THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON SCOTTSDALE SAWMILLS MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON FRIDAY 24 JUNE 2011.

Mr ARNOLD WILLEMS, SUPPLY AND LOGISTICS MANAGER, NORSKE SKOG, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Booth) - I want to make a brief statement before we start with regard to the publication of in-camera evidence that occurred on 2 June 2011. Members would be aware that owing to a communication breakdown an administrative error occurred when the confidential in-camera evidence given by Mr Greg L'Estrange in Launceston on 2 June was inadvertently posted on the committee's web page on Friday 10 June. The committee secretary was alerted to the error early on Tuesday, 14 June and immediately had the evidence removed from the website. You would also know that the secretary wrote to explain the situation to the committee and, as the senior officer, has taken responsibility for the problem. He also said that no member was involved in the posting of the material. I know that we as members of the committee are all concerned that such a breach, the first in living memory, will not recur. With this in mind, I wrote to the Speaker and he has taken steps to arrange for a new protocol to be put in place to ensure that such a situation does not arise again. Copies of the protocol will be distributed to the committee. We need to have faith in the process and I believe that the new protocol will give sufficient strength for us to have confidence in future gathering of evidence.

Mr Willems, committee hearings are a proceeding of Parliament, which means that it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without fear of being sued or questioned in any court or place out of Parliament. It applies to ensure that Parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to your statements that may be defamatory or repeated or referred to by you outside the confines of the parliamentary proceedings. It is a public hearing, members of the public and journalists may be present, which means your evidence may be reported. It is important that, should you wish all or part of your evidence to be heard in private, you must make this request and give an explanation prior to giving the relevant evidence.

Mr WILLEMS - We did not put any submission to the committee in regard to this matter. I was asked to come as a witness. I thought it might be helpful, if the committee wished, that I gave a bit of background about Norske Skog - what we do, our wood requirements and particularly our status in the softwood market, and our softwood plantation state.

I think most people are aware that Norske Skog produces newsprint at Boyer near New Norfolk. We produce newsprint and related products. There are some other products that are very similar to newsprint, including book paper, that we now produce at the Boyer mill too. We have been producing about 35 per cent of Australia's newsprint needs at our mill at Boyer since about 1941.

CHAIR - Has that been a consistent; 35 per cent since then or it is now 35 per cent?

Mr WILLEMS - It is about 35 per cent now. Obviously when we started initially it was a lot lower than that. We only had one paper machine and we built up to three paper machines, and we now run two but our production did not decrease when we went from three to two. The majority of our product is exported to the mainland. Tasmania only uses a very small proportion of our paper production.

Initially we started producing our newsprint from predominantly eucalypt wood but over our history we have moved more and more towards the use of softwood. That concluded at the end of 2009 when we had a couple of projects that meant we went to 100 per cent plantation softwood into our Boyer mill. So it has been a huge transition and change for us at the mill.

Just to be clear, we do the pulping and the paper making at the Boyer mill. Our pulping process is a mechanical pulping process so we use mechanical electrical energy to separate the wood fibres, whereas a kraft pulp mill uses chemicals that separate the fibres so there is quite a big difference in the process. We basically chip our chips and then grind the chips between two very quickly revolving plates and it basically macerates the fibre into single pieces which we can then mix with water and treat and put it on our paper machines, whereas in a chemical pulp mill there are chemicals used to dissolve the lignin and then the fibres are separated that way. They are very, very different processes and they produce different fibres or pulps at the end of the day. Our process produces a pulp that is suitable for newsprint and lower grades of paper but it is not suitable for photocopy paper or high quality magazine paper so there is quite a big difference. The advantage for our process is that we get a lot better recoveries. We basically use all the dry fibre that comes in, so our losses are very, very low, whereas in a kraft mill because you are dissolving the lignin in particular the amount of wood you need per tonne of paper produced is quite a bit more - a lot higher.

CHAIR - What is the difference?

Mr WILLEMS - We need about 2.4 tonnes whereas a kraft pulp mill needs about 4 tonnes. So quite a big difference. The main reason we need 2.4 tonnes is that wood and radiata in particular has a high moisture content. Only about 43 per cent of a tonne of green logs is actually wood. The rest of it is moisture. That explains the recovery requirements.

Mr GUTWEIN - What sort of plantation estate do you have, Mr Willems.

Mr WILLEMS - We have about 17 500 hectares of radiata plantations, predominantly in the south of the State, and that is on a number of different land tenures. About half of it is on our own freehold land, about 40 per cent is on State forest and we have various arrangements with Forestry Tasmania for growing those trees on State forest, and 10 per cent is with joint ventures with private landowners. We have about 50 private joint ventures scattered through mainly southern Tasmania.

Mr GUTWEIN - With the stock of timber that is grown, is it all pulp wood or do you have arrangements with other sawmillers in the State where you are selling better quality logs to them to be used for sawlogs and taken back as pulp wood from them.

Mr WILLEMS - The predominant reason that we are growing and investing in plantations is obviously to support the Boyer mill with regard to fibre. But we do grow the regime on what we call a multi-product regime so we do produce some sawlogs and we do currently sell logs to sawmills - well, there is only one now in the north of the State.

CHAIR - Do you prune?

Mr WILLEMS - No we don't do any pruning.

Mr FERGUSON - So how do you get sawlog out of an unpruned log? What is the actual selection method that you go through.

Mr WILLEMS - The majority of sawlogs in the State actually come from unpruned logs, irrespective of whether it is from our State or the northern States. It is based on specific sawlog specifications and they tend to be around diameter, straightness, size of branches, size of the knots. There are quite specific requirements with regard to that.

CHAIR - What age are you logging them at?

Mr WILLEMS - We are doing the thinning at 14 to 15 years of age. Sometimes we do a second thinning at 20 to 22 years and then a clear-fall between 23 and 28 years. It varies a little from area to area and the growth rate.

Mr GUTWEIN - Logistically across the State - we have heard from a number of witnesses over a period of time - would your view be that there is a reasonable strategic plan for the softwood industry in Tasmania at the moment or are businesses tending to operate in isolation or is there dialogue that goes on?

Mr WILLEMS - I'm not aware of a defined strategic plan right across the State but businesses certainly are working very closely together. We've worked closely together with French's when they were operating their Scottsdale mill and we have been working closely with Gunns currently in relation to us purchasing sawmill residue from them and us supplying them with sawlogs. From that point of view, there are advantages from both organisations and we're actively investigating those.

CHAIR - Is that dollar driven or volume driven in terms of the exchange?

Mr WILLEMS - Both.

CHAIR - So you increase your volumes through their leavings?

Mr WILLEMS - Yes. We require about 600 000 tonnes of softwood chips at the Boyer mill and we can't get that totally from our own plantation so we do rely on sourcing wood from other plantation owners. About 55 per cent of our wood comes from our own plantations.

CHAIR - What is your sustainable yield out of your 17 000?

Mr WILLEMS - It is about 400 000 tonnes a year in total.

Mr GUTWEIN - And that's both chip and -

Mr WILLEMS - That's both pulp logs and sawlog. We obviously obtain wood from our own plantations, we buy wood from the Taswood joint venture, so they're our next largest supplier. We also buy wood from Forestry Tasmania plantations, particularly in the Derwent Valley. They still have 600 or 700 hectares of plantations there that we buy wood from; also sawmill residues from the sawmills. We have bought chips in the past from Frenchpine and Auspine at the Tonganah site and currently from Gunns at Bell Bay.

CHAIR - Is there sufficient resource outside of the Taswood Growers' volumes, assuming that was, say, exported or not available to you and not available to the mills? A scenario that Gunns are talking about is closing FEA potentially. What effect would that have on you if that wood flow was put up on the international market for export as chip or whole log?

Mr WILLEMS - We would have an issue because obviously we wouldn't be able to buy the residue because the residue would go with the log. That would be significant for us.

CHAIR - Can you give us a bit of a rundown on what you mean by 'significant'?

Mr WILLEMS - Currently we're buying approximately 50 000 tonnes of sawmill chips from Gunns so we would have to make up that shortage of volume from other sources in the State and that would be difficult to do.

CHAIR - What effect would it have on your company, for example if that Taswood Growers' wood just went off the market?

Mr WILLEMS - Do you mean the sawlogs?

CHAIR - No, if everything went.

Mr WILLEMS - If everything went and we didn't get the pulpwood from Taswood Growers, that would be it, we couldn't operate the mill as we do currently. As I said earlier, Taswood Growers are our second-largest suppliers; they're supplying us with 160 000 tonnes of pulpwood a year, so they're supplying 25 per cent of our wood requirements. That would mean that we couldn't operate at the current level that we are.

CHAIR - Do you have to pay an export parity price, I guess, for the pulpwood things and so forth straight out of the forest?

Mr WILLEMS - We have a mill-door delivery rate with Taswood Growers for their pulp wood that is a specific formula or mechanism by which that is priced over time. It is not directly related to the export price but there are some elements of that that are associated with that mechanism.

CHAIR - Are they long-term contracts?

Mr WILLEMS - Yes. Our contract with Taswood Growers goes to 2022.

Mr GUTWEIN - With this committee it is obvious we have to some extent two focuses. One is looking at the situation that occurred back in 2007 with the Scottsdale sawmill and where the matters are now, but the other is obviously the future of the softwood industry in the State. What advice or recommendations would you have for this committee as to how to ensure that the softwood sector remains viable and can sustain both your business and other businesses in this State into the future?

Mr WILLEMS - Obviously the resources are a critical part so our operation at the Boyer mill would not continue if there was not an ongoing resource. There needs to be continual maintenance of that resource and hopefully even some expansion of the resource so that over time if there were opportunities to expand our production or change our production at Boyer, at least we would not be volume constrained or resource constrained. I think that is absolutely critical.

I think the other critical thing is that the resource needs to be available to the manufacturing industries at a reasonable price and cost. It is one of our major cost inputs and for us to remain competitive in a very difficult market situation, that needs to be reasonably priced. That is one of the challenges with the resource in Tasmania at the moment. As you are probably aware, our resource is very close to the Boyer mill so it is mainly in the Derwent Valley and our average transport distance to the mill is about 60 kilometres. That is very respectable yet the rest of the resource, which is predominantly obviously in the north-east and some in the north west, is something like 250 to 350 kilometres away from the Boyer mill so the transport costs are very significant in getting that material to our mill, whether we are doing it or a third party is delivering it to the mill. That increases quite significantly the cost of that resource to our mill because eventually someone needs to pay for that transport. We need to have an efficient transport system, whether that be utilising efficient flows of wood. At the moment, for instance, we are back cutting wood from - well, we aren't, but Timberlands are - carting wood on a back cart from the Derwent Valley back to the north and if that was lost, for instance, then the cost of single way transport would certainly increase the costs and make it very difficult to remain competitive.

That is one of the issues with the resource in Tasmania. Our resource, which is about 25 per cent of the total softwood plantation resource, is a long way from the sawmills. It is 250-odd kilometres to Bell Bay and, of course, the cost of delivering it there then is high.

Mr FERGUSON - Mr Willems, I am not sure if you have had an opportunity to look at the *Hansard* of the public evidence given by Mr L'Estrange on 2 June, but if I could just let you know something that he said and it follows on from a question from Mr Gutwein. Mr L'Estrange said, in relation to the way that sawmill industry players work together:

> 'I think there is barely enough resource available. There might be some pockets of low-density areas and we work through that but it may not be suitable. There are not that many players in the process. We need a resource strategy for the softwood industry in Tasmania that fits the players for today and over the next 20 years.'

He then, afterwards, said:

> 'I do not believe that there is a coordinated view on how the industry actually fits together and how we are going to actually get the best use of that raw material. Various parties are working through that but I think

> Tasmania would benefit from having a clear strategy around the development of the softwood industry with a view of how much could be processed domestically. It has all the opportunities to do that but we need to have a firm view on how we're going to achieve it.'

Finally, in relation to what some sort of industry compact might look like, he said:

> 'The stakeholders in the process in real terms are the grower, the two processors and the Government. This is about the interests of all those parties to come up with an outcome that will work sustainably not just for today but for another 20 years.'

I have just read that to you so that you could be informed of what he'd said. What you have had to say this morning shows that your working relationships are obviously quite effective from your point of view, but perhaps from a whole-of-Tasmania point of view things could be improved for the long-term economic sustainability of the industry. Could you respond to that?

Mr WILLEMS - I think there is always room for improvement. The industry is changing all the time and the number of parties are changing all the time. Ten or 15 years ago we had another domestic user in the State with the MDF plant at Bell Bay, so there was another player. There were two sawmills and that has changed over the last short period of time, too. There have been changes in our use of fibre - our need for fibre has changed within the last 18 months. Eighteen months ago we were still using eucalypt and our demand for softwood fibre wasn't as high as we currently need and what we need going forward. I think a more coordinated strategy and a better understanding right across all sectors would be beneficial.

We shouldn't forget the export market for chip. At the moment there is more softwood pulpwood available than domestic requirements and therefore I think the export outlet is an important part of the total industry from time to time.

Mr FERGUSON - For pulp feedstock?

Mr WILLEMS - Yes.

CHAIR - With regard to the wood flows, you are talking about Timberland's mill door price to you, but when you're carting your sawlog to the mills up north, is that an arrangement that you have with, in this case, Gunns?

Mr WILLEMS - Correct.

CHAIR - And then you buy the edgings off them and bring them back?

Mr WILLEMS - Yes.

CHAIR - So that how you're doing your backhaul is it?

Mr WILLEMS - It is very difficult to put your sawmill chips in the same truck. At the moment we don't have much back-cart for the softwood chips. There is a little bit of other product that is going north that can be used for back-cart, but we are looking at other opportunities there. With the logs, there are softwood logs coming south and then hardwood logs from the south going to the north, so those trucks are picking up hardwood logs - not on our behalf but for Forestry Tasmania - and taking them to the north of the State.

CHAIR - How would you go then if you lost the edgings and so forth, the spare sawmill chips that are produced, if they came out of the equation if, for example, the softwood mill shut down up there and all those sawlogs were exported, even if you could still get the pulpwood thinnings and so forth out of the forest?

Mr WILLEMS - At the moment we'd be short 50 000 tonnes of chips for our mill.

CHAIR - So 50 000 straight from sawmill waste as opposed to thinnings from the forest?

Mr WILLEMS - Correct.

CHAIR - What would you do about that? How could you overcome that?

Mr WILLEMS - There are some other alternatives at the moment. There is some more private softwood that's available that we're not fully utilising. There is potential for us to vary the harvest on our own plantations. At the moment we're producing some sawlogs but if there wasn't a place where we could cut those logs then we would utilise them at the Boyer mill. That would offset some of that loss but it wouldn't offset it all. Between that and picking up some more private wood, we could continue at the current rate.

CHAIR - So where is the surplus pulpwood available then? You're saying that there is a surplus at the moment.

Mr WILLEMS - There's a small surplus available from other private property owners. There's a miscellaneous number of property owners, particularly in the north of the State. We are buying some of that wood and other parts of that wood is going to some of the other users, particularly places such as Smartfibre. I am sure you are aware at the moment that Smartfibre is exporting softwood chips out of the State. The majority of that is coming from some of the residue from the ex-FEA mill but they are also buying, as I understand it, some other wood from other private landowners.

CHAIR - So you are not getting all of the sawmill residue?

Mr WILLEMS - No. It would be only a third at the moment.

CHAIR - In regard to the potential for you to maintain a place in the Tasmanian landscape, what do you need in the future? Are you going to grow the business? Do you have any plans in that regard?

Mr WILLEMS - For the production at the Boyer mill, do you mean?

CHAIR - Yes.

Mr WILLEMS - I am not sure if you are aware that the newsprint industry generally, globally, is quite a mature industry and the actual demand for newsprint is less than the production capacity, so there is an awful lot of pressure at the moment on unbalanced supply and demand. We do not see an increase in newsprint production but we are potentially looking at converting into some of the other paper products at the Boyer mill. At the end of the day it will probably not require any additional resource but at least maintain what we currently need at the level we currently need. We are looking at other products or the potential to convert to other products rather than put on significant additional requirement.

CHAIR - Why did you move away from eucalypt plantation logs to pulp rather than the pine.

Mr WILLEMS - The eucalypt we were taking was predominantly from native forest and the predominant reason for that was the cost of producing the eucalypt pulp compared to radiata pulp.

CHAIR - What age profile were those logs that you were taking?

Mr WILLEMS - They were mainly, as we call them, 'regrowth' so they were under 100 years of age and that was a requirement of our pulping process.

CHAIR - Because of the physical log size you mean?

Mr WILLEMS -No, the actual fibre characteristics of the wood and the pulping process that we were using. The pulping process, which was called CCS, required wood to be of a younger age.

CHAIR - Could you switch over to 10- or 20-year-old plantation eucalypts.

Mr WILLEMS - No. The process that we have now can only use radiata or softwood. The other aspect of that is that the quality, or the specific fibre characteristic between eucalypt and pine, is very different. Pine is a lot longer fibre and when you are forming paper on the paper machine they have very, very different characteristics so we will not be using eucalypt at the Boyer mill.

CHAIR - What is your relationship like in terms of supply and dealing with Forestry Tasmania?

Mr WILLEMS - Very good. We have had a long-term relationship with Forestry Tasmania and it has been positive and continues to be so.

CHAIR - Have you any comments about the change in supply to the Scottsdale sawmills? Would that have any affect on your operation when that occurred, when the log supply went effectively from Auspine to FEA at that point in time?

Mr WILLEMS - No. We are very conscious of the flow-on effects to us in relation to picking up residue, but because Auspine or Frenchpine or Gunns were continuing to process at Scottsdale we were able to continue to take residue. We are interested from the point of view of whether we have a long-term supply from a sawmill for the residue, but our relationship was such that at the end of the day we would have bought it from either Auspine, Frenchpine or FEA. We are in the fortunate position that we do have some sawlogs we can sell to someone, so at the end of the day we have sawlogs that we would like to sell for chip wood.

CHAIR - So that leverage would have worked -

Mr WILLEMS - That leverage works.

CHAIR - With FEA, for example, even though they are exporting?

Mr WILLEMS - Yes, that is right. They did have some contractual arrangements for the export of woodchips that they had obviously honoured but apart from that, there were options for us to purchase from them also.

CHAIR - So effectively then in the future you are just looking for a reliable long-term supply but not an increase in volume?

Mr WILLEMS - Correct, overall.

Ms WHITE - Are you looking to increase your plantation base so that you can be your own supplier more sustainably?

Mr WILLEMS - It is unlikely. There are a number of constraints, capital is one of them and the other is that it is getting more and more difficult to buy land economically to grow the plantations on. Certainly our current plan is to continue to utilise resource from a number of sources.

CHAIR - Have you ever looked at imported pulp to put through your paper machines?

Mr WILLEMS - We do import a very small amount of pulp. We are importing about 4 000 or 5 000 tonnes of kraft softwood pulp from New Zealand and we do that because it has specific pulp characteristics that we need in some of our grades of paper to meet our final paper specifications. It is only a very small amount and it is very expensive. Previous to 2009 we also imported some recycled pulp from our Albury mill and we stopped that when we upgraded our mill mainly because of the high cost of that. If we continued then the mill or parts of our operation wouldn't continue to be profitable.

CHAIR - How do you compete, given the relatively small volume of your mill compared to a major overseas mill, for example, against those larger ones?

Mr WILLEMS - It is very difficult, particularly with an ageing asset where our productivity rates and the speed of our machines are not up to some of our overseas competitors.

CHAIR - How do you compete then, particularly with the dollar? What are you doing that enables you to compete if your unit cost of production is higher?

Mr WILLEMS - We are obviously close to the market, which helps significantly. We are obviously the dominant player between the three mills. We have a mill obviously in Tasmania, one at Albury and we also work closely with a mill in New Zealand and between us we supply 80 to 85 per cent of the Australian and New Zealand needs so we do have an advantage.

CHAIR - Of newsprint?

Mr WILLEMS - Yes, and related grades so what we call high whites and now less spine book paper to the publishers in Australia. It is our close association and interaction with our customers. We are very responsive to their needs. We have long-term arrangements with them and relationships with them. We provide a very high-quality product, a consistent product that meets the demands that they have and that is our main edge. At the end of the day we are reasonably competitive on the cost side too. We are not the lowest-cost producer but we are reasonably competitive too.

CHAIR - Is that because of the low value of your assets now, of your ageing assets?

WILLEMS - Yes, you have to counter that against higher maintenance costs so it is always a balance between lower capital values and higher maintenance costs.

CHAIR - You have recently moved into FSC certification for your product. Is that a market-driven need?

Mr WILLEMS - We are certified under both standards, the Australian Forest Standard and now FSC. We were finding that a small number of our customers were specifically requiring FSC and particularly printers that were printing books for publishers from Europe. They were specifying that the product had to be from FSC-certified products.

CHAIR - I think you have three paper machines.

Mr WILLEMS - We have two now.

CHAIR - So you have pulled the other one out?

Mr WILLEMS - The oldest one was closed in 1991.

CHAIR - It has gone. So you only run two now?

Mr WILLEMS - Yes.

CHAIR - Is that a long-term prospect that you keep running two of them?

Mr WILLEMS - That is certainly our aim.

CHAIR - Has there been any move from management to simply stop producing paper here and ship pulp out?

Mr WILLEMS - No.

CHAIR - I think you have machines in New Zealand, haven't you, as well?

Mr WILLEMS - There are two paper machines at Boyer, there is one at Albury and there are two in New Zealand, that is right. The three paper business units work closely together supplying mainly the Australasian-New Zealand market. We are supplying into Asia increasingly at the moment too.

CHAIR - Notwithstanding the vagaries of the international market - you cannot predict exchange rates and all that sort of thing - you do not see any threat to continuing to produce paper?

Mr WILLEMS - Certainly three years ago we were supplying about 95 per cent of Australia's needs so certainly over the last two years we have had considerable pressure from importers and the Australian dollar has obviously had a major impact into that. In Western Australia we lost quite a large sale to Western Australian News and that was largely based on cheaper imports coming into Australia and largely due to the exchange rate.

CHAIR - If that is happening there, that must be a threat across all of your customer base.

Mr WILLEMS - It is certainly a heavy threat.

CHAIR - What can you do about that? What sort of tactic do you have?

Mr WILLEMS - Well, we have to continually look at efficiencies and reducing our costs. That is one and then whether or not we can produce other products so we can differentiate ourselves in the market.

CHAIR - It is no secret that Gunns are thinking of potentially closing the FEA mill if they cannot sell it -

Mr WILLEMS - Yes.

CHAIR - because they have not got the volume to make it globally competitive. That must apply in your industry as much, I guess.

Mr WILLEMS - There is always that potential, that is right. We have always had that hanging over our head for 60 years so we have been innovative, we have made changes, we have invested our plant. We spent $50 million there at the end of 2009 and that gave us a lift in our competitive position again. We are continually looking for efficiencies through our mill and reducing waste and continually being competitive and that is what it is all about.

CHAIR - Sure. Is there anything else that you want to tell us?

Mr WILLEMS - No.

CHAIR - Thank you very much for coming along.

Mr WILLEMS - My pleasure.

CHAIR - I remind you, as advised, that what you have said here is protected by parliamentary privilege but once you leave the table if there is anything you have said that you think might be slanderous, just do not go and tell it to the media.

Laughter

CHAIR - They have heard it on *Hansard*. I do not think it is a secret but in any event, I appreciate your evidence and your coming along.

THE WITNESS WITHDREW.

Mr SCOTT McLEAN, DISTRICT SECRETARY, CFMEU, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Welcome, Scott. Before you begin to give your evidence, I would like to reiterate some important aspects. A committee hearing is a proceeding in Parliament and this means it receives the protection of parliamentary privilege which is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place outside of Parliament. It applies to ensure that Parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you if there are statements made which may be defamatory that are repeated or referred to by you outside the confines of the parliamentary proceeding. It is a public hearing, members of the public and journalists may be present and this means your evidence may be recorded. It is important that should you wish all or part of your evidence to be heard in private you must make this request and give an explanation as to why prior to giving the relevant evidence. Having said that, would you like to make some form of opening statement?

Mr McLEAN - I'm not sure I have a submission to make in the grand scheme of things. I think most of the things that needed to be said about Scottsdale on 29 January 2007 were made on 2 April 2007 in Launceston before the Legislative Council committee, which was chaired by Greg Hall, I think. Since then things have moved on with the closure of the second mill, with FEA going into administration and, subsequent to that, Gunns purchasing the Bell Bay operations of FEA. I am not really sure what more I can tell you. I still believe that the decision made on 29 January 2007 was a disgrace; it cost 310 jobs. I said it then and I'll say it now. It almost decimated, and continues to decimate, the north-east of Tasmania. I don't know that that is cold comfort but it doesn't help those workers of the north-east community.

CHAIR - What was your position then under the CFMEU at that time?

Mr McLEAN - The same position I have now.

CHAIR - Were you aware that this log contract was going to be awarded to another operator, away from Auspine at that time?

Mr McLEAN - Not before 29 January 2007. As a matter of fact, I remember it quite well. I was painting my dining room and I was up a ladder when I received a call from Mike Claridge who was then the Tasmanian manager of Rayonier, and I actually fell off the ladder when he told me that the resource had gone to the FEA site.

CHAIR - Why did Mike Claridge ring you?

Mr McLEAN - We'd been having discussions with him through the Community Workers Action Group and with the union through that whole period - in the middle of the whole thing - trying to secure a future for Scottsdale. I'd asked him to, and so had a number of other people, which he did, so as soon as the contract was awarded he rang me.

CHAIR - So you made representations on behalf of the union or the workers to try to influence the awarding of the tender?

Mr McLEAN - We made representations to the State Government, we made representations to respective Legislative Councillors - I think Tania Rattray-Wagner; I think I spoke to you, I spoke to Mr Gutwein about it and I certainly spoke to Mr Ferguson in his previous role as the Federal member for Bass. We spoke to Rayonier, FEA and the executive members of FEA. I think just about anybody that we could find to talk to we talked to and certainly lobbied.

Mr FERGUSON - I can vouch for that. You certainly did.

CHAIR - Did you seek any advice with regard to section 12A of the Forestry Act through your own legal sources?

Mr McLEAN - Yes.

CHAIR - What was your advice?

Mr McLEAN - The debate raged around section 12A at the time as to whether the social and economic impacts had been considered. We spoke with GMO and with our solicitors on the mainland and they had a view that it wasn't, or may not have been.

CHAIR - Taken into account?

Mr McLEAN - Yes. We had some contact with GMO directly and they were of the view that it probably hadn't been but proving it would have been a very difficult thing. It was more about politics than it was about the law. They suggested at the time that it would be a very difficult thing to prosecute.

Mr WIGHTMAN - What was the solicitor's advice around section 12A at that point?

Mr McLEAN - From a purely legal point of view, their view was that section 12A of the Forestry Act had probably been considered but not taken into consideration. That is legal-speak. They said that we could mount a case. They believed that was the case but what they said was that it was more about politics than about the law. That is what they said.

CHAIR - If the committee needed to look at that advice, you would still have that available if we thought it might be useful?

Mr McLEAN - Yes.

Mr WIGHTMAN - It was a written piece of advice?

Mr McLEAN - Yes.

Mr GUTWEIN - You said it was more about 12A and whether it was complied with or not and it was more about politics than anything else. You have been strident in your opposition and you supported your members when this was first raised and the contract was awarded elsewhere. Would you give your frank overview as to why you think that happened.

Mr McLEAN - My view, and a lot of people do not like it, is that the previous Managing Director of Forestry Tasmania and the Managing Director of Auspine had an axe to grind with one another. They hated each other with a passion. My view is that it started because it was paying one another back. That is my view, frankly.

Mr GUTWEIN - Who is that?

Mr McLEAN - Evan, and Adrian de Bruin

Mr FERGUSON - Going back to what trigger? Was it the sitting on the steps of Parliament?

Mr McLEAN - No, prior to 2004. It goes back a long way. It goes back to the days of Premier Bacon and Deputy Premier Lennon when Deputy Premier Lennon was forest minister. People do not necessarily get what they want so ultimately they blame someone and it was not necessarily State Government versus Auspine or anything like that. This was a personal clash between two people.

CHAIR - So are you suggesting that Auspine was punished as a result of some personal disagreement they had.

Mr McLEAN - That was the view, yes. That was the view that they had at the time. It should not come as any surprise because it is folklore around the industry.

Mr FERGUSON - I guess the only problem there is that Evan Rolley had long since left the scene. It was Bob Gordon's time then as MD.

Mr McLEAN - Yes it was, but that is where it started. It was FT versus Auspine.

Mr FERGUSON - It is a prevailing view with a number of people but it is entirely untested.

Mr McLEAN - Talk to any anybody in the industry.

Mr FERGUSON - And we have heard it from other witnesses.

CHAIR - That is anecdotal evidence, and that is the view, but have you got any specific references for example of where this is indicated.

Mr McLEAN - If you put the two together in the same room, Chair, let me tell you you are in for an interesting time. A number of debates have gone on in the industry for a number of years about resource, particularly about pine resource, whether the mills are in the right place, whether the resource was being planted, whether it was being looked after, whether it was being harvested, whether it was actually being managed properly. There were two very separate and different views about that. Auspine had one, FT had the other. That debate in whatever shape or form had been going on for a decade or more - since 1992 I think

CHAIR - How do you suggest then that that punishment could have been meted out to Auspine given that it was Taswood Growers that ultimately awarded the contract.

Mr McLEAN - You have only got to look at the make-up of Taswood Growers board. There are three representatives of Forestry Tasmania. I am sure you have done that.

CHAIR - Yes, I am aware of that.

Mr McLEAN - In 2007 I said, I think in answer to a question that you asked then, that I was advised by the current Managing Director of Forestry Tasmania that when they go to the Taswood Growers board meetings they will not represent the interests of Tasmania and/or the people of Tasmania and/or the interests of Forestry Tasmania. I asked the question then and I will ask it again: who do they represent?

Mr WIGHTMAN - They are bound by Corporations Law.

Mr McLEAN - I understand Corporations Law and fiduciary responsibilities and duties, but who do they represent? What is the thought process? Is it, 'Let's make as much money as we can for GMO'? Do we make money for the people of Tasmania or Tasmania generally or for Forestry Tasmania or do we get the best use of the resource? These are questions that were never answered.

Mr FERGUSON - It's a fair point in relation to the point at which decisions were made to devolve resource to a joint venture. It was probably at that time when the surrender took place of the opportunity to fight for Tasmania's interests and to create jobs in Tasmania with the limited resource.

Mr McLEAN - That's probably the case. I have to declare my hand straight off. I was very unhappy then and I remain very unhappy now and the people of the north-east are also unhappy - 310 jobs. Admittedly with Gunns purchasing FEA out of administration, there are 129 jobs down there at the moment. That mill currently has allocated to it 410 000 cubic metres, and that will increase, I think, probably to about 450-460 000 cubic metres. If we are wholly and solely focused on 2007 and what happened, I was unhappy then and I'm unhappy now about the whole thing.

Mr GUTWEIN - This committee has two focuses. Obviously one is to satisfy ourselves in regard to what occurred in 2007 but, importantly, to ensure that we look at where the industry might be heading. We have heard from two witnesses - Mr L'Estrange in public evidence the other week, and also from the operations manager from Norske Skog today - that there needs to be a strategic approach to softwood in the State, that whilst companies tend to work together themselves in respect to their own mutual interests, there is no overarching softwood strategy. What's your view from where you sit?

Mr McLEAN - That is a fact; there needs to be. What the industry, whether it be softwood or hardwood, has always lacked is an industry plan, an actual plan about the industry - how the industry uses its resources, ensures the sustainability, upgrades and invests, and markets. There has never been an industry plan and I suspect that is true about a lot of industries, that they don't have an industry plan.

CHAIR - In this case we have a specific minister for forests who, one would think, would be developing an industry plan - whatever government it is.

Mr McLEAN - Chair, if you looked at it logically, there ought to be a plan for agriculture, forestry, construction, infrastructure. I've had a look and there's not too many of them right across Australia. They are there in name but they don't provide anything for the industry, which is always a problem. It is the case right across the country.

CHAIR - In this case the Crown owns a significant stake in plantations, but it doesn't have piggeries, for example, agriculture or vineyards or the like. Is this a conflict of interest, then, with the Crown being the owner of a large part of the resource and also trying to compete with private enterprise?

Mr McLEAN - I think Forestry Tasmania is probably conflicted; I think that's a fact. They manage the forests and do a very good job of it in most cases, and they also deal out the resource, but they have to be conflicted, I would have thought, from 1994 when they were corporatised because they're competing against the people they provide the resource to. I would have thought that FT was conflicted in that way. I don't think there's a question about that. I think privately a number of people think that. They would have to.

CHAIR - Do you think you would have more chance of developing a stable and rational industry if FT in fact were not involved in that part?

Mr McLEAN - I have always.

CHAIR - They should get out of the way, basically.

Mr McLEAN - They are and remain great forest and land managers, there is no question about that, but from a corporate point of view in a business sense they have to be contributors, I would have thought. I understand the need to have to make money but I am not sure that being a GBE is the way that they should do it. It does create a great deal of conflict right across the industry, not only for Forestry Tasmania but for the customers as well.

Mr GUTWEIN - Do you think that if they were a statutory authority without a profit motive but with clearly defined responsibilities that would be better?

Mr McLEAN - I am sure that would be a better outcome for their customers, I do not think there is any doubt about that. That is suggesting that they go back to being a commission. I will put it to you this way. Forestry Tasmania are very good at what they do but I do not believe that they are that good in the corporate world, quite frankly, because they are conflictive. They have to return to the people of Tasmania, they have a board of directors, they have all those things that they have to deal with. I personally would not have Bob Gordon's job for all the money in the world, I just would not. You have maybe too many masters and too many things pulling at you all over the place.

Mr GUTWEIN - What is the ideal fit for Forestry Tasmania in your view?

Mr McLEAN - Probably to go back to their land management and forest management stuff. They are pretty good at it. They were viewed prior to 1994 as being the policemen of the forests. If you saw a Forestry vehicle and you were doing something wrong, you hopped in and shot through, and they would chase you up the road while you were knocking off pine trees or whatever you were doing because that is what you do, especially at Christmas time.

Laughter.

Mr FERGUSON - Right. I did not know that.

Mr GUTWEIN - I want to come to an industry plan, and I take your point that when you look at industry plans they have to take into account an extraordinary number of players in most cases in different parts of the supply chain but in the softwood sector we have really now got two major softwood businesses. We have three principal owners of resource in Norske, FT and through that its arrangements with the joint venture and Gunns?

Mr McLEAN - Yes.

Mr GUTWEIN - Outside of that we obviously have some smaller private industry, so from an industry point of view there are not that many players in it. You could actually sit them at a table -

Mr McLEAN - Yes, you could.

Mr GUTWEIN - and have a discussion about how best to develop an overarching strategy. Do you think that would be a good thing to do?

Mr McLEAN - There is no question about that. One of the things that I hope comes out of your committee is that we never get a repeat of Scottsdale and the only way that we will not get a repeat of Scottsdale is by having a proper industry plan. That is one of the things I hope comes out of this whole process. I know you people are all very busy and have lots of things to do and I appreciate the fact that I get a chance to talk to you but an industry plan is what is needed.

Mr FERGUSON - For long-term planning so that if there are changes, they are planned changes, not shock changes? Right?

Mr McLEAN - That is right, all managed, otherwise we will end up with 129 and possibly 139 people at, for instance, the former FEA site at Bell Bay because at some point down the track does the same thing happen to them?

CHAIR - Gunns have announced publicly that the mill is for sale and in fact that it could shut because of the lack of volume.

Mr McLEAN - Quite possibly. As I understand it, currently they have the 290 plus they have a pile of private. They have about 10 000 cubic metres per annum at the moment and they're looking for about 460 000 cubic metres which puts them right up there in scale.

Mr WIGHTMAN - Would 460 000 cubic metres be their maximum output?

Mr McLEAN - I think the mill is capable of cutting about 600 000 cubic metres. That's about as much as they can get at the moment, and that would be at maximum capacity.

CHAIR - I think that site has a licence for 1 million cubic metres in total.

Mr McLEAN - The resource is just not available.

CHAIR - With regard to the international situation, the Australian dollar and the global wall of wood being available at the moment, I got some prices yesterday from Stora Enso and I have compared them with wholesale prices available from Gunns and, for example, the FEA mill is the only producer here now that provides that material so there's no competition in this State other than imported timbers from mills from either mainland Australia or overseas, but this is Northern Hemisphere wood. You're talking about 240 by 45s, 6-metre long pack lengths, about 15 per cent less wholesale landed at your door than Gunns can provide it to customers here in Tasmania. The same thing applies - and that is part of the problem with all of the woodchips and anything else. What are your thoughts in regard to that? How do you deal with that when you have to have a massive infrastructure investment to operate a mill like that? You are competing directly with countries that have economies of scale way above what we have here and the reality is that it's coming in. Have you thought about that as a union?

Mr McLEAN - Yes. We have a whole process. The CFMEU nationally at the moment is rallying support from other unions, particularly in respect to anti-dumping legislation laws from the Federal Government. That is creating quite a bit of dust around Canberra at the moment. I suspect we cannot compete with places such as New Zealand. It is very difficult to compete with them. Gunns do more to their timber than most people; it is more than just a green sawmill dry mill. They do significant mouldings and further handling of the timber, not all of it but through Auspine and indeed Frenchpine they have a fairly loyal following when it comes to market penetration. They also have quite good marketing arrangements with some of the bigger sites - in the grand scheme of things the Scottsdale mill is not a big site, particularly compared with south-eastern South Australia - the mills up there would be able to produce 1 million tonnes.

CHAIR - Yes, but they don't really exist anymore as producers. We're talking about their FEA site at Bell Bay. How can you compete even on a local market? A 15 per cent discount is significant. Even with people being faithful to them, for example, 15 per cent is going to drive you out of business, isn't it?

Mr McLEAN - Absolutely.

CHAIR - Then you have all the big players who don't have any local allegiance taking over the retail side of things as well. In terms of the future for that mill, if they're trying to compete with a scenario like that, it is very difficult.

Mr McLEAN - There is no doubt that the marketplace is a difficult place to deal, particularly in softwood. In the 1960s every house you could think of would have been built with Australian hardwood. The hardwood millers were of a view that pine was a weed and a passing phase. Go and find me a house now with a hardwood frame that has been built in the last 10 years.

CHAIR - Yes, there's not many.

Mr McLEAN - There's no doubt, it's very difficult in the marketplace. It is not helped by the fact that the Australian dollar goes up and down, and at some point it will go back down - it is about $1.06 this morning - and it doesn't help when people can just dump their timber into Australia. But let us also remember that it does not matter whether we sold every single stick that we had; we cannot supply the Australian market. We just simply have enough timber to do it. We cannot produce enough.

CHAIR - As you said in terms of competitive scale with New Zealand, I do not think the New Zealand issue is a matter of their dumping into the Australia market. I think it is just that they have economies of scale and a much lower cost structure over there.

Mr McLEAN - There is no doubt about that.

Mr FERGUSON - Their wages are much lower.

CHAIR - All those factors - land, perhaps I do not know. If you look internationally the factors are wages, conditions, land costs.

Mr McLEAN - There is no doubt it is difficult but on a scale point of view they need somewhere between about 450 000 and 600 000. If the hardwood industry in Tasmania was only 50 000 cubes, regardless of that it would ultimately die because they do not have the scale to continue to operate. That is a fact.

CHAIR - Unless they do something completely boutique.

Mr McLEAN - Well, it would be totally boutique. Tasmanian oak would have to become a minor species, I suppose. That is how you would market it.

CHAIR - Or a special species.

Mr McLEAN - A special species perhaps. It is difficult in the market place but I believe that the Bell Bay mill, the former FEA mill at Bell Bay, has a future. There is some investment taking place up there and they have just picked up another 50 people on a full-time basis and the interviews are taking place as we speak - this week, next week and the week after. That is good and a number of those people are from Scottsdale. We have still got the bus running backwards and forwards. I know that is not very well patronised at the moment but we are working on that. There needs to be an alternative strategy put in place.

CHAIR - Have you had any discussions with Gunns or have you got any idea of the likely future for the FEA mill?

Mr McLEAN - Other than that they have invested some money and picked some people up, I think it has been common knowledge for a while that the mill is actually for sale.

CHAIR - Widely reported.

Mr McLEAN - Other than that, no.

Mr GUTWEIN - Do you have any advice or recommendations for this committee in regard to the softwood sector, outside of the need for some sort of coordinated strategy moving forward - I think that is a given. What other things would you like to see this committee recommend and what areas in respect of ensuring that we have a viable softwood sector moving forward?

Mr McLEAN - As I said before, I never want to go through another Scottsdale. Firstly there would be the Tonganah mill and then Siding mill, and the loss of those jobs up there and what it did to the committee and is still doing to the community. The only way that I can see that we can actually stop those sorts of things from happening again is by pulling all the players in the pine industry - Norske and so on - get them all together and put a proper, functional industry plan together. It is not that hard to do. It does take some time and it does take some commitment, but one if the things that came out of this committee was that recommendation and it was acted upon, that would augur well for the future of the softwood industry in Tasmania.

Mr FERGUSON - One of our terms of reference also looks at any measures in relation to Scottsdale specifically in the north-east community, to look at measures to mitigate the social and economic harm resulting from the 2007 decision, which has cascaded over the last few years resulting in the withdrawal of jobs from the two mills. I know it is a bit unfair to expect you to come up with an economic plan for the region right now, but are there any thoughts or ideas from your membership where you see opportunity in the region, whether or not they are in the sawmilling industries specifically?

Mr McLEAN - A couple of things that we did when we were able to access productivity placements through the Federal Government, we got 300 of them up nationally.

Mr FERGUSON - That is training?

Mr McLEAN - Yes, and 76 of those positions were taken to Scottsdale. We had 100, but 76 were actually taken up.

Mr FERGUSON - What are they training in?

Mr McLEAN - We have people who are now trained into senior administration positions in other parts of Tasmania. A lot of them travel backwards and forwards over The Sideling each day.

Mr FERGUSON - In relation to those people, they are leaving the region for their work, though?

Mr McLEAN - Yes, there's no question about that.

Mr FERGUSON - Are they still living in Scottsdale?

Mr McLEAN - Yes.

Mr FERGUSON - That's encouraging at least.

Mr McLEAN - They still spend most of their money in Scottsdale.

Mr FERGUSON - That's important.

Mr McLEAN - We also have a number of very big burly timberworkers who have trained in aged care. According to the people and the reports we get about them, these great big strong men, who wielded chainsaws and operated huge machines, are the gentlest people they have ever met.

Mr FERGUSON - That is one of the most encouraging things we have heard so far. Where are they working, Scott?

Mr McLEAN - Some are working at Scottsdale and a number are working at Rocherlea at the aged care centre there, and right throughout Launceston. I walked into Sandhill - a friend of mine's mum is there - and there was a guy who worked at Auspine for 25 years. He is a fair lump of a lad and he is one of the best aged-care workers that they have.

CHAIR - Are you suggesting, Scott, that we need to try to diversify the job opportunities on the north-east of Tasmania?

Mr McLEAN - At the moment, unless there is another development up there.

Mr FERGUSON - That is what it comes back to; we need job opportunities in that region.

Mr McLEAN - I think the fish people up there employ a lot of people on Ten Mile Track.

Mr WIGHTMAN - Yes, Springfield.

Mr McLEAN - The hospital and council, but there is no development as such in the north-east. If I had my way we would have a rotary communal (?) up there but that is not necessarily the case. You still need a proponent; you still need somebody to build it. You need to do that business plan to make sure that the resource is there. They won't cart it up from the north-west to the north-east or from the south-east to the north-east; it needs to be there.

CHAIR - Do you have any comment with regard to the sustainable yields predictions by FT over the years?

Mr McLEAN - No.

CHAIR - Do you think they are unrealistic, to be more specific?

Mr McLEAN - Well, that's a different question. I think that the sustainable yields that have been put forward are. I don't think there is any question that they are in fact sustainable on paper. Whether they are practically sustainable or not, I don't know, because if you look at the figures, what is supposed to be the limit as opposed to what actually is the limit, are two totally different things. That is not just in softwood; that's in all the resource areas.

CHAIR - Does that fall down in delivering a demand problem or is it simply that there's not the supply available?

Mr McLEAN - It is a bit of both. If you take the timber that is on the west coast, there is considerably more timber there and of a better quality than was first thought. There are still discussions, debates, negotiations between Forestry Tasmania and Gunns, for instance, about the door price of that timber, the deliverable price of that timber. They are normal contract negotiations, and what I understand is they are probably abnormal in the grand scheme of things. Anyway, that's something for them to sort out. There is a lot of pine about, and fewer users of pine about. It will be interesting in the next couple of years.

CHAIR - If there is a better resource down at Strahan, for example, you can't be shipping timber too far before it becomes uneconomic.

Mr McLEAN - I was trying to find the report the other day. Access Economics did a report on the forest industry in Tasmania in 1995, I think. I have not been able to find it but I will find it.

CHAIR - Could you provide that to the committee when you do?

Mr McLEAN - Yes. It said that internationally all Tasmanian timber is looked at as port timber - that is, it is within 300 kilometres of the port and that is a fact. When I find that report I will get a copy off to you because it also says in there that there will only be four processing plants in the whole State and if you think about it we are almost there.

CHAIR - So you think it has been an orchestrated thing to get to that point or do you think that is just -

Mr McLEAN - That is probably a bit Machiavellian even for me. We are almost exactly where Access Economics in that report suggests we would be in, I think they say, 2015.

Mr GUTWEIN - That report would be handy.

CHAIR - Do you think we have arrived there by default rather than by construction?

Mr McLEAN - I think both.

CHAIR - Where would you say the construction would be in arriving there?

Mr McLEAN - I had a view that when FT got that report, I think it was 1995, they saw it as being an option for them or the way that they should move forward and they never moved away from it, from an industry advocate view. I am not sure that Forestry Tasmania did at the time or even then.

CHAIR - In terms of the supply of logs to country sawmills and different smaller mills, have you got anything to say about Douglas fir, sequoia and so forth that were planted out and around the Scottsdale district?

Mr McLEAN - I think some of the unsung heroes of this industry are small sawmillers. I have regular contact with Fred Ralph and he tells me that there are 26 sawmills left, all the smaller sawmills. There were of course hundreds of them.

CHAIR - That is right.

Mr McLEAN - I think that the country sawmillers are hard done by in most times. If you look at the Public Land Use Commission 1996, the Regional Forest Agreement 1997, the Tasmanian Community Forests Agreement 2005 and maybe even the current agreement, unless we are vigilant what we will see is the end of the rest of those mills. I have a view that we do not leave any dead or dying on the battlefield, because those smaller mills get the best recovery of all the mills. You give them category 1 and 3 logs and some of their recovery can be upwards of 60 per cent.

CHAIR - Yes, you get very high recovery rates out of a small mill.

Mr McLEAN - Absolutely and a good quality sawn product. I think that the country sawmillers are a bit underdone and they have always been seen as bottom-feeders, and they are not. The biggest hardwood sawmill in the State is not owned by Gunns; it is owned by Larry Jarman of Exeter. That is the biggest hardwood sawmill in the State and he is seen as being a country sawmiller - the Tasmanian Sawmillers Association.

CHAIR - Have you got any knowledge of the supply problems that country sawmillers have had over the years dealing with FT?

Mr McLEAN - Well, they have. As I said, they are seen as the bottom-feeders and they get category 2 and 8. That will be more problematic given what is currently happening in relation to the Statement of Principles and so on and so forth. They need to be able to get access to category 1 and 3. They are prepared to pay for it because the difference between them and most of the other sawmillers is they are not woodchipper; they are sawmillers.

CHAIR - That is right.

Mr McLEAN - Woodchips are seen as a by-product, not as the main game, so I think that there is a future for country sawmillers. I think that parts of the industry will fight very hard to make sure that those small sawmills survive.

CHAIR - Do you think they should have first choice of logs before they go to the chipper, so anything that goes into the chip stream should be offered to country sawmillers or anybody first?

Mr McLEAN - It's been tried and there is a practical problem with it. If they're graded as such, they certainly should be. Everybody wants the best use of the resource.

CHAIR - And it would give us significant job generation if you put it through a small mill.

Mr McLEAN - Absolutely.

CHAIR - Thank you for coming in.

THE WITNESS WITHDREW.

Mr RODERICK CARINS AND **Mr GEORGE CARINS**, CARINS BROTHERS SPECIALTY TIMBERS, AND **Mr JOHN SUTCLIFFE**, INDEPENDENT OPERATOR, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Booth) - Welcome, gentlemen. A committee hearing is a proceeding of Parliament. This means that it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of Parliament. It applies to ensure that Parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you if statements that may be defamatory are repeated or referred to you outside the confines of the parliamentary proceedings. This is a public hearing, members of the public and journalists may be present, which means your evidence may be recorded. It is important should you wish all or part of your evidence to be heard in private that you must make a request and give an explanation prior to giving the relevant evidence. Effectively, we need you to be completely honest and forthright with what you have to say and you are protected to be able to say that, but if you repeat it outside, you are not protected.

Thank you for coming in. We appreciate your coming such a long way. I understand, Roderick, you would like to read a statement.

Mr RODERICK CARINS - I have some copies I can pass around.

Mr FERGUSON - Chair, might I suggest that we allow the gentlemen to speak to it but, irrespective, we might accept it as a submission.

CHAIR - Certainly.

Mr RODERICK CARINS - We are here representing collective and private businesses to raise our concerns about the shift in trade of Forestry Tasmania, aka Island Speciality Timbers, and the effect it is having on our industry.

The management and salvage of our specialist timbers has been handled by the IST but in recent years they seem to be moving into competition against us - us, the local processors. From the original management of selling wholesale logs to local processors the IST is now processing logs themselves into timber for the retail market. There are exhibitions and events such as Working with Wood shows in capital cities throughout Australia. These events showcase everything timber, from demonstrations, wood-turning, power tools and timbers. They draw crowds of up to 10 000 people at any one show. The IST operation at Geeveston appears to be totally in opposition to what we are doing and the competition they are displaying at the timber and Working with Wood shows. Selling processed timber is inexcusable. Surely these sales should be for the local businesses of Tasmania which have gone to the expense of attending these shows and promoting our timbers, not a government-funded organisation.

Looking to recent events in the media, this seems to echo the problem that Greg L'Estrange has highlighted at Gunns and the fact that they are getting sold short by Forestry Tasmania. Should IST not be working in conjunction with us to promote our timbers as opposed to direct competition? Should they not be directing members of the public to our businesses to purchase timber or to process timber? With the current state of industry in Tasmania, should they not be supporting the local businesses to succeed? Matters have developed to the stage where we feel that we as a collective need to be raising our concerns about the conflict of interest developing between IST and ourselves as private businesses. We look forward to your response.

CHAIR - Roderick, could you set the scene for the committee and for the record of *Hansard* - your involvement in the timber industry and how you've got to this point in time where you're finding that you have competition? You're all sworn in so presumably you all have a story to tell in this regard. Do you all work for the same company?

Mr RODERICK CARINS - John doesn't.

Mr SUTCLIFFE - I am completely independent.

Mr RODERICK CARINS - George and I have come out of the logging industry. We have always been in the sawmilling industry, as you know, Kim. We're looking for a new industry to jump into and put everything into it that we can, which is sawmilling and milling minor species timber for these markets and shows - craft timber. We've been to the shows, we've seen how they operate and that is where we are headed - downstream processing the timber from our own property and using the equipment that we have to process timber.

CHAIR - How did you get into this business of minor species and at what point did Forestry then start interfering with your market?

Mr RODERICK CARINS - Two years ago we went to the Melbourne Woodworking Show and we got a lot of help and support from IST and those guys. They were promoting at the show Tasmanian timbers in general. We went to the next show and it was the same sort of thing. We got up to Brisbane in May and they are doing the same thing. There were packs of timber there with prices on them. There were a lot of sales that they probably got over the weekend that we should have got. It costs a lot of money to go from Tasmania to Brisbane taking timber to sell it. That is where this issue came up. Then you start looking at websites and you see contract milling rates and other rates for surfacing timber and so on and you think, 'Isn't that what we do? We charge that amount of money. Is it right that they're doing it as well? Shouldn't they be sending customers to us to have that done?'

CHAIR - So this is wood that FT have got out of the forests into their own yard and have their own sawmill set up and are now processing that timber and retailing it to the market?

Mr RODERICK CARINS - They're finishing it and retailing it to the market. It just doesn't seem right to me. They were salvage log sellers. You could go down there and buy a log. If you wanted to invest the money, you could buy a Lucas sawmill or a thicknesser and process the log. It was wholesale but now anyone off the street can go down there, pick a log, get it milled and processed and take it home.

CHAIR - Can you compete with those prices?

Mr RODERICK CARINS - The prices are unreasonable. I would like to know often their machinery is used, whether it is used every day, because I know at the moment ours isn't. If theirs is being used, they are customers who could be coming up to our place and getting it done. We could set up a shop in Hobart to do that.

Mr GUTWEIN - So there's no problem with IST - Island Speciality Timbers - marketing the broader range of the different species we have available, making people aware of the product range that is available, but they have now stepped into being retailers as well, that is in direct competition. What are other States doing? Do you have any examples?

Mr RODERICK CARINS - Forest Products Commission, Western Australia -

> 'Fine timber suppliers to locate and purchase supplies of finished timber products. You can search our online supplier database or download a copy of our native forest sawlog customer list.'

The Western Australian Forestry Commission direct people to their commercial operators.

Mr GUTWEIN - So they become the access point and then direct back, whereas here our access point is directly competing?

Mr RODERICK CARINS - If someone goes down to buy a finished Huon Pine board at Island Speciality Timbers they take them into their showroom, where they should really send them up to John's place to buy that Huon Pine board.

Ms WHITE - In relation to the terms of reference on the Scottsdale sawmill, were you working for them previously? Did you have a role to play with those sawmills?

Mr RODERICK CARINS - Not with Scottsdale, no.

Ms WHITE - I am just trying to get the context because the information you provide here we can only use in relation to the terms of reference. I need to understand what the link is and if you used to work there and are now embarking into a different area that would be an obvious link, so I'm just trying to understand how we can use that information you have provided today as evidence.

CHAIR - I understand you approached the committee as a result of hearing the evidence of Greg L'Estrange with regard to Forestry actively undermining -

Ms WHITE - It's not an inquiry into Forestry, it's an inquiry into Scottsdale.

Mr GUTWEIN - And the future as well.

CHAIR - I don't think there is any problem there. John, could you tell us what your issues are with regard to competition from FT?

Mr FERGUSON - Chair, if I may interpose, for my benefit as a northerner would you gentlemen place where each of you are at with your businesses?

Mr SUTCLIFFE - I am at Granton, which is 20-odd kilometres north. I have been involved with minor species for quite a few years. FT has not affected me too much with my business until I got involved with the woodworking show which is probably about six years on the mainland now. I go to each State and it is quite expensive. We have costs on the ferry and when we set up we have to pay for the site, so much a square metre and the ongoing costs. So there is only a small margin that we can move on and we have noticed that Island Timbers over the later years, the last two years, their production has gone up and their quality has gone up as well. So we are in direct competition and we have more expenses than they have, so at the bottom of the line we are making a very small margin compared to theirs. So we are competing against them.

Mr RODERICK CARINS - Their quality has gone up. Who gets to look at the logs first - us or them? It is obvious that the quality in timber starts at the log.

CHAIR - Just to be clear there, Roderick. What you are suggesting there -

Mr RODERICK CARINS - I am not suggesting anything but that is an obvious point that their quality is going to be better than ours because they get to pick the best logs.

Mr SUTCLIFFE - Absolutely. The last two years we have noticed that more so and their quality and their quantity has gone well up. Basically, if we go back three years and beyond it was more or less just promoting the timber. Did not sell at all, but now the wheel has changed and it is a completely different ball game and they are in direct competition to us and I have noticed that our takings are certainly down. The point I am trying to make there is basically just what I said. I do not think it is a fair thing because we have a lot more expense than they do. I do not know whether they pay for the site there or not. We pay so much a square metre. We have costs going across on the ferry and accommodation. I do not know who pays for theirs.

CHAIR - Would you buy logs previously or now? Have you bought logs off Forestry Tasmania?

Mr SUTCLIFFE - No, I mainly buy direct from the sawmills or privately.

Mr RODERICK CARINS - Which in turn get their logs from Forestry.

CHAIR - Can you get logs of a quality that you are able to produce the same quality that the board of FT are selling. Is this an issue with regard to the grade of logs that you are ultimately able to buy to process?

Mr SUTCLIFFE - It is a tender system. You have to go and tender for those -

Mr RODERICK CARINS - You have to x-ray a log. You do not know what is in it until you buy it. You look through the tenders and the photos. You are on the tender site. Is that the best you have got to offer? We are just asking the question. We are not accusing anyone of anything.

CHAIR - But the question I think you are asking, and correct me if I am wrong, is that the logs come out of a forest and certain parcels of those logs are put up for tender but Island

Speciality Timbers receive logs as well out of that same forested area, for example. Some of them end up in Island Speciality Timbers' yard and some are put up for tender.

Mr RODERICK CARINS - Well, that is the question: do they tender for the logs the same way and then process them?

Mr FERGUSON - It seems to me that you are comfortable with IST being the collector of timber, the promoter of specialty timbers, even the wholesaler of speciality timbers but not to then go the final step and compete in the retail market.

Mr GEORGE CARINS - They have control of 80 per cent of the minor species in Tasmania. I do not know whether the percentages or figures here are correct but when they have that control over every State forest in the State, any logs coming out go straight to them, they have got the complete monopoly when they go downstreaming to what they want to cut, what they want to let go on the market and what they want to do. Whereas a log wholesaler he could go and choose your logs and cut the timber and get it on the market.

Mr RODERICK CARINS - George and I would like $200 000 worth of stock and having the logs sitting in our yard to pick and choose for our orders. That would be wonderful but we do not have that luxury.

Mr FERGUSON - The bottom line is I think the largest, or the more significant point that you have made this morning is that you see a problem with their having access to the end customer.

Mr RODERICK CARINS - Yes, that is right. It would be our customers, all of our customers.

Mr GEORGE CARINS - Yes. And if that is the go there is not much point it all, because you cannot compete with that.

Mr GUTWEIN - What you are clearly saying is that there was a model as to how this was working and it has transformed somewhat over the last couple of years to where they have now taken on other roles that they did not once have.

Mr GEORGE CARINS - Yes. They have developed.

Mr RODERICK CARINS - Are they going to be dealing in furniture next year? What is going on? Where do they stop, where do they start?

Mr SUTCLIFFE - We are trying to compete against them, which we cannot. We just cannot compete against them.

CHAIR - So have you lost customers or volume, do you think, as a result of competition from -

Mr SUTCLIFFE - Our takings are really all you can gauge it on.

Mr RODERICK CARINS - There are other reasons for that. I mean there was the flood in Queensland. You have to balance it but we do not need any extra pressure to try to make a dollar out of it.

Mr FERGUSON - Like going from car yard to car yard asking them to match this price or that price or match this product and that product, do you ever find that sort of thing occurring in the marketplace with your customers coming back to you saying, 'I went down to this place called IST and they were able to do this for me; can you match it?'. Do you get that sort of thing happening?

Mr RODERICK CARINS - People do that but then with IST's price list for their timbers, we use them as a gauge for ours, so to get a sale you are knocking money off their prices to get the sale.

CHAIR - At the prices that IST are retailing at or the prices that you have to match, can you make what you regard as a fair living out of it?

Mr RODERICK CARINS - With other sawmilling activities it would be a large portion, if we had the contract or if we were contracted, and other people were bringing the logs up. We can mill them on contract and that keeps George or myself busy for the day or for the week or a month, depending on how many logs they bring up. Then you have surfacing the slabs. We have a machine that will service a huge piece of timber or make table tops and surface them. You have that work. We have the machinery there to use; we need the people to come in the doors and bring the timber in and mill it.

CHAIR - You have made a private investment in setting up all this equipment but now you find that since then IST have been provided with all of this similar equipment to yourselves?

Mr GEORGE CARINS - They have taken it up to the next level over the last few years. Roderick and I would probably not have jumped into what we were doing if we thought that was going to go on.

CHAIR - Right.

Mr GEORGE CARINS - We were sort of asking is that going to keep going on? Is that kosher? Is that the go? Is that how it is going to be because it is very hard to compete with?

Mr RODERICK CARINS - Are we going to pour a heap of money into this -

CHAIR - So if it goes on as it is then you are questioning whether you will remain in the industry at all?

Mr GEORGE CARINS - Yes; how do you compete with it?

Mr RODERICK CARINS - There is George and me here, we are looking at getting into it, we have just come out of the logging industry and we need to do something and that is what we know. John has been in it or involved in it for 20 years.

Mr SUTCLIFFE - I have been involved with the building industry for a long time, all my life basically, but mainly with the minor species I suppose you could say, 20-25 years.

Mr RODERICK CARINS - Margaret Harper and Wild Wood - Neville Harper, her husband, passed away - she is still running the business and a good friend, Max, helps them. They are at the point where they would like to get out. There is nothing for George and me if we were looking at their yard; there is nothing there to buy because there is a replica of it down in Geeveston. Why would we buy that business off you - just as an example. You have three different situations here, three different lots of people: guys that want to start, guys that have been in for a long time, and guys who have been in it for a long time and want to get out.

CHAIR - Would that be, do you think, the state of the minor species sawmilling industry at the moment in terms of private participants such as yourselves, that you would all be suffering the same problems with competition against them too?

Mr RODERICK CARINS - We all did at the show so the answer is yes, but where George and I sit we are looking into what is going to happen in the future, probably more so than we are looking at what has happened in the past. There are a lot of questions there. Should Island Specialty Timbers have bought all that milling equipment and machinery. Is it a statement of principles? I do not know what it is. For IST, that might be their plan, what's meant to happen. We don't know all of this. Are they going to start turning out tables and make furniture and compete with the local furniture makers in the State? I don't know. Can they do that? You probably wouldn't buy a furniture business if you knew that Island Speciality Timbers with their premium timbers were going into business against you.

Mr FERGUSON - They'll be reading this transcript and I'm sure there will be an opportunity to get a response to that.

Mr RODERICK CARINS - I don't think we're being unreasonable. We want to know what's going on - it's whether you get out or stay in.

CHAIR - So if FT, for example, were no longer involved in that sector of the market, could you explain what that would look like?

Mr RODERICK CARINS - We need them in the game.

CHAIR - No, I mean providing the logs but not competing with the milling and the finishing and so forth.

Mr RODERICK CARINS - Someone from FT could come around the local businesses and say, 'Okay, what have you guys got? When I sell logs I'll send them to you. When they've taken that timber home and racked it' - it has to be dried for a period of time - 'I'll send them to this person' - there might be a list, as the Western Australia Forestry Commission has. Forestry New South Wales does the same thing. Then you probably have issues that they're not sending them to me. They're sending them to John, but you can sort that out between yourselves.

CHAIR - Or it could be tendered - parcels could be tendered. Would that work for you, if every log was effectively put up for tender or auction by FT?

Mr RODERICK CARINS - Yes, but I'm talking about the work after the log has been sold. You leave your business card with them and they might send them up to your mill or to their mates down the road. That's the next issue. There is a better way of going about it.

Mr GUTWEIN - Fundamentally this is about looking at how the supply chain currently operates and that has changed quite markedly in the last couple of years in respect of what's happening at the retail and wholesale end of it. You're effectively competing against a publicly-funded government business enterprise and that competition has been increasing over the last couple of years?

Mr RODERICK CARINS - Yes.

Mr GUTWEIN - And you would like us to get to the bottom of it and get some understanding as to whether or not that is going to continue?

Mr RODERICK CARINS - Yes.

CHAIR - You've been in the business for a long time, Roderick; have you had problems like this before with FT?

Mr RODERICK CARINS - We are sawmillers so we are always whingeing about logs, so the logs they put up are never going to be any good. That's the nature of the business. I would like the first pick of any logs they put up, but we don't have that.

Mr FERGUSON - Other than today's comments to this committee, have you taken steps yourselves to query IST or FT more generally on these questions?

Mr RODERICK CARINS - No, this is the first step. I think Margaret bit her tongue in Sydney, not to discuss it until we can start with something like this.

Mr GEORGE CARINS - That is a bit of a hard one for us because we could go crook at them at the shows et cetera. Anyone buying timber walking around sees a Forestry stand and they only have to shake their head when they look at our stand and we've shot ourselves in the foot. We have to get on well with these blokes still. They're promoting our timber and our business and we can't sit there and fight with them. We're just wondering where it is, where it starts and where it finishes.

Mr FERGUSON - In the meantime - and we will get on and do our work and I'm sure IST will probably want to have right of reply to us - it might be useful for you to seek a response from them privately. You may feel that then gives you opportunity to refine your submission to us so that we are kept up to date.

Mr RODERICK CARINS - Yes. That was the question we talked about - where do we go with this? Do we go down and see Murray at Island Speciality Timbers and say, 'What's the story?'. We don't want it happening at the end of the day, so how do we go about stopping that?

CHAIR - Just a proposition - that all logs heading off to be woodchipped should be available for sawmillers before they are split and sent to the chipper.

Mr RODERICK CARINS - That is what I said to him.

CHAIR - I am talking about Tasmanian oak as well, eucalypt, not just so-called minor species.

Mr GEORGE CARINS - These days we have our sawlog-grounding hammers and what not and it really does come down to a good contractor has good logs supplied.

Mr RODERICK CARINS -Good logs.

Mr GEORGE CARINS - Great gradings, and the better the log grading, the more money you make on the job so they really are these days putting it down to the last stick of timber that goes on the truck being sent to its right location.

Mr RODERICK CARINS - George and I both have our LCO hammers; we are log classification officers. You grade the log. Everyone's opinion is different; with the specs, you have to interpret it the way you want it, if you know what I mean.

Mr GEORGE CARINS - And the time it takes to productively gather up a load to take it to a forestry yard somewhere to dump a load. With blackwood and Huon pine and different species it does last longer. In the middle of summer you get Tasmanian oak logs in and by the time they get people out to tender and check them out, they are cracked, they are broken in half, they are no good, so there has to be a follow-on effect from the stump to the sawmill.

RODERICK CARINS - What you are saying there is that a log that was a category 1 sawlog, perfect, with too much mucking around in summertime if two weeks go by and the log is not cared for properly and it is cracked and split, with sun checks and so on, the sawlog quality has just gone to effectively chip. That is opening another whole can of worms there.

Mr GUTWEIN - From a classification point of view, is it not in the contractor's best interests to ensure that he classifies the logs correctly to ensure that he gets the best price for them?

Mr RODERICK CARINS - That is it. Being an ex-logging contractor, you always whinge about your rates but with the rates on sawlog category As and higher quality, the new logs should be up a lot more.

CHAIR - They are not high enough to ensure that you extract them?

Mr RODERICK CARINS - If they were high enough, you would not mind getting a vehicle and going down to the sawmill and arguing your log, which we have to do with different mills around Launceston.

Mr GEORGE CARINS - There are procedures for that.

Mr RODERICK CARINS - And the sawmiller is saying it is not a very good log - this is a logging contractor hat on, not the sawmiller's. You are arguing and saying it is a category 1, that is what the specs say, and they say, 'No, it has this bump and that bump' and you say, 'Well, I do not think there is a peg under that'.

Mr RODERICK CARINS - They are opening it up fairly cleanly. That all happens when you are sawlog contractor in the bush logging down to 1 millimetre; you get a reputation with each other. You know what is going on and everyone is happy. It is all over the State here, there and everywhere. It is very hard to say, 'I am going to the other side of the State to check out one load of logs because there is one log in that load that might only have half a metre in it that he's not happy with'.

Mr GEORGE CARINS - The LCO hammer is the key to it all, making sure blokes have got them that are on the operation.

Mr RODERICK CARINS - This is getting off track a bit but that is the other side of it, I would imagine.

Mr GEORGE CARINS - Why haven't Forestry opened up a sawmill?

CHAIR - Sorry?

Mr GEORGE CARINS - Why don't Forestry open up a sawmill and go processing timber themselves?

Mr RODERICK CARINS - Well, they do down at Island Speciality.

Mr GEORGE CARINS - You mean why is Island Speciality competing with Gunns with their own sawmill?

CHAIR - You are posing a rhetorical question there?

Mr GEORGE CARINS - Yes.

Mr RODERICK CARINS - That is at the end of the day.

CHAIR - In your opinion, the competition that you are facing from Island Speciality Timbers is fair value in the sense that their product actually reflects the true cost of doing it or do you think there is some cross-subsidisation occurring there because they are a government business enterprise and they can do what they do without having to recover a commercial rate of return out of it?

Mr RODERICK CARINS - We do not know that well enough.

CHAIR - But you guys are telling us that you are potentially going to move out of the industry unless you can get some understanding of where Island Specialty is going?

Mr GEORGE CARINS - Yes, if they are going to keep trading at the rate they are at the moment there will not be anyone in the industry. They have the full monopoly of the timber, the logs; they are fully backed. We are privateers and we are up there every weekend doing it to keep ahead and then this comes in and there is a hurdle you really do not want.

CHAIR -Yes. How many jobs do you think that you could create in your local community? Are you talking about small operators here, a number of different small operators around the State?

Mr RODERICK CARINS - So long as you could put those steps, like your Agfest, that makes it easier for everybody. You could quite easily put five people on to keep you going. The shows are, say, 50 per cent of turnover of minor species. That is how it is. Dad has been jumping in and giving us a hand but he is old enough to retire.

Mr GEORGE CARINS - There is a job instantly. Who knows? How many do they employ down at IST just to do their processing? That is a fair indication.

Mr SUTCLIFFE - There is just one minor thing; whether there could be some kind of assistance for us as far as that because are promoting Tasmanian timbers at our expense. Usually you get some kind of assistance because there is a lot of expense involved. Going across on the ferry is the biggest one, then you have to pay for your site, then you have accommodation; it goes on and on. We cannot compete against IST. We cannot. They are growing. They are starting to corner the market. Our tills are falling away.

Mr RODERICK CARINS - They might wander up to you shed and say, 'I will buy that timber that you have got', and they will sell it, but it won't be at the prices you can get at the shows.

Mr SUTCLIFFE - It would be nice to know if there was some kind of assistance there for us.

Ms WHITE - The Department of Economic Development would be the place to go and have a talk.

Mr SUTCLIFFE - Could you give us some details on that, if you do not mind, where we should go or where we can go?

Ms WHITE - I can do that. I have your details, John.

Mr SUTCLIFFE - There is always a chain. If we could go direct to the top with the right contacts and all of that, who to talk to, that would be great.

Mr RODERICK CARINS - When you look at the shows that we are talking about on the mainland, they have, as I say, 10 000 people in a weekend coming to the show. A lot of effort goes into the presentation of the timber and it is 'Tasmania' written there. We really are promoters and they are good-looking stands.

Mr SUTCLIFFE - Yes, that is right.

Mr RODERICK CARINS - There is a guy from New South Wales there; he has a nice-looking stand as well.

Mr SUTCLIFFE - You have to try to keep up and compete against them. It is not a good feeling and who is paying for what? They have a huge advantage over us and where is it all going to finish? As I said, we have noticed in the last two years that their quality and volume has just gone up huge amounts.

CHAIR - If somebody came to you and said, 'I want a pack of select-grade boards of minor species', whatever it would be, are you able to provide that to them? Is there enough availability and could they go to Island Speciality Timbers and be able to get that easier than you can supply?

Mr SUTCLIFFE - Across the board now the minor species is getting hard to get. Even if you go to the local IT or forester, it is just so hard to get. With minor species the doors are closing. For those that have a bit in stock, they would be a bit fortunate.

CHAIR - You would have to go and get some logs from Island Speciality Timber's yard to bring that to you mill and cut it up to provide an order like that?

Mr GEORGE CARINS - Yes. You have to do that 12 months in advance, hoping you are going to get that order like that.

Mr RODERICK CARINS - George and I might ourselves up now so that in two years when someone puts that order in we have got it.

CHAIR - Whereas IST have actually got the logs sitting in their yard which are ones that you would then go and buy as well?

Mr RODERICK CARINS - Yes.

CHAIR - So they have them sitting in their yard, that log pool, that you would have access to buy but they have them sitting in their yard all the time so if they get a customer, they just select one out of the pile and put it through their machines?

Mr RODERICK CARINS - Yes, but if the person wants a dry board, they would have to do it 12 months in advance but effectively, yes, that is right.

CHAIR - Thank you very much for giving that evidence. I just remind you that what you have said today is completely protected by privilege. It is not a problem with anything you have said. If you go outside and repeat anything that could be slanderous then you are not protected by that privilege so don't rush out and repeat what you have said outside. You can talk about giving evidence but be careful; you don't have privilege once you go out.

Thank you very much for coming.

THE WITNESSES WITHDREW.

Mr TONY WAITES, WOODLEA NURSERY, SCOTTSDALE, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thank you, Mr Waites, for coming before the committee. Have you received and read the guide sent to you by the committee?

Mr WAITES - I have, yes.

CHAIR - Committee hearings are a proceeding of Parliament, which means it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without fear of being sued or questioned in any court or place out of Parliament. It applies to ensure that Parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to your statements that may be defamatory or repeated or referred to outside the confines of parliamentary proceedings. It is a public hearing and members of the public and journalists may be present and this means your evidence may be reported. It is important that you should wish all or part of your evidence to be heard in private you must make this request and give an explanation prior to giving the relevant evidence. Tony, would you like to make an opening statement?

Mr WAITES - Can I give you a bit of background. Given what has been reported about the Statement of Principles, from another aspect of the forestry industry I am very pleased at what has happened but I find it extremely frustrating that the whole industry is not being considered. We're having a discussion about getting out of native forest and there is not a single person who's looking at the forestry industry and the future of that industry. I find myself one of many people being in the silviculture industry and I do not think we have any voice in the roundtable.

CHAIR - So that we have some sort of logical sequence, could you explain what you do?

Mr WAITES - Woodlea Nursery in Scottsdale is a forestry nursery, so we grow forestry seedlings - nitens, globulus and pine - for selling to forestry companies and private foresters. I represent a part of the community. My employees and the people I see in our community are among the many people who are not big business forestry harvesting contractors, and they're not conservationists so they sit somewhere in the middle. I find it extremely frustrating that we are having this conversation about locking up native forest and how that's going to be weighed up against paying people exit packages so they can get out of the industry. While that is happening, my own staff are going out of the industry. There's no support for them at all; there is no discussion about the fact that the plantation industry has been hit just as hard as everything else by the global downturn and the fact that the forestry companies are going under. I feel for my own staff; I also feel for the local communities. I feel for the planting contractors; no-one talks about the planting contractors, hundreds of people who have disappeared. There are one or two companies left but the rest of them are gone, with hundreds of people out of work, with no support or discussion for them - because they are not heavily unionised and organised; they are casual labour. There's a lot of knowledge we're losing in the silviculture industry that means if there's going to be a future in forestry and it's going to be plantation-based then there will be no-one there to do it. We are moving out of forestry. We still do a lot of forestry, but by necessity we have to move out of it. Three years ago we grew eight million seedlings and this year we'll grown under one million seedlings. I have had planting contractors say to me, 'Our business is down 25 per cent' - or 50 per cent - and I say, 'I would love to be in your position because our business is down 80 per cent'.

CHAIR - So you are saying you've diversified into other non -

Mr WAITES - We've had to, but that's had a huge impact on our business. There is no discussion on it and I feel it is extremely frustrating. That is not what I am here to talk about today, but I am extremely passionate about it. I find it is insulting to my staff. I'm a business owner and I'm willing to diversify and do what I need to, but it has a huge impact. My staff go casual or they have to go and we lose our best staff, the ones who have the get-up-and-go and the skills. They go off and find other work. If there ever is a plantation industry, which I am extremely worried about, we won't have the knowledge. It is going to be retraining everybody again.

CHAIR - Why has your nursery business collapsed? Is that because of managed investment schemes?

Mr WAITES - It's a combination of things. It's managed investment schemes, Great Southern going under, FEA going under, Gunns being in trouble. We used to grow one million seedlings a year for Gunns but they've cut back hugely in what they grow. They have gone from 20 million seedlings a year down to three million, so that has a huge impact on our business. If they are planting three million seedlings a year instead of 20 million, where is the forest that we are going to harvest? Who is going to fuel Gunns' pulp mill if it was to get up, or other downstream processing? Where's the resource coming from? There is no-one planting. We went on a tour to China and looked at forestry in China. In five or 10 years time, we'll be buying the stuff from them.

CHAIR - What sort of trees do they have in China that you looked at?

Mr WAITES - They have eucalypts - huge. We were talking to a man about setting up a nursery. He was going to grow 20 million seedlings in the first year and he was going to move up to 70 million seedlings a year, and he was going to hand-water them. Their labour costs are so small in China that they can stand there with a hose and water it. My personal opinion is that in 10 or 20 years time there won't be a woodchip industry. So any industry we have that is based on, predominantly, exporting woodchips is gone. It's not going to happen.

The total industry needs to be sitting down and saying, 'What are the customers' needs? What are the niche markets that we can get into? How can we diversify?'. Things like Ta Ann and adding value and doing stuff that uses our brains, growing the species that we need to do those things, rather than saying, 'We'll keep planting radiata or nitens'. Then when we get out of native forest, everyone is going to say, 'Well, those plantations are no good for building houses if it's nitens'. What we need to do is say, 'Well, what should we be growing?'. As a nurseryman I want to know what should we be growing and saying to people, 'This is what you need to plant', so that in the future we have it.

I can see that this process is going to go on and on and there'll be a five-year hole in production. Down the track that leads to a five-year hole in harvesting or it leads to a huge bunch of trees that no-one wants, and we're throwing them out stupidly on the market and selling them at a loss.

CHAIR - This bloke in China with 20 million seedlings, is that eucalypt or nitens or globulus from Tasmania?

Mr WAITES - They grow straight globulus, they grow nitens and they grow a lot of hybrids, a lot of grafted or cutting-around trees. It's in a sub-tropical area, but they grow it right throughout in China. They plant trees and they harvest them at five years, cut it down, coppice it, and five years later they harvest the coppice and the trees are 15 metres tall. The trees are only so thick so you can't make timber out of it, but they don't need to.

CHAIR - They can't compete with China on that.

Mr WAITES - No. We can diversify and move to other things - everyone else will do it - and then we just switch off forestry, pull the plug and walk away from the plantation-based industry, unless we are smart and decide what our market is. There is no discussion; I haven't heard a word on the news or from any of you guys. Everyone says we have to get out of native forest -

Mr GUTWEIN - Not everyone.

CHAIR - But in terms of the pulp mill, you are saying you can't plant the trees and grow them and compete with the prices overseas.

Mr WAITES - I'm not going to get into talking about the Gunns' pulp mill, but if you had a pulp mill in Tasmania, that is at least adding value to the resource. If you're generating paper or paper pulp, it's something that you've added value to and you've done it here. So I don't think they're going to buy woodchip in China, import it here and then put it through and then send it back to make paper. I don't think that would happen but, of course, it could.

CHAIR - They'll put in paper mills, won't they? They'll do the same thing in China and export the paper into Australia.

Mr WAITES - Yes, if we're not smart and do as much as possible with that downstream stuff. I try to buy Australian paper when I go to the shop but it's getting harder and harder. I think in 10 years time you won't be able to buy it because it won't be produced.

Mr WIGHTMAN - What do you think is our market in the future?

Mr WAITES - It has to be diverse; it has to be value-added. I am half a greenie and half a forestry person because I believe in preserving stuff that is of future value. I've been down to Styx Valley and I have looked at that stuff. It's crazy to harvest that stuff the way it's harvested today. I think there is probably a place for going in and taking out, as in selective harvesting. A hundred years ago you would go in and pick out a beautiful tree that's going to give you a resource. You take it out and you leave the forest there. With selective harvesting today, you go in there and you cut down 90 per cent and you leave a little copse of trees and say, 'That'll grow back and reforest it'. It is not the same thing. People stand there and say we are selectively harvesting the forests, and that is not true. I think we have to be a lot smarter. I think there's a place for cutting down those big old trees, but you have to use every cubic metre and use it for the value-added stuff. To send a 400-year-old tree for woodchip, I think people should be put in jail for doing that. But if you take it and make beautiful furniture out of it or build houses, I don't see a problem with it. We always talk about only chipping the waste product but the reality is it does not really happen that way.

CHAIR - What have you seen being chipped out of those forests?

Mr WAITES - I'm not involved in harvesting. I don't go down and look at what they do, but I know that there's a lot of chip out of native forests.

CHAIR - Logs that should have been processed?

Mr WAITES - Yes, but that's my opinion.

Mr WIGHTMAN - How have you diversified your business to keep going?

Mr WAITES - It's a huge problem. We grow a lot of stuff for revegetation projects, Landcare projects, which has always been part of our business, and we work together with the university. We are involved in a revegetation project in the Midlands planting 200 000 different eucalypt species. We have also gone into things such as growing trees and shrubs for garden centres and that has gone from being 10 per cent of our business to being 40 to 50 per cent of our business. We grow grapevines for vineyards as well. These days we supply all the vineyards in Tasmania.

Mr GUTWEIN - As to competitors, especially in the seedling side of your business, that is a dramatic decrease.

Mr WAITES - Yes, and that comes to the specific things I wanted to talk about.

CHAIR - You have a submission there, would you like to read that into the *Hansard* for us?

Mr WAITES - Can I just leave it with you and summarise it?

CHAIR - Yes, you can certainly do that.

Mr WAITES - This industry is not just native forest, it is the whole industry and I am extremely concerned about it. Maybe lots of people don't care about it, but the people in the local communities care about it a lot. I see the potential. If we did smart plantations of, say, blackwood, it would take 50 years to grow but you would use it and make furniture out of it, and we need that resource. I know people who have 50 hectares of blackwoods planted as a plantation and they can harvest that. Everyone laughed at them and said, 'What are you doing?' and they said, 'I'm growing this for my grandkids'. I lived for five years in Sweden and that's how they grow. They have pine forests there where they grow Pinus sylvestris and it is on a 100-year rotation. They grow it and harvest the stuff their grandad planted and plant more for their grandkids. It works. We are trying to grow quick rotation stuff. The reason we don't built houses out of it is that it is full of water; there's not that structural integrity or it is sort of borderline. It is just short-term thinking and because of MISs they want a quick turnaround for quick profit based on a tax motive rather than a forestry motive, and that's our problem.

You talked about what companies are growing seedlings. There are four companies growing seedlings in Tasmania basically - ourselves, Gunns, Hills Transplants outside of Devonport and Forestry Tasmania at Perth. Those are the basic players in the industry and we all grow various quantities, but similar quantities. The short version is that Forestry Tasmania has been undercutting us, competing against us in a non-commercial way and pushing us until we run the risk of going out of business. I will give you a time line. In 2009, FEA ordered five million seedlings. We were going to grow half of them and Hills was going to grow half of them. We had a verbal arrangement because we had a lot of verbal contracts with FEA.

We always used to split the business half between us and half between Hills just because we were both family businesses and they supported us to do that. So in 2009 they purchased five million viable seeds from Seed Energy in Margate. They are a seed orchard company and all they do is grow seed. Again, it is a small business, privately run. There was a verbal agreement so they said, 'We have these five million seeds, we want you guys and Hills to grow them for us.'

In about March 2009 I got a phone call from FEA and they said, 'We are not going to get you to grow your two-and-a-half million seedlings, we want you to grow one-and-a-half', so they cut us back by a million and they cut Hills back by a million. I said, 'That is okay but what is the motivation?'. FT had released a report that said that their seed and their seedlings were better than anyone else's and they strongly encouraged FEA to basically drop our contract and to buy the seed from them.

First of all they were saying they should buy FT seed because that was the best seed but then they said, 'If you are buying it, you have to let us grow it for you. We are not willing to sell it; it is a package deal', basically. That report was commissioned by FT and the Southern Tree Breeders Association. It is unpublished. We do not have access.

The only reason I know about it is that Seed Energy is a member of the Southern Tree Breeders Association so they were aware of it. FT staff were the second and third author on that report and it is not peer reviewed, it is not independent in any way and it basically came out and said that FT seed was far superior to anything else and they used that, and they were taking that round as their sales pitch and saying to FEA, 'You cannot grow anything but our seed because ours is the best'.

I know that since then there has been an independent expert who has looked over that report and has said that it is completely misrepresenting of the facts, it is not a fair representation of the raw data. That is in dispute and that is the thing but my issue with that is partly that FT are offering up this seed and saying it is better than anyone else's without any independent testing on it and then that they are also binding in that they are the only ones that can grow the stuff.

That was in March. That was on one season's growth. The next season FEA came back again and they said - this was in November - to us, 'You have to drop your price'. Our price for growing a single seedling - hopefully this won't go outside this room -

Mr GUTWEIN - Hang on.

Ms WHITE - The media is here.

Mr WAITES - I am being facetious. I cannot explain the situation without explaining our price. Our price for seedlings has been 22.5 cents plus GST for a seedling. That has been a set price for about 15 years. Going up by the CPI never happens. Our wages have gone up, they have doubled, but we still charge 22.5 cents for a seedling.

CHAIR - For 15 years it has been at a fixed price?

Mr WAITES - Yes, and that is pretty much an industry standard and that is why it has not gone up; everyone else has wanted to do it. That is what we were growing seedlings for for FEA. In November they came to us and said, 'You have to do it cheaper or else you are not going to get a single seedling, you are not going to grow anything for us'. I said, 'What is this?' and basically FEA said that FT went to them and said they would grow seedlings for - and this 22.5 cents does not include the seed, right. So FEA would come to us with a bag of seed and they would say, 'Grow this for us, we will pay you 22.5 cents for every seedling you raise'.

CHAIR - Every survivor?

Mr WAITES - Yes. That seed is seed orchard seed so it is third generation seed orchard seed. It is extremely expensive. It costs twice the price of gold per kilo to buy. It is about 5 to 7 cents per seed, so if you add that on, I say to people that the total cost of a seedling is about 30 cents. You lose some of the viable seed, so it is at least 30 cents. FT began to supply this special seed and they said they would grow it for 21-23 cents, including the seed. So if take away a commercial price for the seed of let's say 5 cents, then they are growing it for 16-18 cents or something like that. I know that our practices are not so very different to FT. There's no way you can grow a seedling for that price.

CHAIR - So they're using public money basically to compete against you?

Mr WAITES - The seed comes from seed orchards and if FT's case the seed orchards are research projects. It is taxpayer-funded but doesn't cost them anything to produce. Theoretically they could get that seed and sell it to themselves for a nominal amount, say one cent or something. I don't know how it works. Because they have access to the total supply chain they can get the seed - where the money has come from to generate that seed, I don't know - then they grow it, dropping the price by 5 cents. I stood there and said to FEA, 'If I say I'm going to leave my price static, I won't get the business, so I'll go bust. If I drop my price to that extent to compete, I'm going to lose money on it'. I was in the position where we were thinking about doing it but we would lose money just so that I would have things for my staff to do. That discussion was never finished because FEA went bust. Before FEA went under I said, 'Who do I talk to about this?'. I spoke to the ACCC and they said that FT wasn't answerable to the ACCC because they are a GBE. I said, 'Who can I complain to about this because I think it's unconscionable conduct?'. They didn't really give me an answer so I tried to speak to David Llewellyn but he didn't answer my calls.

I have a relationship with the Department of Economic Development and they are very supportive people and I appreciate their support. I explained this information to them and they said, 'It is very difficult but we can try to support you in pursuing it', but then they said, 'The first thing you have to do is go to Forestry Tasmania and talk to them'. I then wrote a letter, quite stern but basically describing the facts as I have outlined here, and I had two guys from FT turn up at the nursery. It wasn't Bob Gordon; I can't remember their names but it was one senior manager and the local guy. They had me in a room for two hours and it was very friendly and polite but I was scared they were going to pull out the baseball bats, because they were basically saying to me, 'Just shut up and go away. We're allowed to do whatever we want'. I suppose they are a business and to some extent they are allowed to do that. If that was Gunns doing this to me, I would have to bite the bitter pill and say, 'That's business', but my frustration is that this business is basically owned by the Government. FT sits between real commercial behaviour, being answerable to the ACCC. If it was the Government doing it I would say to my member, 'Stop doing it'. When I finally spoke to people from the Government they said, 'We don't control the day-to-day behaviour of FT'. At that point we were looking at how I could pursue it and then FEA went bust and I thought, 'What's the point in having this conversation because the seed is not going to be grown anyway?', so I dropped it at that point and walked away from it.

I only brought this up again because I hear they are doing it to other people. Since then I have talked to people and I hear all sorts of stories. If they are big enough to undercut Gunns, I thought I would tell my story as well. It is upsetting that they to some extent are propped up by the Government. The funds flow into FT and then they are turning around and behaving in a ruthless way in their business in excluding me from business. Farm foresters still come to me and say, 'Is that the best price you can do because FT are offering to do very, very cheap seedlings?'. I have come to the point, and we're not talking about millions of seedlings, where I say, 'That's my price; take or leave it'. I stand by the quality of my seedlings. I know that the quality of FT seedlings is not as good as mine because we also put netting on the seedlings as an alternative to using 1080. You put a sock or a net - like a bit of onion bag - on the seedling you've planted. We were one of the few people that could do that socking. It was us and Gunns that did it. Great Southern had a need for sock seedlings, so they got stuff from FT, and they said, 'Would you be willing to just sock the stuff for us', and I said, 'Sure'. They brought a truckload of these things to us and we were socking them. I didn't explain to the girls that these weren't our seedlings, and they started doing what I call 'grading'. They started taking out the crappy ones and throwing them to one side. We ended up with a huge big pile of seedlings and I said, 'Stop, they're not our seedlings. Put the sock on it and put it back in the box'. We would never send those seedlings out so I know that our quality is what we stick by rather than try to come down in price. But in that environment where FT is ruthlessly cutting costs, there's nothing else you can do.

CHAIR - That was a specific example where you had an order to sell 2.5 million seedlings, yourself, and Hills were going to sell the other 2.5 million, and Forestry cut your lunch, basically.

Mr WAITES - Yes. In the first year they were saying that their seedlings were unique and that no one else could grow them for you. 'You have to buy it from us and we'll grow it', so excluding us from the market. Then in the second season they were offering to do it at a far-reduced price.

Ms WHITE - Tony, do you grow any softwood seedlings?

Mr WAITES - Yes, we grow softwood seedlings, but this is another element of this picture which I find amazing, frustrating and perplexing. FT have access to contracts that are not publicly tendered. Last year we grew a million softwood seedlings but we never got to tender on those contracts. We tried eight years ago to push to get access to tender for those government contracts and other contracts but we're not allowed to do it. They don't offer us that opportunity. We would love to grow more softwood.

Ms WHITE - Who do you supply your softwood products to?

Mr WAITES - We supply to farm foresters. FEA planted about 600 000 of our softwood seedlings. The other aspect which we haven't talked about is FEA going bust. We threw out probably two million seedlings intended for FEA of which some were for softwood. So we threw out about 300 000 softwood seedlings for FEA.

I wish that the production of seedlings and the planting of seedlings were done by two different companies, that FT was two different companies, and that they grew seedlings and then competed with everyone else and the tender was open. Then at least you're breaking away from this internal non-commercial or not-at-arm's-length behaviour. If we can't compete commercially, that is one thing, but if we aren't given the opportunity then I find that frustrating as well.

CHAIR - So where would those pines have been planted by Forestry that you weren't able to tender for?

Mr WAITES - They grow all of the stuff for Timberlands.

CHAIR - Yes, they're shareholders in it. Sorry, they're not shareholders in Timberlands; they're shareholders of Taswood Growers.

Mr WAITES - Yes.

CHAIR - So Forestry are growing seeds for the managers of Taswood Growers, which is Timberlands, and there is no competitive tender there?

Mr WAITES - Correct; I've never been offered the opportunity. I've approached Timberlands. When I had these 300 000 seedlings that I was going to have to put in a ditch, first of all I tried to be a bit more creative. I approached things like bushfire relief and I tried to give them to the schools. I offered the schools a million seedlings. I said, 'Plant them and we won't charge you a cent'. But it was such a big job. They said, 'How long do we have to do it?', and I said, 'Well, you only probably have three to four months'. They couldn't plant them. They said, 'Well, it's just a logistic exercise.' I had a cartage contractor who was a member of Rotary. He said, 'I will take them to the bushfire victims in Victoria'. We rang them and they just said, 'No, too hard, too many'. Then I rang Timberlands and said, 'We have 300 000 pine, beautiful trees, do you want them? We can sell them to you at a cheap price'. They just said they get a lot, they are on contract with FT and they said they could have taken maybe 100 000 but they said it was not in their interest to take them because they did not want to upset their current supplier.

CHAIR - Have you any idea of the size of that supply line that Forestry do to Timberlands?

Mr WAITES - I think in total it is around about a million a year.

CHAIR - And there is no tendering?

Mr WAITES - To my knowledge no.

CHAIR - Have you spoken to Timberlands about it?

Mr WAITES - Yes.

CHAIR - About supplying seed, not just the ones you have surplus of?

Mr WAITES - No, no. I have spoken to them on a number of occasions and tried to get access to that market and it is not open.

CHAIR - Have you spoken to the Government about it? The forest minister, for example?

Mr WAITES - I have never spoken to the forest minister. I have approached the office but, as I said, back when David Llewellyn was there, I could not get access to him.

Mr GUTWEIN - Is there any differential in the price between a hardwood and a softwood seedling?

Mr WAITES - Not really, no.

Mr GUTWEIN - So you still grow them for around 22, 23 cents?

Mr WAITES - Round about, yes. It varies a little but basically the cost of growing, yes, is pretty much the same. The seed is a bit different in price but it is not more expensive. The reason I say it is different, yes what we charge to the customer would be the same but the cost of production varies a bit because a nitens seed will germinate at 95 per cent, a pine seed will germinate maybe at 80 per cent but the way you grow it, it is easier to grow but you throw more of them away basically. If we were selling them to the Government, it would be at the same price.

CHAIR - Have Forestry explained to you why they would not be tendering these, why these things are not being tendered out; why there is special access to Timberlands?

Mr WAITES - No. They are my competitor. If Gunns came to me and said, 'Why are you growing seedlings for a certain price?', I would just say, 'Well, none of your business'. I have approached people trying to saying how do I do this but I find no support from anybody in how I could take that argument and take it further. The way I see it, Forestry Tasmania is a business but it is owned by the Government and it is competing. The reality is that it will slowly push all of the independent players out - ourselves and Hills. Hills grow vegetable seedlings as well so they will move back. I do not think they are growing any forestry stuff. We grow forestry because we grow for all the farm foresters and we are into people who are planting 20 hectares. The only reason that we are doing forestry at all is people like that.

CHAIR - Forestry's nursery would be at Perth, is that where they are growing?

Mr WAITES - Yes. I have no idea because I am not on the board of FT or on the management of the nursery but my feeling is that they spent so much money building that huge greenhouse - a fantastic set-up - they spent all this money and forestry started to take a downturn, the motivation was, 'We have to make sure it is full to make it look like it is doing something'. It is a bit embarrassing if you spend millions of dollars on a huge glasshouse -

CHAIR - With public money.

Mr WAITES - and then it sits empty. Yes, and public money.

CHAIR - Are you suggesting then that some of these seedlings that they are growing there are just for show?

Mr WAITES - I will tell you story and you can draw your own conclusions. We wanted to grow more for Great Southern so this is now going back to 2009, 2008. It was when we were stocking those ones for them. They sent out all these seedlings. I said to the planting manager for Great Southern, 'How can you be accepting these seedlings which are pretty crap?' He had a contract. Forestry Tas in Perth were growing three million seedlings for them. They got sent out. They sent them back. In the end I think between 300 000 and 500 000 of those seedlings ever got planted. The rest were not considered plantable and were thrown away. If I did that, I would go under. I cannot afford to throw away 90 per cent of a crop. But the nursery isn't a business, it is part of a big business.

CHAIR - Are you saying then that there's this cross-subsidisation into the nursery business of Forestry Tasmania from somewhere else in the organisation?

Mr WAITES - I believe that very strongly. I don't want to bad-mouth my competitor, it looks like a cheap shot, but their practices aren't as rigorous as ours. We are rigorous in following industry best practice and that includes being accredited with the Nursery Industry Association, EcoHort and things like that. Their nursery doesn't follow that. They still make lots of really good seedlings; I don't want to say that they're completely hopeless, but they are not under the same commercial incentive to produce commercial product at a commercial price.

CHAIR - Are there any other people that FT supplies that are government agencies that you know of?

Mr WAITES - I don't know; I don't know the detail of it. I know there are other contracts. They do a lot of stuff with these partnerships. We did one tender for one of those PPPs - I think it was one of the Japanese ones that Forestry Tasmania has -

CHAIR - Tokyo electric power companies?

Mr WAITES - It might have been.

CHAIR - Forgetting about who it is, have you had access to tender to those other partnerships or ventures?

Mr WAITES - We have done it once ever.

CHAIR - And that was a tender?

Mr WAITES - Yes. In that situation, if everything was publicly tendered, then to some extent it comes down to market forces. If they can grow stuff so cheaply, we would never win a contract anyway.

Mr GUTWEIN - Tony, how long have you been competing against FT? You have been in the business 15 years?

Mr WAITES - Our nursery has been around for more than 30 years and for the whole of that time they would have been competing with FT.

Mr GUTWEIN - Has the sort of behaviour that you have outlined today been going on throughout that period or has it only become evident since 2007?

Mr WAITES - It has only become evident to me since 2007. I have only owned the business since 2007. I have anecdotal evidence. It has been going on for a while. I guess FT's behaviour has become more - what would you call it?

Mr GUTWEIN - Commercially aggressive?

Mr WAITES - Yes, thank you. It has become a lot more aggressive - aggressive, that's the word I was looking for - in going after. Nowadays it's to the point where they are going after the farm foresters. Two years ago it was going after FEA and now they are going after everything, to the point where at Agfest they are selling their seedlings for 50 cents each or whatever.

Mr GUTWEIN - Is there anything else on that piece of paper?

Mr WAITES - No, I've hit the best points, I think.

I reiterate that irrespective of what FT does - and it keeps me up at night thinking about it because it's so upsetting - either something has to be done about how FT behaves or FT will be the plantation industry, there won't be anything else. The second thing is that the whole industry, we as a whole - government, Federal Government and all the industry players - need to be thinking about the future rather than solving the problem about native forest. I think it is very important. I'm not trying to trivialise what is being discussed, but it should be part. If we were to sign up all those native forests and then in two years' time decide that what we should be doing is going in and cutting out a minute portion of stuff in those forests, why are we signing that up now before we know what our industry is? Our industry isn't modern, we haven't modernised it. Surely the most important thing for this industry is to modernise and target niche markets, because woodchip is not the future, and get it to that point where we say, 'Right, this is what we are going to do'. Maybe you could do it all in plantation. I do not think so. I think native forest has a part to play. We need to think about that and integrate the whole thing because at the moment the discussion is between the native forest harvesters and the Forest Industry Association; no-one has ever talked to me about it. Our business is fairly small. At best we had about 30 employees. We are now down to about 12. It is a fairly small business but the forest nursery industry in Tasmania at its peak would have been probably 150-200 employees.

CHAIR - But it is the commodity market that is the problem there and we need to be getting a niche market.

Mr WAITES - Absolutely. There will always be a market for woodchips, but if we were going to do something smart we would say woodchip is what we do with the waste. We send it to Japan or China or wherever and we sell it. If you do not base your whole industry on it you can sell it at a low price and it still brings in some income, but not if your whole industry is based around it or largely. If we were thinking about value-adding then you have building-fibre products, low-cost housing - a lot of people have come up with great ideas. I do not feel like I should be a proponent of them. The whole industry should sit down and say these are the things that make sense. My Federal Labor member came out to the nursery one day and we were walking around and I was ranting and raving like I am now. He asked me what should the industry do - a bit like you guys asking me what should we do. I said, if you are asking me what we should do then the whole industry is cactus. If you ask me I will say plant nitens seedlings because that will solve all our problems; that is not true but it helps my business. If you ask Gunns what should we do for the future of the industry then they will say we should have a pulp mill on the Tamar because that is their core business. What we need is a bit of leadership, someone saying to let us work out what is in the best interests of everybody rather than what is in any individual player's best interests and finding those markets and helping people adapt. A native harvester should go to harvest plantations I would have thought. Adapting the people in the industry, whereas all we have heard talk about is the native harvesters leaving the industry. Why can't they harvest plantations?

CHAIR - I think it is because they are using in-field chipping; they are chipping five-10 year old trees with bark on to put into pulp mills and things like that. The equipment they would use in native forests just does not suit the size of the plantation for pulp.

Mr WAITES - That assumes our plantations are grown and harvested small for pulp and chip.

CHAIR - That is right.

Mr WAITES - If our plantations were grown and value-added then there would not be that problem. If you grow globulus, Tassie blue gum, and you grow it for 30 years, it makes good timber but we harvest it at 13 years. There are lots of species we could be growing - other eucalypt species. They are slower growing so the rotation is longer but it is not hundreds of years.

CHAIR - No.

Mr WAITES - So if we were thinking for the future we could have an industry that was sustainable, that was a mixture of predominantly plantation, still harvesting the things you cannot grow in plantation, and servicing all the needs of the timber community. I do not see a problem. The problem is leadership and vision and foresight and planting for the future, and we do not seem able to do that.

CHAIR - And interest groups like Gunns wanting the pulp mill -

Mr WAITES - Yes. We have people standing who have extreme views, pulling everything in different directions. If you took 90 per cent of people associated with forestry or in forestry communities, they would be sitting in the middle and they would be looking that way at those guys and that way at those guys. I have lots of very heated discussions on the streets of Scottsdale because I believe let us do what is good for the future; let us not say what we are doing now is good. I have arguments just as well with Greens as I do with foresters. Everyone has good points but everyone is digging their heels in. It is fantastic that have taken a step and have some sort of in-principle agreement, but it is not an agreement about the future. I read it last night and there are a few lines in there about doing this or that, but if we are going to wait for that to happen then it is too late. We need to plan and act.

CHAIR - Tony, thanks for coming to give your evidence.

THE WITNESS WITHDREW.