

**THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE TASMANIAN FORESTS AGREEMENT BILL 2012 MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON TUESDAY 5 FEBRUARY 2013.**

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**Mr JIM ADAMS**, CHIEF EXECUTIVE OFFICER OF TIMBER COMMUNITIES AUSTRALIA WAS RECALLED AND RE-EXAMINED.

**CHAIR** (Mr Harriss) - Welcome, Jim. The first process is to pick up on where we ended last time with the TFA. Is there any matter from your previous attendance you wanted to clarify or pick up on?

**Mr ADAMS** - No, I am comfortable. I am happy to launch back into questions. If there are any matters that come up as we go through, I will seek to add where I can.

**CHAIR** - I will be careful not to cut across FSC matters because I think it is important to keep them separated. Nonetheless, you wear two hats. When were you elected as chairman of the FSC? I want to get some context around that.

**Mr ADAMS** - I have been on the board of FSC since about 2007. The FSC chairmanship is rotational. FSC operates a board that has three chambers: social, economic and environmental. The chairmanship rotates each year from one chamber to the next. FSC operates its AGMs mid-year, so in May last year the chairmanship was rotated. It was the turn of the social chamber to be chair and there was an election within the social chamber as to which of the three social chamber board members would become chair. I was the longest serving and on that basis I became chair.

**CHAIR** - With TCA members - and they are a fairly diverse group - are you aware of whether in the state sense, I suppose, there has been any discussion, detailed or otherwise, as to the FSC certification matters as they would cut across or be of benefit to members of the TCA or those participating in forest practices?

**Mr ADAMS** - There have not been detailed discussions on that, although TCA's role within FSC, as I say, has been known within the membership for a long time. TCA has been a part; I actually inherited the position from the previous CEO. TCA, however, had a formal policy which was developed through the membership of supporting both certification schemes, both the AFS and the FSC scheme within TCA.

The role I play within FSC, as I explained last time, was a role that arises through TCA's representation as a social chamber member. We are not an economic chamber member, we are not there to represent industry; we are there to represent community or social aspects of forest management and certification within that group. It is part of the foundation of FSC that it is a three-chamber organisation that seeks to ensure that it gets balanced input from all three chambers.

**CHAIR** - Given that social connection, if you like, rather than industry representation, what I am trying to understand is the interaction of that because you do have that unique position in terms of providing information to TCA members as to the impacts of FSC on the operations.

**Mr ADAMS** - There has not been a lot of communication back in that direction, back to the membership, other than TCA's participation, or my participation, within the board at that level. There has not been an awful lot to communicate in that FSC goes about its business. It maintains a very detailed website and really the core piece of business for FSC in Australia, for all of my time really, has been trying to get itself into a position where it can commence the development of a national standard. FSC as an organisation has done a lot of communication with stakeholders on that and keeping stakeholders aware of developments in that space. We tried on a number of occasions to get to a point where we could commence a national standard development process.

At one stage we developed what we described as a straw-dog national standard which was for comment. We then were not able to take that forward because we did not have the funding at the time. That has been the core business. Then obviously for TCA's membership, if that process got underway then there would be very significant opportunity for TCA's membership to then get involved in that process, but up until now it has really been about just trying to get into a position where we commence that process. So there has not been a lot to consult on in terms of standard development processes; it has really been about the administration of the organisation.

**Mr WILKINSON** - Jim, you are doing a lot of work on a national standard because FSC at the moment does not have an Australian standard, does it?

**Mr ADAMS** - That is correct.

**Mr WILKINSON** - What is happening here is we are being asked to support something which we do not know what we are supporting.

**Mr ADAMS** - Not exactly because if somebody at the moment seeks FSC certification in Australia, that FSC certification process would then be assessed against a current international interim standard which has been modified, if you like, to reflect Australian conditions. It is not an Australian standard but it is an international standard that has been modified. There are three such standards and three certifying bodies that can conduct FSC certifications against those standards in Australia today. So it is possible, it is out there and it is on the website. The details of that standard are available to people who want to go and look and see what criteria would need to be complied with to actually gain certification against one of those standards. Obviously it is not what we would prefer; we would prefer to have a national standard in place, developed specifically through consultation with our Australian stakeholders.

There are a number of industry players at the moment for whom the urgency of getting FSC certification, because of its importance particularly in the international market place, have chosen to move ahead of that process and because they couldn't afford apparently to wait while we were able to raise the funding, particularly in circumstances where we would be struggling to raise the funding and continue to struggle to raise the funding, although it is looking more promising at this stage.

**Ms FORREST** - Jim, last time we spoke you didn't have time to contemplate or consider the government amendment; can you give us TCA's view of that approach now? I'm not sure where the discussion has been had that we were told about a week ago with the

initial durability report, which is a bit of stumbling block for FIAT, so if you could update us on that.

**Mr ADAMS** - I need to take that on notice because I am not myself exactly sure where within the industry group we have landed on that at this point in time. There was a meeting with the government officials about 10 days ago, which I wasn't able to attend. I believe they brought to the table, if not a further explanation, perhaps modification of that amendment. I did have a look at that, but I wasn't privy to the discussion of the industry reference group in terms of our satisfaction or otherwise on that, so I need to take that on notice.

**Ms FORREST** - Aside from the durability report aspect of it, which I think is a key issue, having all the lots in the schedule as part of the bill - let's assume for the moment that the durability report issue can be sorted out - in your view is that a better way because you can go line by line and tick off every lot effectively during any stage of the bill, as opposed to the protection orders tabled later and it's accept or reject?

**Mr ADAMS** - It depends how it is used in the approvals process because we have an agreement, or a proposal on the table for an agreement, which proposes reservation of certain areas. If that process essentially allows review of those areas individually and establishment of whether or not the values that claim to be there are there and they go through, that allows the agreement still to go through fundamentally intact, so fine. But if it results in the agreement effectively being unpicked location by location then it will undermine the core balance between reservation and outcome, whether people believe in balance or not.

**Ms FORREST** - When you say 'unpicked', as I understand the way you could unpick would be to change from a national park to a regional reserve recommendation, if that fits the value or the other way around, or you could reject a lot or a number of lots.

**Mr ADAMS** - Yes, together.

**Ms FORREST** - When the government department representatives were here a couple of weeks ago they made it very clear that the signatories agreed - and the signatories also said it - the agreement the signatories reached was to preserve a certain amount of land and it was up to the department to consider what was most appropriate.

**Mr ADAMS** - The most appropriate classification for the reservation, yes.

**Ms FORREST** - The most appropriate classification. If there was some changing of some of those, would that be a deal breaker, or just if lots were taken out that would be a deal breaker?

**Mr ADAMS** - As a signatory to the agreement we agreed to the reservation of certain areas. It was always our understanding and view that the exact designation of the status of those areas in terms of what classification of reservation would be something that was managed through the departments. We didn't sign up to  $x$  hectares of this and  $x$  hectares of that. We just signed up to this area that, through the negotiation, has been determined or set aside for reservation.

**Ms FORREST** - The process to get the land assessed for reservation; you cannot tell us where TCA are on that yet?

**Mr ADAMS** - No, I cannot tell you where TCA is on the amendment to the amendment, but in terms of reservation there is no doubt in my mind that the environmental groups would want to see as much as possible go into national park and my membership would like to see as little as possible go into national park, even if it was reserved in some way. I think you probably all understand that.

**Ms FORREST** - The big issue is the number of hectares, basically

**Mr ADAMS** - Yes, that is right. I respect the fact that people believe it is not balanced but the balance of the negotiation determined an outcome on one side against an outcome on the other side. With environmental groups, the size of the reservation outcome was a big part of their consideration. If there was significant change made to that, then obviously that is going to start to undermine the fabric of the agreement. If there were proposals to withdraw this area, withdraw that area, withdraw various areas and it is started to look like a much smaller number, then I am sure there would come a point where the environmental groups would say that is not the agreement we agreed to. In fact, probably all the signatories would get to a point where they would have to say that is not the agreement that we arrived at.

**Ms FORREST** - There was a lot of discussion last time when you were here and with other signatories or other witnesses perhaps and some public commentary about the durability of the agreement. We heard from most the signatories that they are wedded to it and back it completely. Some people have suggested there should be some mechanism within the agreement, built into it, to ensure durability. I am not quite sure how you do that, but do you have a view on that or do you think, from the way the signatories are operating now that it is [inaudible] or do we need additional strengthening measures?

**Mr ADAMS** - Again, as you would understand, we explored many different mechanisms for durability during the negotiation process and arrived where we did because that was what we thought could be negotiated. Some of the things that we originally proposed from the industry side were not acceptable to the environmental groups. Some of the things that they proposed that they thought would give us durability we said we do not agree give us any durability at all. My view at this point in time is that the FSC certification, the agreement to support FSC for the remaining production estate is one of the most important, key elements of durability in this process, notwithstanding the various durability assessments. You notice in clause 42.1, one of the elements that needs to be assessed is the degree to which FSC certification has been progressed.

**Ms FORREST** - Progressed and supported are the same?

**Mr ADAMS** - Yes, they are the same; it is both supported and progressed. We have all had these misgivings. We all think, what happens when this is signed and in six months time there is another group of people in place and a new group forms here or there. If those groups are just dealing with the agreement in itself then there is every chance that they can say we were not part of that so we are not going to sign up to that. But if they have to deal with a third party in an internationally recognised certification scheme that has certified these forests, there is no longer a case of, 'Oh, we just did not agree to that

agreement'. If those operations are now FSC certified going forward, then it is a much bigger hurdle to establish some kind of argument for further reservation or that those operations are somehow illegitimate or inappropriate or whatever, because they have been certified by an independent third party.

**Ms FORREST** - With FSC certification there is a range of views about whether you really need it or not, whether the markets are really demanding it or not. It appears the market is in certain areas, but you are saying it is an important part of the durability, so that any fringe environmental groups would have to argue that FSC certification is a waste of time too.

**Mr ADAMS** - That is exactly what I am arguing. On the industry side of this discussion I don't think it is any secret that there is a strong level of support and there has been in the past some scepticism about FSC, but within the industry side of this discussion even some of those people represented on the industry group who are very strongly committed to AFS eventually came around to understanding that this is a very significant part of the durability. That is why we had to first get that supported within our side before we could even put it on the table as something to be supported by the other side.

**Ms FORREST** - Is it as much about taking the heat out of the fringe environmentalists' arguments and comments as needing it to FSC the product?

**Mr ADAMS** - Exactly, it is very much about that. There are some people out there who are very concerned about that and don't want to see FSC certification for that very reason. There are some of the environmental movement who are opposed to FSC being part of this process because -

**Ms FORREST** - It takes away one of their linchpins?

**Mr ADAMS** - Yes.

**Mr HALL** - Could you clarify the exact role of the TCA? Last time you were here you indicated that the TCA exists to support industry. I would have thought that your role was to support your timber communities rather than industry, whereas you have an organisation like FIAT who represent industry per se. Also, you have just mentioned that in your role on the FSC board you were not there to represent industry, so I find it to be a dichotomy. I am confused as to where you are.

**Mr ADAMS** - You are not the only one who is confused. There are a number of members who struggled in the space. I need to take you back a little bit to the Forest Protection Society days when TCA was first formed. The TCA was formed in the days when the forest conflicts, if you like, were at their peak across the country, not just in Tasmania, particularly in places like the Otways and East Gippsland and southern New South Wales and so forth. Industry was basically locked, if you like, in a dispute with environmental groups and it was all over resource and access to forests. Communities were being affected by that but did not have a voice. The industry and the unions at that point in time said, 'Hang on a second. Here's a constituency which, if we can coordinate and mobilise them, can be very supportive of industry in its attempts to oppose the green movement'.

That is how TCA was formed. The TCA was formed to mobilise and to help coordinate community input into those processes in support of industry. For that reason, industry has supported the TCA for the last 25 years. TCA's financial support in that time has been 95 per cent or maybe even more from industry, not from membership, but the TCA has tried to help support its communities as well. It has been about trying to engage and help communities to mobilise themselves in support of industry. In the past that was pretty simple because it was always just about resource, and supporting industry meant opposing claims to lock up resource and that was very simple. A lot of people joined the TCA at the time because that is what TCA was doing. Not all of them necessarily joined the TCA just for industry; some of them possibly joined the TCA to oppose pushes for reservation.

We have a wide range of members, a very broad spectrum of people in our organisation and some of them are possibly there more to oppose the green movement than support industry. In circumstances like this where it is not just about resources - it is also about market access - and supporting industry has come down to a decision about whether or not we want to support a reserve proposal, it has been a very difficult question for the membership but TCA has, does and always will exist to assist those communities who wish to support the industry.

**Mr WILKINSON** - Jim, the media release from Tony Burke last week relating to the 165 000 hectares, nominated for World Heritage, was to be 124 000 or thereabouts. What is your position in relation to that? There definitely seems to be a change in the initial agreement. You were saying previously that if some people tamper with the agreement then it falls flat; it seems that if some other people tamper with it, it doesn't fall flat. Where is the extra land coming from? Is it already in the reserves or alternatively is it land that hasn't been previously recognised to be in any of the reserves?

**Mr ADAMS** - When we signed the agreement we signed up to the particular provisions of the agreement. We also signed up to support the agreement as a whole - and we backed a reservation outcome. We didn't back a World Heritage nomination. We understood that, yes, the environmental groups considered that there was a percentage of the reservation outcome that they would like to see nominated as World Heritage. We were aware of that and said, 'That's fine if you want to go ahead and nominate that'.

We then found ourselves with a delay in proceedings, and rightly so - I am not critical of that - through this process, which I think is legitimate and important, but it did squeeze timelines in relation to the environmental movement's aspirations for World Heritage nomination of some of those areas. I am not an expert in these things so I am not sure exactly, but there were timelines around getting a nomination in before a particular time in February so that it could be considered by June. If it had been delayed it would have gone into the following year and of course the federal opposition has been clear about their position on that, so there was a strong push to get that nomination in in this current sitting period of the World Heritage committee.

It was made very clear to us that that was going to happen anyway, that that nomination would be put through and that it would not be withdrawn once it had gone in. So we found ourselves in the position where a key element of the agreement, on the other side of which a whole lot of elements are very important to us, was potentially going to go through anyway. The nomination was going to go through anyway, whether approved or

not approved. Potentially if the agreement itself then never went through, the other elements would never be delivered. We were put in a position where we had to decide whether or not to say, 'Okay, if that's the game win, we insist of having some of those elements that are important to us balanced, if that nomination is going to go ahead anyway'. So we negotiated for some period as part of the industry reference group over that to get balance in what was happening there.

Given that we couldn't stop the nomination going ahead anyway, we wanted to at least ensure that if that was going to happen we ensured that some of the elements that were important to the industry side were matched with that in terms of their expeditional bringing forward, so from TCA's point of view I pushed for the specialty timber provisions to be stiffened in that process and also for the regional development process to commence as part of a matching element to that proposal.

In terms of the increase from 124 000 hectares to whatever the final number is, right up until the day that was done we believed it was 124 000 hectares. We weren't aware that the nomination had been increased beyond that. It is our understanding that this increase in the nomination takes in a range of other areas which were otherwise already in reserves of one form or another.

**Mr WILKINSON** - So there's no new land?

**Mr ADAMS** - I don't want to say yes or no to that question; I don't know. I will take it on notice. I have asked that question and I haven't yet been given a clear explanation of exactly where and what lands are involved in the additional areas. As far as this process and we were concerned, it was 124 000 hectares. My initial response to the increases, which were a discussion I had with Bob Gordon, were that it's other additional formal reserves that were already in place and have been picked up in the nomination process, but I need to check that.

**Mr WILKINSON** - I am not saying it to be against or otherwise, but it seems to be a bit of a moving feast. You entered into the agreement and then there were the negotiations that changed that and now this seems to be yet another change, yet the Legislative Council has been told, 'If you make any changes at all, the deal's off'.

**Mr ADAMS** - You're exactly right; it is a moving feast. There are a lot of different players exerting pressure on the way things are rolling out. What we are trying to do as individual organisations, and also as a caucus on our side, is to make sure if certain elements are moved that we maintain a balanced matching of those elements. If we can't stop something from moving in our own right then the best we can do is make sure that any benefit to the other side is matched by a benefit on our side.

**Mr WILKINSON** - That's the other thing to my question and you answered it to some degree when you said it was your job to try to stiffen up speciality timbers. Specialty timbers was a major part of the agreement and yet it seems to have fallen by the wayside, and that concerns me. What is happening in relation to specialty timbers? There is a problem now; a lot of people have been coming to me concerned about that and I would imagine in your position it concerns you as well.

**Mr ADAMS** - It absolutely is. I am surprised to hear you say you think it has dropped away in importance. I wouldn't have thought it has dropped away in importance in this room at all or in my mind.

**Mr WILKINSON** - It hasn't dropped away in importance in this room because the question has been asked a number of times.

**Mr ADAMS** - Within the industry caucus particularly and also within the broader signatories' group it is still recognised as a deal breaker. From TCA's perspective we have been continually saying that if the signatories' group doesn't get this right then this deal is not going to happen.

**Mr WILKINSON** - Where are we with it?

**Mr ADAMS** - Through this process that happened last week around the World Heritage nomination, we brought that forward. We've brought funding out of the regional development money to commence that section 9 process straightaway. We have also written into that more strongly that if section 9 identifies that the current identified area can't provide the required volumes, then additional areas - so there is a pre-agreement upfront - need to be identified to provide the required amounts of specialty timbers.

**Mr WILKINSON** - What is the required amount? I think the last time we spoke we were talking about what there is in relation to Blackwood, sassafras, myrtle et cetera. Where are we now with that?

**Mr ADAMS** - Part of section 9 actually establishes that. Part of the section 9 process is to establish that. We've had a number of different figures thrown around during the process. We've had 12 500 as the static position and then the verification process came up with a number of 19 000, or 18 500. We have the Forestry Tasmania specialty timbers plan that seeks to try to provide 500 cubes per annum each of sassafras, celery top and myrtle, but recognition in discussions that about half of that is what has been currently demanded.

Part of the process is to say what are the actual demands? What can be supplied from the currently identified area? What can be supplied from the current native forest operations? There are a number of different sources you can go to, the specialty timbers and craft zone, to access these timbers. There will be some that will be produced incidentally as a result of normal operations. Then if that doesn't meet the requirements, the additional areas will have to be found.

**Mr WILKINSON** - It seems to me from the way people are talking that what they are endeavouring to do is to make Tasmania more of a boutique-type industry, especially around, one would hope, the rural areas which have been really struggling as a result of what is occurring. Therefore what we have to look at is assisting those rural areas as much as we can. That being the case in relation to specialty timber, it would seem there might be a greater demand for it, so we shouldn't just look at demand now. We should look at where demand might be in five or 10 years time if we're endeavouring to support rural areas like the actual forest agreement says we should be doing in the first place.



**Mr ADAMS** - I absolutely agree with you. One of the difficulties one has in a process like this is that one tends to be involved in a negotiation with people who are seeking to support the current members they have, not future members. It is the role of government on one hand, but also the role we've taken on ourselves to make sure that we take a broader view in that regard. Yes, the specialty timbers and boat-building industries are very important and very significant.

I vividly remember the very first day I ever came down and met up with Barry and he said, 'Mate, I want to have a talk to you about something that is starting to brew'. He arranged for George Harris to give me a call. We were driving out to Huonville and I was talking to George on the phone. In that phone call I said to George, 'Look, whatever comes out of this process, if we don't get this right then it won't happen'. That is still the case. It is the case today and it will be the case. The environmental groups know that. They also are in a very difficult position with their constituency because obviously these timbers come from tall wet forests, which in some instances are rainforest and some of those forests are the forests that they want to see protected most passionately.

But they understand that if they don't get this balance right and we don't get a mechanism in place to address this issue. That is why as part of this World Heritage thing last week where there was a push to bring the World Heritage forward, I particularly said, 'If you're going to do that and we can't stop it happening, then we need to bring this forward and you guys need to provide us with a solution in this space now'. This is an opportunity to bring that forward and make that happen now before this thing has to be decided. If you cannot get it right and we cannot demonstrate that we can get it right, then you cannot expect it to be decided in favour.

**Mr WILKINSON** - I know it is only one brick in the wall, but in relation to specialty timbers you look at your boat building and Tasmania now is world renowned in relation to its Wooden Boat Festival, probably the second-most advertised wooden boat festival in the world. They are the types of things I would imagine that these people are looking at in saying, 'Look, are you going to continue to be able to do that'. You look at the Cloverdales, Muirs and Batts, the maritime history in that is very significant indeed. There has to be enough specialty timbers to enable not only the boat-building industry but also other industries to be able to continue not only now but into the future. If you are satisfied that that is going to be the case - and you know what is going on better than we do - if you can be satisfied and confident that those people will be able to be supported into the future, then they would get a lot of support and a lot of comfort from that.

**Mr ADAMS** - I am satisfied that we have a process in place to ensure that happens. If we are not satisfied that that happens through that process then we won't consider the agreement to be filled in full and we won't be supporting it.

**Mr WILKINSON** - When will we will know what has been finally agreed upon by the signatories?

**Mr ADAMS** - In that specialty timbers space?

**Mr WILKINSON** - In all spaces. We have to agree to something and if we do not know it is like signing a blank cheque

**Mr ADAMS** - I suppose all of us in this room are now in this place where an agreement was put up and now people are in the process of assessing it and seeking to modify or improve it. That is the role of government. As I said when I was last here, negotiation is the art of what is possible. Then it is for government to say, can we afford this and is it right. That is what you guys are doing, which is appropriate. We are all in a position where there are lot of balls in the air on a lot of issues and we are not in control of all of them. Some of them have been thrown in the air in this room, some of them have been thrown in the air across the road. We are really trying to assess those and say what does this all mean for the agreement, but we need a complete set, if you like.

We are meeting this afternoon as a signatories' group to start the process of saying, what are all the things that are in play, what are the proposals up there, how do we feel about them, and provide that kind of feedback. At the end of the day, the people that will ultimately decide when the process is finished is you guys. We, at this stage, are now part of your process and can provide input into that but you guys will determine when this finishes.

**Dr GOODWIN** - Jim, I had a question around the World Heritage nomination issue. I think what you said earlier was that you were told - and I presume that means the signatories were told - that the World Heritage nomination was proceeding; is that correct?

**Mr ADAMS** - Yes.

**Dr GOODWIN** - Who told you that was occurring?

**Mr ADAMS** - That came out of federal minister Burke's office.

**Dr GOODWIN** - When were you told that?

**Mr ADAMS** - Early this year. I would say mid-January.

**Mrs TAYLOR** - After you had signed the agreement.

**Mr ADAMS** - Yes, well and truly after we had signed the agreement and after this process had commenced, I believe.

**Dr GOODWIN** - Essentially, as far as the signatories were concerned the World Heritage nomination was proceeding. Nothing was going to stop it; it was full steam ahead.

**Mr ADAMS** - We were certainly told, and I think this is a matter of record in the media, that once it was in it would not be withdrawn.

**Dr GOODWIN** - Yes, okay. What was the process that led to this funding being brought forward because of this World Heritage nomination?

**Mr ADAMS** - We did not agree to World Heritage nomination when we signed the agreement. We agreed to a reservation outcome. We knew that the environmental group proposed to then go ahead with the nomination, but because of the delays and the requirement for nominations to go in by a particular point in time the nomination was

going to proceed. To us that effectively locked in part of the reservation outcome to which we had agreed but prior to final decisions coming out of government - out of the Tasmanian government at least.

We said if that is going to happen, if that proportion of the reservation is going to happen anyway now as a result of it being put up for World Heritage nomination, then we want to see that balanced by some of our outcomes. We then negotiated to have a number of elements of the outcomes that were very important to us brought forward, including the progression of the high-quality sawlog buyback program to a certain point, the progression of the regional sawmillers' exit packages to a certain point. We initially argued that we wanted those matters brought to a point where people could be given some relief by giving some of that funding. That was not possible, apparently, from a due diligence point of view from the government's point of view. So we argued to get them right up to execution stage, which is what has now been agreed to.

There is a provision in one of the annexures to look at particular cases of particular hardship. There is one case which is really quite pivotal to the capacity of the industry to continue to operate that may need to be dealt with ahead of time. Alongside that we also sought to have other elements. One that has been particularly dear to my heart from the start of this process has been the Regional Development Task Force Tasmania and its capacity to start to look at impacts and opportunities in relation to the now \$96 million set aside in that fund.

It has been very frustrating to me that during this process people are being impacted and we are not able to look at opportunities to assist them. We now know that the work on the impact assessment that Dr Bob Smith is doing is either complete or very close to complete in terms of providing some kind of social and economic impact of that proposal.

**Dr GOODWIN** - How do you know that?

**Mr ADAMS** - He has been working on it for two or three weeks and I believe it was projected to only take about that time.

**Dr GOODWIN** - It was projected to be ready by the end of January. I thought you might have some inside information to say it is finished.

**Mr ADAMS** - No. Initially it was set up to assess the impacts of the proposal. What they are now also trying to do is say, 'Okay, what would the impact be of doing nothing?', which has meant that they have to go back and do some additional work. You have to make some assumptions about that, and getting informed people at this point in time to put their hands up and make assumptions is pretty difficult because you are putting your neck out there.

**Dr GOODWIN** - In terms of bringing the funding forward, who initiated that discussion? Was it the industry representatives?

**Mr ADAMS** - Which particular funding are you talking about?

**Dr GOODWIN** - You have just talked about the specialty timbers, the regional sawmill buy-back, the World Heritage nomination - the quid pro quo, if you like.

**Mr ADAMS** - It was the industry. It was our group that said, 'If this is going to happen then we need you to bring the stuff forward'. The only money that has been brought forward is the \$2 million out of the regional development fund to do the specialty timbers funding. That, to my knowledge, is now on the table and that work can start with that money now. The other elements are brought to the point of payment but not actually to payment.

**Ms FORREST** - The cheque is in the mail for those ones.

**Mr ADAMS** - Yes, everything is done, the cheque is signed but it is in the top drawer.

**Dr GOODWIN** - What is your understanding about that funding, particularly the funding that is set to flow - the specialty timbers money? That is not money that has to be paid back if the deal doesn't go through.

**Mr ADAMS** - No.

**Dr GOODWIN** - So that is up-front. This is the quid pro quo for the World Heritage nomination and that money is there and it is guaranteed.

**Mr ADAMS** - That is my understanding. That money has been in that regional development fund now for 18 months; I am not sure of the exact time but it has been there for some time. There has already been one year's worth of that money allocated. It was allocated without any input from anybody in this process, although it was allocated to this process. I am not saying that where it was allocated was inappropriate or wrong or whatever, but it was a frustration to myself in particular that we had no capacity - certainly in that first year - to say, 'Hang on, these are the communities that are being affected and these are the processes we'd like to see that money spent on'. We and I have been pushing continuously to have that task force meet, but we have constantly been told that, 'No, we're not prepared to let the current board meet until the agreement has been signed' and there are all sorts of reasons for why they would want to do that. We did manage to finally get it across the line as part of the quid pro quo on the World Heritage nomination.

**Dr GOODWIN** - To be perfectly clear, it was industry that drove that discussion about needing something as a quid pro quo; it wasn't the minister saying, 'I'm going to send this thing through'.

**Mr ADAMS** - No, it was industry and it was supported by the environmental groups on the basis that on many occasions during the process we had spoken about parity around the deal.

**Mrs TAYLOR** - Well done on getting the quid pro quo moving, but it wasn't a surprise to any of you that the World Heritage nomination went through because all the signatories keep saying to us, 'If any major part of this agreement doesn't go through then the deal is off'.

**Mr ADAMS** - Yes.

**Mrs TAYLOR** - Clause 37 clearly says that the signatories recommend the World Heritage nomination et cetera for consideration in June 2013. So it had to be done now because if wasn't done now then that major clause of the agreement would be breached and therefore no agreement.

**Mr ADAMS** - Back to no agreement, yes.

**Mrs TAYLOR** - I understand that is why minister Burke said the agreement would fall or stand on this.

**Mr ADAMS** - That's right.

**Mrs TAYLOR** - So it was no surprise to you?

**Mr ADAMS** - No surprise. What we didn't anticipate was that it wouldn't be withdrawn if the agreement didn't get up.

**Mrs TAYLOR** - Yes. Minister Burke said that Australia has never withdrawn a nomination so once it was nominated it would not be withdrawn.

**Mr ADAMS** - Even if the agreement didn't get up. For us that would have been a case of let that go ahead regardless and the rest collapses.

**Ms FORREST** - That is what minister Burke was suggesting and that was why we needed that decision made that day last week, otherwise it wouldn't have gone ahead at all and that would have undermined the agreement from the other side. So it was as catch-22.

**Mr ADAMS** - Yes, it was.

**Mr HALL** - On the World Heritage nomination by minister Burke, were you surprised that only two short years ago a World Heritage committee came here and looked at what we already had established as World Heritage areas and said there was no need to extend any of those boundaries? It is a short two years ago, so what has changed? Are you surprised that occurred and how is that going to affect the nomination? They already made that determination and now we have something else going forward.

**Mr ADAMS** - We have spoken about that many times and basically our view, and my personal view, on that was, already knowing that, if you guys want to put it up again then good luck to you. You shouldn't be surprised if it gets knocked back again but we can't stop you from nominating it if you want to.

**Mrs TAYLOR** - I go back to a previous question about certification. I might talk particularly about FSC, but I am concerned about, is this the end. It isn't only FSC in here because when it talks about certification it says 'support forest certification' and then it goes on to FSC. We have had AFS and PEFC and now we have to have FSC; will it stop there? There are examples in other places around the world that we have heard of recently where FSC has been achieved and then some of the environmental groups have said, 'Yes, but now there are new standards and we want another'. Is this the end? Are you

satisfied with FSC or is this part of a process and once you have done that will there be other demands?

**Mr ADAMS** - Obviously I can't make guarantees about that; I don't know.

**Mrs TAYLOR** - What's your feeling?

**Mr ADAMS** - My feeling is that there are two internationally established certification schemes - PEFC and FSC. For a third one to start would be extremely difficult in that very competitive international environment. There are lots of other certification schemes around already anyway, but those two dominate internationally and for a new scheme to rise would be extremely difficult in that very competitive international space. Bear in mind, however, that all certification schemes are continuous improvement schemes, so whether it is AFS, PEFC or FSC they all embody the principle of continuous improvement, which means that as new knowledge comes to light, as new management techniques, as new values become identified, the scheme has to cope with them and has to improve. However, in the case of FFC in particular, and I am sure in the case of the other schemes as well, there is also a requirement that the scheme be practical and workable.

If you drive that continuous improvement element to a point where it becomes impractical, the scheme becomes irrelevant because it is no longer capable of being complied with. In the FSC scheme you have a particular protection in that space because the three chambers have each to agree before any changes can actually be made. If you have an economic chamber where growers are represented, changes to the scheme cannot be progressed without their consensus and, of course, the social chamber also has a very significant important role to play there. That is why it is important that organisations like the TCA are represented in the social chamber because if other groups don't have a particular interest in supporting the industry and supporting the communities that rely on the industry, then that can become skewed.

The TCA has found a role within FSC over the years very challenging but I think we have played a very constructive and very significant role there for our constituents.

**Mr DEAN** - When you were told early in January that the heritage nomination would go ahead it is fairly important as to roughly when you were given that information. Was it mid-January, two weeks ago?

**Mr ADAMS** - I came back to work on 7 January and I think it was in the following week - 10 to 14 January.

**Mr DEAN** - How were you given that information? Were you given that information as a signatories group or independently? How did it occur?

**Mr ADAMS** - We were given it as a group. The signatories group has now been formalised and Jane Calvert, the union representative, is acting as a coordinator, if you like, for our group. I believe that information was communicated to her and she communicated it to the group when a meeting of the signatories group was called in that week.

**Mr DEAN** - What other information came out in that discussion? Was it indicated to you that industry was still a part of that process? Was it being raised with them as to their position with the heritage listing and so on?

**Mr ADAMS** - Once we were told this was the position that had been taken by the federal government then obviously it raised a number of concerns for us, particularly in regard to progressing one element of the agreement in isolation to others, so the immediate response was, 'Hang on, if you're going to do that then surely it should be withdrawn if the agreement eventually doesn't get up'. The answer to that came back, 'No, sorry, it will go through regardless; it won't be withdrawn'. Then the response was, 'Okay'. That came in part from the industry caucus as a whole but also with individual members of the caucus talking directly to the government. I wasn't involved in that but I know that industry - Terry, for instance - did talk to government specifically in his own right about that on a number of occasions.

**Mr DEAN** - During the discussions or that process was there no indication at all that there were going to be those other reserves brought into the World Heritage nomination, in other words increasing it from the 124 000 or whatever it was? There was no suggestion at all during that process?

**Mr ADAMS** - No. We were not aware of the increase until it actually happened - in fact, after it happened -

**Mr DEAN** - Last week?

**Mr ADAMS** - Yes, last week. I found out because I rang Bob Gordon when he arrived in Sydney. He had been on the same flight as the minister and had been told by the minister during the flight that the final number was a bigger number. That is how I personally found out about the increase in the number.

**Mr VALENTINE** - There has been a lot of discussion around the demand and the harvesting volumes in the specialty timber and I am gaining an understanding as to how much discussion your members have had in relation to the eventual cost per cubic metre associated with speciality timbers. Has there been much discussion around that and perhaps a realisation that it is likely to be significantly higher than it has been in the past?

**Mr ADAMS** - That is certainly recognised. It has been discussed. I had a discussion with some members of Forestry Tasmania about that yesterday because you are constantly thinking about these things and trying to analyse and understand. I asked the question yesterday - not that I have not asked it before - to revisit these things: what was the future of specialty timber supply in isolation of this process? What would have happened if this process had not occurred? Would the 98 000 hectares that had previously been identified have continued to be available, given that access to old-growth forest and wood supply from old-growth forest, where the speciality timber comes from, was projected to decline dramatically anyway? The answer was, yes, but it would have been in isolation of harvesting operations. In other words, it would have been harvesting specifically to source speciality timbers. The answer to the question was, yes, it would still have been available but at what cost.

**Mr VALENTINE** - Are you talking about single-stick harvesting?

**Mr ADAMS** - Yes. The answer was, it would still have been available but at what cost. It would not have been on the same basis. In isolation this agreement would still have been available but after a period it would not have been as the result of incidental harvesting alongside current harvesting. Within this agreement we are still grappling to make sure that we identify adequate areas from which we can continue to access these species. Part of the work for section 9 is to identify on what basis it can be done and what the mechanism will be. I am going to be economic.

**Mr VALENTINE** - There is some support there, isn't there?

**Mr ADAMS** - There will have to be. If you say, as your guiding principle, we want an ongoing, vibrant, boat-building, specialty-timbers industry - and we do - then how are you going to provide for that. The first thing you have to do is identify the areas where it is going to come from, then you have to identify how you are going to access and supply that wood and on what basis. There is no doubt in anybody's mind that is going to be a very expensive process. It would have been anyway at some stage in the future. It is going to be, in the future, with or without this agreement, a very expensive process to access that material and make it available. But it has to be provided for because it is a very significant and important part of the Tasmanian culture and reputation in that area.

**Ms RATTRAY** - I am interested in what your view is from your knowledge and understanding of the communities that you represent about the residue and how those residues might be handled in the future and what opportunities there might be. Have any of those talks taken place with your organisation at your grass roots level?

**Mr ADAMS** - It has not been part of the organisation's discussion but I am aware that two or our branches and members of two of our branches are involved in two proposals that are currently being developed around use of residues for ethanol production. There is another proposal up north that Karen Hall is heavily involved in and a proposal down south that I think Allan Duggan and a number of others are heavily involved in now. They are looking at technology that comes out of a trial project from the coast of New South Wales. I think there was media recently around that from the developer of that technology saying someone is going to need to come up with \$100 million to effectively put in place a feasibility or pilot project to trial this technology. The small-scale trials that have been done so far appear feasible and viable but there is a very significant investment required to look at that.

In terms of the broader question of residues, to my mind there was a certain amount of denial early on in this project about the issue of residues. Very early on in this process people claimed Gunns had destroyed their markets and it wasn't really a problem now that the mainland residue market was still strong and they were still selling their woodchip. A federal member used the example of the facility in Eden, only days after I'd been told by the manager of that facility that they were in significant difficulty and having a lot of trouble and that facility is now all but closed. They are only able sell residue to China at prices the manager described to me as sufficient only to keep contractors employed. I think early on in this process there was an attempt to deny the problem and sheet it home to Gunns and allege mismanagement of their markets.



It took a good 12 months in this process for industry participants to come to terms with the fact things have fundamentally changed in the woodchip market and aren't going to be corrected overnight. It's more than just undermining and sabotage of the market; it's elements around the exchange rate and shifting of global preferences for product. The buyers can now access more cheaply product from plantations in Vietnam and Korea and we're having to compete with those markets with a native forest product which has greater processing and freight costs associated with it for them. It's a fundamental market issue. My membership, I believe, are fully cognisant and aware of that problem. We are very mindful of the fact that if we don't get a solution to that problem - and it needs to be a short-term solution and a long-term solution - the short-term solution can only be to try to maintain the current capacity, such as it is, in northern Tasmania and then look for alternatives as a priority. One of the other elements that has been brought forward as part of the World Heritage nomination package is to commence work on identifying residue solutions as a priority.

**Ms RATTRAY** - How much of the package has been allocated to that particular aspect?

**Mr ADAMS** - I would have to take that on notice; I don't know.

**Ms RATTRAY** - Thank you, I would appreciate an answer. If it was \$5 000 or something it's not going to do anything.

**Mr ADAMS** - No, it's significant but I don't know the number. I think it might be another \$2 million, but I'm not sure. One of the things that concerns me about that is that all this money is coming out of the regional development taskforce funding, which is putting me in a position where I'm saying, 'Hang on, this money is now effectively going into industry development rather than community support'. They are the same thing in many regards but -

**Ms RATTRAY** - If you get industry development you will get communities, won't you?

**Mr ADAMS** - Exactly, but there's a big lag time and that's what I am worried about, that all the money goes into that kind of industry development, which is important, but that there is nothing in the lag time to support the community.

**Mr GAFFNEY** - Jim, the relationship between TCA and the specialty timbers group: how is the price for specialty timbers assessed and who makes that assessment? In part of my mind I think of specialty timbers as beautiful crafted tables and furniture. Who assesses what worth is in celery top pine that has taken 400 years to grow before it is suitable for that and how do the specialty timber groups access that timber? Is that through Forestry, private contractors or how does that work?

**Mr ADAMS** - Again, I cannot answer all of your questions but I can give you what I understand. As I understand it, at least a bulk of that material at the moment is accessed through, in the case of Huon pine, salvage of material that is already on the ground. I think Forestry Tasmania go in to that region once or twice a year, do a salvage operation and stockpile the material for sale through a related entity called Island Specialty Timbers. They also in the same way retrieve or salvage material from the regular harvesting operations - blackwood, celery top, sassafras - and stockpile that and also market that through Island Specialty Timbers through a tender process.

Strangely, those tenders often go not fully subscribed, given the apparent demand and scarcity of the material. I think the tender process is effectively what sets the price. If I was Forestry Tasmania and I was running that operation you would say at the very least you have to set a floor price that covers the cost of retrieving the material and putting on the floor, and I don't believe that they seek to profiteer from it significantly beyond that point. Whether that is the appropriate way to set the price for that material or not, I don't know. That is also what the work of section 9 will look at in some detail. It will also look at optimising and maximising the degree of salvage that occurs. If harvesting operators aren't being paid a premium to pick that wood up they are unlikely to pick it up. I don't believe that is the case; they do get paid some kind of premium to pick up that material as they go through harvesting operations. We want to examine whether that is being done to the extent that it can.

In terms of setting a price that reflects the value or the ecological value of the wood, if you like, I think in that space you are going into almost a discussion about ideology and what you believe something that is 900 years old is worth. I suppose you have to then compare what would otherwise happen to it. Will it be burnt in a regeneration burn or would it lay on the ground and rot? There are a whole range of issues obviously that you need to think about. There have been many studies done on that kind of thing in the past and if you want to start to put a value on the age of the material you effectively price it out of production, basically, so I do not think we are going down that path.

We are very serious that we want to maintain - and we think it is really, really important to maintain - viable specialty timbers and boat building. As I have said many times in this room, if that is not part of this deal then we do not expect it to go through. We don't want it to go through; it has to be part of this deal and we have said that many times in this room and to our signatory colleagues.

**CHAIR** - May I come back to a comment you made, Jim, when you were addressing a question from Jim Wilkinson. I think you said there will be an updated agreement. Perhaps I will check the *Hansard* later on but -

**Mr ADAMS** - There is only one agreement and that is the agreement we arrived at. It is now being modified by a whole range of different sources and at some point maybe what I said was there will be a final agreement which will be updated or will be the result of all those modifications being put together. That may or may not happen, it may or may not get through. We are not in the process of doing an updated agreement if that's what you are asking.

**CHAIR** - No, that's right. I have it out of context. In relation to that last exchange you had with Mike regarding the specialty timbers, I have done my best to construct the historical journey that this has all been on and it seems to me, from everything I have seen, that the ENGOs' claim for land to be reserved has been around, or in excess of, the 500 000 hectares all the way through.

In July last year the ENGOs provided a revised reserve claim centred on 522 000 hectares, then about a month later ministers Green and Burke facilitated an interim agreement by the signatories asking the ENGOs to moderate their claim, as I recall.

A month after that the ENGOs said no, we are essentially sticking to that - what's the magic in 500 000 hectares or above, and that leads me to the flow-on question from that - and again, you were discussing this with Mike - you have indicated that if there is not sufficient supply of specialty timbers then the deal is off and yet, to land in the point we currently have, there have been no yield or demand assessments done with any rigour which will tell us whether we get the supply or not. Yet we are expected to sign off on some legislation and trust us to work that out down the track, particularly when the legislation, with the government's amendments, will attach the reserves.

Let's say, 400 000 hectares in round figures for the first tranche. It could be argued that it's pretty difficult to get it out of that once it's in - 500 000, is there any magic in that? It seems to have always been there as a sticking point and what do we do to satisfy ourselves in the absence of a supply-and-demand or yield-and-demand analysis?

**Mr ADAMS** - The answer to the 500 000 is I have made the same observations. I can't give you an answer to that but it does seem to have some significance within the environmental movement's mind.

The Kelty process identified a reservation outcome of somewhere between 360 [000 hectares] and 430 [000 hectares] was possible. We were very annoyed at that stage that the number 430 [000 hectares] was the number promoted by the environmental groups and said that is raising expectations that weren't actually what was indicated by that process but then, you are right, they then still kept sort of gravitating to this 500 000 number.

What the significance of that is within the room or their broader constituency, I don't know. There seems to be some attachment to that number. Whether it's just somebody's target, who knows. We would need to specifically ask them that question. We have asked them that question and when we do ask them that question the answer is: no, it's based on our assessment, the values of these areas and that's the number we come to.

**Mr WILKINSON** - It's surprising - 500 000. Not 499 000 but 500 000.

**Mr ADAMS** - Yes. Jim, that seems to be the number and you are at liberty to question where it comes from and why. In terms of the specialty timbers process, I don't think it's right to say that there hasn't been an assessment done. There was an assessment done through the verification process that identified demand and there was the work that Forestry Tasmania did around their speciality timbers plan that informed our discussions, and we have been relying heavily on those pieces of work in putting the case that we did not get a solution and that we need to get a solution in that space.

I take the point that the processes that we have in place at the moment will not deliver that solution in full within the time frame that we have imposed upon us unless we further delay things. All I can suggest or say is that it would be our expectation then that amendments to reflect that would be required to provide the flexibility required to address that issue if indeed it isn't adequately addressed or there isn't an adequate solution produced through that section 9 process. If we don't get an adequate solution through the section 9 process and an ongoing solution then a core element of the agreement, in our minds, has not been delivered and we are not obliged to support it.

**CHAIR** - Can I just indicate, Jim, we have a double booking with our next witness. The next witness believed he was due in at about 3 o'clock this afternoon and that would have taken us through to about 11 o'clock and that and you would be sitting there again with FSC. Can I suggest we take a five-minute break and if you are ready to go on if your colleagues are here, to proceed with the FSC?

**Mr ADAMS** - If you can give me five minutes, one of my colleagues is here - no, they are both here - I'll be okay with that.

**CHAIR** - Let's take just a couple of minutes and we will be moving back here pretty promptly as we have to compress all of this now in the process this afternoon.

**THE WITNESS WITHDREW.**

**Mr JIM ADAMS**, CHAIR, FSC AUSTRALIA WAS RECALLED AND RE-EXAMINED; **Mr SEAN CADMAN** IMMEDIATE PAST CHAIRMAN, AND **Ms NATALIE LYNNE REYNOLDS**, CHIEF EXECUTIVE OF FSC AUSTRALIA WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Harriss) - Welcome, everyone.

**Mr ADAMS** - Thank you for this opportunity for FSC Australia to come and speak to you. We made the offer because I had sat in here on a number of occasions and listened to a number of the things you were being told by people about FSC and there seemed to be a degree of confusion. We thought it would be good to give the committee an opportunity to hear first-hand from FSC Australia the answers and to question us. Natalie, our CEO, will give an introduction and oversight of FSC. Like all the standard organisations it can get extremely complex and we don't want to confuse you any more so we are going to try to keep it reasonably high level but we don't want to discourage you from asking any questions. We have brought Sean along as the immediate past president and probably the person in Australia who has had more experience with the actual implementation of FSC than anyone else and we understand that you are interested to know, if we go down this path, what is involved, what would happen. So we thought of having Sean here to help answer those questions.

As he said in his introduction, he is the immediate past chairman and was a founding member of FSC in Australia and he is heavily involved in FSC at the international level as well. So I will hand over to Natalie to confirm a bit of a background and framework overview.

**Ms REYNOLDS** - As Jim said, I have been listening with interest at the live webcast of this session and very often many of the speakers. We sought to appear before you because a lot of what has been said is untrue and is not supported by publicly available information on websites and things like that about the organisation.

So in that context, I would like to ensure that we start at the beginning. I have created a document which I will e-mail to Elise so that it can be reviewed, if you like, which has web links and things like that in it so that you can test any of that if you would like to.

FSC Australia is a national office so we are like a subsidiary of an international global not-for-profit organisation and we are dedicated to the promotion of responsible forest management, worldwide. I have put some web links in there if you are interested in having a look.

We bring together people, organisations and businesses to develop consensus-based solutions that promote responsible stewardship of the world's forests. In doing so, FSC represents a shared commitment to responsible forest management across environmental, social and economic interests.

FSC principles and criteria describe the rules of forest management that are applicable. It is almost like the constitution of FSC and all the standards fall underneath the principles and criteria. It finds strength in diversity by ensuring that no single viewpoint dominates the others because in FSC the environmental, social and economic

membership - it does not matter how big the membership is of a chamber - the vote is equalised so that each chamber represents 33 per cent of the vote on a standard. These are economic, social and environmental interests.

But additionally at international level, which is really important, we ensure that the developing world is not overridden by the developed world. So we have split those three chambers into what is called 'global north' and 'global south'. So global south are your developing countries, global north are your more developed countries - Australia is in the global north, for example. What we ensure is that those votes are equalised, worldwide, so that you do not end up with standards that can be applicable in the western world that are not able to be implemented in the developing world, for example. It ensures that there is that equality around the world.

FSC is two things: it is both a noun and a verb, and it is the verb part that people do not really understand and this has been the foundation to a whole lot of questions. So what is a noun? It is a thing, it is a structure, it is an organisation but it is also a process and that is where the verb comes into it. So it is a process by which we can insure some form of longevity in protracted forestry disputes all over the world because it brings people back to the table, constantly, looking at standards, setting the standards and then making sure that, over time, those standards are changed as time moves on but with that consensus position that sits behind it.

FSC, of itself represents a process of engagement with stakeholders in that broader sense of the word from all walks of life and it is the process through which diverse and entrenched views about how forests should be managed and how we can come together and understand one another's position and find common ground.

It is as a result of the multi-stakeholder process and engagement where standards for codifying what responsible forest management look like, can be created. Foresters, and people who own forests, can voluntarily seek FSC certification. It is not compulsory. It is something that they can choose to do if they want to.

Once a forest is certified, the products, as they pass through the supply chain - obviously from a forest here in Tasmania you might end up with a saw log and then you might end up with some timber, or it might end up as some toilet paper down the chain - it doesn't matter what happens in the supply chain, the chain of custody applies to ensure that the product can be traced. We are working on a whole lot of things at the moment such as the marketplace and an online claims platform to ensure that we are right up to the minute with the timber legality issues that are all over the world.

In the end what this means is that consumers and companies in the supply chain can choose products that come from responsibly managed sources. It does reward and reward responsible forest stewardship in the market. Of course this traceability is really important in this world and so is making sure that we know exactly where the timber comes from. It allows access to markets that are growing - markets for FSC timber and forest products all over the world. Globally, demand for FSC-certified timber outstrips supply in every category.

Australia, however, is a little bit behind. We were only established in 2006 here. If you go to Europe and you get on a train in Germany, every train ticket, every postcard, every

brochure - everything you pick up will have 'FSC' on it. It has become more about the standard accepted way of working.

How much forest do we have certified? I have heard a lot of random numbers. I can tell you that right now we have just over 168 million hectares of forest that have been certified in the world to FSC, and at the last count approximately 67 per cent of that is natural forest. There are 1 171 individual forest management certificates that make that up. Within that, there are often groups of small foresters who come together and become certified under a group scheme.

The products are traced through supply chains via 24 518 chain of custody certificates. In the world, we are the largest growth area currently being experienced in Asia-Pacific. In Australia, there are just shy of 1 million hectares of forest certified to FSC - just a couple of thousand shy of a million - and there are 10 forest management certificates, but many of those forest management certificates represent numerous smaller foresters in group schemes.

There are about 460 000 hectares certified to controlled wood, which is a modular step towards FSC certification. We have grown the forest area certified by 33 per cent in a single year. Many of the certificates, as I said, represent group schemes of very small private forests and it enables them to organise to be able to access the same markets as larger forests that may be certified.

What is even more telling in this country is the rapid growth of chain of custody certificates in Australia. These represent a number of companies actually trading in FSC products within Australia. In a single year it has grown from 178 and yesterday it hit 300. In addition to all of this, you can see market growth and you can see things are moving in that direction. FSC certification is being used as a tool in the developing world to increase the value of timber products and provide legality verification into origin in particularly sensitive markets.

We work all over the world to assist small-holders in various countries - small-holders are people in small communities who have small forest reserves - to improve access to markets and stamp out the trade in illegally logged timber. We have been effectively used for nearly 25 years in various parts of the world as a process to ensure longevity in forest agreements in some of the most protracted and contentious forestry disputes all over the world.

We hope that FSC is able to do that here, too, in Tasmania and that a viable industry emerges that takes into account and engages the views of the social and environmental terms.

One the issues that is repeatedly mooted is the alleged costs of certification to FSC for forests. In this light, I must say, it is an unwise business person who looks at a financial outlay purely as a cost rather than looking at it as an investment decision. Is investing in a process to deliver certification and access to markets worthwhile? That depends on the markets and the economies of the situation, doesn't it? It has to be assessed on a case-by-case basis. In this case, Forestry Tasmania will be looking at that in their own right.

But in terms of actual payments to the independent auditors for the decision to be made as to whether somebody's activity does or does not meet a standard, there are six auditors that operate in Australia. On hearing some of the quite outlandish claims over the last few weeks, I canvassed those independent auditors to give me ranges. This is quite contentious. We are talking about six independent businesses; we do not manage from a market perspective what they charge, but they all cooperated and gave me some ranges. I collated and aggregated the information to protect it and I am giving you the ranges now.

I also heard some people say that FSC certification of Forestry Tasmania will lock out smaller, private forestry organisations or groups from being able to compete in this space - for a small, low intensity managed forest of under 1 000 hectares. All of this depends on how ready someone is for audit. Anyone who has an ISO-type of scheme or anything that is being audited and you put up your hand and say, 'Hey, I meet the standard'. It will depend on how ready somebody is and how often the auditors have to come back to say, 'No, you don't meet the standard; here are your corrective actions' and leave and then come back because audit fees are a function of an auditor's time. For a SLIMF of under 1 000 hectares, the costs of audit have been quoted at somewhere between \$3 000 and \$8 000; that is, for the main assessment.

For a group scheme that contains around 10 members - we are trying to put some parameters on here so that you understand what happens and the price of areas, depending on the geographic location and things like that - it would be somewhere between \$4 000 and \$16 000. You can see why there are so many certificates issued under the group level where people ban together and get certified with one set of process over many forests.

But for large-scale native forest, again, depending on the spread, the level of stakeholder engagement and the level that has occurred, these can be as low as \$10 000 and as high as \$80 000, depending on where you sit in that spectrum. Hopefully, by giving you some spectrums, I am at least countering some of the completely outlandish claims about the costs of certification that have been put before you.

**Mr HALL** - The annual audits.

**Ms REYNOLDS** - The annual audits are surveillance and they are not to that level of expense. It is really an auditor coming and picking various things and having a look at it annually. It is not an initial assessment. These are costs of initial assessment.

**Mr HALL** - Do you quantify those annually?

**Ms REYNOLDS** - Yes. I cannot remember for all of the three categories, off the top of my head; I did not write that down.

**Mr HALL** - Can you provide to the committee?

**Ms REYNOLDS** - I could probably do that once I have aggregated them. It is nowhere these kinds of costs, annually, for certification audits.



**Mr ADAMS** - Just to be clear, what Natalie is giving you is the fee that you pay the certifying body. Obviously for an organisation getting audited, there is a lot of background work to do.

**Mr HALL** - That is only one part of it.

**Ms REYNOLDS** - That is right. This is the bit that we can quantify and can bring to the table for you in the way that we can in an environment where we do not set fees and things like that because the market is important here.

It is entirely possible that companies may be charged less or more, depending on how well they are doing in demonstrating compliance with the standard because auditor fees are a function of time.

So how does someone become certified? As we have heard, FSC Australia currently operates according to three interim standards that have been created by auditors under those principles and criteria and have been approved by FSC International and they are located on the FSC Australia web page. Any forester in Australia can seek to be certified according to those standards now and, in fact, many of them have, as you heard earlier in my presentation. This agreement, if passed, can be supported by FSC certification if Forestry Tasmania can demonstrate compliance to all elements in one of these three standards. It's not a given by any means. The FSC standards require compliance and engagement to a very high level in economic, social and environmental elements that are difficult to achieve.

No group can assure certification or pave a path. The work has to be done and then demonstrated to an independent auditor. Without the Tasmanian Forests Agreement, the possibility becomes harder. With the agreement, Forestry Tasmania will still need to put in further work to engage stakeholders, and many of those might be feeling disassociated in some way from this agreement. In addition, we have a unique opportunity before us to use Forestry Tasmania as somewhat of a test case in certification, as we develop our own Australian national forestry standard.

**Mr HALL** - You talked about Forestry Tasmania, Natalie, can you guarantee that state forests managed by FT will be provided with FSC certification without any reduction in yields?

**Ms REYNOLDS** - FSC Australia does not make decisions as to whether somebody does or does not meet a standard. We are more like the parliament and the policy body. An auditor will make a decision whether their operations meet those standards or not.

**Mr CADMAN** - Most organisations that go through this process find there are some compliance costs and those costs can be money they have to spend to improve systems in order to meet standards, or resource they have to forgo in order to meet standards. No-one at the start of a certification process can give you an answer about what that is going to be but we can, and do, identify areas where there are likely to be issues.

At this point I would like to make a personal declaration. I was approached by Forestry Tasmania to act as a consultant on their behalf if they choose to proceed down the FSC pathway and I advised them I would be prepared to help them in that process as a

consultant. There is an understanding by most of the forest managers who have engaged in these processes that they need help, because it is a different way of doing business.

**Mr HALL** - Natalie, I want to go to the bigger picture. You provided that statistical information about the worldwide situation. Can you provide an estimate of the relative size of the PEFC schemes around the world compared to FSC? Further, if FSC certification is critical, why is it less than 9 per cent of the world's forests are certified at all and, of those, most are certified by PEFC schemes? Why does Tasmania need FSC but the rest of the world doesn't?

**Ms REYNOLDS** - I work for FSC, but I know PEFC have more of the world's forests certified than we do, but they have far fewer chain-of-custody certificates. You have an interesting situation where you have less certified forest being traded more often under FSC, than when you compare the stats from PEFC. I don't think I agree that the rest of the world doesn't need FSC - in fact FSC is very highly sought after. The standards are very different and the way the governance structure is structured is very, very different. The ways that the standards are developed are very different between the organisations. In terms of that, I hope that is a good answer to your question.

**Mr ADAMS** - We are about efficacy and we are about explaining and promoting our scheme. We try not to get into a situation where we compare ourselves with other schemes because we are not really about trying to compare ourselves in either a positive or a negative light to other schemes. We are just about our scheme, and promoting our own scheme.

There was a time when the two schemes in Australia were engaged in quite a strong and probably quite destructive process of trying to compare each other with each other, and we have effectively come to a point now where we just say, 'We promote our scheme, you promote your scheme'. We get on with our individual businesses and the consumers choose which one they want to support or not support.

**Mr HALL** - Being the devil's advocate, it has been put to me that - do not take offence at this - but FSC is a protection racket, and that PEFC is equal to FSC standards. Natalie, you just talked about different governance standards but it has been claimed that PEFC has better governance standards. I do not know, that is a rhetorical question, yet companies with PEFC certification in Tasmania are hounded by the ENGOs until they agree to get FSC certification, and that is out there quite widely.

**Ms REYNOLDS** - It is. I have heard those sorts of things myself. The governance structure is different - the environmental groups have a third of the vote and a strong voice in FSC. On your question about standards and the equality between the two standards, there are people who have done PhDs on this and looked at specific words in the standards. I understand that the AFS has been updating their standard recently, but people have done PhDs on this and there are international consultants and researchers comparing the two standards. That is all publicly available all over the world.

**Mr ADAMS** - Can I add a bit to that, Greg? Again, FSC as an organisation is responsible for the development of a standard and the promotion of that standard and the protection of that standard. What third parties do with that in terms of promoting it, because they prefer one over the other, is not something we are in control of. We cannot influence

third parties by saying we prefer one over the other and encouraging consumers to act accordingly.

**Mr HALL** - In light of what you just said, do you think it is fair that environmental groups should target forest growers and say that this is the way you should go, rather than allow them their discretion in the market place to do what they should do, if they prefer another certification system? I have been involved in horticulture and agriculture. I know what the set up costs are to industry - they can be very expensive.

**Mr ADAMS** - I think it is fair for stakeholders on either side to promote whichever scheme they prefer. I think it is equally fair for the environmental movement to promote FSC if they think it better delivers their outcomes, as it is for the economic people or the industry people to promote an alternate scheme if they think that alternate scheme better delivers their preferred outcomes.

Again, the two schemes run themselves as independent competing entities and consumers and people who engage with those schemes will choose which one to support or not support, or engage with or not engage with. I think it is fair on both sides as part of the market process.

**Mr WILKINSON** - That really is not the answer to the question though, Jim, is it? Greg was asking if you think it is fair that the interest group, whoever they might be, should target one of the two, either the FSC or PEFC, if it is just a matter of choice and if they are both accepted certification bodies.

**Mr CADMAN** - One is chosen preferentially by growers and that is reflected in the statistics Natalie gave you.

**Mr WILKINSON** - Is that the PEFC?

**Mr CADMAN** - Yes, PEFC is preferred by growers but the market prefers FSC because globally FSC is endorsed by social stakeholders, environment stakeholders and economic stakeholders.

**Mr WILKINSON** - They are the three chambers I was going to get onto, if I might. Really, I think what Greg is intimating - and I don't want to put words into his mouth - is that if there are two bodies out there it is unfair for an interest group, whoever it might be, to target one of those bodies if it is contrary to the choice that they wish to make.

**Mr CADMAN** - Certification is about providing guarantees to consumers so, with respect, the choice that the grower makes is a market decision about the perception that they need for their place in the market. They can't and don't influence the market in regard to social and environmental responsibility in any other way than the choice they make between those two schemes.

**Mr WILKINSON** - But surely then it shouldn't be up to, let's say, the environmental groups to target growers with PEFC accreditation because it is a matter of choice. Do you agree that it is up to the market to do that, and not the actual interest groups?

**Mr CADMAN** - No. The thing that flowed from the 1992 Rio process is that fundamentally the stakeholders have a role to play. FSC recognises that and the arguments that have been raised against PEFC - and particularly here the AFS - is that stakeholders didn't have a role to play in establishing the norms and standards which backed those two schemes. That is essentially where this perception comes from, that the NGOs chose to participate in the processes that allowed them an equal say in the governance of the processes.

**Mr WILKINSON** - Do I take it then - and I'm not being disrespectful and please don't think I am - that you're saying as far as you're concerned it is fair for the environmental groups to target those companies that trade in PEFC accreditation as opposed to FSC?

**Mr CADMAN** - If the ENGOs have a role to play in how the market views the responsibility of forest operations it is entirely legitimate for them to do it that way by basically saying, 'We believe collectively that one scheme leads to better forest management outcomes than another scheme'.

**Mr ADAMS** - I'm just getting a little bit confused by what you are saying, Jim. We're not here to endorse market campaigns but we are here to say that interest groups are entitled to promote whichever scheme they choose.

**Mr WILKINSON** - Yes, I have no problem with that.

**Mr ADAMS** - That's all we're saying. We're not saying we are supporting the market campaigns if that's what you're talking about.

**Mr WILKINSON** - That seemed to be the answers I was getting.

**Mr ADAMS** - No. FSC is not here to say we are supporting market campaigns. We are here to say that we think stakeholders are entitled to choose and promote whichever scheme they think better delivers their outcomes.

**Mr WILKINSON** - And people should allow that to occur without market campaigns against either one of the schemes - that would be my next question to you. Sean, please tell me if I am wrong, but you will be saying, 'No, that's not altogether correct'. If the environmentalists believe that PEFC doesn't encompass the areas that you said it would seem to me that you are saying you have no argument against the market campaign against PEFC?

**Mr CADMAN** - The issue about market campaigns is actually not why we're here. If you're asking me for my opinion as a fairly well known environmentalist and environmental advocate, the development of market campaigns has been in response to the failures of forest governance globally for many decades. Is it a legitimate tool for a civil society to pursue? That's not a question, I believe, for this forum. In fact, it's not a question that we have any capacity to address.

**Mr ADAMS** - We are here to talk to you about FSC and we defend the right of anybody to promote whichever scheme they prefer -

**Mr WILKINSON** - I understand that. We're on the same page, Jim, in relation to that.

**Mr ADAMS** - but we're not here to give you a view about the legitimacy or otherwise of market campaigns.

**Mr CADMAN** - That's a question you need to direct to the market campaigners.

**Mr ADAMS** - I answered that question for you and gave you my views about that in my previous discussion. I am sitting here under a different -

**Mr WILKINSON** - I understand where you're coming from.

**Ms REYNOLDS** - From this perspective FSC is not immune to being pushed and criticised by the environmental movement, but we just deal with it in a different way. We thrash it out around the board table and in the membership broadly, so we have been heavily criticised in various parts of the world and that is an important part of continuous improvement. It's not true to say that there is this protection racket because in fact we are held accountable by a third of our membership for delivering responsibly managed forests. That membership is assessed and that is what is believed afterwards. I get more criticism from the environmental movement than any other chamber - and that's every day of the week.

**Mr ADAMS** - There will be members of FSC who are concerned about FSC being here today talking to you about this process and contemplating being part of the certification of Forestry Tasmania.

**Mr WILKINSON** - Jim, one of the questions I was going to ask you earlier on at the first session was whether you can tell me the difference between FSC-certified wood and FSC-controlled wood, if there is a difference?

**Ms REYNOLDS** - Yes, I can help you with that. FSC-certified wood means that the forest has gone through a full assessment under a forest management standard, which is principally what we are talking about here. There are two different standards for controlled wood. One operates as an assessment at the forest level and is of a lesser standard than the full forest management, and the other is essentially a risk assessment from a chain-of-custody perspective. You might have timber from a procurement organisation wanting to procure timber from a non-certified forest to be used and mixed together with fully-certified wood.

FSC requires that only a certain percentage of any finished product that is labelled FSC can be comprised of controlled wood and it still has to meet the five different criteria - things like legality, not threatening high conservation values and things like that. There are a lot of things but it is just about bringing them to the forefront of my mind at this point. When you think about controlled wood, think of the words; it is about wood coming from a controlled source, not a fully-certified forest.

**CHAIR** - Staying on that thread, again, these are the sorts of comments that have come through during this inquiry and certainly to me outside it. It is public knowledge that markets such as those in Japan that Ta Ann has been accessing and the supply to the Olympic Games have been attacked, if I can use that term, by environmental groups, with the suggestion that if organisations like Ta Ann and others were to have

FSC-certified product the attacks would stop. Ostensibly through that process the forestry operatives are brought to their knees with no option but to obtain or seek FSC certification, so how does that sit with FSC as an organisation? I suppose in addition to that, can you explain to the committee how the three chambers you've mentioned within your organisation find their way into the board?

**Ms REYNOLDS** - I can do that.

The first point was about producers being forced into FSC [certification], if I can rephrase. There are market forces that occur from various perspectives all over the world. There is the European timber regulations, for example, that is also a market force to force a market towards legally sourced timber that is verified in some way.

We don't participate in or condone any of those behaviours from our members but we respect that it's a part of the governance structure and democracy that we try to keep people together, and bring people together to set the standards. What various stakeholders do, and it's all sides, in terms of moving markets - we can't really control or comment on that and we just stay out of it. You will notice that our organisation in Australia stays right out of that kind of thing; we don't make adverse comments on alternative schemes, we don't do anything to push people towards FSC, we are even very careful about what we do to promote FSC in Australia. We stay away from that but I think when you have the number of members we have around the world, we can't be involved in dictating what they can do in their day jobs, so to speak.

The second part of your question was -

**CHAIR** - The process that lands members to sit in judgment.

**Ms REYNOLDS** - There are two parts of that: the process of getting decisions made for FSC and there is the process of getting on a board. The board is multi-stakeholder, the international board has just been changed to be a board of 12 and in Australia it's a board of nine, but it's always an equal split between the chamber representatives on the board. The international board is about making sure there is a global north and south balance, which is why that's a third. Effectively a nomination process occurs and the international membership votes for board representatives.

On the international membership, in Australia we have an AGM each May, which is dictated by our constitution and again, nominations are received, they are put out to the entire membership and a vote occurs. Those votes are equalised - AGMs are very challenging because you might have lots of people of one chamber and not so many of the other and you have to weigh up what each vote of which chamber is worth. It's a very interesting process where they have different coloured cards that they hold up so you know which chamber is voting for what and you do a count. There is actually a spreadsheet behind it to work that out which is scrutinised.

**Mr CADMAN** - An academic once famously identified that a general assembly of the FSC was the most heady democratic process that he had ever observed. It is probably the most interesting and democratic participatory process that you could see anywhere.

**CHAIR** - Sean, I go to a matter that you raised a while ago when you declared that position with FT seeking your expertise to help them progress. Given that you are a current director -

**Mr CADMAN** - No, I'm not. I am the immediate past chair. I am no longer a member of the board. I am just an ordinary member.

**CHAIR** - Okay. Bypassing that then, I suppose it comes back to the question: what is your current policy with regard to either staff or board members acting as consultants while in their current roles? I think there was some tension some years ago with Mr Spencer, your predecessor -

**Mr ADAMS** - Perhaps I am better to answer that question. The answer is: it is not allowed. We raised that as an issue of potential conflict of interest - I am not saying there was any at that time - but we raised it as an issue of potential conflicts of interest arising from serving board members acting as consultants and we dealt with that issue a couple of years ago and it's not permitted within our organisation.

It doesn't mean that, in their day jobs, those individual people cannot still work with their constituents but they can't, in any way, portray or give the impression that in doing so their role on a board can somehow influence the outcome.

**CHAIR** - I will throw this in as the last component; it has been suggested that environmental groups benefit financially, as a trickle-down effect of fees that come into the FSC for applications - it has been suggested.

**Ms REYNOLDS** - That is astounding!

**Mr ADAMS** - We sometimes get directors' fees for turning up to meetings.

**Ms REYNOLDS** - Not even our constitution allows us to pay directors anything other than airfares and accommodation, and that sort of stuff - the expenses of attending a meeting - so our constitution does not allow payment of directors at all. We are a corporation, a company limited by guarantee, registered in Australia. We follow the corporations law; our annual reports are publicly available on our website. There is absolutely no distribution to any member at all of any funds that come in to FSC.

**CHAIR** - Thank you, and given that we don't have a national standard, and if we were to progress an application from Tasmania, would it be parked until you develop a national standard?

**Mr ADAMS** - No. The process would be: firstly, FT would need to make a decision that they want to go down that path. Then they would need to make a decision as to whether they want to go down the forest level, chain of custody for controlled wood or forest management. They would then need to select which certifying body they wish to engage to assess them against that standard, and they would then start a process of pre-assessment which would be, having appointed a certifying body and selected a standard - because, as Natalie said, there are three current interim standards and they could assess which one of these they wanted to be assessed against, and there are some differences between them - so they will need to look closely at that and then they will

choose a certifying body that assesses against the current interim standard that they have chosen. They will then go down the process of seeking certification and that can be done directly. Again, you can go straight for certification or you can go through some kind of pre-assessment process which highlights areas where additional work might need to be done.

**Mr CADMAN** - Which most large organisations do. An organisation like FT which is managing over a million hectares of forest almost always will do that and go through a pre-assessment.

**Mr ADAMS** - They would then get their pre-assessment results back and let them identify areas where they may or may not need to do additional work. They would then progress on to a full certification assessment. That's it in a nutshell, a kind of pathway.

**CHAIR** - Thank you.

**Mr VALENTINE** - I was wondering whether you can provide us with a list of international markets and/or bodies. Do you have that list or not?

**Ms REYNOLDS** - Firstly, our international membership and domestic membership are publicly available on our websites so there is a list a mile long.

**Mr VALENTINE** - No, that's the membership but I'm interested in the markets.

**Ms REYNOLDS** - The companies that prefer FSC?

**Mr VALENTINE** - Yes.

**Ms REYNOLDS** - There is some work being done at FSC international on key account management but I'm not speaking for them. I'm not sure that it would be something that I could provide.

**Mr ADAMS** - What usually happens is that people who engage in the marketplace find that there is a demand from whatever customer they are engaging with and it flows through. We are not involved in that.

**Mr VALENTINE** - So you don't ever get to learn which ones prefer your certification as opposed to, say, B or C?

**Mr ADAMS** - We do but not on some kind of comprehensive basis.

**Mr CADMAN** - There are some very large names associated with FSC - IKEA is associated with FSC, Kimberley Clark is associated with FSC - there is solid timber and patented products, two of the biggest brands globally, are associated with FSC. The uptake from those who are seriously participating - and it is in the global market, predominantly - is very significant and it is some of the world's biggest players.

**Mr ADAMS** - Many other also engage with both.

**Mr VALENTINE** - But you do not have a current list?



**Mr ADAMS** - No.

**Mr VALENTINE** - Can you give us an indication as to the areas that are audited under FSC that perhaps would not be under the Australian forestry standard or PDFC? Is it just the social stuff that is extra or other aspects?

**Ms REYNOLDS** - People have done their PhDs on this and 300-plus pages of comparing the difference.

**Mr CADMAN** - In a summary, Rob, the biggest, single difference between the two systems is the governance and decision-making structures. One is deliberately participatory, which is FSC, so its governance structures are deliberately set up to be participatory. Because of the origin of PDFC, which is essentially a collection of different government and industry standards being brought under an umbrella, the range of methodologies and participation and governance that sits behind those standards is highly variable from standards which - and I have reviewed all of these standards - I would regard as equal to and, in some cases, better than FSC as individual country standards to those which, frankly, are licensed to do bad things in the forest.

There is a huge variability and that is where the fundamental difference is and academically that is what is always noted. It is the governance structures of the two systems. From those governance structures flow big differences into the standards and the rigour upon which certain questions are asked by auditors. But they both produce standards which are, in terms of how they operate, very similar. An auditor is brought in to examine practices against a standard.

**Mr VALENTINE** - Do you ever see them coming together? There are changes being made.

**Mr ADAMS** - The short answer to that question is no. These are two separate brands operating in the competitive marketplace. They are both establishing standards and there is obviously going to be commonality within those standards because best practice is best practice whether it is under one standard or the other. There are elements of each standard that can be identified as best practice and considered to be common. But in terms of putting the two brands together, no.

**Ms FORREST** - Most of you have mentioned the three different standards that FT could apply under. Can you give me a bit more detail about the differences of how that works?

**Ms REYNOLDS** - In countries where they have not yet been able to fund and organise to develop their own standard, what we ensure, internationally, is that there is not a backing, so that forests can still be certified and compete on international markets. There are some principles and criteria that apply globally and certain indicators as to compliance occur. What happens is that the auditors have their own interim standard which they put up to FSC International and FSC International reviews it and ensures that it covers off on what it needs to and that our board does have some input into ensuring that they are contextualised, which is what has occurred in this case.

The three standards are there. It is not ideal to have three standards that are slightly different by three auditors and that is what we are trying to address. The prospects here

of obtaining some funding to help us address this to make it more consistent are very exciting for us.

**Ms FORREST** - I am interested in which one of the three standards FT would choose and why. Is one easier than another?

**Ms REYNOLDS** - No, they are slightly different.

**Mr ADAMS** - All three comply with the principles and criteria. All three comply with the indicators and there are minor differences in interpretation basically because each of them has been put up for agreement by a different auditor. There are minor differences in them but they each comply fundamentally with the principles and criteria.

**Mr CADMAN** - Globally the organisation has put a sunset on the generation of any more interim standards. It was a useful approach while the organisation was young but the organisation is essentially now developing a set of what are called 'generic' indicators which will become mandatory, so everybody uses the same standards. For Australia - and this was my challenge when I was the chair, and now Jim's challenge - we want to be able to have the most Australian contextualised standard that we can for forest management here. We would rather do that than have to work with those generic indicators. It is why it is quite important the FSC national standard process continues to develop.

**Ms FORREST** - That is one of the criticisms that has come up in the past years, as long as I can remember, that it is like a moveable feast. Things change all the time, standards change and expectations change.

**Mr CADMAN** - That's true of all standards. I have been involved in this game since I worked with the commonwealth in 1998 and where we started from then is a vastly different world with far higher rigour in AFS and FSC interim standards. The fundamental principle behind standards is continuous improvement, so it is designed to be a moveable feast.

**Ms FORREST** - I don't have an issue with that, but the criticism has been that just when an organisation complies then the goalposts shift or the expectations are different for Indonesia, say, than they are for Australia.

**Ms REYNOLDS** - To put it in context, we've been operating for almost 25 years internationally and we are on our fifth version in this time of the principles and criteria. That will be implemented within a two-year time frame in this region. In the scheme of things there is continuous improvement but also remember that when standards are changed we need to go through this quite significant process of obtaining consensus, so it can take a long time. There are often advice notes and interpretations - somebody might say, 'Does this mean this or does this mean that?' somewhere around the world, but the standards of themselves are quite difficult to change. We operate unashamedly in a continuous improvement environment but it is balanced by the fact you have to get consensus in the three chambers.

**Mr CADMAN** - There are no forest management certificates for Indonesia, so the only wood that comes through the FSC system from Indonesia is controlled wood. In other words,

does it pass these fundamental governance tests? Is it legal? Are there human rights abuses? Are HCV forests protected? Do they contain genetically modified organisms? The biggest point of difference between the PDFC and FSC is whether the wood comes from the conversion of a natural forest to a plantation? That is a very fundamental difference between the two schemes, and that is tested under the controlled wood -

**Ms FORREST** - I don't have an issue with it evolving and improving over time. It's a bit like costing accreditation; you have bugs that come along that change the whole range of criteria that you need to meet and I don't have an issue but it would seem the perception has been in the broader community that there are different expectations for different people. But you are saying that is not the case?

**Ms REYNOLDS** - This is where the two schemes can be mixed up and that is unfortunate. FSC is a very top-down type scheme and PEFC is a very bottom-up type scheme, if we can compare them like that. There is little difference around the world because of the way the governance is structured with FSC. The other thing I will put on the table is that we are absolutely transparent with the information about who holds what certificate and where, and how many hectares, and we have an international database which any of you can interrogate. You can put in a country, say Indonesia, and see exactly which certificates are issued and who the contact is in the company and who the auditor is. There is a lot of misinformation that is bandied about, but we have the facts publicly available. It is all on the web. It is all easy to obtain.

**Dr GOODWIN** - I want to get clarification about the development of a national Australian FSC standard. What is the anticipated time line for that development?

**Ms REYNOLDS** - Essentially, as I explained earlier, we have a new set of principles and criteria that was voted by the membership in February 2012, and which is in the process of being implemented. Rather than have the interim auditor standards there has been a decision by the global membership that we will put one international generic indicator process in place. The working group is working on that now and the first round of consultation will be going out in February. If you think of it a bit like a ladder - you have your principles and criteria at the top and the international generic indicators are being developed now. FSC Australia is in a unique position now to be able to use this kind of data that would be gathered, and really interrogate the drafts that are coming out internationally by having a large-scale native forest going to certification, and also looking at plantation forests and smaller forests as well. We can test all of that during the development of these international generic indicators.

We can also contextualise in Australia. For example, 'conversion' means returning - on the mainland there are many issues about returning managed investment scheme plantations back to farmland. If we can get the funding, we can do these things very quickly. We have to start by the end of March, to do this.

**Dr GOODWIN** - You have to start by the end of March?

**Ms REYNOLDS** - We have to start developing our standards by consultation by the end of March to fit into this international timeline, or we need to stop. The international timeline will continue and we can still participate, and then at the end of two years we

can commence developing our own. It is designed to ensure that it is not a moving target for stakeholders and FSC international. People are either in there developing the standards concurrently, or there is a time limit on that so that they can commence once this is created. Whichever way, it is really good.

**Dr GOODWIN** - When you talk about the two years, what is that? Is it the two years to develop the international FSC?

**Ms REYNOLDS** - At the moment we are embarking on the process of doing the two together. Building the two rungs of the ladder together so they inform one another. The international process will be completed by December 2014, from current estimates. We would have sought to finish our process at the same time, but if we do not obtain the funding to be able to engage to the extent that we want to, and that we are required to under FSC international rules, we won't be able to start.

**Dr GOODWIN** - Just to be clear, you couldn't finish yours before they finish theirs?

**Ms REYNOLDS** - No.

**Dr GOODWIN** - Okay, so we are tied to the international timeline essentially.

**Ms REYNOLDS** - Everyone in the world is.

**Mr ADAMS** - But that does not stop Forestry Tasmania, if they choose to, seeking certification against an interim standard immediately.

**Dr GOODWIN** - Okay. Could I ask how likely do you think it is that FT would be able to get certification under one of the interim standards? Do you have a sense of that?

**Mr ADAMS** - That is a very, very dangerous question for others to try to answer from here.

**Ms REYNOLDS** - We are not auditors.

**Mr ADAMS** - We are not auditors and the best that we can do is say that obviously there has been a lot of work done through this process, that will inform that process and I don't want to say any more than that.

**Dr GOODWIN** - There has been mention of the ENGOs such as Markets for Change and the Huon Valley Environment Centre that are outside this agreement process. Are they likely to have any influence on this?

**Mr ADAMS** - In a certification process, one of the things it effectively requires is for the applicant to be able to demonstrate stakeholder engagement and it looks at stakeholder engagement in two ways - in terms of interested parties and affected parties.

It requires you to be able to demonstrate (a) that you have done the engagement; and (b) that you have documented how that engagement occurred and the feedback that was provided. Yes, those people will be part of the process but if your question is, 'Can they block the process?', the answer is, 'No'.

**Mr CADMAN** - This agreement that has been reached between the timber industry and the ENGOs - and this is what is groundbreaking - is one that satisfies the test of substantial consensus. The ways that has been interpreted over the years are varied, but it is pretty obvious that you have the local umbrella organisation in Tasmanian, Environment Tasmania, and you have the two national organisations with the longest and most sustained opposition sitting around a table and agreeing.

In other words, there is consent and I would argue that there is at least substantial consent from the ENGOs, but that does not mean that there won't be parties - and they will be in the social chamber as well, they won't just be in the environment chamber - who will strongly disagree with Forestry Tasmania being certified against FSC. We can guarantee that from all of our experience of dealing with certifications. It will be a controversial certification - there is no question it will be a controversial certification process.

**Dr GOODWIN** - Have you any idea what the time line is for the process of seeking certification?

**Mr ADAMS** - How much would it cost?

**Dr GOODWIN** - Yes.

**Mr ADAMS** - It depends on the degree of preparedness largely but judging from past experiences the time frame - and I am just trying to give you an answer - one would imagine, given the amount of work already done in this process but recognising that this process has not ticked every box particularly on the engagement side, it would be hard to see it completed in under twelve months. But it should be possible to complete it within two years.

**Dr GOODWIN** - My final question is about the auditors. You mentioned there were six of them?

**Ms REYNOLDS** - Six.

**Dr GOODWIN** - Six auditors in Australia. What is their background?

**Mr REYNOLDS** - They are auditors who have met the tests set by Accreditation Services International, as the international organisation that manages them. There are about forty around the world that operate, and six operate in Australia. They are very heavily monitored.

Most of them do other types of auditing as well and some in fact do audits against both standards in Australia. They are on our website, but they can do other things as well. One of them is Rainforest Alliance, for example, that also certifies coffee and things like that. There are six of them, and they do other types of quality assurance auditing to ISO standards, or other types of standards as well.

**Dr GOODWIN** - They apply to be accredited as auditors?

**Ms REYNOLDS** - Yes, they do.

**Dr GOODWIN** - Is that a continuous process?

**Ms REYNOLDS** - Yes.

**Dr GOODWIN** - Do you get continuous applications from people or organisations to be auditors?

**Ms REYNOLDS** - Yes.

**Mr CADMAN** - The people that the auditors work for are certifying bodies, so it is the certifying bodies that are accredited to ASI. The auditors are individuals who actually have to meet a standard. In other words, they have to meet a set of standards to be an auditor. In the context of what globally is a very small market for certification, which is Australia and New Zealand, the individual auditors will actually do ISO, PFC, AFS and often they will do -

**Ms REYNOLDS** - Marine stewardship.

**Mr CADMAN** - marine, so they will work in the agricultural and fisheries areas as well. For individuals, it is a profession; so they are in the profession.

**Mr DEAN** - We have talked about the cost of FSC and we are also told that there are certain standards that have to be met to get that, and that it will be a requirement of the forest owner or forest holder, so what are some of those costs? I know it is probably an airy-fairy sort of question but I am told by some of those who have attempted to go down this process that trying to get to that standard has been extremely costly to them and has outweighed the returns that they would get from the timber on their properties. The other question coming from that is, 'What right do these people have to appeal against the auditors' positions?'. What is the process in relation to all of this?

**Ms REYNOLDS** - In relation to audit cost and preparedness, what you are describing is what FSC delivers - an improvement in forest management via a voluntary attempt to meet a standard. So that is actually where the work is, where the improvement in the forest occurs around the world. We set a standard and people can choose to meet it or not and they can choose to put the work in to meet it or not.

**Mr DEAN** - Sorry, this is on top of forest plans that have to be done if you want to log an area. Your plan has to be put in to FT; they look at that, consider that and ensure that you are meeting the required standards -

**Mr CADMAN** - The first thing that you cannot go past is that you have to meet all the legal and regulatory requirements. This is true of the PSC, so one fundamental agreement between the Australian forest owner and FSC is that you have to meet the regulatory and legal requirements; so everybody has to do that. Above and beyond that, it is actually dependent on the standard and on how you manage the forest. If you have been in the practice of managing forest conservatively, then you are probably going to find it easier to meet the biodiversity principles under the FSC than if you haven't been managing conservatively. For example, you won't be certified if you are converting your natural

forest to a plantation. FSC won't certify you if you are doing that and that is, if you like, at the other extreme range. This is why we say it's a bit hard -

**Mr DEAN** - So you won't get FSC if you are felling, is that what you are saying?

**Mr CADMAN** - No, no, if you are taking a natural forest and converting it to a plantation. If a silvicultural practice is required in order to generate successfully and maintain a crop of trees into the future and it meets the biodiversity provisions of the standard, then you will be certified against that, all things being equal. You cannot say clear felling is in, or clear felling is out; it is all to do with the circumstances in which clear felling is being applied - for example, as a silvicultural system.

**Mr DEAN** - Well, the latter part of my question is, 'Is there any appeal process in relation to the auditor's decision?'.

**Ms REYNOLDS** - Absolutely. You have heard of the governance structure; there are, of course, absolute appeal processes. You do not have a governance structure like that and then have auditors not responding to anybody. There is Accreditation Services International; they are an independent organisation that basically manages the auditors and if there is a complaint about an auditor or a certificate, then there is a clear process, a grievance process, that can be instituted.

**Mr CADMAN** - And anybody can raise a grievance - the person who is being audited or the company can raise grievances. As an effective or interested stakeholder, I can raise a grievance, and so can you. Again, we would argue that that is actually the strength of the system, and it is robustly contested.

**Mr ADAMS** - The one thing that is very clear about that is that we have no standing in resolving those grievances, as Australia is not part of the grievance resolution process.

**Ms RATTRAY** - I am interested to know how much you believe your organisation might get out of this agreement if it goes forward to the parliament?

**Mr ADAMS** - At this stage, we don't know. We know what we think it will cost us to develop a standard. We have spoken to both the industry and the government to see whether there is support for us in that space. We know that that support is there at the national level within the industry, and local -

**Ms RATTRAY** - \$100 000? \$200 000?

**Mr ADAMS** - We put up a request; we know that it will cost us about \$2 million to get a national standard in place and we have put up a request on the basis of matched funding, so we have asked for \$1 million to assist us in that, but at this stage we have no expectation in terms of what might or might not be possible. We are still waiting to see. It will depend not just on FSC putting up a request, it is about whether or not the stakeholders think it is worth supporting and therefore whether government thinks it is worth supporting.

**Ms RATTRAY** - Like the IKEAs of the world and Kimberley Park - would they be expected to pay something as well?

**Mr ADAMS** - That is where the other half comes from.

**Ms REYNOLDS** - That's the matched funding.

**Mr CADMAN** - From my tenure period, we have been seeking to always have matching funding. We would like government to come to the party but we will be bringing money into that process. The conservative estimate for the cost of getting the Australian Forest Standard up was about \$2 million, and that was 10 years ago. There has already been a taxpayer contribution into that standard.

**Ms REYNOLDS** - I would like to again say that there is cost and then there is investment. If we have an FSC Australian National Forest Standard in place, which means that this kind of process doesn't need to occur in other parts of Australia, what is the investment and what is the return on investment of that type of decision? That is the kind of conversation we are starting to embark upon. It is to say that if you already have a process in place that everybody agrees to, you have codified what it means to manage a forest responsibly.

A forest owner, wherever they are in this country, can choose to try to be certified or not to the standard that applies in other parts of the world - and remember we are not operating in a vacuum here; we have 25 years of protracted disputes where FSC is used as a process to help resolve them. So perhaps \$1 million of government money might not be a substantial cost, perhaps it is actually a better investment in the longer term.

**Ms RATTRAY** - For the Tasmanian community?

**Ms REYNOLDS** - No, we are talking about federal government money. We are not talking about Tasmanian money; we are talking about federal money.

**Ms RATTRAY** - It is coming into Tasmania. If this agreement goes forward, it is coming into Tasmania, so it is Tasmanian -

**Ms REYNOLDS** - It is not clear currently where the money will come from. It is not clear that it will even be attached to this agreement.

**Mr ADAMS** - Or if indeed we will get the support at all, in which case we would be going out to beyond that to try to -

**Mr CADMAN** - We obtained in the Statement of Principles and in the forest agreement an in-principle support for FSC from all stakeholders, which is a good outcome and it is a position that we are very happy that stakeholders got to.

**CHAIR** - Thank you Jim, Sean and Natalie; we appreciate your time.

**THE WITNESSES WITHDREW.**



**Dr JULIAN AMOS**, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Harriss) - Julian, thanks for adjusting your time to come in early, given that we contacted you about that you were good enough to do so. In terms of process, I think we received an e-mail with your submission attached earlier this morning.

**Dr AMOS** - Just some notes.

**CHAIR** - We will take it as a tabled document.

**Dr AMOS** - You have invited me to attend and make comment and I believe the intent of that invitation was as a result of some conversations that have occurred in this committee regarding the industry reference group in 2010 and the circumstances surrounding that. I was the chairman of the industry reference group at that time so I am able to provide you with some information about that.

I have also provided in this document I have brought before you some thoughts and ideas about things that have happened since that time. It is in the form of notes as distinct from a fully-fledged submission. You will note though that it is a series of points. On the right-hand side I have notated points 1 to 16 and there is a list at the back of the submission which provides further information about the points I am making. There are also nine attachments to which I will probably be referring most in this conversation with you.

First of all, I make the point that I think what you are doing is correct in having this inquiry. There has been criticism of you for doing it but I think what has come out of the process you have followed proves the point that not enough information was available at the time and not enough people had been consulted, and this is an opportunity for these deficiencies to be rectified.

There has been comment made about what this bill is all about. Is it to guarantee wood supply? Is it to guarantee a future for the industry? Is it to guarantee future reserves for the environmentalists and the conservation movement? I believe it started, and I think it still has as its fundamental objective, the concept of peace. My view all the way through this has been that peace is a rather an illusory concept and although it may come in some form for some period of time, will certainly not be permanent. Therefore, the question for you is whether you proceed with this bill and pass it knowing the objective - that is, peace - will never be met. I am happy to discuss some of that with you as we go through.

The first point I wanted to develop with you comes under my point 3, the concept of a guarantee for continuing wood supply. I am going to take you back to 2010 when I was chairman of FIAT. The graph you have in front of you, which I think is entitled 'Appendix A', I would like to talk through with you briefly. It is a graph that was developed by Forestry Tasmania in 2007 as part of the five-year review of the Regional Forestry Agreement. It shows that for high-quality sawlog the supply of 300 000 cubic metres will be available until 2016 and then will fall from native forest to around 150 000 from the year 2020 or 2022. It is the green-yellow-purple bit of that graph.

By legislation we - or the former 'we' - had been guaranteed 300 000 cubic metres of high-quality sawlog and this graph was showing that as a result of a number of incursions into state forests over the period of time from the Regional Forest Agreement and further, the 300 000 cubic metres that had been in the act for some time, back into the 1980s I think, was no longer going to be met from native forest and that Forestry Tasmania had anticipated that the difference would be made up from plantation.

This was of serious interest for us in FIAT because all the information we had available to us at the time was that plantations were not going to be able to develop high-quality sawlog to this level within this time frame. The reason was reasonably obvious; the plantations that had been established were for pulpwood, not sawlog. For a period I think we lived in a fool's paradise of thinking, 'Okay, this may be but we're proceeding on with the 300 000 for a period', but certainly by 2010 our minds were being exercised quite strongly to the view something might have to change. We were looking very seriously at the plantation estate, doing experiments on plantation and regeneration wood to see how that was travelling over the saw, and we found it wasn't travelling too well. It was splitting when it was drying and warping as it came over the saw, so we were sceptical about the plantation wood.

I will take you to Appendix B, which is a time line - and please accept this may not be entirely accurate. This comes with something I did last week in trying to recapture in my fading memory some of the events of that time, but I take you to the start of all of this. While we were thinking through difficulties that we might be having with continuing high-quality sawlog supply, there were campaigns occurring both nationally and internationally. The Wilderness Society, in particular, had targeted ANZ against Gunns and had targeted the Japanese market against Gunns and had been successful. ANZ walked away from supporting Gunns and their pulp mill development in the north of the state and so there were, if you like, two pressures on the industry. One, whether the supplier was going to be available and, two, the continuing campaigns from the environment movement towards the continuing future of the industry.

On this time line I talk about pre-process, the process, what is happening with Gunns, what dollars were paid out in terms of compensation for change, and tried to put something down there about what campaigns were happening. This is not necessarily totally comprehensive but it will give you an idea and a context behind what we were doing at that time in 2010.

I point Gunns out in particular because they were a major part of the industry both on the sawlog side and on the residue side. In fact, they almost had a monopoly in terms of woodchip residue exports. Gunns changed its CEO back in 2009. There had been discussions, I believe, between the new CEO and the environment movement, and Sean Cadman in particular. I have notated there 'ABC' because it came from a comment made on the ABC that that meeting had occurred.

By January, Gunns had made a decision to move the pulp mill from starting with native forest to being plantation only. In January 2010 as a result of the campaigns that have occurred in Japan, a meeting with then minister Llewellyn took John Gay and Bob Gordon and the minister to Japan - and then Bob Gordon went on to China - to try to shore up difficulties that were occurring in the woodchip market. As a result of that there

was this feeling that if Japan was falling away then China might be able to pick up the slack. I think all the way through from that point on minister Llewellyn and Bob Gordon were of a view that China might be a new market for woodchip. In the event, that didn't occur within this time frame. Gunns were seeking controlled wood status and claimed FSC controlled wood status at that time, so they were moving their strategic positioning from where they had been in 2009 to another form of approach.

We now come to March and there has been some comment made - and you will see there the Melbourne meetings - of some meeting that occurred in Melbourne airport where a discussion occurred between certain people. I note that there has been some reflection on who might have been there and who might not have been there and how it came about. We in FIAT had no idea that meeting was occurring and we did not know that that meeting was occurring for about two months afterwards.

It is my view that the meeting had been encouraged to occur by Gunns and by the CFMEU, and they brought together industry-related people - I think Jim Adams was there - to have a discussion to see whether they might be able to resolve the Tasmanian problem. It was very nice of them to think about helping us resolve our problem. I think Bob Gordon might have been there as well, but I'm not sure. There has been a suggestion that FT was there, but I don't know that for a fact. As a result of that, a series of meetings then occurred in Melbourne with the CFMEU, the National Association of Forest Industries and TCA's Jim Adams representing if you like one side of the conversation and on the other side I think Sean Cadman and Don Henry had been invited to see whether there might be a solution to the Tasmanian problem.

It is our understanding - again, when I say 'our' I am talking about when I was with FIAT - that Phil Pullinger and Paul Oosting, who at that time was Wilderness Society, were also invited to those meetings in Melbourne to have that discussion. Again, we were unaware of this. We were told later that the CEO of NAFI, Allan Hansard, had been sworn to secrecy and not to tell us that these meetings were occurring so that they might be able to work through an agenda a little bit before engaging and involving the Tasmanian industry.

As it was, we found out just before or just after the state election in March that these meetings had occurred. We started to express serious concern at that time that things were being done about us, were being talked about, without us being aware that these conversations were going on, and that these could have a serious effect if they went through without our engagement on our position within Tasmania.

The election is held and the Premier at that time, David Bartlett, announces that he is going to have a round table. He is going to bring all of the people together to resolve the problem of conflict in the forest. I am not quite sure how I had the conversation with the Premier at the time but I did ask him what his objective was in this and his objective was to have peace, to resolve the conflict. As far as whether that related to a forest policy or conservation policy, they seemed to be not a part of the thinking; it was just to resolve the conflict. In the absence of a direction we were asked whether we would participate or not participate and we said, 'Well, it's better to be in the tent than out of the tent; we are more than happy to engage in that conversation'. We made public comment to that effect at the time that if there was going to be a round table then we would be having to partake in that process.

With that in mind and as a result of a further communication I had with the national secretary of the CFMEU, Mike O'Connor, we determined that it would be of value to bring people who were involved in the industry together to see whether we, as a group of industry people, would be prepared to engage in this process. You will note in the yellow block that we called it a 'square table' because the table was square and it was different from the round table which is what the Premier was seeking.

**Mr WILKINSON** - More confrontational, Julian?

**Dr AMOS** - Well, it was a way we could get the people around the table. This was not done by FIAT. I called that meeting together because of my position as chairman of FIAT but it was not a FIAT meeting, it was bringing people together who were engaged in the industry, what I call pro-industry people, to first of all be briefed from the people in this national theatre - Mike O'Connor, Jim Adams and Allan Hansard - about what had been going on. That square table meeting was held on 1 June. You will notice in appendix C I have the list of people who turned up to the square table meeting. From the square table when the industry reference group determined we would continue with and re-engage in the process, we had a series of reference group meetings and that attendance record is there for you, at least for the first five of them.

**Ms FORREST** - Can I ask a question on that? Julian, you have here that Barry Chipman and Travis Wacey were observers.

**Dr AMOS** - Yes.

**Ms FORREST** - I assume they were the only observers; everyone else was a participant?

**Dr AMOS** - Let's start with the square table. The square table was just bringing people together so there was no membership as such.

**Ms FORREST** - It was also called the industry group, wasn't it?

**Dr AMOS** - No, it was called the square table. Let's just follow this in sequence. Pro-industry people were brought together to get a briefing from the three national figures as to what had been going on. There was no membership, it was just people coming together. We received that briefing and that group determined that we should have a more formal structure and as a result of that square table meeting we determined that we would have an industry reference group, so the industry reference group became the first point at which there was a so-called membership, if you like. At that point Timber Communities Australia determined that it would not be a member but an observer only so it sought and gained observer status for that.

**Ms FORREST** - They are the only ones you have listed. All the others, when we get to the reference group, one, two, three, four and five were participants, not observers.

**Dr AMOS** - Correct.

**Ms FORREST** - Right, thank you.

**Dr AMOS** - The other thing I should point out is that we did not invite to that square table meeting any government agency so FT or Forest Practices Authority were not invited because we saw them at that time as being neutral. They were not pro-industry or anti-industry, they were neutral, but from that point on, once we got into the industry reference group scenario they were invited to provide advice to us. So I would not say they were members in the sense that they voted - in fact I don't recall there being a vote as such - but they were there in an advisory capacity - that is FT.

The industry reference group determined that a whole lot of things needed to happen really fast. We were moving from being advocacy people to having to get a whole lot of information together in order to participate properly in David Bartlett's round table approach. While we were doing that the national figures were still meeting with the ENGOs so there was an agenda going down while we were trying to catch up with the process and that was moving forward.

You will notice in appendix D that I wrote a letter to David Bartlett from my position as chairman of the reference group. I have not provided you with the whole letter but this is the relevant portion of it. It is dated 6 July and was to advise him that industry had come together and formed a reference group and that we had appointed from the reference group three people to join the negotiating environment as participants at the round table. Those three people were Glenn Britton, Ian Dickinson from the private forestry section of the TFGA, and David Ridley, who was the head of Ta Ann at that time.

A series of meetings then occurred between the ENGOs and the negotiating group but there was a lot of concern being raised regarding the way in which these negotiations were going. So we had a negotiating group that is negotiating and we had, within the industry reference group, a whole lot of work being done, a whole lot of modelling being done, and a whole lot of effort being put into what it would mean as a plantation future resource et cetera. There was a lot of crunching going on.

It was obvious that any claim for further state forest would mean a reduction in the volume of high-quality sawlog that was available and the graph I showed you before suggested that already we were coming down to 150 000 from 300 000 cubic metres. The existing contractual arrangement between sawmillers and FT was for 300 000 so that side of it was not looking good.

In the middle of this exercise with the industry reference group, Gunns made a decision that it was going to remove itself from the native forest sector altogether. It also told us that it was intending to leave FIAT and from our point of view, if I can put it in the vernacular, Gunns was going rogue. In other words, they weren't acting as an industry participant any more, they were acting solely in their own interests and if it was to the detriment of the industry, they didn't care. Actually, the CEO made the point to me at one stage that they were going out on their own and that, from their point of view, the devil take the hindmost. There was not enough room in the state for those who were already operating and they intended to be one of the survivors.

In that regard, our negotiators - the three state-appointed ones - came back to the industry reference group and said they were not having a particularly good time in the negotiating environment. Glenn Britton, in particular, said that he had been told over the table, and I will quote -

'If you don't change your business, Glenn, and agree to our demands, we'll do you over in the marketplace and send you broke like we've done with Gunns.'

A similar comment was made to David Ridley regarding Ta Ann -

'We'll do you over in Japan like we've done for Gunns.'

For a period, Glenn would not go back to the negotiating table because of that threat.

At the same time, the farmers, through Ian Dickenson, were led to understand that these negotiations would not involve private forests at all, private forests would not be affected by these negotiations at all and I believe he received a letter from the ENGOs to that effect and, as a result, played very little further role in the negotiating environment.

At the same time that was happening, my CEO, Terry Edwards, had received a number of phone calls from the CEO of Gunns, which could only be called threatening with respect to his involvement in this process and FIAT involvement in the process. I am told also that Allan Hansard at NAFI had received similar sorts of telephone calls from Gunns regarding the involvement and engagement in this process and the positions that we needed to take.

We took the view at the end that, from FIAT's point of view, we were supporting the continuation of a sawmilling industry from native forest and if Gunns was going to go out on its own, Gunns would go out on its own.

At the end of all this process, when we had received sufficient information from our number crunching, Gunns pulling out of the native forest, suddenly the 300 000 cubic metres that were under contract with FT became 150 000 cubic metres. All of a sudden the FT graph started to make some sense to us, that we could continue with 150 000 as an industry and that if plantations did come to pass a future growth option for the industry would be in plantations.

As the statement of principles was being developed, the industry's argument was we wanted a guaranteed wood supply, if you give us a guaranteed wood supply, we are happy for other things to happen, but you needed to provide us with guaranteed wood supply. In our minds we saw the 150 000 as being the guaranteed wood supply. As long as we received that, if there was flexibility elsewhere, fine, but if there was not, we had the guaranteed wood supply.

I must say that through our process we did not think of a more intensive forest management process for the remaining forests because we had already been in discussions with the Forest Practices Authority about it being a lighter hand in forest management rather than a more intensive hand in forest management. I think Hans has mentioned to you before this idea of headroom and really cutting it fine and a more intensive management regime.

I make a comment in my notes, and you might have seen it if you have read them, that if we cannot get forest certification from FSC under the present arrangements, then how on

earth are they going to provide certification under more intensive forest arrangements in the future. Sean Cadman is saying it is going to be contentious; well, it will certainly be contentious, they will make sure of that.

You will note also I have made a note, appendix E, which is a letter that I wrote to Paul Oosting near the end of this industry reference group process where I complained about some of the treatment my negotiators had received and the fact that we were not able to converse with them other than in the most formal of ways. Therefore, getting some feel as to what the drivers were for the fairly hard-line position. It was 600 000 hectares at that time that we could not really come to terms with. You have a copy of that letter in full.

**Ms FORREST** - Did you get a response?

**Dr AMOS** - No, never got a response.

We were happy to then proceed to the signing of the statement of principles on the basis there was a guaranteed wood supply. That was where the industry was coming from. You will note by this time Gunns had left FIAT and were threatening to leave NAFI and I think had left or were about to leave or had stated its intention to probably leave VAFI, the Victorian equivalent of FIAT. The signatures on the statement of principles represent individual vested interests, you will note. It has not been signed by an industry group, it has been signed by individuals representing individual interests. FIAT, the country sawmillers, TCA, the union and so on signed. People who didn't sign included the farmers and specialty timbers. Although their interests were being represented in the industry reference group process, when it came to signing they were not signatories to the agreement.

As a result of that, the statement of principles was given to the government and the industry reference group ceased to exist. It no longer met or had a role. Its role was to develop an industry position for the statement of principles and nothing further happened with the industry reference group from that time. It was handed to the government in September and the government gave consideration to that statement of principles. I think the government was very disappointed the statement of principles was so weak in finding a resolution to the conflict. It was really a very small part in a continuing process and for some time was concerned to work out the next step.

The state government came up with a process that was denied by the federal government and the federal government then appointed Kelty to be the coordinator of the signatories to the statement of principles. By this time they were acting as individual representatives of their entities; they weren't representing industry as a whole. At that time, and before Kelty started his procedures, I left as chairman of FIAT. There was no further role for the industry reference group so from that point my knowledge becomes a little less intimate and I relied on the rest by continuing contact with people.

**Mr VALENTINE** - What date was that?

**Dr AMOS** - In December 2010 I left. I think Kelty may have been announced but it was before he first met with people.

**Mr HALL** - Julian, you have given a historic perspective and as a previous forest minister you have seen the RFA process, the CFA process and seen there was a national forest agreement that was instigated by federal Labor and endorsed by federal Labor which then followed on to the RFA and the CFA processes. During those processes you had an enormous amount of consultation and scientific backup and whole lot of consultation. That to me, correct me if I am wrong, seems to be the fundamental difference of where we have been in the past and where we have arrived now at this particular TFA process which has excluded so many people. Would you care to comment on this briefly?

**Dr AMOS** - It is certainly that. All processes that have taken part before were scientifically based. The Helsham Agreement - the Helsham findings had a scientific basis to them; the Regional Forestry Agreement had a scientific basis to it. I hesitate to say that the Community Forest Agreement had much of a scientific basis to it. It was a political call at the time to ameliorate some concerns and claims.

Fundamentally, Greg, I think that there are two different paradigms travelling at this time. There is the scientific approach, industry, capital, employment side of the fence on the one hand. It's interesting that capital and labour have now come together in unity, so the twenty-first century has a different sort of political construct to it than the twentieth. Then on the other side you have a values approach with beauty and soul and emotion as the drivers. When I listen to Vica, for example, talking about majestic ancient forests, I hear him, but I don't understand him other than within my own construct and my context and my visual awareness and my emotion and what have you. But to try to say that Vica and I see things in exactly the same way or they are measurable becomes extraordinarily difficult. I think the process that has been followed is that we are trying to accommodate both and it's just not going to work because it never will. At the end of the day you have to take a side on this.

I guarantee you that irrespective of what happens with this process there will be a continuing debate going on about the values side of things, and we've heard a number of people saying the campaigns will continue until there is no more logging in native forest because native forest of itself is a thing of beauty and should be protected. No matter what we do here, if you agree to this present bill, it will simply be the new frontline for another round of debate, an environmental debate, until such time as that values side of the debate is resolved in their favour, and that will mean no further native logging.

In fact, you have already heard them say this is all very well, we'll use our influence, whatever, with people to go along in a certain way, but the Tarkine is looming large as the next round. It's not just forest; it's a sort of area thing, it's a landscape thing, it's a visual amenities thing, it's a thing of beauty thing and these are totally unmeasurable - it's 'Give me everything or else I will continue to campaign,' and that's where it's going.

**Mr HALL** - A second question which is changing tack a little bit: you heard quite a bit of the FSC conversation this morning.

**Dr AMOS** - Yes.

**Mr HALL** - There is a premise or supposition that unless we go down that track then the timber industry is dead. It would seem that my information is that about 9 per cent of the world's forests are certified and about 25 per cent of the wood trade internationally is



certified at the moment. But there is an elephant in the room, if you like, and that is the PEFC, which is larger than FSC, and I am not denigrating FSC but there is an elephant in the room and there is a reality that internationally the gap is growing larger between PEFC and FSC. In fact China has now become the most dominant player in the international wood market. China has now submitted a scheme for PEFC endorsement. Once that scheme is endorsed it will represent a very fundamental shift in the market, not only on domestic and international markets but also other Asian countries are going to go down the PEFC track. I just throw that into a context of where we have been this morning and what you think may occur down the track.

**Dr AMOS** - I listened to the evidence given this morning and it sounded extraordinarily thorough and bureaucratic and like it has a very structured approach to it but at the end of it, in my view, it is built on some shifting sand because the ground rules can continue to change - they call it continuous improvement but I think it's a little bit more than that; it's more of an advocacy thing than continuous improvement and will continue to change until things fall into the pattern that they want to happen.

I made the point here in the notes that we are really in a marketing war between PEFC on the one hand and FSC on the other and we are being asked to take sides - a bit like Coles versus Woolworths and we back Woolworths because they are the fresh food people - whatever the niche is that they are using as a marketing ploy in order to win favour in the market and it's all very well for these three to sit back and to make comment, 'We don't control what's happening out there in the marketplace', but my view is that they very much are aware of what is happening in the marketplace. Their name is being used to their advantage in the marketplace by those market campaigns that are occurring.

I don't think that the PEFC has marketed itself as strongly as the FSC has and in that regard the winner takes the prize so I'm not saying to consider that but what I am saying is that you have to consider whether you are going to take sides because in the forest agreement it talks about actively seeking FSC certification and I think that's going a step too far.

**Mr HALL** - To expand on that, in that China syndrome that I mentioned that is the case. If those other Asian countries are going to go down the PEFC track internationally and domestically then there is going to be a dynamic shift in -

**Dr AMOS** - In terms of quantum and in terms of volume, yes. The other thing I think also is that there is a large amount of wood that is certified by both the PEFC and the FSC so when FSC says, 'We have this much certified', yes but a certain amount of that is also PEFC certified so one is not to the exclusion of the other and there is some overlap in that regard.

**Mr GAFFNEY** - My question is a supplementary on Appendix C where I am curious about the observer status of Barry Chipman and Travis Wacey which you alluded to but Jim Adams was there from TCA and was not an observer; he just got a tick, and the others from the CFMEU - was this a voting structure or - ?

**Dr AMOS** - No.

**Mr GAFFNEY** - So there was no voting structure so I'm just interested, did they just happen to -

**Dr AMOS** - I put the first three up by themselves because they were, if you like, the management or the secretariat - Terry and Alan Ashbury and I, if you like, were the secretariat - the chairman, the secretary and what have you. Mike O'Connor, Jim Adams and Allan Hansard were the three national negotiators and they came to these meetings to keep us informed so the tick that I have there is their attendance at these meetings - that's what the tick means - and then there are a range of other people that also came to those meetings including, you will notice, Ian Dickenson and Jan Davis from the Farmers and Graziers Association, Travis Wacey from the CFMEU was an office bearer, or an employee, of the CFMEU. He travelled around with Mike O'Connor and took notes for Mike O'Connor so that's why he was an observer; he was not playing a role other than support for O'Connor.

**Mr GAFFNEY** - In point 2 he said that the real objective behind this legislation was peace. There would some who would contend that one of his objectives was a more peaceful existence within the industry. You also recognise social issues - about having to be for or against, and generational change. I am interested in that side of it because it is evidence of how society is changing and how our young people are viewing the forests. Whether or not it is due to good campaigning by the Greens in the past, that is where we are at. In saying you have to be either for or against it, don't you see this as a natural evolutionary process about where this will end and where it is going to? We do not even know because that is for other generations to decide. But don't you think the signatories have gone into this by trying to minimise the impact that the ENGOs can have on a worldwide market to try and at least protect it, to some extent? That is one of the things they have put forward.

**Dr AMOS** - Sure. I have two comments to make on that and we can have a long discussion of these things. The first is, I do not believe that appeasement is the way to go in any form and you have heard people talk about Chamberlain's comment regarding Hitler's annexation of Czechoslovakia and 'peace in our time'. It is all very well to get peace in our time by falling in line with your opposition.

The second is - and I hesitate to say this too loudly, but I will say it here - that I think these guys have got themselves into a process and that process has itself become the objective. That is, the getting the agreement has become the objective. No, it is getting peace which is the objective. The agreement is but a strategy in order to get there. There is a syndrome called 'the Stockholm syndrome' where you fall in love with your captor, and I think these guys have tended to have fallen in love with the process.

**Mr WILKINSON** - Depends who the captor is.

**Dr AMOS** - That is up to you, Jim, on that one.

*Laughter.*

**Dr AMOS** - At the end of the day, I say this to you, Mike. You are being asked to support a piece of legislation and that legislation must have a purpose. That purpose, I have been told - and there is nothing really that has been put in front of me to tell me otherwise - is

to establish a more peaceful environment in our forests so that industry and other activities can flourish.

In my view, that is illusory because it is just the start of a new battleground; it is just a new front line around which other campaigns will commence. What does that mean for the future? This is a wealth-generating industry and we are knocking it out. Mining will be the next target. It will not be mining but it will be the Tarkine and it just happens that mining will suffer. It is another employment and wealth-generating industry that is being knocked on the head; it is being targeted and weakened.

Younger generations have forever been in conflict with the status quo; they have always been seeking change. It is just a natural part of being a human being, I think. But if you do not have wealth generation in your community, you reduce your options for your people. I would be very interested to see how many young people leave the state as there are no opportunities here because we keep closing them down. Even in the timber towns where my heart and soul lies, like Geeveston, Triabunna and Smithton, there are a lot of people who are hurting; there are a lot of jobs being lost. I think we are arrogant in the extreme to tell them they no longer deserve a job.

**CHAIR** - Members, we were going to have three quarters of an hour for lunch because we have put Denman Marine back by half an hour already. My intention was to finish at 12.45 p.m., so that we would have 45 minutes. I will quickly go to Rob, please.

**Mr VALENTINE** - Can you provide us with the minutes of IRG?

**Dr AMOS** - Why would you want them? I have given you the attendance register. It is only a matter who says what and the tasks -

**Mr VALENTINE** - I would be interested to read them, that is all, as a body of information that we have got.

**Mrs TAYLOR** - He has not got enough to read!

**Dr AMOS** - I am not sure it would help you, Rob.

**Mr VALENTINE** - No, I am just asking. Can you give it?

**Dr AMOS** - I am hesitant to provide you with information that includes a record of who has said what to whom and about whom.

**Mr VALENTINE** - It is verbatim-type stuff, is it? It is not just decisions?

**Dr AMOS** - No, it goes further than that. What I will do, if you wish, is to extract from the minutes the tasks that were given, such as in the plantation area or in the social area. I am more than happy to provide you with that but I do not want to expose people to who said what about whom.

**Mr VALENTINE** - No, I can appreciate that there might be some sensitivities there and if you can provide that for the next -

**Dr AMOS** - I am happy to work around that for you.

**Mr VALENTINE** - Okay. Just regarding the growth options you talked about earlier. Were the resources in private forests taken into account in terms of deciding whether there were growth opportunities through this process, the process you were involved in? You talk about plantations.

**Dr AMOS** - In part. There are two elements, aren't there? There is the native forest on private land and there are the plantations on private land. Our interest was more the plantation side of it than the native forest. Just because there is native forest on private land, that does not mean it is going to be harvested. Farmers can keep that for a range of reasons, not just timber production. With plantations, they are growing it for timber production or for fibre production and so our interest was more in that area than the native forest area.

**Mr VALENTINE** - At that time you obviously thought the saw logs might come out of those plantations?

**Dr AMOS** - No.

**Mr VALENTINE** - No?

**Dr AMOS** - No. That is the whole point. The pre-existing plantations in the main, the hardwood ones -

**Mr VALENTINE** - The nitens?

**Dr AMOS** - The nitens, had been grown for pulp wood so there has been no active pruning and no active thinning of those. They are fabulous for fibre, as pulp timber, but they were useless as saw log timber.

If you are harvesting for pulp wood, then you have a fairly short rotation time; but if you are harvesting for saw logs, the trees have to actually mature. So it could be a 30, 50 or 80-year cycle, depending on what you are growing them for.

If you are going to actively manage a plantation - that is, thinning, pruning, and spending a lot of money on it including FSC certification, you are only going to get a return in 70 or 80 years' time, and you would not be doing it. You would be growing for plantation, for quick turnaround fibre production; you would not be growing for saw logs.

There are ecological reasons, there are biological reasons and there are economic reasons why plantations for saw logs are a little bit iffy. I would not be thinking that is a future, unless you are looking for a sort of reconstituted wood product.

**Mr VALENTINE** - I was just interested - you made a statement at some point with respect to the plantation resource that at one stage people, not just you, were not aware of the lack of suitability of the plantation resource.

**Dr AMOS** - Did I say that?

**Mr VALENTINE** - I thought you did earlier but I might -

**Dr AMOS** - Can you give me -

**CHAIR** - You have checked the *Hansard*?

**Dr AMOS** - No, that I said that people were not aware?

**Mr VALENTINE** - No, you said at that point in time we were not aware of the lack of suitability of the plantation resource - but look, I might have misled you.

**Dr AMOS** - No, what I said - that is the pink piece in the graph -

**Mr VALENTINE** - Yes, you were referring to that.

**Dr AMOS** - What I said was that we were sceptical that that would actually deliver high-quality saw log. They were plantations that we knew would not be delivering high quality saw logs; so the pink piece was a bit of blue sky - pink sky - we thought, as far as FT was concerned in their projections of continuing a 300 000 cubic metre saw log.

**Mr VALENTINE** - Thanks for clearing that up.

**Dr AMOS** - That is okay.

**Dr GOODWIN** - How front and centre was Gunns' pulp mill during the discussions you were involved in?

**Dr AMOS** - Obviously Gunns was keen to get it up. It had become very much the focus of the company to the extent it was prepared to let everything else go in order to get it up. It was moving from native forest to plantation to do that. It was prepared to go rogue in terms of doing everything on its own rather than as part of industry in order to get that. We did all we could while they were a member of FIAT to support them in that process. We were even keen for the mill to get up after they left FIAT because we saw benefits across the board, not just for the industry but also economically for the state. The interest we had was for the broader industry, not just Gunns or the pulp mill part of Gunns. As has been said before, it was an elephant in the room.

**Dr GOODWIN** - Certainly it was referenced in the statement-of-principles process.

**Dr AMOS** - In that context we had accepted that 'a' pulp mill meant 'the' pulp mill.

**Dr GOODWIN** - You might have but I don't think some of the other signatories did.

**Dr AMOS** - No, it was a play on words. It's a bit like high-conservation-value forests - it's a play on words. In fact, that is more ephemeral than 'a' pulp mill.

**CHAIR** - Looking at the statement of principles and the 'development of a pulp mill'. You can hardly develop a pulp mill without it being a new one, can you?

**Mr DEAN** - In point 6 where you refer to the signatories representing the broader wish of the communities, it has been said - and I have read it a number of times - we now know why we only had the industry and ENGOS at the table. In relation to that position you've put forward, who do they represent? This is an agreement that will affect all Tasmanians, not just those groups at the table, for the foreseeable future. That is the position we have.

**Dr AMOS** - Point 6 flows over to page 2 and there are three elements as to who they represent. They were the industry representatives - and I have gone through that through the industry reference group and the statement of principles - and the fact that from the point where the statement of principles was signed they were representing their own vested interest. I don't say that critically; I just say they were there on the basis of being a member of FIAT or Timber Communities Australia or whatever. I then talk about the environmentalist perspective, part 2, and the fact there are a lot of environmentalists who were not included in this round - the Tasmanian Conservation Trust, for example.

During this process I had some good conversations with the Tasmanian Conservation Trust about where they were coming from. I think their view is a much sounder view than those who were at the table in terms of environmental outcomes. The soft hand rather than the heavy hand is something that will be need to be considered as the more appropriate way to go when all of this is over and done. I have criticised the lines-on-map approach; I think we have to look at it much more holistically and I think the Tasmanian Conservation Trust has endeavoured to do that.

With the third level, the union perspective, remember that the CFMEU was only one union. I have not heard of the union movement backing it. I presume they do but I haven't heard it. I know the AWU has not been involved in any of these discussions and they have members involved in the industry. There might have been some discussion between the CFMEU and the AWU but certainly to my knowledge there has been no deep and meaningful consultation between them. Yes, a lot of people were by this process excluded from the decision making and that is not just the general public. Even within industry there were people not involved and even within the environment movement there were people not involved.

Quite frankly I think this exclusive process might have been very comforting for those caught up in the Stockholm Syndrome, but it hasn't been particularly comfortable for those who have been excluded from it altogether. The odd snippet of information that comes out in the paper from time to time, 'We are progressing'. Well, that is good; nice to see you are progressing.

**CHAIR** - Julian, thank you very much.

### **THE WITNESS WITHDREW**