

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE TASMANIAN FORESTS AGREEMENT BILL 2012 MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART, ON THURSDAY 17 JANUARY 2013.

Mr PETER McGLONE, DIRECTOR, AND **Mr ALISTAIR GRAHAM**, TASMANIAN CONSERVATION TRUST, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Harriss) - We welcome you to these proceedings. We appreciate your being prepared to appear before the committee. You have both appeared before parliamentary committees previously so you are familiar with the matters related to parliamentary privilege.

Mr McGLONE - There are seven points the TCT would like to raise with the Council that are directly related to the Tasmanian Forests Agreement Bill and matters incidental to it. We consider it is very important that the councillors consider the wider context in which the legislation has been brought to parliament in order to provide the appropriate context within which possible amendments may be evaluated, amendments that have been tabled and may be tabled in the future. Furthermore, we can see opportunities for the Council to seek assurances and commitments from the government that some of the more unsettling possibilities will not be pursued. The TFA bill and the Tasmanian Forest Agreement if implemented unchanged will not deliver a comprehensive forest outcome, peace in the Tasmanian community or settle the concerns in the marketplace.

The TCT recognises that the TFA would deliver significant conservation outcomes, primarily through reservation of wilderness and World Heritage values on public land, which we very much support, but there are other equally significant biodiversity conservation outcomes, principally forest biodiversity conservation on private land, which it will not deliver and may perversely place under great threat.

The TFA bill as it stands is likely to increase the threat to those forests outside the current and proposed reserves, which are the most important for conservation and biodiversity, including habitats and threatened species. These forests need the protection offered by a strong and scientifically based forest practices code. They rely on that code, however the provisions of the bill could potentially weaken the code at a time when we are expecting it to be strengthened following the recent review. Retention of a strong code that protects biodiversity values is also required to give confidence to buyers and consumers that timber products come from authentically sustainable forest sources. It is also vital that the Legislative Council recognises serious deficiencies in the signatories' vision for Tasmania's forests.

I am going to go through each of the seven points but focus heavily on the forest practices code issue up front. It is of the utmost importance to ensure that the forest practices code is not downgraded and that the forest practices advice currently before the minister to upgrade the code to improve its biodiversity conservation provisions is acted upon. We raised similar concerns with the Legislative Council back in December and we have provided a copy of that submission.

The code sets the benchmark for commercial forestry operations and has often been highlighted by industry and government for many years in order to back up claims of best practice in the Tasmanian forest industry. The code is a living document. It has been subject to, in my time, upgrades in 1993 and 2000. They principally addressed the concerns at the time about soil and water provisions in relation to cable logging in steep country. More recently, in 2007 to 2010 the Forest Practices Authority initiated another review of the code with a view to upgrading provisions to do with biodiversity conservation. The resultant report and recommendations have been on the minister's desk since July 2010 pending, in the words of the minister, the outcome of the peace talks. For as long as the code is not upgraded as recommended it continues to fail to respond to scientific advice, national confidence and community expectations. From November 2012, meanwhile, the TFA seeks a commitment from the government to amend the Forest Practices Act. It seeks to recognise the vision and that has been included as a schedule to the TFA bill. It is an agreement which is to amend the Forest Practices Act to consider social and economic as well as environmental outcomes in any decision-making processes. The agreement says that it wants to maintain the code but clause 54 seeks to ensure that the review of the code is 'progressed in a manner consistent with the TFA'.

We believe the intention is clear that the code is to be made subservient to the TFA. The TCT understands that the minister has already sought advice from the Forest Practices Authority as to how this subservience might be achieved. You may recall comments from Ian Dickenson from the TFGA in December. He made reference to the fact that this advice had been sought. The Forest Practices Authority made clear in its submission in December 2011 to the Jonathan West IVP process that the goals of the forest agreement to increase reservation and guarantee wood supply levels cannot be implemented without undermining the code.

Forestry Tasmania would probably need an exemption from the code in order to allow it to breach the dispersed coupe and other provisions, and implementing the recommendations of the report on the review on the biodiversity provisions of the code would require a substantial increase in headroom discounts for decrease in available wood resources.

Just in case there is any doubt about what progressing the code in a manner consistent with the TFA means, clause 5 of the TFA bill makes it clear that if any provisions of the act are inconsistent with any provisions of the Forest Practices Act, the provisions of the act prevail. The purpose of this clause is, in particular but not only, to ensure that current or proposed new provisions of the code would be overridden if it restricted, in the opinion of the forest minister of the day, the capacity to supply guaranteed wood volumes. We have a recommendation that at a minimum clause 5(d) should be deleted and new subclause 5(2) inserted.

CHAIR - You say you have a recommendation that you refer to your submission; have we received it?

Mr McGLONE - I sent it through a couple of days ago.

If the code is to be weakened or prevented from being strengthened or supply guaranteed wood volumes, this would have disastrous outcomes for Tasmania's forest biodiversity.

Our negative view on the impact of weakening or failure to improve the code is not just our view. It stems from a wide range of scientific reports and submissions by other organisations that show that the unprotected forests which are most important for forest-dependent biodiversity are found on private land and that the retention of a strong forest practices code is in fact the only instrument of policy or legislation that can be used to control the impacts of logging on private land.

TCT raised concerns previously with both the Legislative Council and the committee inquiry in 2011, with the independent verification panel process in 2012, and similar concerns were raised by the Forest Practices Authority in its submission to the IVP process. I summarised them earlier.

We also refer the Council to the excellent scientific papers presented to the Ecological Society of Australia's symposium penitently poignantly titled 'Forgotten Conservation Priorities in Tasmania' held in April last year. These papers demonstrate the broad and deep concern within the scientific community at the prospect of a so-called peace deal which is expected to exacerbate biodiversity conservation problems outside the reserves.

We also draw your attention to the Rod Knight Report 1A to the IVP process. This report addresses the contribution made by the proposed and existing reserves to the forest conservation targets included in the Australian Government's national reserve system targets. It is clear that the proposed public forest reserves make little contribution to the efforts to implement the ongoing Regional Forest Agreement commitments to the national reserve system targets. Almost all of these targets, Mr Knight finds, are to be met on private land if at all. In fact it was the concerns within the scientific community regarding the failure of the forest practices code to adequately conserve diversity that led to the review of the code in 2007-10.

I will move on to certification. Clauses 46 to 48 of the Tasmanian Forest Agreement relate to certification of the remaining forestry activities in Tasmania post the agreement. We are concerned the signatories may not be committed to authentic certification of native forest harvesting regimes but instead may be attempting to use certification in some crude way to patch over the problems created by the weakening of the Forest Practices Code or for failing to strengthen it. Authentic certification must recognise the best practice forestry rather than attempting to make up for any flaws in existing regulation. To us, the very purpose of certification of any industry is that they aim to meet best possible practice in their industry, not just try to meet or slightly exceed the regulatory requirements.

The vision for Tasmania's forests is included as a schedule to the TFA bill and therefore it is intended to have statutory status and perform the critical function as a, or you might say, the forest policy of the state government of Tasmania. It is rather strange or ironic that a number of us - maybe people on the other side of the table as well as Alistair and I - have been calling for a clear vision or policy statement and set of objectives for public forest management for the forest industry from government for decades. Here we have a vision which is not just a very broad statement but a very specific set of objectives for forestry and forest conservation written for it and handed to it and endorsed without change by the lower House and the government. I think the Legislative Council should be very concerned regarding this vision, not just because of the way it was developed but

most importantly because of the flawed content and the negative way in which it may be applied.

Probably the most astonishing thing, apart from how it was developed, is that the vision fails to recognise that there are any conservation values for forests outside of the formal reserve estate on public land, nor does it recognise conservation measures other than formal reservation. By omission the vision contains an untenable and rather shocking assumption that the effective protection of biodiversity and other forest values will be delivered through the current and proposed reserves on public land. Furthermore, the vision falsely implies it does not matter in effect how future forestry operations take place once the proposed reserves are in place.

The primary reason the vision is included in the legislation, in our opinion, is to allow all actions required for implementation of the vision, in particular to provide 'confidence and security to production' - we read 'wood volumes' - to be exempted from the state's planning and environment legislation, in particular but not only the Forest Practices Code and Act pursuant to clause 5 of the bill. For example, it is likely the current coupe dispersal requirements of the code, which are already putting Forestry Tasmania under some pressure, would be exempted to provide 'security to production'. Generally, the current stringent controls on cable logging in steep country may be exempted to permit a significant expansion of this form of logging to compensate to some extent for the loss of resource. We might all remember the presentation given by Steve Whiteley and Bob Annells from Forestry Tasmania signalling this intent for scaling up the cable logging.

Any significant improvements to the code which increase headroom, the area of forest that cannot be logged due to environmental constraints and impinge on the security to production, would either be refused by the forest minister or, if implemented, could be overridden by the forest minister pursuant to clause 5 of the bill. The minister could further justify such actions because strengthening of the code quite perversely would be seen to threaten the vision's goal of 'resolution of a long-standing conflict'.

The other purpose of the vision is to elevate the importance of the proposed reserves and assert that the proposed reserves virtually complete the forest conservation agenda, which clearly they do not. The vision also fails to define 'sustainability' in any specific sense but, given the only reference to it is in the industry clauses, you can conclude that the vision that is presented by the signatories, the vision that's been introduced by the government and passed by the lower House, is meant to relate only to financial sustainability, that is, retaining volumes of wood that the industry requires for financial sustainability. That would be a very unsatisfactory way to define sustainability.

I'll move on to Forestry Tasmania briefly. It is vital that the government commits to reforming Forestry Tasmania in line with the URS Australia review in August 2012. It's important that things are not frustrated by the TFA bill in that fundamental reform of institutional arrangements for the management of those state forests reserved land is taken as a matter of urgency. URS Australia correctly identified the separation of commercial wood harvesting from multiple use management of public land and forests as a vital institutional step. Public native forests are obviously possessed of a wide range of values and subject to a wide range of uses that may be either complementary or in conflict, hence the term 'multiple use'.

It's for this reason that we think it's important to amend the TFA bill by deleting clause 7 which suggests replacing all reference in legislation to 'multiple use forests' with the term 'permanent timber production zone'. While this renaming exercise in clause 7 might be seen to be just a cosmetic exercise, although an important exercise for industry, the entrenching of legislated supply commitments in clause 6 is inappropriate. The industry is to be put in a modern, sensible market-oriented basis.

Bob Annells came here to you in December and pointed out that the industry is inevitably changing to a different scale and form. It seems inappropriate to then entrench it in its current form.

We appreciate that to abandon legislated supply immediately would be unsettling for sawmills, so we recommend an amendment that provides a five-year sunset clause on such supply guarantees.

Moving on to the issue of reservation, although we've expressed our very strong concerns that the reservation agenda advocated by the signatory groups makes little contribution to the national reserve system targets as it still remains true that the vast biodiversity priorities are found outside those proposed reserves, we do recognise and support the reserves that are put forward in the TFA bill. They importantly contribute to national and international conservation objectives in regard to world heritage and wilderness conservation particularly.

In regard to world heritage, we wish to emphasise that it's of particular importance that both governments continue and we understand that we've heard positive signs that they are continuing to progress with a nomination for the World Heritage area extension. With that in mind, I think the relevant issue for the Legislative Council is that they have the capacity, I believe, to recommend to the state government that it ensures that nomination is not hindered or affected by ongoing logging and we recommend that a recommendation go to the state government that Forestry Tasmania immediately cease all logging operations or roading operations in areas proposed for World Heritage listing.

In conclusion, in regard to forest carbon, it's really vitally important to get it right on forest carbon policy, not only to take advantage of commercial opportunities afforded by reductions in greenhouse gas emissions, but also to avoid the perversities associated with encouraging the development of biomass or biofuel industries based on wood from native forests.

We are aware of media comments and opinions that I think came from this House, that the commonwealth may decline to issue carbon credits to an otherwise eligible Tasmanian entity because of 'double-dipping', financial benefits associated with the TFA implementation being deemed to have been substituted for carbon credit eligibility. This is an incorrect interpretation of the situation and we've tabled, as an attachment, a letter from the commonwealth parliamentary secretary to the Minister for Climate Change, Mark Dreyfus, that I believe clarifies that situation. I will leave my presentation and take questions.

Dr GOODWIN - For clarification purposes, the TCT is not a signatory to this agreement. Do you consider yourselves bound by it?

Mr McGLONE - No, not at all.

Dr GOODWIN - Are you connected with any of the other ENGOs that are signatories to the deal?

Mr McGLONE - No, not connected. We know of them and have a certain relationship.

Dr GOODWIN - You mentioned that it does deliver some, I think the words you used were 'significant conservation outcomes', but you also referred to the fact that it does not extend to areas which are private forest, and they have significant biodiversity values.

Mr McGLONE - Yes.

Dr GOODWIN - You also mentioned something about those areas being perversely placed under increased threat as a result of this deal, potentially. Correct me if I am right.

Mr McGLONE - That is correct, yes.

Dr GOODWIN - Can you explain why that is? Is it because of the weakening of the Forest Practices Code that you are alluding to, or is it because there is likely to be more intensive harvesting of those areas in order to meet the wood supply, or some combination?

Mr McGLONE - I think it is one and the same. An inevitable consequence of the agreement will be an intensification of logging in public forests; maybe some of that will spread to private land as well and the outcome of that will clearly be negative for a range of environmental values, in particular, biodiversity values. We will see a potential weakening of the Forest Practices Code exemptions granted to Forestry Tasmania and perhaps to private foresters. Perhaps even more importantly, we will not be seeing the improvement to the Code that has been recommended some two and a half years ago. This was after three years of extensive work by the Forest Practices Authority led by a panel of eminent scientists who were a majority of non-government, scientific experts. That is a really compelling process and report that says that we are way behind in terms of the science of conserving biodiversity in the forestry industry and we need to improve our game.

If we cannot implement those recommendation, or at least most of them, we are a long way behind where we should be. 'World's best practice' is not a term you can honestly use any more in regard to our forest industry.

Mr GRAHAM - One of the things we have also seen is the response of Ta Ann to having their expectations of wood from public forests reduced down to 160 000 tons a year. They have undertaken to go and find 140 000 tons a year from private land and that is a lot of beating around the bush as they try to flush out that much wood every year. Most of the land-holders have habitually been in the industrial forest game in the last 20 years; in other words, they are not a group of land-holders who are just waiting to lift the phone and sell private wood. This is not wilderness; this is in the landscapes in which we all live.

Ms FORREST - A lot of the landowners have been cutting in the last 20 years but many of them would have been supplying Gunns. Gunns were the biggest customer for the private growers. Gunns have withdrawn from the market, initially voluntarily and now through becoming insolvent. Wouldn't that indicate a degree of redundancy in the system that there is that amount out there?

Mr McGLONE - Just because Forestry Tasmania has left and is not buying wood, that does not make the trees regrow. You can soon replace the volume -

Ms FORREST - No, I am not suggesting that, but they would have had a forward plan for Gunns. Gunns had a supply every year. It was not like they only had supply up until last year because they knew things were going to go differently.

Mr GRAHAM - The answer is 'no'. Although Forestry Tasmania has a long-term wood scheduling strategy in mind, Gunns didn't. Gunns, as you heard from Ken Padgett the other day, over-inflated the market for a variety of reasons. It was not just to push down contract rates but obviously that was one of the things. It was to take advantage of closing market operations. The standing resource on private land has been substantially degraded and won't return to those levels of production for decades, based on those land - holders who were engaged with Gunns. Ta Ann is going to have to go and find another bunch of land-holders who were not so engaged and that is a pretty tall ask.

Mr McGLONE - Can I add that I sighted for the submission to the OEP process by the Forest Practices Authority a comment that the goals of the TFA - well, they did not know that the TFA would exist - but the goals of increased preservation and guaranteed wood supplies cannot be implemented without undermining the Code. They were using figures that were given to them by Mark Barclay in a submission that related to higher figures of wood supply but they also were taking into account a lot of little reservations. They said, 'We cannot see these goals being implemented for wood supply and reservation, and being able to maintain the Forest Practices Code'. You have got the additional problem that Ta Ann could be losing its wood supplies, as I said, but that may be shifting the impact onto private land, if you find the resource.

Dr GOODWIN - This scenario we have just been talking about, how does that compare to a situation where you would have a lower intensity cut across a larger area? Because we are reducing the area that is going to be available to source the wood from. If that was not the case, do you get better outcomes -

Mr McGLONE - Sorry, what is the scenario you are painting? I am not quite sure.

Dr GOODWIN - What we are talking about now is having to have a higher intensity cut because we are going to have a reduced area for harvesting. The flip side of that is to have a lower intensity cut over a larger area.

Mr McGLONE - I think my answer to that will always be that regardless of whether you have the current area of public forest available, where you reduce that, you need to apply appropriate forestry standards and those standards absolutely should not be weakened from what they currently are. They should be strengthened; so given the resource you have got and the area, you need to apply the appropriate standards.

Dr GOODWIN - But you can still get good conservation outcomes out of that, is that what you are saying?

Mr McGLONE - Yes, absolutely. There are many conservation outcomes that can be delivered solely and only through appropriate forestry practices. There are some conservation outcomes which - and I am recalling a comment that Vica Bayley made yesterday about his preference for reservation - in terms of many values. For example, some threatened species have small bits of habitat across half of Tasmania - hundreds and hundreds of small patches of habitat are needed for species like the swift parrot. Only a few of the bigger patches could ever be conceived of being put in reserve. So if there are many values, you can't conceive of how they could be put in a reserve; so you would have to rely on the Forest Practices Code. Particularly outside public land, no government in the foreseeable future is going to force reservation on private land-holders. We are going to absolutely rely on forest practices to deal with the conservation issues.

Dr GOODWIN - One final question, and I might have this wrong but I think you said in your opening remarks something about this not delivering peace. Did you say something like that?

Mr McGLONE - Absolutely, yes. I will re-read it if you like.

Mr DEAN - It is a long way down there. If you speak up, we can hear what is going on.

Mr HALL - We cannot hear you.

Dr GOODWIN - Sorry.

Mr WILKINSON - You are the deaf one.

Dr GOODWIN - What I asked was that in the early comments I thought something was said about peace not being achieved through this agreement so I was asking Peter to confirm that and elaborate on it.

Mr McGLONE - Yes. The exact words -

Mr McGLONE - The TFA bill and the Tasmanian Forest Agreement, if implemented unchanged, will not deliver a comprehensive forest conservation outcome, peace in the community or, I think I said also, peace in the market-place. This is primarily because if you deal with just one part of the conservation agenda, if you ignore and perhaps put under great pressure an important other element of the conservation agenda, it won't satisfy us and I don't think it will satisfy the scientific community. It probably won't satisfy the regulator and I cannot see that satisfying all in the marketplace.

Mr GRAHAM - I think it is really important. The biodiversity conservation again has had to be played within an environment where there is a lot of noise on the wilderness and other issues and that's what most people in the media hear. It may or may not be able to talk about peace with respect to the wilderness agenda that may have some validity. The biodiversity conservation gain, to talk about it in such bellicose terms is inappropriate, but it's a really robust gain. We are always in serious contention at the international,

national and state level about what is the framework for articulating our aspirations for the landscape for conservation. Tasmania is an absolutely remarkable instance of that because the landscape we all know, love and enjoy we do so because they have those conservation values.

The discussion about how best to maintain and protect those values goes on forever. We quietly organised the spending of \$80 million in RFA implementation on private land. That has probably generated a couple of column feet in the newspapers over 20 years, but from the biodiversity conservation point of view this is the absolute crux of the job. It happens quietly, largely because people are distracted by other processes, but it would be an error to think that it's not a conflicted thing.

Mr McGLONE - The other reason it happens quietly is that as a construct of both history and land use change, and the nature of the Tasmania landscape, most of the wilderness and world heritage values lie in public land and most of the biodiversity priorities remain on private land so the campaigning for public forest focuses on wilderness issues. The biodiversity issue is very hard to actually get out there on the public agenda, putting aside the fact that it is extraordinarily more complicated.

A couple of quick factoids raised in our previous submission relate to what would be missed in terms of conservation biodiversity if we assume this deal was the end of the forest conservation gain. Two old growth-dependent endangered species in Tasmania, the masked owl and the swift parrot, are totally dependent for their nesting on hollows in old growth trees and rely almost entirely on the additional conservation on private land. The swift parrot has 10 per cent of its known habitat in public forests, 50 per cent on private land and the remainder in reserves.

The masked owl, through an amazing accident with biology, is almost unheard of in public forests. Almost all of it remains in lowland dry coastal areas on private land.

Mr WILKINSON - It doesn't want to be anywhere where there is a dispute with the forests; that's why they're wise old owls.

Laughter.

Mr McGLONE - They're against protests, yes, and no one protests for them. With threatened forest communities it's almost like the reserve proposal sought to avoid the threatened forest communities because of 254 000 hectares of mapped threatened forest communities, 5 000 hectares or less than 2 per cent are within the proposed reserves. By comparison 138 000 hectares, or 54 per cent of threatened forest types in Tasmania are on reserves on private land and that's what we potentially could lose if we declare this as a peace agreement.

Mr HALL - Peter, in your view do the new reserves capture elements that are currently underrepresented in the existing reserve network? If so, what are they?

Mr McGLONE - The report by Ron Knight to the IVP process is very salient here. I strongly urge you to invite Rod Knight along to address that and other questions because he can talk from great authority. The short answer is in terms of some acknowledged conservation targets, which we put a lot of weight on, most notably the agreed national

reserve system targets, no almost all of the priority targets additional unachieved targets must be achieved on private land. The current reserve proposal does contribute to those targets but it contributes very little. The national reserve system sets a benchmark of all forest communities having at least 15 per cent of their extent in reserves. Most of the forests within the proposed reserves meet that or exceed it; some are well above it. We're already seeing adequately reserved forest communities in terms of the national reserve system having more put into reserves. Those that are well under that target are not being addressed at all. Rod and I can go into great detail.

CHAIR - You have mentioned Rod Knight a couple of times. Am I right in understanding that Rod's work went to the real hotspots, if I can term them that way, in terms of environmental sensitivity?

Mr McGLONE - He was asked a range of questions by the IVP people, including what the contributions were to national reserve system targets and other conservation targets as set out in the RFA, for example. He gave them a whole bunch of data but he wasn't able, which he could perhaps do to this committee, talk about what all that means, what the IVP should have said, and what the agreement should have done about that. He wasn't asked to do that but he could clearly offer an opinion.

Mr GRAHAM - It's a little more complicated than being able to say, 'I want that hotspot'. Every time you make a step forward or backwards in conservation it changes the priorities and ambitions and places where you may want to go to. That's one of the reasons why we would urge you to talk to Mr Knight if you want to pursue this. He's spent the last 20 years in this somewhat arcane world and he could it explain it a lot better. It takes a careful approach in how you think through what is the next best thing to do to deliver a conservation outcome.

Mr HALL - You have talked a fair bit about the Forest Practices Authority and the new codes and your concerns with those, Peter.

Mr McGLONE - The proposed changes to the code.

Mr HALL - I will just address that from two dimensions. Do you agree the FPA should adopt a triple-bottom-line approach, taking into account the socio and economic considerations as well as the environmental considerations, in the management of wood production forests? The industry has mentioned to us in the last couple of days it is concerned about regulatory creep, in particular that any proposed new provisions placed in the code will reduce the area below the 10 per cent headroom to be used to calculate volume?

Mr McGLONE - I will answer the second question first. The industry is perfectly right to be worried because the Forest Practices Authority has made it abundantly clear in its IVP submission, and I believe in a submission to the Legislative Council committee, the likely changes from improving the code would be an increase in headroom. Not all the changes mean a reduction in wood supply but some would.

The first question was about the recommendations and the TFA to require the Forest Practice Authority to take into consideration economic and social considerations in their decision-making. The Forest Practices Authority made it very clear to the IVP process

that they already consider economic and social issues and they said in the IVP process it is inherent to the definition of sustainable forest management, which they adhere to, that you apply triple bottom-line. They have also recommended in the review of the code formal adoption of that definition from the national forest policy in the Forest Practices Act. They're not hiding from the need for a triple-bottom-line approach.

They are saying, 'We already attempted to do that and that we want it entrenched in legislation and a generally accepted definition taken from the national forest policy. At the moment they do what they can and I think they do a very good job through the review of the code to consider the interests of the broader community, the forest industry, conservation and scientists. What is now being asked, I believe, is that an individual decision, perhaps some sort of ad hoc interpretation of the social or economic needs of that particular operator, be taken into account in a way that sounds really ad hoc and worrisome. The correct way to do this is through a transparent review of the regulations or by embedding key definitions and objectives in law, which the Forest Practices Authority has recommended.

Mr GRAHAM - To add to that, there is a real question of governance here. The chief forest practices officer is a regulator. In order to do the job properly there has to be some kind of regulatory certainty with respect to how everyone expects to play that game. If you empower the chief forest practices officer to exercise triple bottom-line discretion, then you don't have a robust, fair regulatory system. We appreciate the concern is there but we think the response is inappropriate.

If we could trigger the review of the forest practices code, the Forest Practices Authority have embedded those considerations into their proposals for a review of the code, which goes beyond merely changing the regulatory specifics which we are customarily seeing in various situations in the code. In talking about what it means to deliver landscape-scale outcomes, it does require consideration of broader forest policy by people far beyond the regulator. That is the primary reason why we are really unhappy with the precipitant establishment of a de facto policy framework by putting the vision in a schedule to the act. This is not the right way to deliver the outcome. The proper way to deliver the outcome would be to have that proper review of the code within an existing process, within existing legislation, that is quite open and frank about the triple bottom-line problems that need to be dealt with not by the regulator and not by the signatories but by the broader Tasmanian community.

Mr McGLONE - I get worried about how that industry focus definition and vision could get applied and misused. If we have a vision that is part of law and includes the definition that basically says 'sustainability means sustaining wood supply', how might that get misused and how would the Forest Practices Authority then discharge its responsibilities? The definition they have preferred, that they have recommended it from the national forest policy, very clearly talks about optimising the benefits to the community from all users of forests, within ecological constraints. That is not all of it but that sort of concept within ecological constraints delivers a range of benefits, which may be FIAT's benefits or a whole range of other non-industry benefits as well.

Mr HALL - Even if this deal goes through, your organisation would continue to campaign against harvesting native forest on private land. In essence, you don't want to see any harvesting of native forests per se full stop?

Mr McGLONE - No, that is not true at all. In our previous presentation we gave a copy of our forest policy which includes a statement of endorsement of native forest logging if it is based on a strong forest practices system and is focused on use of regrowth resource. We are supportive of an ongoing native forest industry in Tasmania. We would certainly not campaign against native forest logging per se from private land or public land but we would, as you could expect, continue to campaign for the forest practice system.

Mr HALL - Got you; cheers.

Mr MULDER - We hear a lot in the forest agreement about the desire to achieve certification under the Forest Stewardship Council. I'm wondering what the relevance is between the Forest Practices Code and the fact that a lot of people have said to us that the only future for exporting any of our forest product, whether it be plantation or native, is achievement of FSC certification. I'm wondering what your thoughts and feelings are about the appropriateness of pursuing FSC certification for native forests.

Mr McGLONE - If we progress down the path of weakening the code, or if we just keep it as it is and not implement the much-needed improvements to the code, and then the Tasmanian forest industry generally or Forestry Tasmania seeks SFC certification, that would not be an appropriate use of certification. They would be attempting to tell the world, you asked for FSC and here we've got FSC; look, aren't we wonderful. The problem with the way FSC operates is that you could see Forestry Tasmania reply that the likes of the Wilderness Society put enormous amounts of resources into assisting to get that nomination approved by FSC Australia, which they made very clear that they would, and they've made very clear that they have already planned to put enormous resources into that - that is, the Wilderness Society. It would be a very hard thing for small state-based groups like us to then counteract that within the FSC process. Even if the FSC process is applied quite properly, it is a participatory and somewhat competitive environment where you get out of the process what you're willing to put in, depending on who participates and what effort you put in. They could well get certification following a weakened code, ramping up cable logging and pretend to the world that's an improvement, but it would undoubtedly not be an improvement.

Mr MULDER - So you'd be making submissions that unless the forest practices code was extended, you would probably try to get the Forest Stewardship Council to say no, don't do this because it's not quite sustainable.

Mr McGLONE - In a simple sense, yes. It should be on the basis of maintaining strength on the current regulatory system, and then FSC should attempt to achieve an outcome superior to what is legally required.

Mr MULDER - With a sufficiently rigorous forest practices code, then, FSC certification would be appropriate?

Mr McGLONE - Yes.

Mr GRAHAM - Yes but FSC is an international organisation that just sets principles and accredits certifiers. The actual certification is done by anyone who gets accredited so, we are already quite a long way away from the people who set principles. In the absence

of a national standard in Australia, an FSC standard, the actual basis for certification is a bit up in the air. It can be authentic or it can be really shonky. We actually have real live examples of that in the Tasmanian landscape right now. We've been involved with FSC certification for Peter Downie's Lagoon of Islands property, which is the first commercial scale FSC certification in Australia. We're delighted with the engagement we had with that process and the outcome. We are similarly well on the way to delivering a similar outcome with [inaudible]. Meanwhile, there's another lot rather imaginatively called Sustainable Forest Management, who have a group certification under FSC and who, in our view, would readily meet Jan Davis's snake oil salesman standard.

FSC itself doesn't actually deliver a good outcome on the ground. It depends very much on what the actual aspirations of the landholders are and how genuinely committed they are to engage in the community to be involved. Our concern is that if you don't actually have a regulatory standard which is reasonable, the amount of sloth between what you must do and what you should do is enough to cause quite a lot of noise in the community. We expect there to be quite a lot of noise unless the code is upgraded to reduce that amount of sloth.

Mr MULDER - I have trouble sometimes with the number of environmental groups and their particular agendas and issues. I know the TCT has been around for a long time. How large is it and what areas does it represent?

Mr McGLONE - Gee, how do I answer that? Yes, we have been around a long time, since the year of revolution in 1968 when we were formed. I wasn't involved then. We are not a big group in terms of finances, staff and membership. We have variously between 250 and 300 members which include a range of individuals, they might be industry groups, other conservation groups, individuals. I guess we play a role of bringing science with an independent, non-government view to the debates on a range of issues. We play more of a role of representing the interests of the environment and the science rather than going to a member group or a member individual, taking their concerns, then going out and representing those. We are not the delegate type of group that perhaps Environment Tasmania might be.

Mr MULDER - A trustee model.

Mr McGLONE - Yes, more the trustee model, exactly. I think that difference is really vital. Just because public opinion suddenly switches onto the latest fad in conservation, does not mean we change. We were one of the first groups in 1972 to start jumping up and down about the very new issue of woodchip export. We, the Conservation Trust, are still now dealing with issues related to forestry.

Mr MULDER - Thank you.

Mr VALENTINE - Obviously your concerns are quite broad, across a whole heap of issues and our task is to look at this bill that is before us and to review it. Can you restate for the record simply the changes to this bill that you see are necessary to meet your concerns, just simple statements of what you see as necessary changes?

Mr GRAHAM - Clause 5, the highroad issue is that this bill should not be exempting anybody from the planning legislation in the state, so clause 5 should go. With respect to

our specific concerns about having a reputable and effective forest practices system, clause 5(d) should specifically go.

Mr VALENTINE - I am sorry, clause 5(d) should go?

Mr GRAHAM - Absolutely. There is no way you are going to get any kind of rational forest management in Tasmania if you don't have everyone abiding by the code and you have a code which is respectable - it has to have it.

Clause 6, and we are very much aware this goes to the heart of the legislation but the reality is, you are being asked to engage in insane behaviour which is to continue to entrench the industry using administrative, legislative procedures to defend against commercial realities and it is costing the state hundreds of millions of dollars and it has to stop. We appreciate that there should be phase-out. But the idea of setting legislative minimums of supply to an industry that can't make money is just ridiculous. Ken Padgett said it all. If you want to sort this out, just charge suitable prices for sawlogs and everyone will sort themselves out.

Clause 7, we thought, as a token, it is really clear that the Legislative Council should be mindful of the reform of Forestry Tasmania that is coming down the track. This legislation will come to you in time but will require, we hope, substantial and profound institutional reform of public land management in Tasmania. This would be a good thing. Keeping it on a multiple use framework is only prudent. As you heard from Hans Drielsma yesterday, every forest has conservation value. The idea that you are going to legislatively determine that it only has one value - you can't do it. It's King Canute stuff. It would be a really bad signal for the Legislative Council to send, to be supporting that kind of untenable and unrealistic aspiration of what do with public forests.

In clause 5 the position becomes less pernicious; it sets down what the signatories want.

Mr McGLONE - We strongly resisted any attempt to reword the vision.

Mr VALENTINE - Sorry, can you restate that please?

Mr McGLONE - We strongly resisted any attempt to reword the vision. It's just better if you delete clause 5.

Mr GRAHAM - There is a statement of what the signatories intend, it is true, but clause 5 gives it dangerous effect. So, if you take out clause 5, it is a true and reasonable statement as [inaudible] but it doesn't have pernicious effect.

Ms FORREST - So you're saying all clause 5, not just 5(d)?

Mr GRAHAM - The broader issue with clause 5 is: what you are doing letting one bunch of operators exempt themselves from the planning environment legislation of the state?

Ms FORREST - Is it actually exempting though, Alistair, or does it just consist where there is an inconsistency? It's not actually saying that you don't have to abide by the planning laws or the Forest Practices Act, but if there is an inconsistency this prevails. There is probably a degree of difference there.

Mr GRAHAM - I think if you listen to what Hans Drielsma was saying going down to 10 per cent headroom is already in dream world. Forestry Tasmania has never been managed at 10 per cent headroom and it won't manage at 10 per cent headroom. It is stunningly obvious what will happen and it is a stunning inevitability that the industry will go to the minister time and time again saying, 'Look, we know this is the rules but I'm sorry we just can't make it if we do this.' This law will allow the minister to go, okay. It shouldn't be allowed. It's just not right that one commercial clan should be given a free ticket when no-one else gets a free ticket.

Mr McGLONE - Just in case there is doubt and you can interpret legislation in different ways, we suggest that not only 5(d) be deleted, but that it be replaced by the words:

The TFA shall not be taken to override or amend the Forest Practices Act and/or the Forest Practices Code and cannot be taken to provide any person or organisation with authority to do so.

What is the problem with inserting those words? In addition to that, it would be really beneficial to seek a commitment to that effect from the forest minister that he will commit to implementing the review of the Forest Practices Code. The Legislative Council could well take it upon themselves to seek that commitment in addition to debating -

Ms FORREST - That is if the minister will front up -

Mr McGLONE - I beg your pardon?

Ms FORREST - You are suggesting we ask the minister directly, aren't you, there?

Mr McGLONE - You could ask him in any way you wish.

Mr DEAN - On this point?

CHAIR - Very quickly, Ivan, to see how it goes on. The only reason I say very quickly is that it seems by Peter's reference to his document that some of the answers, if not all of the answers, are in the document. We need to make some judgments about that. Go ahead.

Mr DEAN - I appreciate that. The amendments to which you refer, and you have gone through them and articulated them, have you raised them with the government, or have you indeed raised them with other parties that were sitting around the round table? What have you done in relation to it?

Mr GRAHAM - We've been doing this for 25 years. This is just normal bread and butter forest policy discussions. The idea that this is the beginning of the end - yes, absolutely.

Mr DEAN - These specific amendments that you are referring to now, have you discussed or raised them with the government or indeed raised them with any person sitting around the round table or anybody else?

Mr McGLONE - No. We have certainly raised these issues with the signatory ENGOs over the last two-and-a-half years. Certainly the issues to do with the need to strengthen the code we have both raised personally and in correspondence with the signatories, with the various ministers and premiers since 2010, to no effect, except that we finally got a response back from Bryan Green, as forest minister, that said in regard to the recommendations to him to improve the Forest Practices Code, that he will sit on them and not implement those pending the outcome of the peace deal, which was clearly an indication that he did not want to amend the code until such point he found out the result of the peace deal and that they may need to go backwards rather forwards with the code.

Mr GRAHAM - We have briefed the forest industry on views on these matters just through our normal no-surprises engagement with stakeholders. We had anecdotal discussions with some of the ENGOs involved with these signatories but there have been messages in bottles.

Mr McGLONE - Can I remind the committee that, prompted by a comment from Ruth Forrest to the briefing last December, the correct statement from Terry Edwards from the Forest Industry Association to this committee was that that the Forest Industry Association had not asked the government to weaken the Forest Practices Code. I am sorry, Ruth; my understanding of what you said was that they did not want to weaken the Forest Practices Code when, in fact, all that Terry said is that they did not ask the government to weaken the code. Clearly, I believe, the industry and the other signatories definitely have signed an agreement that says they need to weaken the code.

Ms FORREST - I clarified that with Terry after you wrote your letter to the editor. I do not respond to letters to the editor personally. He said my comments on that are correct. That is hearsay again.

CHAIR - Rob, going to your question about suggested amendments to the legislation, can I ask a question of Fred and Alistair whether all of that is included in the submission?

Mr McGLONE - I believe so, yes.

Mr GRAHAM - I have not had a chance to read it.

CHAIR - No, we are all the same Rob because it has not been uploaded. Is that sufficient for the moment?

Mr VALENTINE - No, I am happy.

Mr McGLONE - I am happy to provide more information via phone call, coming back here, or whatever you need.

CHAIR - Yes, thanks.

Mr WILKINSON - I will read it first and then if Fred and Alistair come back we can -

CHAIR - Thank you. Go to Mike for the last question, please.

Mr GAFFNEY - Regarding the comment you made in your introduction about peace in the forests and the markets and the community, I think it is a bit unfortunate that the minister or the Deputy Premier came out and said that this will bring peace to the forests because it has put something out there into the community that is not there at the moment.

Any agreement is not going to bring peace because there is always going to be a dissenting view or whatever. At the moment, this agreement is on the table to try at least to take away some angst from some sectors which have got together to say this is the way forward. There is always going to be unrest perhaps in the industry.

Don't you think part of this will actually try and achieve some certainty for some of the industry that we have heard of. I know that Alistair, you have sat here for quite a lot of the discussion and some sectors are saying this will achieve some semblance of peace or a way forward or it will heal some wounds. Is that any worse than the situation you are in at the moment?

Mr McGLONE - I think the words 'peace agreement' have been bandied around for nearly the last three years for all the wrong reasons. I think they are trying to sell a really bad outcome- and our term has been 'perverse conservation outcome' - as a good outcome and one that would deliver peace when, quite frankly, it will not.

I am here to represent the masked owl and the swift parrots and the other conservation values that will come under greater threat. It will not be peace for those species and that is what conservation groups who have got wrapped up in this process have forgotten. It is not about peace just for people, it has to be an outcome which delivers peace for the conservation values.

They quite clearly have been on a consistent spin doctor's message for two and a half years that if you deliver reserve outcomes, you deliver peace, and it is patently untrue. They have been repeating something that is not true and, as you know, some people believe that if you keep repeating something that is untrue long enough, people think it has to be true and it plays on people's emotive need for peace.

I think, just coming back to your question, as long we acknowledge that there will be some incremental improvement towards something we may see as peace, that would be fine, but let us hear that from people; let us hear people say that. Let us hear people say that if they compromise, there are likely to be really bad outcomes for conservation as well as some good outcomes.

Mr GRAHAM - It is really important to understand how narrow were the interests around the table, as you have noted. I sat in the back and heard the miners come here and say, 'Well, if you are going to reserve areas, make sure we still have access'. I have heard the tourist industry come here and say, 'If you are going to reserve areas, make sure we still get tourism access'. The farmers come here and say, 'Well, if you have to reserve these areas, make sure we are still okay'. We are saying the same thing - make sure that biodiversity conservation is still okay by upgrading the code and not putting anything in there that is going to frustrate that ambition. These require legislative action by the Legislative Council to demand this legislation to deliver on all of those and you have to decide: are you really going to let such a narrow range of interests determine the policy of the day or are you going to respond to the broader interests that represent collective

public interest? We reckon that protecting the biodiversity of Tasmania is part of your public interest responsibility and you should respond to that.

Mr VALENTINE - Given the fact that we are talking about 500 000 hectares of extra reserves roughly - it might be under that at the end of the day - isn't this the point where the compromising is? If you are reserving 500 000, that basically remains untouched which means that all of the habitat and all the rest of it is undisturbed in those areas basically and yet in 137 000, it is not.

Mr McGLONE - The problem, Rob, is that we cannot convince -

Mr VALENTINE - We are not dealing with private land.

Mr McGLONE - We cannot convince all the swift parrots of the world that they ought now go into the reserves.

Mr VALENTINE - I understand that but -

Mr McGLONE - I am being clear so that you understand the point; there are values that are simply not in those reserves and without going in detail -

Mr VALENTINE - I agree with that.

Mr McGLONE - the IVP process actually showed that the benefit to threatened species from this 500 000 hectares plus is very small. The marketing and the media may have been more impressive but the benefit is either or small or you are benefiting the species which are not threatened by logging. It is a bunch of freshwater fish and the Brendan Mackey report waxes lyrical about the benefit for a range of threatened fish; they are not threatened by logging, they are not threatened by what happens on land.

Mr VALENTINE - But there is a lot of that on the private land rather than the public land.

Mr McGLONE - In this case, it is public land where those fish are found -

Mr VALENTINE - Yes.

Mr McGLONE - but they are not threatened by what happens in the forests; they are threatened by what happens through Hydro's activity, for example. There is a bunch of other species like the swift parrots and the masked owls - threatened forest communities which are almost entirely dependent upon us improving management of their habitat on private land.

Mr GRAHAM - This is really important. If you want to see our future, if we lose this, go into Canterbury Plains in New Zealand. Exactly the same kind of farmers playing to exactly the same kind of markets had a profoundly different colonial history. You can look across blasted plains and you have to drive for 50 kilometres before you see anything interesting.

Mr McGLONE - Which is on public land.

Mr GRAHAM -Yes. We have an environmental and cultural heritage here in Tasmania that makes the place really special. We have to decide whether we think it is special or not. If we think it is special, active things have to be done in order to manage it and it is really important that we send the proper message to private land-holders. It is not that it should be reserved; it is that it should be properly managed to make sure that those values are still there for our children. This is not rocket science but it is not reservation.

Mr McGLONE - One of the things we did not get to in our submission, and we are happy to talk about it further, is that we do need an improved forest practices system which obviously would impinge on private forest owners. But we also should be looking at establishing an ecosystem stewardship fund, perhaps funded initially out of carbon credit income that assists land-holders on private land to manage and protect conservation values. They may not even want to consider logging if they thought there was another way to earn money to retain forests, manage them and perhaps continue to earn money from them.

CHAIR - Peter and Alistair, thank you, and you have just alluded to other matters. You are liberty to provide a supplementary to what you have -

Mr McGLONE - I will consider that but I think at the moment we have covered everything.

CHAIR - Thank you.

THE WITNESSES WITHDREW.

Mr WARWICK RAGG, CEO, Mr TONY CANNON, AFG PAST PRESIDENT, AND Mr FRANK O'CONNOR, TASMANIAN BRANCH PRESIDENT, AUSTRALIAN FOREST GROWERS, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Harriss) - Welcome, gentlemen. You are protected by parliamentary privilege by virtue of being in front of this committee but not so protected outside of this hearing. If you choose to speak to the media, you need to be cautious about what you communicate because of the legal implications of any challenge by people who think you may have said anything defamatory. Would you like to make your contribution to the committee?

Mr RAGG - Thank you, members of the Legislative Council, for the opportunity to appear here today. The Australian Forest Growers sole role is to represent the interest of private forest growers, which especially includes managers of native forest on private land. It is important to note that Australian Forest Growers has not been part of the IGA, nor TFA negotiations. It was not asked. It is also prudent to point out that while I am also a director of Timber Communities Australia, I appear today solely as the chief executive of Australian Forest Growers and any views expressed are not to be confused as those of TCA.

AFG has watched closely the development of the IGA and TFA process through a prism of concern for the ongoing viability of private, small-scale growers and the best interests of the industry and the Tasmanian economy and against the background of the impact of the 2004 TCFA on the private sector. As a brief reminder, there was an increase in permanent forest estate that was included to impact on private landholders despite again not being engaged in the negotiation.

AFG will articulate a range of issues in its submission, which I understand you received overnight, and our apologies for not being able to get it to you quicker. In summary, these include: we want to make AFG's position totally clear, that AFG does not believe the bill and the Tasmanian forest agreement are in the best interests of all Tasmanians; and that the acceptance of the TFA shrinks one of the state's cornerstone industries for no demonstrable benefit. AFT emphasises the proposed reserve outcome has no scientific basis and there still remains no definition of 'high conservation value' other than the additional 500 000-plus hectares includes land as part of the ENGOs wish list. It is commonsense these assessments be done prior to any legislation being enacted. Why do them later? Consultation with all affected stakeholders in the wider community has been inadequate, insufficient and unrepresentative. We believe the durability arrangements are less than effective; they are ambiguous and non-transparent. Despite the agreement there is no surety that arm's length ENGOs will stop damaging the Tasmanian brand. New cost imposts on private forest owners by the Forest Practices Authority will probably result.

These and other issues are all discussed in some detail in the submission you received overnight. For the purposes of today we would refer councillors to page 3 of the document, which articulates a list of things we propose that need to be considered in considering this legislation. We are aware there are substantial amendments tabled by

the whole-of-government committee earlier in the week. We have briefly perused them but we are not in a position to give you a definitive view on their impact.

While it is understood there are difficulties in the industry, which by the way is not confined to Tasmania, the forest industry nationally is under significant pressures. These are underpinned by a number of factors including the unusual and persistently high Australian dollar. Given the simple voluntary withdrawal of Gunns from the resource allocation has substantially reduced the public supply. The reduced impact is substantive and does not seem to support the locking up of 500 000 hectares into reserves, especially when it seems this will reduce the supply outcome by a further 20 000 cubic metres per annum. The provisions of durability, whilst highly commendable, do not seem to provide sufficient insurance against the meltdown of environmental support in the short and medium term.

AFC would like to see a range of initiatives that include options for on-shore use of low-value resource, perhaps bioenergy; a commitment to additional assistance for private forest managers as an outcome of the legislation, ideally delivered by Private Forests Tasmania; transport support where replacement resource for southern mills is sourced from the north of the state; and perpetual protection of right of access to private native forests as an outcome of this process.

My colleagues today are Tony Cannon, who is immediate past national president and life member of Australian Forest Growers, and Frank O'Connor, who is the current Tasmanian branch chair and a private forest operator.

CHAIR - You would be aware of the certification clause in the forest agreement and the fact that the signatories support forest certification for the remaining forests, but then they are specific about FSC certification for the state forests?

Mr RAGG - Yes.

CHAIR - Have you had any discussions with the signatories, or anybody, to inform yourself as to whether forest certification outside state forests may embrace something other than FSC? Whether you've had that dialogue or not, what are the implications of FSC certification to private forest growers?

Mr RAGG - More broadly on the issue of certification for private forest growths first, AFG as a matter of policy supports the opportunity to certify forests on a voluntary basis. The practical reality is that forest certification at the moment for small scale producers is too high a cost for them to bear and there is no market premium being put back to that resource in the marketplace except for a couple of large-scale softwood plantation producers which are able to use clearly their leverage to extract some premium back. We are agnostic to a large degree on whether it is AFSPFC or FSC but we would note that there are different processes by which you would need to gain community support and that seems to be more difficult to obtain through FSC than it would be through AFS.

In specific response to your question about have we been engaged in a negotiation, no, but I am aware that it was very clear that the certification question from private growers or non-public growers, if you like, was in the context of certification and not specifically FSC. There is a hypothetical argument of course about what happens if a whole public

estate becomes FSC certified and the capacity for the private growers to access that marketplace given they are at a significant and further disadvantage and we have exercised our minds to some extent on that and I am very confident that it is going to be in the best interest of private growers.

CHAIR - Thank you very much.

Mr DEAN - You talked about the position and the evidence that was provided and so on, did you at any time seek a position at the round table?

Mr RAGG - No. We sought to become engaged at the point of Bill Kelty's independent facilitator role. We provided a submission to that process - and received no response or no engagement back from that process.

Mr DEAN - What did that process engage? Did you put a submission to -

Mr CANNON - Yes.

Mr RAGG - And did not even get a phone call.

Mr CANNON - I have it here. It was several pages that we put to Bill Kelty at that time.

Mr DEAN - Outlining the issues that you are raising with us?

Mr CANNON - Yes, that is correct.

Mr DEAN - Consequently you have had no discussion with any of the groups involved in the process - the round table?

Mr CANNON - Things cross over in Tasmania, don't they, quite often.

Mr DEAN - Yes, they do.

Mr CANNON - Obviously there has been discussions with the TFGA and, as Warwick has said, he is a former member of Timber Communities Australia so he has been well aware of the process, so we are obviously aware of what has been going on but no direct involvement as private forest owners.

Mr DEAN - The bill as it currently is presented is that capable of rectification so far as you people are concerned? How do you see it?

Mr RAGG - Broadly, yes. I guess there is a higher principle issue, though, of the impact of such a significant reduction in the industry and the flow on effect to private forest growers and how they are going to be able to operate as they have been on the periphery of a quite centralised market supplier in the case of the state and whether the reduction in the processing capacity in particular is going to give them any benefit or any capacity to continue to do what they have been doing or to diversify into bioenergy, export logs or whatever you like. The cross roads is not so much what the legislation requires, the cross roads is is this industry as a private sector going to be viable in the wake of a substantial change that is envisaged.

Mr CANNON - That is the big issue really and it is not just forestry, it is a whole range of Tasmanian industries as we have a real problem because we are a small state and just economies of scale. I have had a little bit of experience, obviously as some of you are aware, with softwood mills and if you went back 25 to 30 years a world scale mill was 400 000 cubic metres of log intake, now it is a million-plus, and where do you get that in Tasmania? The only way you can achieve it in Tasmania is by pooling things and obviously the only way you could really get the Bell Bay one to world class is by putting eucalypt plus pine into that mill and combining almost everything from a plantation perspective. It is very, very awkward and if you scale back things it just makes it harder and harder.

Mr DEAN - Regarding your position with the bill, have you identified areas that need inclusion or amendment?

Mr CANNON - Yes.

Mr DEAN - That's in your submission?

Mr CANNON - We have articulated a range of areas that we think you need to consider in progressing your consideration of this bill, but we haven't gone through the bill and marked up, if you like, a track-changed copy of how we think the bill could be improved because we're at a higher level in our thinking of the impact of the bill rather than the finer detail.

Mr DEAN - It's in the submission.

Mr RAGG - There is two pages starting at page 3 - 28 dot points.

Mr CANNON - We have 28 dot points and we tried to pull it all together so there is a summary, but there is background in the submission, so the detail is there behind those dot points if you need them - from our point of view.

Mr GAFFNEY - Warwick, could you just repeat your wish list? You had about four things that you said you'd like to see achieved or you think would be important.

Mr RAGG - The scientific analysis of HCV areas; consultation more broadly than with the signatories -

Mr GAFFNEY - You mentioned there towards the end if you could change the industry and you had three or four different -

Mr RAGG - Yes, I did. A range of initiatives include options for onshore use of low-value resources, so taking the dollar out of the equation because that is one of the issues with export woodchips. If the dollar isn't impacting as much and you have a value-adding industry then that's an improvement. We would like to see a commitment to additional assistance for private forest managers as an outcome of the legislation, so if there are further hoops to jump through - and it looks like there is going to be - we want to see some support for that. There's a whole lot of money set to flow on the basis of this and none of it is flowing to private forest growers and they're the ones who are going to be

long-term impacted. They have been managing their resource now for timber and they may not have the markets they were going to have before. We're saying that should be delivered by PFT because the model is there now. We want to see transport support, so if, for example, to sustain a mill in southern Tasmania there needs to be resource transported from northern Tasmania there needs to be consideration of how that might be subsidised. The final one was perpetual protection of the right of access to private native forest, and that's because we got our fingers burnt in 2004 and we want to make sure that doesn't happen again, which was a question of having a forest estate without any consultation.

Mr GAFFNEY - Have you done any financial modelling on some of those in ballpark figures? What would you expect some of that to cost and would you expect that money to come from the current pool of money that might be available if this goes through?

Mr RAGG - The last point is legislative. I'd expect that there should be a discussion about the pool of money being made available in the current negotiation between the state and commonwealth in the context of this bill that recognises, at the very least, that those people who have a private forest reserve who have gone to the extent of registering the resource with an intent to manage and harvest it, where they are demonstrably unable to access markets they would have otherwise been able to they should be adequately compensated, at least to the extent of the management fee. If you want to use a starting point, my numbers say there is about \$18 a hectare a year in that \$9 million. I have heard another number suggested of about \$16, so that is for the management of the public estate.

I don't think that's enough; it is probably more like \$30 per hectare per year to actively manage a forest. Where you don't have a market but you have a sustainable resource you still have to undertake fire control, hazard reduction burning, vermin control, et cetera. Those are costs and in the absence of a vibrant industry to feed that resource into, someone needs to give us a bit of help. Everyone else seems to be getting a bit of help in this process except for the poor grower who's got the long-term investment.

Ms FORREST - I apologise that this was asked while I was out of the room but I'm interested if you have details of the size of the private growing estate as opposed to the public land and how that's shifted over the last few years.

Mr CANNON - That was a question that came up before to some extent and I have tried to include that in this submission. There are some tables which have come directly from Private Forests Tasmania's annual reports and also some figures on the actual harvest from private forests in terms of plantation and native forest hardwood. It's difficult to make direct comparisons between other states because they don't actually break that up but it is possible to make some assumptions and comparisons between other states.

What's happened recently is that there's been a reasonable increase in exports out of Portland, which is hardwood plantation resource coming out of South Australia and Victoria, and which, as I said in a meeting in December, is effectively a substitution for what was happening in Tasmania. If you look at the decrease in harvest of private native forest, we've had a drop of about 25 per cent from what it previously was.

Ms FORREST - Over what timeframe are you talking about?

Mr CANNON - Over the last year, so there's been a dramatic drop.

Ms FORREST - Would a lot of that be related to the withdrawal of Gunns?

Mr CANNON - Yes.

Ms FORREST - How much? What sort of percentage are we talking about?

Mr CANNON - I think most of it is.

Ms FORREST - Almost 100 per cent.

Mr CANNON - Yes. There is nowhere near that sort of drop in New South Wales, where most of the harvest is native forest.

Ms FORREST - The big issue with the private guys in Tasmania, as I understand it, is that when Gunns withdrew, that was the customer gone, basically, for the private grower predominantly. Is that a fair assessment?

Mr CANNON - Yes. You have a couple of small operators like Artec and they've been affected in an entirely different market because most of that was going to Taiwan, as I understand it. They may have been able to expand their market a little bit and they effectively stopped but have got going again because the market has come back. Forest Enterprises has also obviously has been affected by the receivership. They had a market and now that's been sold to Neville Smith I expect they'll get their market back. That was partly native forest and plantation.

Ms FORREST - Thank you.

Dr GOODWIN - I've had a quick flick through your submission which we only received a short time ago. I don't want to verbal you but my take on your submission is that you are fundamentally opposed to the Tasmanian Forest Agreement. I'm just going to run through a few points and please dispute anything that I say if it's incorrect.

As I understand it, you don't believe that the proposed lock-up is in the best interests of Tasmania, certainly in the long term, and there are a range of reasons you think that. Your view is that the process has been flawed.

Mr RAGG - Non-inclusive.

Dr GOODWIN - Yes. You are also concerned about the ENGOs ratcheting up their efforts against other industries as well.

Mr RAGG - As well as other parts of the ENGO network continuing or restarting a campaign.

Dr GOODWIN - You're also not convinced that there's any scientific basis for the areas proposed for reservation to be reserved.

Mr RAGG - Yes.

Dr GOODWIN - In terms of the bill, you also think there are a number of deficiencies.

Mr RAGG - Yes.

Mr CANNON - I think our point is that it doesn't mirror the agreement. There are glaring omissions, in our opinion.

Mr RAGG - That view was taken in the context of the bill prior to the amendments hitting the table on Monday morning. It may be better now than it was, but again for us first it is an issue of the need rather than the detail. We have not been involved in determining the need, so now is the first real opportunity we have had to provide our view of whether we think there is a need.

In its rawest term, if you take Gunns out of the equation, and Gunns voluntarily handing back their resource allocation, and halve the resource allocation, to then need to lock up half a million hectares to get a further 20 000 cubes is something we are struggling with.

Dr GOODWIN - In your submission you say there is another way and that would be if there was government support for the industry, and working to refute the efforts of the ENGOS in terms of the market disruption.

Mr RAGG - Yes. We have every sympathy for those companies that are under direct pressure; to an extent we don't get that. Our members are small growers. They are not getting named in other countries. They do not have to deal with that so I guess we are claiming some level of immunity. That said, we have every sympathy for the people who have to go through that and we have watched this for a number of years. If the solution is to say the industry is in trouble - and it clearly is at the moment under economic pressure - and now is the time to act to lock up half a million hectares for the future benefit of the industry, well when the market recovers, the dollar inevitably goes down and the demand comes back, what industry have we got left? Philosophically we take a broader view of the capacity of the forest to provide multiple benefits. That includes a lot of environmental benefits while it is still an active forest. This lock it up or not lock it up as the only pathway to conservation, or preservation if you like, does not sit well with the way that our members manage their resource.

If this is seen as the benchmark then we have legitimate concerns that in time the focus will turn to private land and we will have to have this same debate. We do not think the forests preserved are in the best interests of the medium and long term outcomes for the state.

Dr GOODWIN - On page nine of your statement you say, 'The essential point is that while harvesting in Tasmania's forests, both plantations and native forests, is at a long-term low, the trees are still standing, mostly growing, potentially increasing in value and could be marketed given positive and correct government support instead of capitulation to the ENGO extortion. This is one of the advantages of wood production compared with other crops'. That seems fairly clear in terms of your view on this.

Mr O'CONNOR - I was not going to say a lot today but we came in right at the end of the TCT submission but it seems to me we do have surprisingly a fair amount in common. I have a history with TCT, particularly with Alistair Graham, in that in the early days we tried to negotiate what would have been the first Forest Stewardship Council accreditation on my own property, had that proceeded. We had some issues with that and it never did proceed. One of the things that came out of the dealings we had with TCT was a fairly good understanding as to their views on what they wanted to see happening in private forests. We actually found it was not as hard to work with them as we thought it may have been. They were saying that this agreement is not going to achieve the things that they want. I do not think it will because basically it is a feel-good, look-good arrangement for people who are driving along the road. They can see big trees but in actual fact preserving a lot more than they can see when they drive along the road in any case.

What we can achieve, if we tackle the conservation thing in the correct way, through the Forest Practices Code, providing it is properly and scientifically based, though I am not strengthening or weakening the forest practices code. The code is a really good instrument for private foresters in that it sets certain standards, some of which are detrimental to us and some of which are quite beneficial, things like controlling roading and things that we had no control over it before. I go back before the forest practices code when we would have a timber company coming in and they just trashed the properties because in those days it was basically small sawmillers. Trucks were being pushed out along muddy roads for bulldozers -

Ms FORREST - Through creeks and the whole bit, weren't they?

Mr O'CONNOR - Yes, and creating an awful mess. The forest practices code has fixed all that. Obviously there are occasional breaches but generally speaking the harvesting operations have improved dramatically. I do not think we get proper recognition for that and that has been largely as a result of the forest practices code. Most of the things in the certification schemes are covered by the code and therefore I think that is a great basis to go forward with.

What we did find when dealing with TCT was that they had a very different idea as to what they considered were important elements within the bush that they wanted to see preserved - the masked owl, for instance. If you adopt a scientific approach to that, at the time we were dealing with this I think we were told the masked owl required two old-growth trees per hectare, roughly one per acre. We could accommodate that in our forests with very little change to what we were doing. To accommodate the whole area of change, colleagues of mine who have been pursuing this further are saying that it is probably going to lock up 20 per cent of their harvestable forest to achieve FSC certification. I think that is more than it needs to be. If we are going to lock up that extra amount of forest for public good then we do need to have some recognition of that.

I put a submission into an earlier in the inquiry on stewardship payments for conservation. I notice Alistair raised that and that is a really good way of going because, as private landowners, we are expected to tie up large amounts of our forests and our farms in conservation areas, for which we get very little payment. As a result, many of those areas start off with everybody being very enthusiastic. In several years' time, they degenerate and there is nothing left.

Mr HALL - In most other countries you are compensated for that, of course.

Mr O'CONNOR - Yes, and I think we do need something in that area. I am sorry if I was a bit carried away.

Dr GOODWIN - No, not at all. I think the point you are making, which is what the TCT was saying, is that there are other ways to achieve good conservation outcomes.

Mr RAGG - Without reserving?

Dr GOODWIN - Yes.

Mr CANNON - Can I add to that? Frank sort of intimated that I might be opposed to all that but I am not. I thoroughly agree with that and I will give you an example outside of Tasmania. What is happening now in the news is the fires around Coonabarabran. A lot of that area is cypress pine and a lot of that was put into national park by the New South Wales government quite a few years ago. Then within about 10 years, a large area of it burnt and now we are seeing a lot more of it burnt. There were studies done comparing areas that were in national parks in cypress pine forests with areas which were being harvested on an ongoing basis - a selective logging type basis but effectively a thinning type basis. When they looked at the biodiversity in the managed forests versus the locked-up forests, it was very much greater. There is a whole range of studies that will demonstrate that.

That is why I am in agreement with the Tasmanian Conservation Trust and I think you will find that managed forests, where you have a mix of aged classes rather than one, and where you have a forest that is exposed to massive, destructive wildfires, it is going to have much greater biodiversity, in general, than one that is locked up and the key thrown away.

I think the other proviso that we need to bear in mind is that our forests across Tasmania are not all the same. Some we can actively manage on a selective harvest basis. I would not be aware of the current figures but certainly several years ago over 50 per cent of the harvest volume was coming from the ones for selective harvesting. I know there is a range of selective harvesting systems you can use. But for other forests you do need to clear-fell to a degree. There is a whole range of trials on trying to make it not extensive clear-fell, but you do need to clear-fell some of our wetter forest types to get adequate regeneration. We have to recognise that and let us see if we have to go that way so as to recognise that. It is not 'one case fits all' at all.

Dr GOODWIN - I have one question on the FSC issue. I think there is a reference in your submission to the fact that when FSC was being considered, I do not know whether it was for one property or whatever, but there was some creep on to other agricultural practices. Can you elaborate on that a little bit?

Mr RAGG - There are a couple of points to make. The first one is if you look at the example in New Zealand where FSC is much further advanced in the context of having a national standard, its initial reason for falling over - and it has been resurrected now - is the line in the sand that was drawn on set-asides by the environmental representatives in that

instance. I guess to some degree we are beyond the scope of the active forest which is something that is a bit of an ongoing struggle -

Ms FORREST - What do you mean by 'set asides'?

Mr RAGG - If you have 100 hectares and you want to manage 100 hectares of native forest into production, then to have FSC certification in New Zealand the proposal was that you had to set aside 10 per cent of that. So you had to forego access to 10 hectares.

If you put it into an Australian context, that kind of flies in the face of the existing set-aside programs that exist under a range of forest practice codes nationally

I am also aware that some of the stakeholders who have been engaged in some of the discussions on FSC certifications in Australia have looked beyond the forest practice into other agricultural practice and sought to suggest how that may be better done, which is again beyond the scope, we think, of FSC.

We will become involved in the process of the development of an FSC standard when and if that happens. We will represent our members' interests in that process. We won't say, 'FSC - we're not going anywhere near it'. We will seek to have that sort of sensible outcome. As it stands at the moment, one of the difficulties with the chamber[✓] system of FSC is that the burden on a smaller grower is much starker if you only have 100 hectares and have to set aside 10 per cent of that, compared to having a national park that you can set aside for an active forest area if you're a state government.

For the record, I don't feel verballed.

Dr GOODWIN - Good, I'm glad about that.

Mr WILKINSON - You were saying it wasn't inclusive, so is there anybody else you believe should have been included to speak about what's to happen to our forests?

Mr RAGG - You've had some of them in here already - tourism, the mining industry and the TFGA. I didn't see Jan Davis's evidence, but presumably she said a number of things that we're saying. There doesn't seem to have been much engagement with the indigenous communities. I don't have an axe to grind in any context there but they don't seem to have been engaged, and I imagine they have a view.

Mr CANNON - I wonder about local communities. I asked the TCA about 10 or 12 months ago where the maps were. They have been involved in the process through a different avenue. You have only received the maps this week. We are trying to be involved now. We have a chance to look at the maps but there are 28 maps that are pretty large scale and difficult to decipher. If you were to take them to, say, someone out at Meander and say, 'This is what's being proposed in this area', what are their views going to be? Local communities need to be involved and be aware of the status of proposed reserve areas in their location. If you're going to say to somebody, 'This area is going to be a national park and you can't enter it without paying a national park fee', and they have had traditional use of that area for recreation, I think that's unreasonable and should be borne in mind. I have a lot of trouble with that. If you want to go for one day into some of our national parks and take a vehicle in, it is \$24, and to a lot of people that is a lot of money.

Mr WILKINSON - One of the areas that you are a major player in, probably one of the most experienced major players, is a situation where the government may argue, 'You're a private grower; not a government grower or involved in the government's public sphere, therefore why should we involve the private growers as opposed to just the public growers?' What is your answer to that?

Mr RAGG - My answer to that - and I listened to some evidence on Tuesday morning when the CFMEU and a couple of environmental groups were here. They were very quick, I thought, that this was a politically arrived at outcome that suited a number of purposes. It suited some of the sawmillers seeking to perhaps exit the industry, it suited the environmental fraternity that was seeking to increase the reserve system. It doesn't suit the purpose in the context of the ongoing capacity to have a substantive enough marketplace to access for private growers and that's our concern.

Make whatever political arrangements you need to make, but when there is a potential impact through the lack of markets that have been there before then we think we're affected. Sure it's not our land that is being proposed for lock up at the moment, it's not our member's land and there are no arrangements for compensation for our members and that's a concern. If they've made a capital investment and they are paying rates on their land, et cetera, and the anticipated result of that investment in managing trees is that they don't have a market anymore then that's a concern, and that's where we think we have a stake in it.

Having said all that if I had been sitting around that table and I had been asked to sign that agreement I think I would have struggled as a representative of private forest growers because I don't think there is enough in there for them.

Mr WILKINSON - What about the situation with the extra reserves bordering on private property as well, just in relation to the caring of those extra reserves on private property, what is your answer to that?

Mr RAGG - There are some points that are in our submission in the context of fire management, for example, of fuel load reduction where the targets on the public estate aren't being met. That's not peculiar to Tasmania that is a national problem. I deal with this in every jurisdiction. Then we have a fire and a Royal Commission or a coronial inquiry and we have a set of recommendations that say we have to undertake strategic fuel load management and it's not happening now. If we add half a million hectares to it, throw 9 million bucks at them and I'm not sure that that's going to get you too much more fuel load reduction. There would be a fair bit of ticket clipping there before that actually got on the ground, without even starting to talk about increased weeds or feral animals or all that sort of thing. It's a concern and I don't think it would be a surprise for you to hear me say that the state is not always the best manager to have.

Mr O'CONNOR - I might step in here. I only received the maps last night on the email and I found them quite difficult to determine what areas or how much they were likely to impact on our property. It is important for private landowners and in our case about 60 to 70 per cent of our boundary line is crown land.

Mr WILKINSON - It's a fair boundary line, too, Frank, isn't it.

Mr O'CONNOR - Yes, it's a substantial boundary line. The management of the crown has big implications for the way we're able to manage our own property, particularly fire management. In years past Forestry used to meet with us and we would have a joint fire management operation. They would help us burn our land because we had a common boundary and fires don't respect boundary lines. The fallout with reductions in the number of forest workers and Forestry becoming less local - now the only time we have any real contact with Forestry is when there is an issue that arises - but there is no planning. It's very important for us to know what the management regime is going to be over the fence. Up until now we've had no information whatsoever on that.

Mr WILKINSON - Do you believe that there is any way within the bill, or the legislation as it presently is, to amend it to become an acceptable bill not only for the signatories but for the people who you are speaking about who you say have not had a voice? Do you want me to put that on notice so you can have a think about it?

Mr RAGG - Could I?

Mrs TAYLOR - That would be really good because that is dearly what we would like to do, maybe some of us.

Mr RAGG - I would like to see perhaps a tracked up or a new version of the bill to see what the effect of the amendment is but I doubt any of those core issues we have raised about loss of marketplace and management capacity is going to be covered in any of the amendments that have been up so far.

CHAIR - It is fairly extensive and, as you have indicated, Warwick, we will do that.

Mr HALL - Tony, you talked about the woodchip export volumes and you noticed from ABF figures and 180 per cent increase out of Victoria last year, how is that tracking this year? Have you any idea?

Mr CANNON - No. They were the latest figures that we had available.

Mr HALL - There are no industry sources telling you that there are still fairly large volumes going out of Victoria?

Mr CANNON - I would expect there would be.

Mr RAGG - Only anecdotally that the activity is largely driven by the utilisation of the maturing pulpwood estate - the MIS estate - and that is going to be ongoing for a few years.

Mr CANNON - You would need to be a little bit careful looking at the last quarter because of what has happened with Gunns, which probably has tripped some of the exports. You still have players like Australian Blue Gums, which is a North American pension fund that ended up owning most of the plantation resources in Australia. They bought Gunns Portland facility so they would still be exporting at quite a high level I would expect. The only issue for them would be that because of what was happening as far as Gunns needing to move volume they were selling it at one price and Gunns were selling at

another price. Whether they would be able to get the price back up to something that they can live with, other than just sell enough to maintain cash flow, I do not know. The market is highly distorted at the moment. Someone like Industry Edge would have those sort of details.

Mr HALL - I know there are obviously the mitigating factors of the high Australian dollar and all of those matters come into play but you did say that Tasmanian forests - both plantation and native - are at a long-term low. The trees are still standing, mostly growing, potentially increasing in value and could be marketed given positive and correct government support instead of capitulation to ENGO extortion. That is a strong view that you have that you think that you have been done over?

Mr CANNON - That is my personal belief, I can say that. I suppose I am too much of an optimist, and some people might say that, but the markets are still there. The Japanese market is obviously affected by economic circumstances and the tsunami. The tsunami affected 10 per cent of the Japanese pulp and paper mills, it didn't affect 100 per cent of them. There is still volume being sold into the Japanese and Chinese markets and the share of the total market has decreased. At the end of the day the critical thing is what it costs the Japanese and Chinese to land it in their ports compared with other sources. For these markets to replace the Australian volume, where we were at a level of around 36 per cent of the total supply in the Pacific rim, now we are around 25 per cent.

I don't believe it is possible for those markets to replace that 25 per cent from other sources so they have no choice than effectively to buy out of Australia so the markets are still there but maybe at a reduced volume. If you look at what is happening in China, and we are talking woodchips here, it is a commodity and the Chinese demand is increasing; it has gone up substantially year by year. That might plateau off but they are now the biggest pulp paper producers in the world. I did figures a few years ago where the Chinese imports were equivalent to about 100 million tonnes a year of round wood equivalent and it is heading up towards, as I understand it, around 300 million. I am not an expert in that area but there are people who are. I think we are looking at very deep low at the moment, caused by a number of factors, but the demand will be there in the future. If you look at iron ore and coal, that is where we sit; we are a commodity. I would far rather see that residue and low-value wood used in Tasmania for other uses.

Mr HALL - Yes, of course. I know your organisation are not processors but there has been a fair bit of storm made by some of the signatories that there is a lot of capacity to be innovative and use the plantation resource in lieu of native timbers to produce all sorts of products which are yet to be determined. Do have a view on that?

Mr RAGG - My first question is have those trees been planted yet?

Mr HALL - So you're saying that the nitens in the ground at the moment aren't suitable?

Mr RAGG - No. Tony has had direct experience with this so he is probably better to answer, but what I was going to go on to say is that there has been some early milling trialling done on some of those nitens with some success.

Mr CANNON - I believe you can make structural products out of nitens. That's what we were doing with EcoAsh. I have a house that is framed out of EcoAsh. I have

architraves, skirtings, flooring, roof trusses and floor joists all made out of EcoAsh. It is a very strong product but is more expensive to produce than structural products made out of radiata pine, so you have to find niches where it fits. Where it fits is that it's size for size in round terms and about twice as strong as radiata pine. That is simplistic but that is the generalisation we can use.

It would be good if you could get it accepted as an engineering type of product without provisos by everybody. When I did the framing, because the engineers weren't so certain and all the rest of it, the amount of timber that went into the framing and particularly roof trusses and floor joists was way over the top with bigger sections than really were needed. That is where the potential savings are and where it has a niche market versus radiata pine.

We are not growing enough radiata pine in Australia; the production of radiata pine sawlogs levels off and we have an increasing population. Eventually, when things get back on track with our economy and building gets back up to the level it needs to accommodate everybody - our new housing levels are way below where they need to be - there won't be enough radiata pine and other structural timber produced here in Australia and we are going to have to import a lot of wood. If we can use plantation eucalypt for some of that, it would be great.

If you get into things like laminated veneer lumber and other engineered products, that is quite attractive. We had a Tasmanian engineering firm producing those products here, I think it was out at Cambridge. We supplied nitens to that firm but now it has gone out of business, partly because of the way the building trade is at the moment. It's not easy to get into that and to start up and get that product into the market. My understanding is that a lot of these structural timbers are actually being imported. One example is that we've got a timber building which I think is the biggest timber building in the world, isn't it?

Mr RAGG - In Melbourne, yes.

Mr CANNON - It's 10 storeys. What do they call that product?

Mr RAGG - CLT.

Mr CANNON -CLT, yes - cross-laminated timber - that's the new buzzword. The panels aren't produced in Australia so they had to be imported from Europe.

Mr HALL - Out of European native timbers or plantation, I wonder?

Mr CANNON -Well, we manage forests in Austria; I've got some photos here.

CHAIR - That's a matter that members can do their own research on, with respect. It's an important matter; I understand that but, in terms of getting the detail, we can do our own research.

Mr RAGG - In the broader context of the question, the concern is that if we're going through a sawmill restructure process, which is part of this proposal, how much capacity is going

to be left to be innovative if they're being restructured out of the industry? Whether the trees are in the ground or not becomes irrelevant if there's no-one around.

Mr MULDER - I want to pursue the Forest Stewardship Council a little bit. I notice that most of the other people who have presented to us, from the industry and even from the conservation groups, have highlighted the fact that the major win out of this deal is the idea of certification which will in fact be a major weapon or basis to completely undermine the arguments of those who have been in there disrupting your markets. In light of the fact that the previous thing we heard in relation to the Conservation Foundation was that the Forest Practices Code was a much more robust instrument in terms of management of the forests than the certification code, I'm wondering, if you think the practices code is so good, what your objection is to moving on to obtaining the certification because that, in the end, will help you move your products into the market.

Mr RAGG - Cost. We were fortunate enough to get some grant funding to do some pilot programs for group certification and individual certification of small growers under AFS but the process is quite similar. The cost to the individual who ultimately was certified was, from memory, about \$4 000 for his initial certification audit. That was after we'd invested somewhere in the order of \$5 000-\$7 500 in preparing him to be able to pass that audit and then recurring compliance audits in the order of \$1 500-\$2 000 a year. That doesn't sound like much but if you're a small-scale forest grower and don't regularly harvest - say only every five, seven or 10 years - you need to maintain that certification and that's a cost beyond the profit margins floating round the industry at the moment that wouldn't be recouped. As I said before, there's no premium. It doesn't matter, really, whether it's FSC or AFS, in the context of that cost, it's the cost of getting to a point.

The irony is that whilst the Forest Practices Code gets you pretty much all the way there, a couple of areas where it doesn't are community engagement and indigenous artefacts to some extent. You have to go through a whole other demonstration of compliance that is an additional cost. Put bluntly, if there were sufficient premium in the marketplace to have certified product we would be knocked over in the rush from our members wanting to be certified. That said, there are a couple of things starting to happen in the context of group certification or more broad forest manager certification, so forest management consultants are becoming certified in capturing the small-scale resource which gives us some hope. We still anticipate there's going to be a cost to that but perhaps less. You could take a view that having complied with the Forest Practices Code - and we are going through this in New South Wales at the moment - you ought to be able to tick all those boxes that are consistent in the standard, and Bob's your uncle, but it is not the case because there is a framework.

There is a framework of compliance and there is a set of criteria you have to comply with under a standard that are subtly enough different to the way in which you comply with them under a Forest Practices Code because you would have to go through more transaction cost. The reason I perceive that the big win is perceived as FSC is that it is the insurance policy, if you like, so the ENGO-sponsored certification standard, which is really what FSC is, is available and will be presumably able to be achieved at least by the public forest manager in this state.

If someone goes and says 'This timber is not sustainable', then your trump card is, 'Well, hang on, I've got FSC certification'. That is why I think we are all supporting that. I

don't have a strong view against that. My concern is that the people I represent will struggle at least in an economic sense, perhaps in some of the hurdles that are in both standards, to meet those requirements. So does that put us at a greater disadvantage to the market as opposed to the broader industry?

Mr MULDER - I think the disadvantage to the market clearly comes out of not having the FSC certification so I am wondering whether there is an avenue outside this current piece of legislation where, should it get up and should the FSC certification, you have a really strong case to argue that the government can now make all the managed forests in Tasmania, public or private, fit within this particular scheme which should alleviate some of your issues, I would have thought.

Mr RAGG - Yes, in theory, but that doesn't seem to be the way the certification process works because it's outside of government, it's third-party certifiers, it's against a specific standard. If and when we get an FSC standard in Australia, it will be a national standard, it won't be a Tasmanian standard so it won't be written to mirror Tasmanian legislation because we will also have to take into account New South Wales and other jurisdictions.

That is what we are trying to do in New South Wales at the moment, trying to understand how we can make AFS even easy enough to comply with in the context of a private native forestry code of practice in New South Wales. It is proving difficult. I agree with you - I think we should have some mechanism to do that. Whether in practice the processes that are involved in certification allow that to happen, I am not as confident of.

Mr MULDER - The Tasmanian context, it has been said as well, is probably a pilot for the rest of the nation as to how to manage its forests so if we can manage to get that done - because I think in the end what is made clear is that the Markets for Change will continue to do what they do. However, their case is severely undermined if you are holding a certification so I see that in this whole context as a bit of a win. I wanted your views on that.

Mr CANNON - Can I make a point there? One of our suggestions was that we do some formal benchmarking, by an independent body, of how our forest practices system works compared with other states so that our domestic customers and international customers - because it's all very well for Markets for Change to say our practices are third-world and all the rest of it, how do they actually compare with what happens in Japan -

Mr MULDER - I am not talking about the Markets for Change argument, we are in furious agreement on that, what I am talking about is how those false arguments are undermined. The best way I could see was certification. It leads on to the point that these ENGOs you have referred to as 'extortionists' have actually sat at this table and said that they will vigorously fight for certification for the native forest which includes practices that are below what is now currently allowed. I would think that the extortionists may actually be an opportunity to get you through some of the issues that in the past they have had.

Mr O'CONNOR - I have had some involvement in certification not only in the forestry area but in the farming area generally, particularly of wool. In agriculture generally, every certification scheme that I know of has failed because of costs and lack of uptake. Generally, farmers will look at certification on the basis that they're prepared to do it but they want to see some reward for it. They want to get their money back and that will not

happen in forestry. There is an argument with at least some validity that it will give you market access but that is yet to be shown one way or the other. I have generally been a supporter of certification but I think you have to go into it with your eyes open.

In my own case, I think I spent \$10 000 getting probably a third of the way through the process. I don't think we could certify our property for less than \$20 000, and it could easily be \$100 000. I would suggest that Peter Downie, so far as I know, is the only one in Tasmania with Forest Stewardship Council certification. That's the only private landowner, so he would be the only one who could answer those questions. My understanding is, even in Peter's case, it has made absolutely no difference to his ability to market his forests at this stage. That's not to say it won't in the future.

Mr MULDER - I think what I am trying to say is that the future seems to be clear. Everyone around the table is telling us that if you don't get this certification you're not going to be able to sell except into very low price markets such as China. The point I am trying to get through is that although these costs and things are done, this agreement presents an opportunity for growers to get in there, get rid of those overhead burdens and piggy-back on the work of the government and the ENGOS.

Mr RAGG - Pragmatically, if there was a recommendation from this committee that that be pursued, it would be very helpful.

We have sympathy for those people who are being adversely affected, don't misunderstand us. We are here representing our own concerns. In partial answer to Mr Wilkinson's earlier question, one of the questions in the context of this legislation and whether it can be amended is: what happens if it's not amended or implemented? That is what you have to struggle with. We have put our view and I am happy to be sitting on this side and not over there.

THE WITNESSES WITHDREW.

Mr MICHAEL BAILEY AND Mr PHIL BAYLEY, TASMANIAN CHAMBER OF COMMERCE AND INDUSTRY (TCCI), WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - While, in these proceedings you are protected by parliamentary privilege, so there is no contention as to what you might feel open to say, but you are not, likewise, protected outside this process. If you choose to make comment to the media or otherwise, then you are open to legal proceedings if indeed somebody feels that is appropriate for them to pursue.

Mr BAILEY - The TCCI is the state's peak business body. We appreciate the opportunity to present. We also congratulate the Legislative Council on your approach to this legislation, which we feel has been vindicated with the variety of amendments that were presented earlier in the week. The lower House clearly was not given the opportunity to look at that range of amendments and it is terrific that the Legislative Council has provided the opportunity to review the legislation in much more depth.

We are going to approach things from the position of the businesses of Tasmania. We represent businesses across the state. Phil Bayley is our chief economist.

Mr BAYLEY - Like many stakeholders, the TCCI has been concerned pretty much through the whole process with the lack of consultation from the negotiating team, and the government, with community. The TCCI, I will be clear, has not been involved in negotiations. I am not aware of any formal discussions between the TCCI and ministers or government officials since I commenced in this position in July last year and I am not aware of any other formal discussions earlier than that. We did have one fairly robust discussion with the Premier in December and that was when the bill had already been presented to parliament. This lack of consultation is one of the criticisms that other parties, including the regional councils group, made during the negotiation process and subsequently. That feeling certainly has come in these committee hearings.

The TCCI represents a wide range of businesses and it is natural that our membership reflects a wide range of perspectives on the agreement and therefore the legislation. A number of signatories to the agreement are directly or indirectly members of the TCCI. Therefore, our comments today and the submission that will follow will not necessarily represent the interests of all members but will reflect a broad sweep of the Tasmanian business community.

As the committee would be aware, the TCCI was concerned from the outset with the negotiations and these concerns reflect several factors. The government had effectively abrogated its responsibility for managing public assets to what has been described as a self-selected group of stakeholders. As a broad collective, there was a strong perception that selected ENGOs were negotiating in the room while others had the freedom to continue to attack Tasmanian interests, whether within Tasmania or in international markets.

Another stated concern, though, from the TCCI was lack accountability for the public funding that had been contributed to the industry over a long period of time. This funding arose from the RFA, the TCFA, the statement of principles, the IGA and the

TFA. There is a broad suite of agreements that have led up to this. Some of it has been more successful than others, but there is a succession of money going into the industry. This is not to suggest that some or all of the funding was not justified, not by any means. Similarly, it was not, as some ENGOs have suggested, money wasted that was propping a failing industry. However, \$276 million has been committed since the original agreement, the statement of principles, with no cost-benefit analysis on the spending programs and little evidence of successful outcomes to date. Now, arising from the final TFA, another \$102 million has been committed, including \$39 million by the state. That is pretty much where we are now.

Looking forward, \$102 million is yet to be spent but the economic outcomes arising from the agreement are no clearer, and this is quite possibly our greatest concern amongst the lack of consultation and the process that has brought us to this point. With all the money that has been spent and another \$102 million to be spent, \$378 million is a lot of money in the last two to three years. Various studies and additional programs have been funded but the state is no closer to a viable downstream processing industry that we are aware of, and that would have multiple users adding significant value to Tasmania's outstanding wood resource.

Most people would agree with the principle that the value-adding on the public forest estate could be increased even on a lower resource but this money is going out there with no clear indication, at least publicly, that that objective of increased value-adding on a lower resource now should be delivered. After \$378 million there is no capital for engineered wood products, and I noted earlier in the week that the Tasmanian Sawmillers Association had to fund its own pre-feasibility study on a cross-laminated timber plant. After all that money they are funding their own pre-feasibility study and that was quite remarkable to me.

Forestry Tasmania is exploring its own hard land product, a different product, and that is not to say it is an easy market to get into or the market is not necessarily big enough or Tasmania will necessarily have the economies of scale, but there doesn't seem to be any coordinated attempt to put together the various studies in a public manner, taking public evidence, that can deliver the sorts of genuine studies that might be able to facilitate that downstream processing industry.

If you look at other countries with intensive forest industries there are high efficiency biomass power plants or biofuel plants that are part of the downstream mix. In our view, reducing wood residue and mitigating regeneration burns is clear potential for a biomass plant. We have no idea if at some point in time that was taken off the table as part of the negotiations or whether the government has ruled it out as part of an agreement with the Greens. Nobody knows, and that is one of the key questions we have. Nobody loves regeneration burns. I am sure the Chair would know that from the Huon and most of you would know that from your own communities, but what is the alternative and does it stack up economically? Nobody knows and it seems to have been taken off the table very quietly.

A genuine agreement involving widespread consultation could have seen these sorts of issues addressed and been part of the solution. It should not have been left to industry stakeholders who can barely afford it, particularly with their own financial and economic challenges in the current markets.

A further issue we have with the agreement and legislation is that existing downstream users are receiving very mixed support as a result of the TFA. Ta Ann supports the agreement on the basis that protest actions may cease and its markets will stabilise. My understanding is that it is receiving compensation for the contracts that have been possibly broken, however other downstream users appear to be ignored and many are criticising the government or other stakeholders involved in the process for not listening to their concerns.

I am sure John Paton would not mind me mentioning the position of Oak Tasmania's disability enterprise which employs around 40 people, almost all of whom have some form of disability. Oakdale Industries produces high-quality flooring and I understand has been exporting some product, or is certainly considering it. However, despite longstanding native forest supply arrangements it is likely their current supplies will dry up and they have been advised to import from Victoria to meet their needs. Their requirements are equivalent to 6 000 cubic metres of sawlog and the agreement is talking about 137 000 cubic metres being available, plus the private estates. The idea of a Tasmanian disability enterprise importing wood from Victoria is preposterous, given both the supply that should be available and the cost differential that bringing in wood from Victoria would entail.

Oakdale Industries has said it is willing to re-tool to utilise different plantation supplies, but its request for modest amounts of funding are being ignored. Contrast that with the much larger amounts that have been spent on re-tooling or closing sawmills, particularly in regional areas, compensating forest contractors and supposedly creating new jobs in regional areas for displaced forestry contractors and workers.

The specialty timber community is also deeply concerned with both access and capacity to extract sufficient volumes. A specialty timber user who wrote to the TCCI this week and he summed up the problem as, 'We see ourselves in the application side of the timber industry rather than the supply side', which is where all the focus of this issue has been.

Durability is obviously a key issue, everyone knows that. Delivering the vast majority of new reserves upfront seems to reward past behaviour by the ENGOS, which also carries the threat going forward, while providing little incentive to ensure other ENGOS cease their attacks on legitimate Tasmanian businesses. For this reason the TCCI would most likely support the sorts of legislative sunset clauses proposed by other stakeholders.

This whole issue also needs to be presented in a wider picture. Tasmanian businesses are deeply concerned with the certainty of planning and development approval processes. Much of this concern stems from these forestry negotiations and the mishandling of the Forestry Tasmania restructure. The most recent survey of business expectations published in October 2012 highlighted these concerns. It showed that 89 per cent of respondents were directly or indirectly concerned with the clarity and consistency of the environmental approvals; 69 per cent considered that governments did not consistently take expert advice when making decisions on resource extraction and primary production; and 85 per cent were concerned by threats imposed by community activists or environmental organisations. Essentially, these results could be interpreted in the context of forestry as concern that the government has seeded the grant of long-term decision-making to a small group of ENGOS.

If this process secured accreditation under FSC, which is inherently subjective and arguably a moving target, there might be an argument for supporting the legislation. However, there must be significant doubts that FSC accreditation could be achieved, notwithstanding the durability provisions. Other ENGOs actively oppose any forest-based activity - that's the non-signatories - and those who are signatories have expressed their reluctance to exert any influence over those who are non-signatories. That was my interpretation of what the Wilderness Society said yesterday.

Mrs TAYLOR - 'Control' was the word, not 'influence'.

Mr MULDER - 'Influence' was right; 'control' was the word in the question.

Mr BAYLEY - Clearly there is a difference of interpretation around the committee. I'll leave that to you.

Ms FORREST - No, that's not true.

Mr MULDER - We're disciplined.

Laughter.

Mr BAYLEY - Okay. Generally speaking, the TCCI's expectation is that scientific and planning experts in the respective fields should be appointed and supported to make independent decisions on economic development proposals or resource extraction. We would argue that in this case negotiations with the ENGOs that have always held the upper hand led to a situation where even they acknowledge that all the protected areas are not completely based on an assessment of conservation values. Again, that was my interpretation yesterday.

My reading of the legislation is that the experts will be engaged to assess the classification of reserves after those reserves have been declared. In other words, the experts only get involved to determine the extent of economic activity in any particular area after they have been permanently declared as reserves and are therefore untouchable for their highest value use, which may on some occasions not be entirely consistent with their genuine conservation values. This is a negotiated outcome and I think that the reserves will inevitably reflect the negotiation rather than a complete assessment of their conservation values on a case-by-case basis.

This also raises a broader issue of resource security in other sectors. There is a clear risk that ENGOs who have direct or indirect links to the signatory ENGOs will move on to other sectors that they see as legitimate targets. It could be mining, agriculture, aquaculture or fisheries. So not only has the long-term supply side of the forestry sector been deeply affected by these negotiations, but other sectors could be targeted. The point of such protests outside the forestry sector is, of course, to undermine the experts that are appointed to make or advise on those decisions.

If we move on to the TCCI's position, we are not saying under any circumstances would we oppose the negotiated outcome or oppose the legislation. Under what conditions would we support it? This may look like a wish list but as the agreement primarily

reflects the interests of the ENGOs and the supply side of the industry it is worth considering the broader range of private sector stakeholders, those who generate wealth for the Tasmanian economy.

The expectations of a broad sweep of Tasmanian business might encompass that signatory ENGOs provide assurances they would actively seek to prevent all protests by other ENGOs under their influence. That is possibly a question of control versus influence. The legislation should provide comfort that campaigning against legitimate Tasmanian businesses carried some material sanction. The process for declaring additional reserves should be contingent on broader community consultation and independent expert advice. The additional money allocated to support the agreement should be shown to benefit or compensate downstream users and genuinely provide for long-term growth of the wood products industry. Finally, ENGOs cannot simply move on to other targeted industries, and they should provide assurances around this, that undermine resource security. Instead the government should insist that they agree to work within the rules and processes across industries. There are ways of engaging the ENGOs to establish those processes, of course, but the important thing is that experts are allowed to assess which development projects are sustainable and should proceed rather than having a broad range of industries in Tasmania under attack.

In conclusion, the TCCI is not necessarily opposed to a negotiated outcome. We have a lot of sympathy for the position that there is no plan B for the industry and therefore FSC accreditation is vital. It is likely that a wider group of ENGOs may recommence attacks on the industry or would commence attacks on the industry if this agreement is not secured and that would clearly undermine the long-term viability. However, the lack of certainty that the agreement will deliver peace or that a wider group of stakeholders would benefit means that at this stage we are unable to endorse the agreement and the legislation on behalf of the business community.

Ms FORREST - It was interesting that some of the signatories are actually members of the TCCI. Has there been any interaction around the TCCI board table and broader organisation about this during the whole process?

Mr BAYLEY - There have been discussions with various members and various industry associations, including FIAT. There have been discussions with the board; however, it's reasonable for me to say that the board and management are united on this position.

Ms FORREST - Despite the signatories signing off?

Mr BAYLEY - It's inevitable, in such a broad industry association as ours, that there will be a range of views amongst the membership and clearly it's not necessarily related to forestry. It happens in pretty much every public comment we make - there is a broad range.

Ms FORREST - Would it be fair to say, though, that the board of TCCI are perhaps better informed of the process and what was going on than those outside the TCCI because of the direct linkages of the signatories who are members?

Mr BAYLEY - I wouldn't necessarily say that, no, because we're collecting a broad sweep of Tasmanian business. We do talk to our members, of course -

Ms FORREST - I'm saying that the board would be better informed than the other people out there, members who weren't directly involved in these discussions that you said you had with the board.

Mr BAYLEY - I wouldn't necessarily say the board is better informed than any other stakeholder out there, perhaps better than the broad community, arguably, on the basis that TCCI does have a range of stakeholders that we do consult with, but my point was that we have not been fully consulted by the government, whether ministers or officials, nor have we had formal discussions with any of the ENGOs.

Ms FORREST - Have you read the agreement?

Mr BAYLEY - I have read the agreement.

Ms FORREST - Some of the points you made seemed a little bit odd in light of that. You also made the comment that you had some issues about the negotiated outcome and whilst you don't oppose the negotiated outcome it was made very clear by all the signatories on the industry side and the ENGO side that it was a negotiated outcome.

Mr BAYLEY - Yes.

Ms FORREST - Basically neither was happy with it but that's what a negotiated outcome is, so we're not talking about it necessarily being perfect on either front. Everyone has accepted that so we're talking about a negotiated outcome here which is not necessarily all focused on conservation or all focused on industry, by its very nature.

Mr BAYLEY - Agreed.

Ms FORREST - You said you had some concerns about downstream processing studies into what's appropriate and effective. I can't remember which witness it was yesterday we spoke to about the importance of funding to support innovation. In the agreement, clauses 28, 29 and 32 talk about residue solutions. You made the claim that biomass was taken off the table. That's not the case. Biomass is not excluded in this. It was made clear in some of our other briefings and discussions that I've had with signatories that biomass is not excluded; it's included in this. Any study that's done will look at the economic and environmental sustainability of it, so it's not excluded. Neither is any other innovative use of residues because what we're talking about here predominantly are residues. It was made very clear that the funding was imperative. The funding schedule that was agreed to, and to which you've alluded, is \$102 million. Partly of that is for that very purpose. If this is rejected then that money won't flow, so regardless of what happens that innovation will have to be funded from somewhere else. Do you think that's likely to happen?

Mr BAYLEY - That's not for me to comment on. I agree that some of the money may be dedicated to that. I'm not aware of the precise detail on which studies are being funded by which sums of money. I didn't think that was clear even from the government's submission that was received this week. Whether any other funding source could be available is an open question. One of the issues is clearly that particularly the Australian

Government has been very clear that the only way Tasmania is getting any funding is linked to the agreement.

Ms FORREST - For the purposes outlined in the agreement, certainly one of them is the residue solutions.

Mr BAYLEY - Whether it is appropriate for the Australian Government to have that hard-and-fast link, I guess you could say that it's an open question on whether that's appropriate. Or, if the agreement did not get up on the basis that a broader set of stakeholders and the Legislative Council did not support the agreement and yet there is still that longstanding unresolved issue, if the federal government then said, 'No, we're not giving you any funding,' then it probably reflects on them as much as anybody else.

Ms FORREST - There's no doubt about that. Do you agree that the industry has changed? You were here for some of the witnesses from previous times and may have been watching in another place as well, that we were told unequivocally that the industry has changed. This is not just a cyclical thing as we have been told unequivocally. Yes, it will rebound and there is great hope for some of the signatories that it will improve again, but without this support for residue solutions particularly, in view of the changes in the markets - and forget the Australian dollar, this is another market issue - if you can't deal with your residues you may as well not cut down the trees. You can't just sell fillet steak.

Mr BAYLEY - Yes, I agree.

Ms FORREST - If we don't have some sort of process here that supports the industry - we've all said that this industry should be self-sustaining, but I think that is probably a pie-in-the-sky dream because there is so much community service obligation to this whole story.

Mr BAYLEY - Which has been funded.

Ms FORREST - Yes, that is. That's ongoing funding, so there will continue to be funding for the industry, but without this agreement as a negotiated outcome that establishes a framework that's agreed by major parties - there are fringes on both sides, industry and ENGOs - where do we go from here if we don't do this? If we're going to have that investment in the major projects.

Mr BAYLEY - Clearly that's a major challenge and that's why we're saying we're not practically opposed to a negotiated outcome or some form of agreement, or some form of legislation that delivers a long-term future. It is concerns about the process that has got us to this point and the concerns with the agreement that's on the table.

Mr BAILEY - The problem and the issue that we continually hear from our members across the state is that what we're doing here is backing down to a bully. The ENGOs have put us in a situation where there is a feeling that we can't do anything other than to enter into an agreement. Essentially what business is doing is guaranteeing to give away a huge portion of land that could be worth goodness knows what over the next 20, 30, 50, 100 years in return for something that is nebulous, that you just can't put your finger on as far as any true guarantees moving forward. Essentially that's where we sit as a state and

that's what we continually hear from the market. What we need as a community is time and what we need is consultation, and the opportunity for communities to have an input into this process. Clearly with over 150 amendments coming through this week, there is a lot of work to be done in this place.

Ms FORREST - Can we just clarify this because I was going to go to the community engagement and let it run into that. One of the concerns that I and other Legislative Councillors expressed during the debate prior to Christmas was that we didn't have the detail. There were a number of lots that were going to be proposed for reserve and we didn't have the maps or the detail to support that or to explain or identify them. We were told that that would follow in a protection order. So the 150 amendments are not 150 amendments; it's an amendment that won't list a change to the process so that the protection order, which we would have got a bit later, is to be attached to the bill so that all that information is with the bill. It's what we asked for effectively. When it gets debated is really up to the Legislative Council. The government can try to bring it on as hard as they like, but we will be the masters of that. In that time leading into the time before it's debated, there will be an opportunity for the community and stakeholders to look at those land areas and say whether they think it's right or fair. Is that the sort of community engagement you think should be happening?

Mr BAILEY - I suppose I could throw that back to you. Are you saying that people in your electorate understand this and they support this across the electorate?

Ms FORREST - I will be going to my electorate. I will be putting an ad in the monthly newspaper saying the maps are here, do you want to comment?

Mr BAILEY - I am happy to do a bit more than just put some ads in the local newspapers. I would hope there would be local community consultations, there would be forums, opportunities for the community to engage. What we are hearing from our members is great fear around that. There is a fear that, again, we are guaranteeing to give away this resource without any strong guarantees in return. Even in presentations yesterday there were comments that we really can't trust those areas with the green movement. They may well be in these forests, they may well continue these activities. What are we even here talking about? Are we backing down to a bully? That's the question our members are asking us.

Ms FORREST - Yes, we were talking about a negotiated outcome. You say you don't necessarily oppose a negotiated outcome.

Mr BAILEY - What we want is the best outcome for the timber industry in Tasmania. There is no doubt forestry is a key part of our economy and it will remain that way. It will be a different forestry and we totally agree with that. We think it's a very exciting future with engineered timber products, cross-laminated timber et cetera, potentially pulp mills, potentially pellet manufacturing, whatever those things may be to maximise the value of our forests. What sits in the back of the mind of the businesses in the state is again the true commitment around the guaranteeing of the lock-up of this resource.

Ms FORREST - The lock-up of the resource, the lock-up and throw-away-the-key type approach that was mentioned by you and others, is not necessarily the case. As you are

probably aware in the Nature Conservation Act there are seven different categories and you can still do a lot of things in a number of those.

Mr BAILEY - There is no doubt the legislation, when it finally comes through, will need to be incredibly clever, but again we can just reflect what we are hearing from our member base.

Ms FORREST - I accept that. You talked about the community consultation, at what level. When we did the water and sewerage reform we didn't ask every person who uses water and sewerage for their opinion.

Mr BAILEY - Perhaps when looking at what has happened since that might have been a better idea.

Laughter.

Mr BAILEY - I would have thought the role of the Tasmanian government is to include community in these sorts of discussions.

Mr HALL - That's exactly -

Ms FORREST - They would have an opportunity but you don't think that is adequate? Is that what you are saying or not?

Mr BAILEY - What we are saying is we think there needs to be additional consultation. That's clearly the case, I would have thought. Again, the concern around this table that was shown before Christmas reflected that; I felt terribly sorry for the members of the Legislative Council being put in that position at that time. I thought the Council did a terrific job to be strong in the face of incredible pressure to give time for the community to become more involved. People are reflecting on their communities who are obviously saying that this thing does not smell right to them. As Phil has said, we don't oppose an agreement but we have significant concerns that we expect will be addressed through this sort of a process.

Dr GOODWIN - I wanted to ask about the social and economic analysis that, we have been told by the whole-of-government submission, will be finalised in later this month. I want to get a sense from you how important you think that analysis is to this whole issue - the bill, the agreement, and the impact on communities, business, Tasmania for future generations, and what sort of analysis you think it needs to be to be sufficiently rigorous to shed light on the implications of this agreement and bill.

Mr BAYLEY - To be flippant, how long is a piece of string?

Mr VALENTINE - Twice half its length.

Mr BAYLEY - And how long is the length?

Mrs TAYLOR - That's a very old line.

Mr BAYLEY - The social and economic study would seem to support the broader concerns out there. The important thing is in the scope. As Ms Forrest was just saying, the status quo does not exist. There are structural changes occurring in the market. Separating those structural and cyclical changes is very complex and, from an economic perspective, you can usually only do it after the event, but that's not to say it's not a worthwhile exercise. The important thing in that study is to get the [inaudible] right and that is the sort of thing that URS I think is struggled with to say well here is, in the context of Forestry Tasmania rather than the whole sector, 'Let us look forward'. But what does that forward-looking industry look like versus what we would have in the absence of it? I would need to sit down and spend a fair bit of time to work through what those terms of reference would look like if I were writing them myself.

Dr GOODWIN - Presumably it needs to be something fairly rigorous and not quick and dirty.

Mr BAYLEY - Absolutely, and I think it would be impossible to do that in such a short space of time. We would question why it hasn't been done earlier. At some point in time, a social and economic impact study could and should have been done. We believe one of the key issues that needs to be addressed in that is taking the range of opinions from downstream users rather than the signatories who inevitably - and this is not a criticism of them at all - are focused on the supply side. We have the industry asking, 'How much wood can we produce and sell?' and the ENGOs saying, 'We want less wood to be harvested and sold', without necessarily looking at all the downstream users who are saying, 'Yes, we might be able to access that product; this is what we need'.

Specialty timbers is part of that. The specialty timbers industry argues that they are the highest value-added users of the wood that is harvested in Tasmania, but they are one specific group and they are bashing their heads against a brick wall. Would they necessarily be consulted in a social and economic impact study? We would certainly hope so. Can we expect they will be? It depends on the terms of reference and the timing of the funding committed throughout the state.

Dr GOODWIN - Presumably the impact on jobs is fairly crucial, and not just direct jobs as far as the industry goes, but indirect jobs and in turn the effect on communities. Is it your expectation that that sort of assessment would be part of this analysis as well?

Mr BAYLEY - That's what other stakeholders are calling for and we broadly support those expectations. Tasmania has a very diverse and decentralised population and not only are there regional economic impacts but there is also a varied range of skill and education levels. A study into the impact of restructuring the forestry sector should take account of those education and skill levels which feed into the broader regional profile.

Mr VALENTINE - You made a statement that you have sympathy that there is no plan B and that Forestry Stewardship Council accreditation is vital; yet earlier you said you doubt it could be achieved. Could you expand on that?

Mr BAYLEY - One discussion I had with people in the forest sector - and I am not naming names - said that even if the agreement gets up, they were not confident that FSC could be secured. Therefore, that finds context to say we are putting a lot of eggs into that one basket but unless the attacks on the industry cease and overseas lobbying into

international markets and to the accreditation managers by other ENGOs who are not signatories to the agreement, has a significant risk of undermining the potential to gain FSC accreditation.

Mr VALENTINE - The information that comes to me is that is not the real reason why the markets are down.

Mr BAYLEY - No.

Mr VALENTINE - It is the demand for FSC that is part of the issue; you have to have FSC to get the markets into the future. Have you talked to Ken Padgett on this?

Mr BAYLEY - I have not spoken to Ken; I have spoken to others.

Mr VALENTINE - Australian Forest Contractors Association. He says it is imperative that this is passed so that it gives some certainty for the industry. What do you think? Have you any comment on all?

Mr BAYLEY - The question I am raising is, even if it is passed in its current form, if those attacks on the industry continue from non-signatory ENGOs, then can FSC accreditation be achieved?

Mr VALENTINE - I guess the attacks are only part of the equation.

Mr BAYLEY - Of course they are only part of the equation. I do not pretend to know every level of detail of what goes into the FSC mix but we all know that it is more subjective than the Australian forestry standards and it involves a much broader sweep of stakeholder consultations. I do not know the extent to where you draw that line in the middle about what is a community consensus or community perception of the forest practices and how much influence those ENGOs have that are arguing at the margin, but it can still do a lot of damage.

Mr VALENTINE - I am not suggesting that they cannot do damage.

Mr BAYLEY - Yes, but how much influence do they have in the FSC process is -

Mr VALENTINE - A concern that you have?

Mr BAYLEY - Yes, and therefore we are simply raising the question: what is the risk that we go down this path putting a lot of eggs in the basket of FSC and not getting there anyway?

Mr VALENTINE - The other question was more to do with Oakdale Industries. You said that they are importing timber for their particular activities. Do you know why that is? Is it price? Is it supply?

Mr BAYLEY - No, the supplier said they should import if they cannot secure -

Mr VALENTINE - Sorry, they were?

Mr BAYLEY - Advised that they should import if they cannot secure -

Mrs TAYLOR - They are not currently importing.

Mr VALENTINE - They are not currently importing?

Mr BAYLEY - No, if they cannot secure sufficient by the same source.

Mr VALENTINE - I misheard that, sorry.

Mr HALL - Michael, going back to a point that you raised and which is one that is quite dear to my heart regarding the maps and the lack of community consultation, it was very clearly indicated by Premier Bartlett that that would be part of the process and it did not happen. As individual members of the Legislative Council, some of us have very large electorates and very limited resources to try and get around and explain the implications. Even Frank O'Connor admitted down here a while ago, just looking on his own property, that it was very difficult to define the boundaries of where everything was. The question is, it is not our legislation; it is the government's legislation. Should it not be the government who gets out there and explains to all the communities of Tasmania and takes forums or whatever they have to do to explain exactly where these boundaries are and what the implications are, rather trying to put the onus back on us - which I find is total nonsense?

Mr BAILEY - I certainly agree. I think it is a really good point and from my perspective, if that was done appropriately, we would not be in this situation now and you would not have been put in the situation of having to make an impossible decision before Christmas. Time needs to be spent to support our communities to understand the economic impact of this sort of decision and to also let them understand the impact locally and what it will mean to them. I absolutely agree with you; it is not the role of Legislative Council at all and it should have been done before this.

Mr HALL - I will still put it to you that, yes, it should have been done before this, but they ought still to do it now.

Mr BAILEY - I absolutely agree.

Mr BAYLEY - Part of the issue here is where we draw the lines between the signatories, the negotiations that have happened, and what the role of government is. Part of this comes down to the special council in the legislation and who is in the room and not in the room. It is certainly now a collective position between the government and all of the signatories. Therefore, if the signatories have agreed on this and the government is backing them up, then it should be incumbent on all of them to explain the piece of the jigsaw on a map.

Mr HALL - Thank you.

Mr GAFFNEY - One of the things that is a concern to all of us is a lot of the initiatives that you mentioned to stimulate the economy and the community is the need for a substantial amount of seed funding to do some of those things. I do not see many business people in the forest and timber industries at the moment putting up significant sums of money. In

fact, we see the reverse. We see groups walking away from the industry and, as we have heard over the last few days, it is firing downward and some of the members have said that this agreement is a chance for at least some balance to rebuild and get a hold of the community.

Mr BAYLEY - On the other hand, for some to exit with dignity.

Mr GAFFNEY - Yes. One possible scenario is in 12 months if this agreement does not go through the federal government money is taken off the table and Ta Ann walk. Will the TCCI then say, no, we did the right thing, we were not in favour of this agreement because of all these things or will they say, gosh, this is an opportunity missed because, now there is no industry, there is little future and we do not see anyone having the confidence to put that money back into the timber industry in Tasmania. That is what we are faced with. Or will the TCCI say it was pleased the Legislative Council at least negotiated an agreement where there was some balance, some amendments, so that the money came through to stimulate a lot of the things that we have mentioned. That is the conundrum in which we find ourselves, playing Russian roulette a little bit.

It is all right to say, stick to principles, do not feel as though you are threatened, but at the end of the day, in four month's time, if there is no money on the table, there is no industry, our biggest - Ta Ann - has walked, how are we going to explain to this state and the economy that we made the right decision?

Mr BAILEY - It is the same with aquaculture, fisheries and mining. If you give business the opportunity and the resource they will find a way of making money. They will find a way of using that resource and making a profitable enterprise.

Is this agreement simply locking away that resource? If we back down to this situation and surely that is why we are here, what will happen next? We will be talking about aquaculture or mining in the same forum in another few years?

I hear what you are saying and I know that you have a really difficult decision. Clearly, you do not understand the social and economic impact as that study has not been done. There is a whole range of information that is just coming across your table that you need to digest.

The Legislative Council, across the history of Tasmania, has provided phenomenal leadership and this is a time where you need to do the same. If we provide a business environment and the resource businesses will make money and grow.

Mr GAFFNEY - Supplementary to that and then I will finish. I think the same discussion was probably had back in 1998 with the RFA when they said good decision or whatever, we can grow the business, and here we find ourselves 15 years later where societal expectations within the wider community about what is good for the environment and what is good for industry has not worked and we have lost, I think some said, 11 000 jobs. Therefore, those two groups have come together to say we have to start somewhere, let us build it together because it is tearing the community apart. I know we will get the social and economic study at the end of the month, which will be great, but they are the concerns I have at the moment.

Mr BAILEY - It is interesting how other countries approach forestry. You look at Canada who has multiple uses of forests and New Zealand do similar things but in Tasmania we seem to have a lock it up approach. I wonder if there are different ways you could look at it.

Mr MULDER - I hear you have concerns with the process and I can assure you you're not Robinson Crusoe, but I'm also hearing a lot of concerns about the outcomes that have been proposed such as the quote 'lock it up' thing, yet you are saying you are not opposed to the bill at the same time. I'm starting to get a feeling that you are actually opposed to the bill, but you are not prepared to say it.

Mr BAYLEY - In its current form. The point I was making earlier was that we're not opposed necessarily to a negotiated outcome.

Mr MULDER - As long as it suits you.

Mr BAYLEY - I wouldn't say us. The business community as a whole and the key point I was trying to make was what has been negotiated was an outcome by the ENGOs and the largest side of industry. There is a much broader set of users, specialty timber users, downstream manufacturers, potential downstream manufacturers and businesses that are hanging off all of those - service providers, professionals, suppliers, et cetera, that have not been consulted and have no certainty the agreement will improve their own situation.

Mr MULDER - That is the point, it is a supply side agreement. It is about the values at the supply end of the chain. For things like the FSC certification what I understood you to be saying was that we are giving the ENGOs their reserves on the prospect of FSC certification.

Mr BAYLEY - Exactly.

Mr MULDER - That certification seems to me, from what I've heard around the table, to be an essential requirement for any future industry that involves exporting. It's the way things -

Mr BAYLEY - Exporting into certain markets.

Mr MULDER - On the demand side that's where the FSC certification is a critical issue for the industry in the future. What if we made the reserves conditional upon achieving FSC certification, would that overcome your concerns?

Mr BAYLEY - It would certainly strengthen the durability provisions and would improve the prospects of us supporting it, but I think there would still be other concerns that would need to be addressed.

Mr MULDER - That would meet some of the demand criteria and enable the industry to then grow.

Mr DEAN - How many businesses around the state do you currently represent?

Mr BAILEY - I have been in the role now for a grand total of three and a half days. Our membership is strong and our membership figures at the moment are around about - it depends how you record them - by that I mean we represent organisations that then have subsidiary members, which are part of the Tasmanian Chamber, including that around about 1 400 members.

Mr DEAN - Is the feeling about this process and this position common right throughout the state? You represent the state in those businesses, so is it a common feeling right throughout the state?

Mr BAYLEY - Yes. I have had calls over the past six months from all sorts of business in all sorts of areas, have had discussions all around the state and it's certainly a concern. Different businesses or different business owners, managers, employees, et cetera, have different concerns, but the broad feeling is they have been excluded from the process. They can also see who is in the room negotiating, who has the power balance in those negotiations, they've seen the government take its hands off, as we've said, and abrogated its responsibility for managing the public estate. On top of that there is the broader issue of the restructure of Forestry Tasmania and how that played out in the lower House. That has created a perception of a difficult situation for business. As I said, I've certainly had calls from all around the state and all sorts of discussions around it.

Mr DEAN - Phil, I think you made the comment that you had robust discussion with the Premier after the bill had been introduced into the lower House and debated.

Mr BAYLEY - I'm trying to think of the dates. It was early December and was about the TCCI's position and our activities around supporting it.

Mr DEAN - What was the outcome of that robust discussion? Did you get anything that made you feel more comfortable with the process or the position?

Mr BAYLEY - Sorry, but that was a discussion between me and the Premier and how we tied it up.

Mr DEAN - Okay.

Mr BAILEY - I may well have understated our membership; I might need to recalculate some numbers if I could take that on notice.

Mr DEAN - Okay.

Mr BAILEY - Also, while I have the opportunity, I apologise for Andrew Heap, our chair, who was hoping to be here today but wasn't able to come.

CHAIR - Michael and Phil, thank you very much for accepting the invitation to be before the committee.

THE WITNESSES WITHDREW.