true to you and does that concern you?

Ms DAVIS - It would concern me if Forestry Tasmania were trying to push a burden for resource management for biodiversity and community expectation onto private land if there were not some very clear understanding of the significant costs involved in that and a recognition that they would need to be funded by public purse.

Ms FORREST - They were just saying that if you are trying to preserve a certain section of a type of forest -

Ms RATTRAY - Dry forest with grassy undergrowth.

Mr COOPER - That is the classic midlands.

Ms FORREST - Yes, it predominantly exists in the private estate. So if you are looking at transitioning out of anything or trying to protect a certain section of the asset, locking up just a chunk of publicly-owned native forest does not necessarily achieve those ends.

Mr COOPER - I think it is worth noting what Jan was saying before. Conserving the conservation values and managing it can go hand in hand; you do not have to shut it up, as it were. My contention is that humans have been managing our native forests for 40 000-odd years and to shut a forest up without any managements is a brand new idea.

Ms DAVIS - Also one that in other places has been shown to be a death sentence to the forest because it needs to be managed to be able to maintain the biodiversity and the constant regrowth and renewal that a forest will naturally go through.

Ms FORREST - Where would you say that has occurred, Jan?

Ms DAVIS - Certainly in Canada and the US. The US particularly are backing away from a lot of locking up of forests that was done in the 1970s. California, I know, has started to move away from the 'lock it up and leave it' approach, as a result, largely, of the very severe bushfires - they call them wildfires over there - they have been having through forests that nobody has really been in for long periods of time. The property damage and the risk to human life, as well as the impacts on biodiversity, have been recognised by the scientific community to be quite significant. So there is more and more of a view that you need to actively get in and manage it, even if it is to manage it for conservation rather than for a productive purpose.

Ms FORREST - Could you argue then that we, as the decision-makers, have caused this problem by allowing people to push out into the forest areas?

Ms DAVIS - There are certainly issues with public policy that have aggravated interfaces between productive land, native forests and suburban sprawl. It is not just evidenced through things like bushfires coming out of public lands; there are all sorts of other issues as well. Yes, certainly you could make that a very valid point.

CHAIR - It was also put to us that if we transition out of native forest and, indeed, plantation timber, that rural properties in Tasmania could take up a lot of the slack. In fact they could take up 10 per cent, whereas the balance of a farm could still not have any impact on its production, so you could put in 10 per cent of its land area into trees of some sort and that would assist. Do you think that is the case? There are impacts when it comes to harvesting of course, as you know; people can object to forest practices in our forests.

Ms DAVIS - Chair, theoretically it probably is the case. If you look back across the work that has been done over many decades through Trees on Farms programs, the figure generally used is that you can put 10 per cent of the farm under planting of some shape and not interfere with the running of it. However, what you get is issues around harvesting, as Brett rightly said. Also what you get is a wood resource that is not necessarily what the market wants. It's almost by definition a more diverse planting because it's being used for many things. More importantly, I think, is the point you alluded to, Chairman, and that's the issue around forest practices approvals where we're finding more and more difficulty in getting anything approved, let alone something that, if you were looking at these infill-type plantings, would be perceived by many as part of the landscape rather than as a productive enterprise. The risk you run then is if the community sees it as a landscape benefit and we see it as a productive part of our enterprise you're inevitably going to have difficulties further down the track when its ready to be harvested.

CHAIR - And also the other regulatory-type regimes of water courses, setbacks from boundaries and all those sorts of things, so there are some significant issues there, as I see it.

Mr COOPER - I think it's a really sound idea and policy to try to get 10 per cent of trees on farms but it's not instead of native forest management, I wouldn't have thought. One of the fairly obvious things, if you have a small wood lot on a farm and it costs you a thousand dollars to transport an excavator to it and maybe $3 000-$4 000 worth of royalty there, so you can see the issue.

Ms FORREST - It's hardly worth harvesting in that case. Their margins are too small.

CHAIR - That's right, and that has happened on quite a few small lots. It doesn't stack up. You might as well leave it there.

Mr COOPER - Yes. You can do things, say a group of farmers in a district will harvest all at the one time, but that culture hasn't been developed yet.

Ms DAVIS - And nor has the infrastructure to support it. If you're going to do that you need on-farm harvesting equipment that's different from what you would use to send it to a

massive sawmill. You would need contractors who are kitted out to get up onto different country. There's a whole range of investment and infrastructure decisions that would have to be considered.

Ms RATTRAY - That's if there are any contractors left, Mr Chairman. I put that question to FT before you came today and it was more about there being a market-driven price for the product, but I see some different issues. Do you share those concerns about having the expertise available into the future if we have a significant downsizing of the industry?

Ms DAVIS - We do. It's hard enough in these times to get skilled people to do many of the normal routine farm practices we need, let alone to look to maintain a base of skilled resource in an industry that's in decline. The way it looks at the moment we probably wouldn't have critical mass to support anywhere near the resource you would need to do that.

Mr COOPER - I think the other trouble is that, as with getting out of native forest would burn that many fingers of contractors who have been in the trade, it's going to take a long time for people to get the confidence to go into it again. You would lose the skills.

Ms RATTRAY - I want to touch on your organisation's opinion of the demise of communities and how your members see the lifestyle in a community if we continue to have this downsizing of the industry and the discontinuation of native forest harvesting. Is that something that is being spoken of at your meetings, about people moving out of communities and not having that social fabric there?

Mr COOPER - I think there's a feeling of despair for the contractors in particular who have copped it so hard, and then there's all the people who plant trees. Scottsdale is a prime example of a community that has really been hit by nothing it has done wrong in effect.

Ms DAVIS - We certainly have, not specifically in forestry but more broadly in terms of the impact of the decline of real communities on agriculture, talked about the fact that, as regional communities contract, the ability of the farming community to access human resource as well as physical and social resource becomes more and more difficult. There comes a point where you have lost critical mass and that is a challenge for us, particularly in some of the areas of Tasmania that really are dependant on forestry and agricultural pretty much alone. If you lose one leg of your stool you are left with that decline over a period of time that is death by a thousand cuts basically.

Mr WILKINSON - What areas would they be, Jan?

Ms DAVIS - Brett, you are probably more able to talk about those than I am. In many of our communities like Scottsdale the key activities have been agriculture and forestry although we think that forestry has been part of an agricultural activity -

Mr WILKINSON - Sure.

Ms DAVIS - certainly some of the other areas that you would be more familiar with.

Mr COOPER- Yes, I am basically familiar with Scottsdale to be honest.

Mr WILKINSON - Triabunna would be one that rings a bell, Fingal, St Marys and Smithton to some degree.

Ms DAVIS - Pretty much anywhere where we have key forestry in a private forest sector sense. It is part of an agricultural enterprise conglomeration so they go hand in hand.

Mr WILKINSON - It is a bit off centre I suppose but I will ask it anyway. I was involved with the suicide prevention committee a number of years ago now and rural communities were communities which suffered more than a lot. What concerns me as well is if there is a transition out of native forests that would not help the mental health at all of people within those communities and could lead to tragic consequences.

Mr COOPER- I think one of the most significant things about forestry for farmers is that it has always been there as a bit of a backstop to them. If wool goes downhill or something you might say, 'Well, let us harvest a few trees to get us through that year'. That sort of background is also a very useful tool for using for succession planning. One family member might want to use the farm so we will let them have the value of the trees as their part of the enterprise, that sort of thing. The worst thing about getting out of native forests at a State level is that we believe it would then precipitate getting out of native forests at private level so all of a sudden you will have farmers who were relying on an asset that is no longer seen as an asset because you cannot harvest it or manage it. I would have thought that would be pretty devastating to the farmers.

Ms DAVIS - And that has a knock-on effect that we have not heard a lot of conversation about in that having come through a fairly tight few years, many of our farmers have their asset valuation based on their entire entity, including their forests resource, and they are geared accordingly. Suddenly through some decision of government their private forest resource becomes valueless then their whole gearing ratios are thrown out of whack. Whilst it has not happened yet, I am sure it will. Banks will start to call in or expect people to contribute more to bring the ratios down and at this point of time people just do not have those resources.

Just to pick up on your point, Mr Wilkinson, which I think is really important, is the fact that at the moment the Rural Financial Counselling Service, which has been doing a fabulous job looking after the sorts of risk factors that you referred to, is under serious threat of losing funding and there is another resource gone from the communities that we have been talking about that to some extent they have become reliant on. It is just one thing after another, after another, and it is not reasonable to continue to expect businesses, which is what farms are, to bear the cost of community expectation without appropriate recompense. Governments can make whatever decisions governments wish to make but they must recognise the real cost.

I have to say as a newcomer to Tasmania, having looked at the cost that the farming sector has borne over the years from government decisions to change forestry environments, I am absolutely gobsmacked that such alienation of asset value - I was about to use the word theft - has been allowed to continue unquestioned. I cannot believe that the farming community has allowed their resources to be treated so cavalierly.

Mr WILKINSON - One would argue as well that there have been a number of agreements in years gone by as you well know and now they are talking about a transition out of native forests. One would argue well look what happened back in Salamanca agreement and what has occurred from there and, whilst we adjourned a short time ago, some might argue that some groups would be part of a round table discussion right up until the end but then it would not go back to square one. In fact their input was taken into account and as a result of that concessions were made and it does not go back to square one and it is always this whittling away. Do I understand from your evidence - I know it's a long question - that there should be no more transition out of native forests, or are you saying that there can be some but very little?

Ms DAVIS - We aren't the elected government. The elected government will make its decisions. Our argument is that, if we wish to maintain a viable and sustainable forest industry, we have to think really carefully about how much of the resource we lock away and make unusable. If it is to be resource that belongs to private farm owners, government can make that decision but it will come at a cost and they must recognise not only the financial cost but the social and environmental cost that that will bring.

That is not just about our land, it is about the implications of even locking up the public forest estate; you cannot lock it up and throw away the key. You must manage it to ensure that it's sustainable to protect the biodiversity and ecological aspects that it's supposedly locked up for, but also to ensure that it doesn't unnecessarily and unreasonably impact on neighbours. Most of the neighbours of the public estate are farmers who are concerned about the spread of weeds, about fencing, about browsing animals and they're horrified at the prospect of the impact of fires on farming, both on the business and the families. All of things come from an unmanaged public estate.

In more and more of the decisions for private landowners the Forest Practices Authority is making, we are seeing a lack of recognition of those impacts when they require farmers to lock their own land up. Many of the decisions I have seen of late have not allowed for rates, fencing, fire clearance or any ongoing maintenance other than one year's harvest crop value. It is not acceptable.

Mr WILKINSON - Are you also of the opinion that if the public native forests are locked up then the flow-on effect is going to be that the private native forests are also going to be locked up because the economies of scale will mean that people won't be involved because there's not enough native forests on private land?

Mr COOPER - I think there'd be fewer opportunities for the private forests unless it's a scale thing. I think the real reason they'd be locked up is because it's the Greens' stated intention to do so.

Ms DAVIS - And that means locking it up for all land use. We have many opportunities available to us as a forestry sector that don't necessarily involve harvesting trees. We could be looking at carbon storage; we could be looking at sequestration within soil, within forest areas; we could be looking at biomass or biofuels or any of those sorts of things. Locking it up takes all of those options away and that's just not something that we believe is appropriate for private forest owners. We question whether it's even appropriate for public forests but, as I say, that's not our decision-making process.

CHAIR - The argument may come from some quarters, too, that parts of the private forest estate, if they have good environmental values, can be put under the land conservancy fund, I think it is. People can do that but then, of course, there's the cost of management. Would you consider that a big issue?

Ms DAVIS - Well, absolutely. You can look into our submission - and Brett referred to it earlier - a perfect example is a farmer who looked at doing that in one of the earlier schemes and his recompense for doing that was $61 500 for a lifetime lockup. That was to cover all the rates, management, fencing, whatever, and when he actively managed it as he had done for many years his return on that was $5 million. So let's get a grip on reality here. It's not up to individuals to bear, individually, the cost of community expectations.

Ms FORREST - Not only that; if you look at the lifetime issue here, you don't necessarily harvest it once -

Ms DAVIS - That's exactly right.

Ms FORREST - Areas can be logged three or four times.

Ms DAVIS - Someone might decide, in five years' time, to put it into some form of carbon capture agreement and that would be something you couldn't do if it's locked up for a lifetime.

Mr COOPER - The other thing with the lockup system is that it has been popular because you get an upfront payment which locks it into the covenant but if the owner of that land who got the payment were to then sell the land at any time he could run off with the cheque, the covenant is still sitting there and there's no money left to manage the land. So it becomes a liability and who wants it then, who is going to look after it?

CHAIR - The other side of that too is that, whilst that first generation, the current owner, might take that cheque, if it is handed down to successive generations, the cheque has been spent, and who is going to look after it and manage it then? They're going to say, 'Thank you very much for giving that to me in the will'.

Mr COOPER - A sensible mix of conservation and use can go hand in hand. Although we argue with the Forest Practices Authority about detail, that's what's been going on and the Forest Practices Authority has made sure that they're managed sustainably. I reckon the 600 hectares of land they're taking out of native forests is really a development in its own right, so I would be wanting the proponents to do a development application based on the new reserve about what it is going to cost the community and how much less we will have for hospitals and schooling when we put this reserve in.

Ms RATTRAY - Probably a bit too much detail for some, I would expect, Brett.

Ms FORREST - But realistically that's something you could cost.

Ms DAVIS - Of course you could.

Ms FORREST - You're asking for a business case and that's quite reasonable, isn't it.

Ms DAVIS - Nobody expects as a community to enter into open-ended, vague, lifetime commitments and that's essentially what we're talking about. As taxpayers and residents of Tasmania we certainly believe that these sorts of decisions are of a magnitude that there should be significant analysis done of them and that should be on a basic business case.

Dr GOODWIN - I wanted to ask a question to follow up something that Jan said about how for some private forest owners it can be a bit of a backstop for tough times. We know that it can be turbulent to be a farmer - things happen, droughts, wool prices and all sort of things - and I am just trying to get a feel for how important it might be to have that backstop.

Ms DAVIS - It is very important. Brett will no doubt talk about his own operation and specific others, but when you go out and talk to farmers who have private forests they have factored it into both their short- and long-term business planning and have counted on varying streams of income for it within various scenarios of risk or of generational change and those sort of things. My assessment is that it's up there with one of the most significant securities they could have in that it does sit there and they can make the choice about when they use it. It's not generally drought-affected if it's native forest or at risk of encroachment by too much urban pressure; it's part of the farm that they've stored away for later if that's how they choose to look at it.

If it were not an important part of the overall enterprise mix we would see less of it still around because there would have been increasing pressure farmers to chop it down when the money was good - take the money and run, so to speak - whereas they've said, 'We're not going to do that, we're going to manage this as a long-term asset so that we've got it there as part of that enterprise mix'. I guess that's a better way of answering your question.

Ms RATTRAY - Are you aware how many landowners have replanted? My understanding is that nearly everybody replants in some type of species because they're looking for that long-term stability.

Mr COOPER - Generally the Forest Practices plan likes you to replant, it tilts towards that, but I think where we're going to see a bit of a change is that with the MI schemes failing some of the land that was rented to a company that has now gone bust has trees that are only just out of the ground. They won't have any income so they may be looking to put that back into pasture to make some income.

Ms RATTRAY - I even know some landowners who have agreements with companies that aren't bust who are seriously thinking about what to do in the future because of their returns.

Mr COOPER - But if it's plantation, I guess you would see that as a crop that has a longer span than a vegetable crop or cereal.

Ms RATTRAY - But if you're not actually getting your monthly or quarterly payments, you would be starting to question whether it was a good option.

Mr COOPER - Yes, that's right. A lot of farmers have taken a lease on and then gone to retire on the money coming and now the money has stopped, but they've got the asset. It's a bit disputed with some whether they've actually got it or not.

Ms DAVIS - Whether it's an asset or a liability.

Ms RATTRAY - But no income flowing from that.

Mr COOPER - Now they haven't got the income.

Ms DAVIS - Many of the businesses restructured to allow, in some cases, generational succession so that the older generation took the income from the MIS program as their income stream and have moved off the farm and left that to the younger generation, and now we've got the older generation with no income and the younger generation trying to work out how to support them in a situation that is very stressful. It's not good.

Mr WILKINSON - The worst-case scenario is that they might come back, we don't know, and say, 'There is going to be a transition out of public native forests'. If that was to be the case and if that worst scenario was to eventuate, to me there would have to be a lead-in time. If so, what time do you believe would be an appropriate lead-in time? Some argue 25 years.

Mr COOPER - I would say 200 or 300 would be better.

Laughter.

Ms DAVIS - That is probably something more technical people than we could answer, but you would have to think that it would be in that order. I know there are contracts out until 2027. That would give you at least the sort of time frame that you would need. We're not talking about short-cycle crops here, we're talking about long-term investments that people have made in all good faith and if there is to be a transition out of them in the public sector then we need a bit of time to work out what the flow-on implications are for the private sector, and how we expand our product mix, or pick up the pieces that are left to make sure that what we've got left is viable too, and that's not going to happen overnight.

Mr COOPER - I think it would want to be supported by a really good business case to show that the State could afford to lock up 600 000 hectares. It's obviously going to take money away from health, education and police and all those other things that we need money for, so are the community happy with that?

Ms FORREST - No, the community want to have health and education services, and the trees locked up.

Ms DAVIS - I would like to win Lotto too, but that's not going to happen either.

Ms FORREST - They want good roads to drive on and good bridges.

Mr WILKINSON - But you see, again being the devil's advocate, it might be a situation where - and we were talking about it earlier - they say, 'Look, Commonwealth, this is what it's going to cost'. They saw what happened with the Franklin Dam and how

politics can play a part and forget about science and forget about everything. If you're going to get the votes, that's enough. It's the wrong way to do it, but it happens, unfortunately. If the Commonwealth, therefore, said, 'I will give you *x* amount of money to do this', people may put their hands up. They might say, 'Yes, I'm sick of all this uncertainty, I want out'.

Ms DAVIS - They may, and that would be their right and their decision. What our position is, is that that offering needs to be a fair and reasonable one and there has certainly been an increasing awareness of the importance of not alienating private property rights, and some case history precedent, legal precedent, to show that where the State does impact on a private property right there needs to be reasonable recompense. So whilst you may pick off some low-hanging fruit by people who just throw their arms up and say, 'It's all too hard', those people who are making this part of an ongoing business enterprise will need to be appropriately financed to recognise those impacts.

CHAIR - Just returning to our term of reference, Jim, were you referring to the public estate then or private or both?

Mr WILKINSON - I was referring to both really because we don't know exactly what's going to happen. What concerns me is if it's in relation to the public, economies of scale might say, 'Well, look, we're getting out of all of it. There won't be the business there for your private native forest holders as well', and that concerns me.

Ms DAVIS - Yes, business case is really important. If I'm going to play the hard-nosed advocate for the farming community, the social implications are not necessarily my concern. A business case from our point of view would need to look at what the flow-on implications are from the private lock-up transition to the private sector so that we can quantify those. If we transition out of public, what are the flow-on implications for the private sector? Everybody keeps saying there won't be any or worse still, telling us that that will open up markets for us that we don't have now, as I have heard several people say with no justification whatsoever. We would need to have some very hard-nosed analysis at that point to be able to quantify the implications and to work through a process that would ensure our businesses were not necessarily impacted to the point where they become unviable. At the very minimum, if that's government's decision, there needs to be hard-nosed economic analysis of the consequences to private, recognition of those and development of processes that can either mitigate them or recompense for them.

Mr COOPER - I'd say that it's a throwaway line to say high-conservation value. There has to be science behind that. There's science behind all the decisions that the Forest Practices Authority makes based on, say, ovata eucalypts were in short supply by a measured scientific analysis so we are not harvesting ovata, or not clearfelling them anyway. When we talk about high-conservation value, that's okay but it wants to be on a scientific basis not an emotional one, which I fear it is now.

Ms RATTRAY - Have you heard what the assessment is - the definition?

Mr COOPER - I think it's just a term, to be honest.

Ms RATTRAY - I thought you might have been ahead of me, Brett. I'm still waiting for my definition.

Ms DAVIS - I sat in on some of those principles discussions and, for what it's worth, the definition that certain people were using of high conservation is anything that's native forest.

Mr COOPER - Yes, because it used to be old-growth forest, if you remember, and then that soon became high-conservation value and now it's native forest. The other thing about compensation and landing farmers with the responsibility to look after conserved areas is that you have to do it with the goodwill of the farmer. It's not a bit of good saying to the farmer, 'You can't do anything with that block of bush because the community wants it left' and then leave him to it and say, 'You're responsible for the fencing, weeds, fire control and paying the rates every year'. You lose the farmer's goodwill, so what is he going to do? There will be a match going into it every now and then when it shouldn't and the sheep and cattle will be herded in there.

Ms RATTRAY - And who's going to police that?

Mr COOPER - That's another cost in the business case that would have to be put forward.

CHAIR - Are there any closing statements that you'd like to make, Jan or Brett?

Ms DAVIS - Chair, I think we've covered most of the issues we wanted to get on the table. I would say in closing, as I have said during my comments, that we're very highly aware of the flow-on consequences of a transition out of public forests for the private land-holders. We are adamant that that has to be in a managed, informed and market-based environment and that private forest owners, farmers in this case, are not going to continue to carry the costs of government decisions. They include they management of the consequences of that land which is already locked up, and we're talking about fire, fencing and all the stuff that we are already seeing impacting on farmers, let alone taking more land out of that useful, productive management into reserve that is simply locked up.

Mr COOPER - The other thing that we read from talking to other farmers is the feeling of frustration that they haven't been allowed to be involved in the process of the roundtable discussion. There have been no open forums or anything like that and that's causing a lot of frustration, even amongst members of the organisations that have signed it.

CHAIR - You did have an opportunity to talk to Bill Kelty, I think, eventually?

Mr COOPER - Yes, we did.

Ms DAVIS - And we await his final report with interest. We appreciate the effort that you have put into this, Chair, and the opportunity to present our evidence both in written and verbal form. If there's anything that we can provide additionally, please don't hesitate to let us know.

CHAIR - Our pleasure. Thank you very much for coming down.

THE WITNESSES WITHDREW.

Dr JACQUELINE SCHIRMER, FENNER SCHOOL OF ENVIRONMENT AND SCIENCE, AUSTRALIAN NATIONAL UNIVERSITY, WAS CALLED VIA TELEPHONE LINK, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

Dr SCHIRMER - What I would like to do first of all is give a five-minute summary of the key points that I will be making in the longer written submission that I will put in afterwards. I sent down to you only a summary of dot points.

The key issue for me has been thinking about what areas we can comment on from the point of view research that my group is undertaking at the Cooperative Research Centre for Forestry. Probably the first point to make is that when we are thinking about impacts of trying to shift out of native forest harvesting, there are a lot of impacts already happening. More and more we are finding that the impact of what we call the anticipation phase are often some of the most difficult for people in the forest industry and for rural communities to cope with. What we have happening at the moment in Tasmania obviously is an extended period where people working in the industry are very uncertain about the future. They do not know when a decision will be made about the future and whether their jobs will be there. During that anticipation phase what we are seeing - and we are currently completing a study that is looking at these issues - is that many workers are choosing to take alternative employment opportunities. So the forest industry is already losing quite a lot of skilled workers because of the anticipation that there is going to be some kind of major change to the industry, and that is having flow-on impacts on communities. So we are finding examples of workers shifting to work in the mines on the mainland, for example. We are also seeing a lot of businesses holding off on making investment and that is having a chain of effects through to equipment suppliers, mechanics and rural communities - that kind of thing.

It is absolutely critical that there is some certainty for people in the industry and the communities that depend on the industry soon, because we are already seeing a lot of the negative impacts that people fear will happen if there is an exit from native forests, simply because people are worried it is going to happen and they are not certain about the future. We are seeing a lot of instances of severe anxiety, stress and depression as a result of that.

Shifting beyond this anticipation phase, in thinking about what impacts transition out of public native forest harvesting would have, I guess the first thing that you need to look at is the potential scope of those impacts. A lot of people have been asking how many Tasmanian workers depend on harvesting publicly-owned native forests for their employment. Our estimates are that if you take the traditional forest industry and then also the woodcraft industry, in total you probably have about 3 400 people who are directly employed in those industries at the moment based on public native forests. That has gone down quite a lot in recent years. If you went back two or three years it would be a much higher figure because so many jobs have been lost due to the downturn in the industry. In my submission I will be detailing how we came to that figure and what it is based on. That figure does not include all the indirect jobs that depend on the industry. So one of the challenges there is that at least one to two jobs are generated downstream for every one of those 3 400 direct jobs. So it's a lot of jobs potentially impacted by change.

When we look at the distribution of those jobs, we've done a brief analysis of which communities are most vulnerable to change. If you look at the local councils where the most people depend on the native forest sector, it's as most people would expect: Glamorgan-Spring Bay, Circular Head, Huon Valley and Dorset are all very highly vulnerable to change in the native forest industry. But probably a point that should be made is that right around Tasmania there are a lot of jobs that do depend on native forest, so you can't just say a few small communities will be impacted or a few large ones; it's really a statewide impact.

We're currently analysing how to actually help people adapt to change. So what are the key areas where people are vulnerable to experiencing negative impacts and what are their skills and capacities so that they can actually think about how to proactively adapt to change? Probably the key thing to point out about impacts is that you often find a lot of people saying, 'There are 3 400 people dependent on the industry and they're all going to lose their jobs,' and that's certainly not the case. When we've gone back and looked at what happens as a result of the regional forest agreements, which reduced access to a lot of native forests, we found that five or 10 years down the track most people have found some sort of different employment or a new future. What's important is how you actually support people through the transition, how you help them find new jobs and how you actually provide the sorts of support they really need, which goes beyond simple cash grants - things like providing mental health counselling and a range of other sorts of support that are bit less tangible than simple cash grants. That is a really critical consideration because the actual impact of any transition depends on what sort of support is given to the people who experience those impacts. Someone who is put out of a job but gets assistance to retrain, to apply for a new job, to relocate to a new place, is going to do a lot better than someone who just loses their job and is given no support.

Ms FORREST - We had the TFGA representatives in and they believe that any transition out of native forest, whether it be a large amount or even a smaller amount, should require a business case being conducted to look at the cost of reserving whatever acreage of land may be decided upon. So you think that included in that business case should be the cost of supporting people through that transition, not just the cost of the grant but long-term support into new employment and mental health issues and all the whole bit.

Dr SCHIRMER - Yes, I would argue that. The other reason to do that is simply that in the past a lot of assistance packages haven't been well thought through before they were implemented and you see a lot of wasted money or a lot of concerns later on about where money was targeted. If you do some good work beforehand you can actually do a much better job of supporting people and making sure that government money is better spent.

Ms FORREST - Obviously that work takes a while to do, and I know you've been involved in data collection and analysis over a number of years, but if you're looking at a lead time to even come anywhere near making sure that a process that might be put in place was going to meet those needs, as well as considering how long the industry itself may need some transition in how they operate, what would you think would be a fair time?

Dr SCHIRMER - You've got the tension that every researcher would want to study it for five years and never do anything, and that is obviously completely impractical. Once we know what the planned transition is, having people work together for three or four

months to think about optimal assistance packages can be a really useful thing. But it's important to have clear time frames so that people know when decisions will be made, when assistance will be available. What sometimes is done in things like drought is that transitional assistance is provided while you're trying to figure out the final form, so you don't just leave people high and dry for four months while researchers sit in a little lab and figure things out. So there are plenty of options there.

Your point on the timing of a transition is a really critical one because how badly people are impacted depends on how much time they've got to adjust to change. If you shut off access to all native forest tomorrow that will have a much more negative impact on communities and workers than if you give, say, a five- or 10-year lead time that lets them plan for a transition and an exit. So it's an absolutely critical consideration to identify proper time frames but also clearly communicate it and stick to it so people have some certainty about what is going to happen, because that lack of certainty at the moment is causing untold negative impacts for a lot of people.

Ms RATTRAY - I couldn't agree more, Jacquie.

CHAIR - We have in the terms of reference the proposed transition and you talked about the impacts upon not only the local communities but the State as a whole. It's going to be a political decision, but if there were to be no transition I suppose it would be a no-brainer that it would be better for the economy of the State.

Dr SCHIRMER - I would not necessarily say that because it depends on the nature of the transition. You have an industry that is currently in quite a bit of difficulty with a lot of jobs lost in recent years. The downturn has meant that one-third of your forest industry workers have lost their jobs since 2008, so we have an industry that is not going along well. I do feel, based on our analyses, that some sort of actual change is needed, but whether it is a transition out of native forests I do not know. I was thinking of a completely different question. There are many things that may actually help the industry have a more positive future.

I would say that if nothing is done there is potential for a continued slide in the industry and continued loss of jobs which is not a positive outcome either, but there is equally the possibility that if a transition is handled poorly that will have negative impact. It all depends on how that transition is designed and what sort of support is provided for people, but in the absence of any clear change in direction in the industry there is a fair bit of evidence that quite negative change is likely to continue in the industry.

Ms FORREST - Is it fair to say at this point that a lot of that is being driven by the complete lack of certainty for the industry?

Dr SCHIRMER - Certainly quite a bit of it, yes. It is hard to say how much but a lot of different things have happened that create this sort of 'perfect storm' for the industry. The global financial crisis hit a lot of businesses very hard. In the plantation sector there was the collapse of the managed investment scheme sector, and the high Australian dollar is a really critical factor because that is making a lot of markets unviable that were viable just a short time ago. So you have multiple factors and it's not just the uncertainty about the future but that's a critical part of it.

CHAIR - As you know, Jacquie, we have had quite a bit of evidence to say that there is also quite a bit of optimism for new technologies to be developed within the industry. Exchange rates change, factors change, the fact that we are a net importer of wood products as well and the fact that Tasmania is one of the best places in the world to grow trees, so it's not all black and white, is it?

Dr SCHIRMER - No, definitely not. It is challenging when there are a lot of people wanting to plan for a positive future for the industry and having different views on what that might be.

CHAIR - Yes. Is there anything else you'd like to expand upon?

Dr SCHIRMER - I guess one point I didn't touch on earlier is just the consideration that if there is a planned transition out of native forests there needs to be a plan for what will be replacing it. There's been a lot of discussion of expansion of the plantation industry because they would be associated with any transition out of native forests and that has to be recognised to come with its own issues. We've had plenty of experience in the last couple of decades of particularly farmers being concerned about expansion of plantations on cleared agricultural land. There's also a need to recognise that if you invest in new processing plants based on plantations they're often much more modern and require less labour so you're not going to have a one-for-one job replacement just by shifting to plantations, it's a lot more complicated than that. I think that sometimes there's a bit of an assumption that you can easily switch over to plantations and everything will be fine but that is certainly not the case. The issues involved in trying to expand the plantation industry need careful consideration.

Ms FORREST - Jacquie, if there are any changes necessary, any part of that change is to reserve more forest or lock it up or whatever you want to call it, so do you have a view on how that should be managed? Obviously there are costs involved in managing the forest, doing fuel reduction burns for fire management and just general management if the public are going to have access to it for recreational activities and there are those issues as well. How do you see the costs being met? Should the responsibility rest with Forestry Tasmania or be transferred to Parks and Wildlife for example - how do you see that working?

Dr SCHIRMER - It's difficult for me to answer specifically in terms of which government agency is best off managing it because that's not an area I have expertise in, but the main point is that there is definitely a cost in managing reserved native forest that has to recognised and issues of fire risk and all of that certainly needs to be costed. The only thing I can really say, given that I don't look specifically at those issues in a lot of my work, is that there needs to be a consideration of the costs of the long-term reservation of native forests and what sorts of resources are needed to adequately manage them to maintain the values that they're being reserved for.

Ms RATTRAY - In your submission you talked about your report being forthcoming. Given your new baby, when is that next part of the report likely to be available?

Dr SCHIRMER - In June. We were hoping for May but it's taken us a little while longer to collect data than we hoped so it will be in June. There is actually myself and a team of people so when I go on maternity leave not all the activity stops.

Ms RATTRAY - Good to hear.

Dr SCHIRMER - What we will have out of that is a much clearer idea of how we can help people adjust to change so that we get beyond assuming that people will just lose their jobs and look at how we can design effective strategies for helping them. That includes not just helping them adjust to any future transition out of native forest but supporting people who are actually struggling right now.

Ms RATTRAY - Jacquie, you might not be able to share this with us, but you talked about the situation four or five years ago. Are you seeing something different this time around? Is there a different climate, if you like, in Tasmania, five or six years on, for being able to find more opportunities for people who are being displaced? Or is it too early?

Dr SCHIRMER - It is a little too early but I think one of the differences is that a lot of people in the forest industry have fewer resources to draw on. Particularly in the harvest and haulage contracting sector people have been struggling with high levels of debt and reduced rates of return for so long now that they have no capacity to adapt to change. That means they are probably likely to need more support than they would have had five or six years ago to cope with more major change.

Ms RATTRAY - Is that something to do with the fact that their quotas have been cut back and back over at least the last three years?

Dr SCHIRMER - Yes. It is the loss of quota and also the very rapidly rising costs of doing business, and particularly for the harvest and haulage contractors it is rising fuel costs. We have not seen a rise in returns for them that has helped them overcome those costs. We are seeing more and more people that have gone into extensive levels of debt hoping that they would be able to fulfil their whole quota and cover their costs. There are also quite a lot who have very big investments in capital equipment that they were encouraged to make two or three years ago which have left them really struggling to service debt. All of that reduces their capacity to cope with future change.

From what forest business managers and workers are telling us, they are feeling less motivated to try to think of new ways to shape the industry or invest in it. A lot of them are feeling quite hopeless and helpless about the future. That's actually a very difficult situation for them to be in because it means they find it very difficult to cope with change and the common response we've had from, say, sawmill managers is, 'I'd just like to be able to walk away tomorrow'. They are feeling frustrated, demotivated and unable to think about a future because they can't imagine the forest conflict ever stopping or things getting easier. That's a pretty sad situation for them to be in and most of them would say it has got worse over the last five or six years.

CHAIR - On the other hand we have had evidence from sawmillers who are very positive about the future and can't meet their demand.

Dr SCHIRMER - Absolutely. When I say 'negative about the future' I mean because of concerns about the political certainty of the future, not markets. The majority of native forest sawmillers have actually got quite good markets. When we've looked at how some

of them have been faring, a lot of them have actually had increased business activity in recent years and yet they are feeling despondent about the future because they just don't know if they have secure access to resources.

CHAIR - Obviously you've got quite a good handle on what drives the Tasmanian economy and might I suggest it's one which does not have a lot of scope in some ways because of our economies of scale. If there is to be a transition out of native forests, where would you see those people who lose their jobs or contracts or whatever being able to pick up the threads and in what sort of industry; where do you think they would go?

DR SCHIRMER - That's a good question and we are actually just about to start analysing that data from surveys we've done of workers who have left the industry in the last three years. Unfortunately, I haven't actually done the analysis yet. We are hoping to get that finished next week. We are finding that a lot of workers are finding new employment in areas like the transport industry. A lot have gone into roading and construction and there have been jobs available there because of government funds and activity. But there are some who have gone to the mainland because they've felt that there's just not alternative employment available in Tasmania, and that's a very concerning thing.

CHAIR - Yes. As you are aware, our economy is unfortunately right under the pump at the moment. Apart from a little bit in the mining industry, there is nothing of significant private investment going on and the public infrastructure investment has dried up, so it is obviously a concern, particularly in the short term, as to where some of these people might go if there is a transition.

DR SCHIRMER - Absolutely. That's where the time frame of transition really matters and the types of support provided. With the regional forest agreements, in some areas they actually provided a grant for people to develop new small business opportunities and they had an exit period, so a five- or 10-year transition to let people develop those new business opportunities. That actually helped them develop some things from the ground up where there weren't many other alternatives. Those sorts of things can be really beneficial in a situation like this where there is not a booming economy or a lot of alternative jobs out there. So I think there is opportunity for things like that but it does require careful planning and support and unfortunately that does mean government funding.

Ms FORREST - The other aspect of that was the loss of the skilled workforce. If these people do move into even transport, potentially you are losing a skill set. As Forestry Tasmania suggested today, there are other avenues perhaps for different types of veneer peelers and that sort of thing. Do you think it would be a bit difficult, if you do find expansion in that area, to actually get a skilled workforce willing to come back into the industry? We've had the Salamanca agreement, the RFA, the Helsham and the TCFA, all of them supposing it is the last time we are doing this, so do you think this is going to create bigger problems in trying to keep the forestry industry a bit vibrant if new technologies do become available?

Dr SCHIRMER - Yes, I do. When we have surveyed people and asked their views about the future of the industry, there have been a few key things coming out. One is that most workers who are in the industry do it because they love being in the industry, particularly in Tasmania where there is often a strong cultural history of being in forestry, but once

they leave they tend to say, 'I feel so much less stressed in my new industry because I've got a certain future'. There's a very low level of trust that any decision that's reached will actually last more than a few years, which does reduce the likelihood that people will come back into the industry. So recruitment of skilled workers to support an expanding industry or changed technology is likely to be a problem.

You also have the issue that there are other parts of Australia that are calling out for skilled forest industry workers. That's where some Tasmanian harvest and haulage contractors have already gone and they are unlikely to relocate back.

Ms FORREST - So should we really be looking at, rather than transitioning workers out of the forest industry, trying to find other avenues within the industry to keep them there so that if some of these proposals that FT seem fairly confident in come on line then we are actually going to have a critical mass of workers to actually allow that to happen?

Dr SCHIRMER - It's a difficult one to answer because it gets into the question of how much governments should try to support what's effectively a private industry. I would argue that there is a lot more need to encourage people to help think about futures and plan for them, whether it's in or outside the forest industry. From the point of view of a lot of Tasmanian communities the critical issue is how we keep people in our communities rather than whether it is a forest industry job or not. At least keeping people in Tasmania gives the opportunity that they may swap back to working in the forest industries as opportunities come in the future. Rather than focusing just on the forest industry there's a need to think about all the potential opportunities, whether it's in or out of the industry.

CHAIR - We recognise that structural changes have been occurring and at the end of the day it will be a political decision as to whether there is a transition and over what period of time. If that is the case, should there not be an onus on the State Government to come up with a full social study of the impacts?

Dr SCHIRMER - I agree with that. When we talk about impact study we need to think about it as being not just something where a researcher tries to predict impacts. What's really needed is a social impact assessment team to work with forest industry businesses, workers and communities to help them figure out for themselves and come up with unique ideas as to how they can proactively cope with change. We find that tends to be a lot more successful because people are supported and given the resources to come up with new ideas as to how they can change their business and target different areas in forestry, for example, or develop new business opportunities. I do think impact assessment is needed but not before things happen; it needs to accompany the decision-making process and continue as changes are implemented. It needs to be a long-term investment to be effective and be more than just a report that is thrown on the table.

CHAIR - So you don't see that should be done before the axe falls?

Dr SCHIRMER - I think it would be helpful to do some of it before the decision-making and to make sure it informs the decision-making. The ideal social impact assessment works with decision-makers so that when they come up with a proposal you can say, 'If you go with that, here's the likely things you need to consider and the strategies you need to consider'. It needs to be a process where you work with people.

CHAIR - That's what I was driving at. How long do you think something like that would take to achieve?

Dr SCHIRMER - It's a little difficult to answer that. We have almost finished collecting the base-line data that you need to do that sort of work; that means you can work with decision-makers. It means that by June we are ready to work with them, so if they give my group, for example, ideas of what they are thinking of in terms of decisions, we can give them advice based on the data we already have and say, 'Here's what the impact of that might be. Here's the assistance strategies you might need to think about. Here's the likely consequences', and we'd be in a position to do that.

CHAIR - Jacquie, thank you very much for that information.

THE WITNESS WITHDREW.