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THE HOUSE OF ASSEMBLY STANDING COMMITTEE ON COMMUNITY DEVELOPMENT MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON TUESDAY 12 AUGUST 2014.

INQUIRY INTO THE TRIABUNNA WOODCHIP MILL

Mr RON O'CONNOR (VIA TELEPHONE) WAS CALLED AND EXAMINED, AND Mr MARK SEALEY WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Barnett) - Welcome, gentlemen. I want to let you know that parliamentary protection is not accorded to you if statements that may be defamatory are repeated or referred to by you outside the confines of the parliamentary proceedings. This is a public hearing and members of the public and journalists are present and this 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 that relevant evidence. Do you understand that?

Mr O'CONNOR - I am more than happy with that, thank you.

CHAIR - Would you like to make an opening statement, and perhaps in doing so tell us a bit more about yourself?

Mr O'CONNOR - My name is Ron O'Connor and I have lived in Tasmania for just on 20 years. I have been in the logging industry for that period of time. I've had lots to do with Norske Skog, Forestry Tasmania, and Gunns when it was going with chips.

When Greg L'Estrange, or Gunns, decided to exit, we saw him about buying the chip mill at Triabunna. He asked us to put a price in, which we did, and it was \$16 million. We had numerous meetings. He hated Forestry with a vengeance because he had the time with Bob Gordon. He would do anything to hurt them in any way - and he made that statement in front of me and my son, Brendan. We proceeded along the path and made an offer of \$16 million, which he accepted. By the time we arranged the finance with the bank, the bank went to the higher powers at the top and they reneged on it. They said no because of the public perception. I'd say that would be to do with our other side of politics, people in the field. Mark Sealey then approached another crowd overseas and the money was approved.

Greg L'Estrange was then going away on a Monday - I can't remember the exact date - he was heading off overseas. Our last conversation early in the morning was, 'If anything changes, Ron, you ring me, I'll ring you. You know you've got until Friday.' The first I heard it was sold was when Mark Sealey rang me and said, 'It's on the ABC'. I then went to my phone and there was a message from Greg on the Tuesday, or Wednesday, night - I am not exactly sure which night. It virtually said, 'I'm just informing you I have sold it to Cameron and Wood'. I tried to ring Greg but I couldn't get him, so I left him a message. I got a message back and that was it in a nutshell.

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I don't know why he would drop \$6 million on the deal when he was fairly adamant that is what he wanted. The money was definitely there, and Mark has proof of that. We would have settled it by Thursday or Friday at the latest.

I believe there was a deal done out of our control. There was some arrangement, but as to what was arranged, I honestly don't know. That was it.

I have stated all along that once Cameron and Woods got onto the Greens, it would never open and that was their intention. They never bought it to open the mill, the exact opposite.

Then they put an ad in the paper asking for expressions of interest, to which I and a few others responded. We never received any confirmation back, nothing, ever. It was just dead in the water and that is about all there is to it.

CHAIR - Thanks very much, Ron. Before we have questions, I will pass to Mark to present introductory remarks and I understand you have some other evidence to present.

Mr SEALEY - My name is Mark Sealey. At the time I was a director of SMA Finance in the application for Ron, unfortunately. I have 45 years of experience in banking and finance. The deal was tendered amongst the four major banks and some second-tier lenders. The best approval of the best interest we had was from the National Australia Bank. We were seeking a \$10 million loan from them and \$6 million from DED. The Department of Economic Development gave approval in principle subject to the prime loan of \$10 million being approved.

That loan was proceeding normally. The bank had requested and received at least five changes to the contract between Forestry Tasmania and Fibre Plus. The matter was then raised in the Federal Senate, the House of Representatives and the House of Assembly in Tasmania. The National Australia Bank was very quiet for about a week and finally came back and said that they were not prepared for the brand damage for a \$10 million loan. That was 4 or 5 July. We madly went back round the second-tier lenders and secured an approval for \$12 million on Wednesday 12 July, the same day as the media release from Gunns came through that they had sold to Triabunna Investments Pty Ltd.

In essence what Ron has detailed is what transpired. I have made a written statement to that effect, and I have included emails and correspondence that will indicate the approval of the loans at the time.

The contract for sale expired on 29 June. The extension to 15 July was arranged between Ron and Greg L'Estrange. In essence, we were out of time.

CHAIR - Are you able to tender your remarks, Mark and provide them to the committee secretary?

Mr SEALEY - Yes. In addition to that, I received an email overnight from another finance broker in Hobart who had arranged a totally separate transaction for another group. May I tender that? I only have the one copy because I only received it this morning.

CHAIR - Thank you, Mark.

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Mr SHELTON - Mark, the issue around the finance. You mentioned the dates, but Ron had spoken to Greg L'Estrange and had an extension for that period of time.

Mr SEALEY - That is my understanding.

Mr SHELTON - Ron, as far as that agreement with Greg L'Estrange, as far as you are concerned, you had until the sixteenth?

Mr O'CONNOR - Yes and John Chapman, who was Greg L'Estrange's right-hand man at that time, would confirm that because I was speaking to him regularly on a daily basis.

CHAIR - Would that be Wayne Chapman, the company chairman?

Mr O'CONNOR - Wayne Chapman, yes. Wayne rang me and said even if you just put \$10 million down and I said to Wayne, 'We've got to the sixteenth; she will all be done and dusted.' That was the last telephone call I had from Wayne or anyone.

CHAIR - The question from Mr Shelton, Ron, was - was that an agreement that you could stand by, I assume, that you felt was legally valid between you and Gunns?

Mr O'CONNOR - Yes, it was. I arranged with Greg before he went. The last call we had was, if anything changes, either party call. He said to me, 'You have until Friday to do the deal. It has to be settled by Friday', which I assured him it would because I knew that the finances were in place. We were only waiting for confirmation and that was it.

Ms WHITE - You said you had a loan granted from DED for \$6 million at one point, conditional on the bank finance.

Mr O'CONNOR - Yes.

Ms WHITE - What discussions had you had with government? Who were you speaking to in government about that?

Mr O'CONNOR - I'm not that good with names and you're talking about a while ago.

Mr SEALEY - The application was through the department.

Mr O'CONNOR - I have a big mill up here worth quite a few million, so I have my mind around a few things. Who was it, Mark?

Mr SEALEY - We approached directly DED, so that would be Nick Waldron and Jonathan Wood we were dealing with.

Ms WHITE - Did you have meetings with the Deputy Premier or the Premier or speak with them about the case as well? Or the minister, the relevant ministers?

Mr SEALEY - I honestly can't recall.

Mr O'CONNOR - We didn't have the relevant minister. We had the DED and they went to the minister, didn't they?

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Mr SEALEY - They did.

Mr O'CONNOR - It was all approved.

Mr SEALEY - In those documents is the reply from Jonathon where he confirms the minister and the treasurer had signed off. I cannot recall and I'm sure I didn't speak with the minister.

Ms WHITE - Obviously it was a transaction between two private entities that you were negotiating with, but the government was supportive of your bid?

Mr SEALEY - Yes, and the documentation that you have will confirm that. The government was very supportive.

Ms O'CONNOR - I just want some clarity around how firm in Gunns' mind was the understanding that finance had been secured the second time.

Mr O'CONNOR - The first time we let them know what had happened. The second time he gave me to Friday to confirm it, that's why, to have it sorted and paid. That was agreeable as I knew we had it; I just had to wait for the confirmation. That was one of the things I spoke to Wayne Chapman about. He understood that it was fine. If it was not done by Friday then all bets were off.

Ms O'CONNOR - Do you think you were misled by Gunns?

Mr SEALEY - From my point of view, no.

Mr O'CONNOR - I think when Greg L'Estrange left, when he was overseas there, an approach was made or some agreement was made. You don't drop \$6 million on a whim, not when he knew it was fine; I just had to confirm. No, I don't think they misled us; something came about, that's all. Something changed Greg's mind, pretty promptly actually.

CHAIR - We have just received the documents that Mark has kindly provided to the committee. This is the first time we have seen this map.

Mr SEALEY - I can confirm that Sealy Mazengarb and Associates Pty Ltd were engaged by the O'Connor Group, Fibreplus, to seek \$16 million to assist with the purchase of Gunns Limited Triabunna woodchip mill. The loan we were seeking was fully secured by freehold asset and Ron's personal assets, details of which are what you have there. The contract and servicing or the repayment of the loans was to be funded by a Forestry Tasmania services contract for a five- to ten-year period. So five years, with the option to renew.

We undertook the loan tendering process and then National Australia Bank provided us with the best outcome for that tender. We proceeded to put an application to the Department of Economic Development and to the National Australia Bank. The DED had come back with an approval in principle subject to, of course, the National Australia Bank's approval of the first mortgage component. They sought and received five or six changes to the contract for services from Forestry Tasmania, so they were fully on board to make

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this transaction happen. Those changes were affected by the Crown Solicitor and they were in conversation with the Crown Solicitor and DED and the National Australia Bank.

Around 6 July, National Australia Bank had a conversation which raised community concerns with me that they were impacting on the approval process and they were pushing it up the line; that is, it went up to the General Manager. That was following the discussions in the Senate, House of Reps and the House of Assembly in Tasmania that were critical of the loan, particularly from DED, to the private company Aprin and Fibreplus. It was clear to me at that time that it was going to be a struggle to get the NAB over the line, so very hastily we put the application to some second-tier lenders.

We received approval in principle through H.W. Wood on 12 July, but that was the same day as the press release from Gunns indicating the sale [inaudible] of the business. In the documentation you will see that they also required a \$30 000 establishment fee. We put the transaction on hold on the basis that it looked like it would not proceed.

Mr O'CONNOR - That is true.

Mr SEALEY - There are a couple of press releases in that as well; one from Ron and one from Gunns. The one interestingly enough from Gunns said that the sale was on the condition that mill would be available to industry on an ongoing basis. I didn't see a contract for sale but whether it was in the contract between Gunns and Triabunna Investments, I don't know.

Ms O'CONNOR - What was the response from the Department of Economic Development when it was informed NAB was getting cold feet? They were still a key player in the financing process.

Mr SEALEY - In that documentation you will also see that Gunns came to us and said, 'If you can provide the \$10 million by 15 July, we'll sort the other \$6 million out later'. But from a lending point of view, that then creates a problem. I need to come up with a third mortgage at some stage, which is highly unlikely. You would have used the securities to do the \$10 million but then to sort the \$6 million out later would have been very difficult.

Ms O'CONNOR - But that would have come from DED, possibly?

Mr SEALEY - No. To do the \$10 million, had we met that, you would have used DED's \$6 million and they would have had private finance from a local finance company, Bennetto. We were going to do the \$4 million on an interest-only basis until we could clear it. Really, it was never an option just to provide \$10 million and then try to source the other \$6 million after you'd used all your security. It just wasn't going to happen. That's why we sought the \$12 million approval from HW Wood.

Mr O'CONNOR - The DED was definitely onside all the way. They could see the sense in how it would work. We had the contract from Forestry that would cover everything we did. The pricing for Forestry was fairly good for them. For our side, it was fair the more we did, so everything was set up. If it was \$10 million, we had \$6 million from DED, I had \$2 million, and we could have borrowed \$2 million. We just wanted to do the \$16 million, which was 'could' and it was a nice clean slate. That's how we would have done it. Everything we did with the contracts with Forestry showed that, so whoever the financier was, they were guaranteed.

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Mr SEALEY - Basically it was a take-or-pay contract from Forestry Tasmania. It was a minimum for the contractual services, which would meet the payment to DED and any other prime lender, so servicing wasn't a problem.

Mr O'CONNOR - It was one of things that DED wanted.

CHAIR - Is there an issue of timing, Ron? Can you categorically say it seemed that Gunns might have had a time requirement? Is it clear you could have put \$10 million on the table to secure the mill by 29 June, if required?

Mr O'CONNOR - I can put my hand on my heart and on the Bible, quite easily.

CHAIR - If they'd said, 'We want to negotiate something between \$16 million and \$10 million as quickly as possible', could you have done that as well? Obviously you required that extra time to get the \$16 million. Is it clear you could have offered \$10 million, \$11 million, \$12 million or whatever to secure the mill?

Mr O'CONNOR - Yes. I could have had \$2 million and I know \$2 million would have been advanced, plus we had other avenues to get it from.

CHAIR - Why didn't Gunns, Greg L'Estrange or Wayne Chapman come back to you and say, 'We've got another offer here of \$10 million and it's unconditional within a certain period of time. Can you match it or do a bit better?' Why don't you think they came back to you?

Mr O'CONNOR - Greg L'Estrange at Gunns and Bob Gordon didn't get on. This is only my theory. Greg said once at a meeting that if he could ever do anything to hurt Forestry, he would. When the change came -

CHAIR - Do you mean Forestry Tasmania or forestry?

Mr O'CONNOR - He was happy with me until he heard that I had struck a deal with FT to supply the woodchips and supply the mill for them to cut the woodchips. In other words, I was going to chip the wood for them for a price. He was quite happy up until that stage and that is when, that Wednesday night, whoever rung him when he was overseas, he changed it. Apart from that, that is all I can put it down to. It was some deal that was struck, that's all.

CHAIR - Once Greg L'Estrange knew you had done this deal with Forestry Tasmania, to chip their resource of the timber, you think that shifted their thinking and they didn't want to go down that track with you for \$16 million?

Mr O'CONNOR - I think that had something to do with it because maybe he had done a deal with other parties to get backing for his mill. I honestly don't know. But I know he didn't like Forestry and it might have been enough to push him over the edge if someone approached him to do a deal. I don't know.

CHAIR - You have said a couple of times that Greg L'Estrange, quoting you, 'hated Forestry' and 'didn't like Forestry'. Do you mean Forestry Tasmania, the organisation, or forestry generally, different stakeholders in the timber community? Who are you talking about?

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Mr O'CONNOR - I would say Forestry Tasmania. When Bob Gordon was there, Bob was a pretty hard bloke to deal with and he was - not ruthless, but if you struck a deal with him, you had to go through with it. Sometime, Gunns, by wanting to change things to their own liking and Bob being a government employee of Forestry, just said no, you have to play the game - which is fair enough.

CHAIR - Are you referring to Forestry Tasmania in particular?

Mr O'CONNOR - Yes, only Forestry Tasmania.

CHAIR - Okay, I am with you.

Ms WHITE - Ron, do you have any reason to doubt that the government was always supporting your bid?

Mr O'CONNOR - The government was never supportive. We had numerous meetings with Lara. Anybody can pay lip service - and I like Lara, I have to tell you now, I thought she was a terrific lady. But I don't think she was allowed by the powers to be above her and in the federal government to do anything.

Ms WHITE - What do you mean by 'do anything'?

Mr O'CONNOR - I am only surmising. I had meetings with both of them.

CHAIR - When you say 'federal', do you mean the federal government?

Mr O'CONNOR - Yes, the federal government, the Labor Party in power there. There were two parties, Labor and the Greens, in power.

Ms WHITE - Do you mean, do anything after - the facts were wrong?

Mr O'CONNOR - There was a bit of political both ways.

Ms WHITE - I don't understand your answer. Did you say the Premier wasn't able to do anything after it was sold?

Mr O'CONNOR - The Premier didn't do anything prior to it being sold. She backed it to a certain degree but when it was being sold we went to see her and said, 'What do you want to do?' Her commitment was, yes, do it, go ahead, happy. When it went, we went to see her and said to her it should stay open. Part of the deal was that it needs to stay open but there was nothing she could do at that stage because documentation said it was going to stay open and that was what Cameron and Wood were saying.

Ms O'CONNOR - Ron, I am curious to explore with you what you think the state government at the time might have been able to do given the mill had already been sold by one private entity to another private entity.

Mr O'CONNOR - The mill was of significant importance to the industry. If you look at the south now, the south is dying. You cannot ship wood north, you have to ship it out of the

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south. She could have done something. If the other party had bought it, make them honour the agreement. That was all. It is a straight honour thing.

Ms O'CONNOR - Are you suggesting the state government at the time should have forcibly acquired the mill?

Mr O'CONNOR - I forcibly acquired it or asked the parties to do what they said they would do as part of the statement - keep the mill open, that's all.

Ms WHITE - Going back to the earlier question I asked, Ron, at the time you were trying to purchase the mill from Gunns, you have now said you had discussions with the Premier; did you meet with the Deputy Premier as well?

Mr O'CONNOR - Bryan Green, yes.

Ms WHITE - Were they supportive of your securing a loan through the Department of Economic Development?

Mr O'CONNOR - Yes, they agreed with it and it was all signed off. They checked it at hand's length; they never got involved. They left that to the DED, which any good government would, because if you're going to kill someone or get a pat on the back you let it go either way.

Mr JAENSCH - Mark, in your statement you refer to the NAB raising community concerns as an impact on their approvals process. I think when you spoke to this you surmised what might have been behind that. Can you elaborate on that, please?

Mr SEALEY - If you have a copy of the letter I sent to Ron at the conclusion of the transaction, it sort of summarises that. There are two on SMA letterhead. The first one is to Wayne Chapman on 30 June and the second one is to Ron. If you have a look at the final paragraph it says:

Furthermore, in relation to securing the remainder of the finance, I reiterate my previous advice that I am certain, but for the publicly-issued threats against Aprin and Fibreplus and yourself by Mr Booth, Senators Brown and Milne and now Andrew Wilkie, all the necessary finance for the purchase of the Triabunna Mill would have been secured at the latest by Friday 8 July.

Mr JAENSCH - Can you give us any more information on what those publicly-issued threats were?

Mr SEALEY - They were raised in the Senate, the House of Reps and the House of Assembly, so I think *Hansard* could give you that.

Ms O'CONNOR - Do you think they were threats or concerns raised about the potential deal and the process in the context of the Tasmanian Forest Agreement discussions?

Mr SEALEY - There is no doubt that's how they were raised, yes, but the impact on my application was apparent.

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Mr JAENSCH - Just to be clear, there were concerns about threats or insinuations made about the players here. These weren't -

Mr SEALEY - There were concerns -

Mr JAENSCH - The bank wasn't leant on directly, it was more about commentary on the players and their motivations?

Mr SEALEY - Public comment, yes.

Ms O'CONNOR - Not threats as such, Roger. There is no allegation that actual threats were made.

Mr JAENSCH - Perhaps we will see the *Hansard* on that. In the cover statement you made you said that the NAB sought amendments to the contract for services with Forestry Tasmania on 29 June.

Mr SEALEY - Yes.

Mr JAENSCH - Can you tell us anything about what those amendments were?

Mr SEALEY - Well, they're in the document, detailing the amendments they sought.

Mr JAENSCH - Were they just purely to do with the ability to service the loan, et cetera, or were they to do with the fact that it was Forestry?

Mr SEALEY - They were detailed in that. They were technical amendments to ensure that the funds flow was correct.

Mr JAENSCH - Going to the media release from Gunns of 13 July, it says quite clearly in that that a contract with a local operator was executed, but despite the best endeavours of both parties could not be completed when scheduled on 29 June. That is the reference to your original sale contract, but on 29 June - and I think it is just confirming something that Guy was looking for before - you were in a position to offer them \$10 million.

Mr SEALEY - We would have been, yes, undoubtedly.

Mr JAENSCH - And you were pursuing an additional amount and had secured with Gunns an agreement to wrap that up by the 15 July - is that correct?

Mr SEALEY - Yes. We were always on the basis of raising \$16 million. We were never offered an opportunity to pay only \$10 million. We were offered an opportunity to pay \$10 million now and sort the other six out later, to use his words. We were never offered a position of \$10 million.

Mr SHELTON - As the financier, Mark, obviously it is a lot easier to find \$10 million than \$16 million. Back when you were dealing with this, to give the committee some understanding, I imagine it would have been substantially easier to find \$10 million and put that on the table, but that offer was never there, as you have stated.

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Mr SEALEY - Yes.

Mr SHELTON - How much easier would it have been?

Mr O'CONNOR - Can I butt in? Part of the agreement with Forestry was they would advance me \$2 million; we already had the \$6 million from the DED, I had \$2 million from [?? 9:51:29] and \$2 million of my own. Finding the \$10 million would have been a piece of cake, but it was never offered to us.

Ms O'CONNOR - Ron, on what basis did Forestry Tasmania offer Aprin or Fibreplus \$2 million to help purchase the mill?

Mr O'CONNOR - It was a prepayment for future cutting, so it would come off the payment, which is done in business. I prepay for my wood here.

Ms O'CONNOR - A supplementary question. Gunns had moved out of woodchipping and closed down the Triabunna mill in early June of 2011 and said that the industry was no longer viable from their point of view. How did Aprin or Fibreplus believe it could make the operation of the Triabunna mill viable?

Mr O'CONNOR - The same as we do when we contract to Forestry logging - lean and mean, and we run it efficiently. I am not saying Gunns didn't run it efficiently, but they would have a supervisor for a supervisor. We wouldn't run like that; you don't need to. As far as the price goes, Gunns made money when they had the chip mill and so did Norske. Gunns' biggest problem was when they sold out of the chip mills and they went down; that killed them. You have to remember you have to get rid of waste product. If you cut a tree down and saw it you have waste and Gunns had lots of waste as well, so the waste would have made it and our price was pretty good.

Ms O'CONNOR - In order for Aprin or Fibreplus to make the operation of the mill viable it would have relied in part, at least, on subsidies going to Forestry Tasmania, wouldn't it?

Mr O'CONNOR - No. If the wood comes around, half a million tonnes would have done it. If the wood comes around, away it would go. As to contracts, Sandy Chen who was with Forestry had good contacts in China and he had the sales. There was no problem with the sales.

Ms O'CONNOR - So the market was China, and what was the price expected to be per tonne of chips?

Mr O'CONNOR - You've got me there; I'd have to go and have a look.

Mr SEALEY - If I could interrupt, Ron, that wasn't a concern of Fibreplus.

Mr O'CONNOR - No, I know.

Mr SEALEY - Fibreplus had a contract with Forestry Tasmania for x amount of dollars per tonne to chip.

Mr O'CONNOR - That's right.

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Mr SEALEY - I assume the sales would have been arranged by Forestry Tasmania.

Mr O'CONNOR - It was, but I think the price was reasonable. The idea of doing it and guaranteeing the whole deal virtually, like to take or pay, is that we did it for a price that could allow them to make a profit out of it, which can be done.

Ms O'CONNOR - Thanks, Ron.

CHAIR - Ron and Mark, I just have a couple of other questions. Just to clarify, you put \$16 million on the table, it wasn't accepted, you could have gone for \$10 million at the earlier date and you are saying, 'No issues, no buts,' and you are really saying you are not certain what it is but you are sure there must have been some other agenda - is that correct?

Mr O'CONNOR - Yes, when I met Greg and talked to him he was fine. We found Greg and Wayne Chapman very good to deal with but at the ninth hour it changed, and that I do not know.

CHAIR - I have a question about the industry at the time. Just to make it very clear, you put your money on the table, so you obviously thought there was a buck in it; it was commercially viable to operate a woodchip mill at Triabunna. So that was your position then, is that right? Secondly, I'm interested to know the impact of the closure of the Triabunna woodchip mill on the forestry industry and what the opportunity is now if there was a woodchip mill at Triabunna.

Mr O'CONNOR - At the time the margin we would have made was very small, but that was the idea of it and over, say, two years it would change. Everything changes in the world. Woodchip prices go up and down, as everyone knows. It would have been viable but not at a big profit. We're private enterprise, we're a little business; we're not a big business so we don't chase the same mark-ups that other companies do. The chip mill was vital to the industry. Without it, you can see what's happened now; it's dead.

As far as getting the chip mill up and going again, it can't happen. The ports have taken away the dolphins to tie the ships up. To fix up the wharf you'd have to spend \$2 million to \$3 million. The only place you can send woodchip out from is Triabunna. We've looked at numerous places. At the moment I don't think China or the world would have much faith in us; we've let them down too much. If you're going to do things like woodchip or logs you have to be reliable, and I don't think we are. A lot of the contractors have been paid out in Tasmania, as you're aware, and I'm one of them. I dropped out because they could not use the logs. A lot of my mates have also left and the industry is in a real mess. Mark represents a lot of the contractors there and I know they're struggling. Some of them will most likely end up going broke, which certain people would be quite happy with.

As far as getting the mill going again, you could do it off the wharf but that would be a no-no, but maybe a short term off the wharf onto a boat for three or four years, and then find an alternative use for the woodchip - a power station or something that the rest of the world has. Commonsense, not stupidity. That's only my opinion. I've mentioned this to the Government in power now and I spoke to Lara Giddings about it as well.

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CHAIR - You've made the point that there's a resource down here, particularly in the southern end of Tasmania, that's not being chipped and exported at the moment or used in a sawmill or for other purposes. So the resource is there, the port is there, but it would require funding to upgrade it. Are you saying it is or isn't possible?

Mr O'CONNOR - Anything is possible. I would look at doing it off the wharf in Tasmania - Hobart wharf. I know it goes against the grain with a lot of people but do it for a short term until you find an alternative. When you cut logs into timber, what do you do with the waste? The waste is 50-60 per cent of the tree so you have to find a use for it. You can't sent it north because it is too expensive. No-one will make money, unless the Government subsidises it. You could do it off the wharf; you can't do it in containers because it's too dear, but you could put a mobile \$2 million loader in and run it off the wharf for a short period, but you would want to put 30 000-40 000 tonnes there and run other wood with it. Maybe do joint ventures, joint shipments - I really don't know. As far as going to Triabunna, I don't know what volume you've got left. You have to talk volume, 500 000 tonnes to go off to Triabunna.

Ms O'CONNOR - Ron, in what timeframe is that 500 000 tonnes?

Mr O'CONNOR - You need it over a year, per year, at minimum. Everything comes back to per tonne across a wharf or up a jet slinger - it is per tonne to run things.

CHAIR - I have a question regarding the expression of interest. To get it on the record - and Mark is here as well - you put it in and didn't get any feedback in terms of responding to the advertisements for an expression of interest to operate the mill. Can you confirm that with us on the record?

Mr O'CONNOR - I know when I was on camera I said I would rather cut off my right arm than help Cameron and Wood, but I sat down later on and put in an expression of interest for the industry because I knew it was all going to die. We lost seven trucks and I put about 20 people off. I put an expression of interest in but no-one came back, not even a word.

CHAIR - You received no response?

Mr O'CONNOR - Not one response.

Mr SEALEY - I was not aware of Ron's application.

CHAIR - Thanks very much, Ron.

Ms O'CONNOR - Ron, a couple of times the Chair has stated that the money to purchase Triabunna was 'on the table.' Was it actually on the table as far as Gunns was concerned?

Mr O'CONNOR - What I would call 'on the table' is in my bank account. All Gunns needed was the money in the bank. They gave me until Friday and by Wednesday or Thursday we had the letter confirming. It would have been done. Once it was confirmed it was done.

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Ms O'CONNOR - To be really clear: Gunns was absolutely certain, you had made it very plain to them, that the money required to purchase the Triabunna mill was financed and available?

Mr O'CONNOR - Yes, it was available and they knew it. That is why Greg and I talked on the Monday before he left to go overseas. We discussed a few things and he said to me, 'Friday, Ron, got to be done. It will be done. It's all set and fine. I'll just get a letter of confirmation and come back to you.' That was the last I spoke to Greg.

Ms WHITE - In that conversation you had with Greg on the Monday, was he aware then of Forestry Tasmania's involvement in your bid?

Mr O'CONNOR - Yes, he was.

Ms WHITE - And he still made that comment to you at that time?

Mr O'CONNOR - I reckon he was because there are a lot of loose lips around. We tried to run it pretty quietly and keep things to ourselves but Greg seemed to know things that he shouldn't have known at times.

Ms WHITE - Okay, so he still gave you that assurance, even though you understand he knew Forestry Tasmania was involved?

Mr O'CONNOR - Yes, he definitely did; it was the last thing we spoke about. Any changes and we would come back to each other. What Greg meant by that was that if I couldn't get money I would go and tell him. Wayne Chapman also knew of the deal.

CHAIR - Ron and Mark, you have tabled an email here from Bob Horner of Finance Hotline Pty Ltd in England. Mark, can you speak to that email, how it came into your possession and this separate cash offer of \$16 million for the mill?

Mr SEALEY - Ron would have no knowledge of that. Bob Horner is another broker and he and I worked together in the Commonwealth Bank many years ago. Bob knew we were putting a transaction together for Ron and Fibreplus and as a matter of courtesy he came to me and said, 'If anything happens with it and it falls over, I have a backup - do you mind if I approach Gunns?'. That is the essence of that email. There was another approach with a cash offer of \$16 million from another entity.

CHAIR - Do you know the timing of any of this, Mark?

Mr SEALEY - No. Bob simply called in to see me to say, 'This is what I'm doing, do you have a problem with it?', and I said, 'Of course not.' That type of detail only Bob can give you and he is in the UK until October.

CHAIR - It says:

We act for a syndicate that would like to make a cash offer of \$16 million for mill subject to the transfer of the timber rights that apply. We are aware of negotiations taking place between Gunns and Aprin. However, should

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these negotiations not bear fruit, then we would ask that our offer be considered to maintain the mill in the industry.

Then he says, 'The next we heard was the sale to the Greens for \$10 million'.

Ms O'CONNOR - Let's be really here, the mill was not sold to the Greens, just for the record so that everyone knows.

Mr SEALEY - I noted that also but I couldn't change his email.

CHAIR - Mark, did you have a question about this?

Mr SHELTON - It is news to me that Gunns were aware, because it talks about a Gunns employee sending a response, that there was a second cash offer on the table of \$16 million. In your discussions when were you aware of this, Mark?

Mr SEALEY - I think Bob approached me about the middle of June 2011. He was aware of what we were doing and he obviously represented another group that I don't have the details of. I simply, when I was asked to attend this, recall that there was another offer on the table. Bob managed to pick his emails up on his iPhone or whatever and replied to me just in time to bring that in today.

CHAIR - But the question is, the email says Bryan Hayes, who worked for Gunns at the time as a manager, sent a reply to say that Gunns are negotiating with another party and 'did not want to deal with our syndicate' - Bob Horner's syndicate - outright rejection. Which other party do you think he is referring to?

Mr SEALEY - That could have been Ron or it could have been Triabunna Investments. I don't know; it is speculation.

Ms O'CONNOR - And that was Gunns' prerogative at the time as the owner and operator of the Triabunna Mill.

Mr SEALEY - Absolutely.

Mr O'CONNOR - That is why when we went up there we didn't deal with Bryan - I know Bryan personally - we went straight and spoke to Greg and Mr Chapman, and that's who we dealt with.

Ms WHITE - Ron, I have another question, somewhat related. When you were looking to purchase the mill, did you do due diligence on the site to understand the condition of the assets? Obviously a lot of them have been used for quite a long time. Did you undertake due diligence on both the site and the wharf?

Mr O'CONNOR - We did that ourselves with one of our local blokes, an engineer, and we walked over it with Gunns. We gave them a list of what was to be done as part of the deal, which they agreed to - which, I believe and I am told, was done when Cameron and Woods took it too, fixed up. There were a few things that had to be done. As it sits around it deteriorates a bit. Yes, we took a bloke over and looked over it.

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Ms WHITE - In your assessment, what work did you think you would have to do if you had been successful in purchasing it? What was the cost to upgrade the facilities, including the wharf?

Mr O'CONNOR - Just their screens, their chip screens, some of the bins where the chips come through were rusted away, just saltwater. In general, pretty well looked after.

Ms WHITE - Thanks. What about the condition of the wharf at that time?

Mr O'CONNOR - The wharf belonged to the Hobart Port. At that stage, if we would have gone ahead, I reckon they would have spent about \$1 million on it doing it up. It was safe enough, but just doing little bits and pieces.

Ms WHITE - But it did need quite a lot of work, by the sound of that.

Mr O'CONNOR - A million dollars doesn't go far, I can assure you, when you are doing stuff near the water, but it was workable. It wouldn't have ceased operating.

Ms O'CONNOR - Ron, I'm just going to the document that has been tendered, which is between Mark Kelleher and Bob Gordon. Are you aware that as part of that, and it discusses the details of the arrangement that would be in place with Aprin should Aprin purchase the Triabunna mill, and it says that Forestry Tasmania as part of that proposed contract would have the first right of refusal should Aprin seek to dispose of the mill and the option to purchase the mill?

Mr O'CONNOR - That's correct, yes, I was well aware of that.

Ms O'CONNOR - Do you it is slightly unusual that a government business enterprise involved in forestry management would seek to purchase a woodchip mill?

Mr O'CONNOR - Well, Forestry - Bob Gordon was a lot of things, but he knew that the industry needed the mill - so no, I don't think it is. If we had done something stupid and gone broke, they would have just taken it over. When you have an investment of the kind they had with us and they would have had with the people who supplied the mill, they had to insure it. I think it's pretty normal. You have to remember you are looking at it from a small business point of view, not a government point of view, so to me it was good practice.

Ms WHITE - Ron, I just have one last question. You spoke earlier about what the government might have been able to do once the sale was agreed between Gunns and Triabunna Investments. You talked about compulsory acquisition but you also spoke about holding the parties to the agreement, by which I assume you meant the Tasmanian Forest Agreement; is that what you meant?

Mr O'CONNOR - Yes.

Ms WHITE - I am mindful now that the Tasmanian Forest Agreement is essentially null and void -

Ms O'CONNOR - Not yet.

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Ms WHITE ó Well, under this government it could effectively be called that. Were you ever able to sight the agreement between Gunns and Triabunna Investment? Were you aware of the terms of that contract?

Mr O'CONNOR - No.

Ms WHITE - Would you assume it to be the same terms of the contract that you were going to sign?

Mr SEALEY - That's just speculation, isn't it.

Mr O'CONNOR - No.

Mr SEALEY - I don't think Ron's in a position to answer that question. If you hadn't sighted that contract, you would have no knowledge.

Mr O'CONNOR - It was just talk. At the end of the day I think the forest agreement has sunk it.

Ms WHITE - The only information we have about the contract that would have existed between Gunns and Triabunna Investments is a media release that Mark tendered to us today, Ron, that says, 'The terms of the sale agreement provided for the facility to be leased to an industry operator as an export facility'. You've indicated you put in an expression of interest for that lease and never heard back. It's hard to understand what the agreement may have been between the two parties but also what government could have done to hold them to that agreement.

I'm trying to understand how you think government could have held them to that agreement without having knowledge of the contract that existed between those parties.

Mr O'CONNOR - Alec Marr put the contract expression of interest out; he never came back to me. There was no response from him. We sent the letter to him saying we would be interested and expressed our interest in looking at it but nothing ever happened.

Ms WHITE - I understand that. The point I'm trying to make is that you weren't aware of the contract because it was between two private entities. The government isn't privileged to access that information either, so it is very hard to hold two private companies to account for an agreement they have between each other?

CHAIR - Do you know that? You've just made a statement that the government didn't know about the agreement. Do you know that?

Ms WHITE - I would assume we never had a copy of the contract between Gunns and Triabunna Investments.

CHAIR - You assume it? You can't just say it unless you're speaking on behalf of the government.

Ms WHITE ó It was two private companies.

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Mr SEALEY - The continuing operation of the Triabunna chip mill was on page 1 of the IGA, on the front page.

Ms WHITE - It was in the statement of principles. I understand that.

Ms O'CONNOR - It was never agreed by the environment groups, just to be clear.

Mr SEALEY - The environment groups seemed to get a lot of what they asked for and industry seemed to get very little of what they asked for. That is just an observation I make.

Ms O'CONNOR - All these things are subjective, but just to be clear: the initial statement of principles had within it a statement about the industry's position that the Triabunna mill stay open. Then when it went to the intergovernmental agreement between governments - so not between industry and the ENGOS - it was the government's strong wish that Triabunna stay open.

Mr SEALEY - And to ensure it had no force it was annexured to the act and not included.

Mr SHELTON - Ron, you indicated the strategic importance of the mill to, particularly, the southern forested area. You were a business operating beforehand and you have stated it made a substantial difference to your business. What sort of reduction in business activity have you undergone through this process without the mill being available?

Mr O'CONNOR - If you go to my yard you will see I have about five trucks running now, out of the 14 I had. I have no bush operations [inaudible]. I have dropped 20-odd people. It has killed the industry. A lot of my friends and a lot of people in our industry are just hanging in there. Those who didn't take the exit package are going to die unless something happens. The wood from the Midlands used to go Triabunna - you have to remember there is the Midlands and the south. So unless something is done in the past, sawlogs will go up and peelers will have to go up because a contractor can't supply a whole tree for half a tree price, he has to be able to get rid of the whole lot. It pushed me up here to Queensland where I bought a mill. It hurt us financially very badly, but such is life.

Ms WHITE - Ron, with your Tasmanian business, are you able access the subsidy to transport woodchips to the north of the state?

Mr O'CONNOR - No. Forestry Tasmania had a substitute driver. We never had anything to do with that.

Ms WHITE - Is that because you chose not to?

Mr O'CONNOR - I didn't go north for the wood. The wood coming into my yard for export was brought in by other contractors. Every contractor would have a contract for cutting and supply.

Ms O'CONNOR - I'm a bit confused. Earlier you said you'd taken one of the exit packages. Do you still have an operation in Tasmania?

Mr O'CONNOR - Only transport, which I am allowed, which was stated as part of the deal.

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Ms O'CONNOR - Are you at Brighton now?

Mr O'CONNOR - Yes, five trucks.

CHAIR - Following up on the impact of the Triabunna closure and the downturn on your business, you mentioned trucks and jobs. What is the impact on the business and jobs?

Mr O'CONNOR - There are no jobs. Working for Norske, I could do the job with four trucks. I have 20-odd people - mechanics, bushmen, truck drivers - it is colossal. Income died and export logs stopped and it killed our industry and hurt me financially very badly indeed.

CHAIR - Ron, we have received evidence from other witnesses, including from the Forest Industries Association, referring to other bids for the Triabunna Woodchip Mill, and we have received this Bob Horner evidence today of the bid from that consortium. Are you or Mark Sealey aware of any other bids for the Triabunna Woodchip Mill?

Mr O'CONNOR - I heard a lot of rumours, but when I was going for it I don't think anyone else bothered at that stage. I did not know about Horner, like Mark said, but he would have only stepped in if I hadn't. I have a feeling Les Walkden might have had a look at it and SFM might have a look. I don't know what they offered Greg to start with but I know that he accepted what I offered.

CHAIR - Thank you. Mark, do you have anything to add?

Mr SEALEY - I have no knowledge of any other offers.

CHAIR - Ron, we thank you for being on the phone from Queensland and appreciate your time with our committee this morning and we also thank Mark Sealey for his advice. If we have any further questions to follow up, are you happy to respond accordingly?

Mr O'CONNOR - Yes, please ring or let me know.

THE WITNESS WITHDREW.

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Mr LEIGH ARNOLD WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED

CHAIR - Welcome to the committee, Mr Arnold. Thank you for appearing. The committee is pleased to hear your evidence today but before you begin, have you received and read the guide sent to you from the committee secretary?

Mr ARNOLD - I didn't get around to it.

CHAIR - I reiterate some of the important aspects of the document. Committee hearings are a proceedings of parliament. This 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 outside parliament. It applies to ensure that the Parliament receives the very best information in conducting enquiries. It is important to be aware that this protection is not accorded to your statements that may be defamatory that are repeated or referred to outside the confines of this parliamentary proceeding.

It is a public hearing today - members of the public and journalists are present - and that means your evidence may be reported. It is important that should you wish all or any part of your evidence be heard in private that you advise the committee in advance. We welcome you to the committee and thank you for coming down from up north. We now welcome you to make an opening statement and perhaps tell us a little bit about yourself while you are doing that, and we will then go to questions.

Mr ARNOLD - To get right to it, I had a meeting with Alec Marr in late 2011 after they'd bought the Triabunna mill. It was just to explore whether they'd be interested in leasing it and I suppose it became pretty obvious that that wasn't going to happen, so when they called for expressions of interest I didn't bother because it was never going to happen.

CHAIR - We can go to questions, but can you just tell us a bit about yourself, your business and why you had meetings with Mr Marr, just to put it in context for the committee? Because we are looking into the terms of reference it would help us if you could expand on that to start with.

Mr ARNOLD - I've been involved in the timber industry all my life. I probably eased out of it a little bit probably six years ago. It was probably an opportunity I thought might have been there.

CHAIR - What sort of business did you run at the time? What made you go and talk to Triabunna Investments and Mr Marr?

Mr ARNOLD - I just thought there might have been an opportunity there when the dollar came off a little bit to get back into export. At that time the dollar had basically brought the industry to its knees.

CHAIR - You were operating in the industry at the time, Mr Arnold. Can you explain to the committee the nature of your business and why you sought that meeting?

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Mr ARNOLD - We were probably doing a little bit of timber harvesting. We'd eased right back and were down to probably 20 per cent or 30 per cent of what we had been doing in the years previous. I just thought there might have been an opportunity there if they were serious about leasing it or doing something with it, but -

CHAIR - You didn't think they were?

Mr ARNOLD - No.

CHAIR - Why do you say that?

Mr ARNOLD - They said as much.

CHAIR - What did they say?

Mr ARNOLD - He basically said that they weren't serious in going forward with it.

Mr JAENSCH - When did you have that discussion do you reckon?

Mr ARNOLD - It would have been late 2011.

Mr JAENSCH - So they had purchased the mill and there had been some media at the time from Gunns and the new owners that their intention was to operate it as a mill in the future.

Mr ARNOLD - Yes, once this IGA TFA thing was done and sorted they wanted to operate it. That was the media.

Mr JAENSCH - Was it your intention to just say, 'I'm here if you're ready to do business' - is that what you were trying to do?

Mr ARNOLD - Basically, yes.

Mr JAENSCH - Did they tell you they weren't interested in talking to you about that then or at all?

Mr ARNOLD - I think it was obvious. I tried to explore on the day whether there would be any opportunities going forward but I think basically they weren't interested in going forward.

Mr JAENSCH - Did you have the impression that they weren't interested in what you were offering or -

Mr ARNOLD - They weren't interested in anything.

Mr JAENSCH - What sort of pitch did you make to them? What did you offer?

Mr ARNOLD - I just asked what they'd be looking at going forward and we discussed the AFS standard, FSC, and they said from what they could see nobody would be getting FSC, and that was one of their demands if anybody was to. It was all a bit of a joke really.

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Mr JAENSCH - Subsequently Mr Marr said they spoke to various people who were interested but no-one could come forward with a proposal to meet any standards. Did they give you any standards or guidelines that they wanted you to meet?

Mr ARNOLD - FSC was one of them. In saying that he doubted that anyone would ever get FSC.

Ms O'CONNOR - Mr Arnold, just going back to the conversation you had with Mr Marr, you said the word 'they' a couple of times; did you meet with Mr Marr and someone else?

Mr ARNOLD - He was representing the group so, to clarify that, he was the only one there.

Ms O'CONNOR - Did he actually say to you that Triabunna Investments Pty Ltd 'weren't serious about reopening'?

Mr ARNOLD - I think he did, actually.

Ms O'CONNOR - Are you prepared to state that under oath?

Mr ARNOLD - Yes, that's going back a while and I never took notes to that effect but yes, I think he did.

Ms O'CONNOR - You believe that he did, and Mr Marr might be the one to put the question to. In your belief he said that, were there any qualifiers around it, such as 'We would open the mill if an operator came to us who had FSC certification'?

Mr ARNOLD - It was fairly informal. It was a fairly light discussion. At the end of the discussion I don't think there was any question in my mind that they ever had any intention of ever opening it. Hence when they formally put out expressions of interest, I didn't bother because I thought it was a waste of ink.

Ms O'CONNOR - Did you think it was a waste of ink because your operation could not achieve FSC certification or because you thought under those circumstances Triabunna Investments wasn't going to re-open the mill?

Mr ARNOLD - A bit of both really. I went to a worldwide conference probably going back 10 or 12 years ago here in Hobart for a couple of days and after going to that I formed a view that FSC certification was a trophy which to try to obtain it the way we do business in Australia would be almost impossible.

Ms O'CONNOR - Why do you think it would be impossible? That is obviously what the markets, to a reasonable extent, demand - FSC-certified timber products.

Mr ARNOLD - But if you go into some third-world countries, business is conducted with bribes and thuggery.

Ms O'CONNOR - But we are not a third-world country.

Mr ARNOLD - That's why we can't obtain it, I don't think.

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Ms O'CONNOR - Just to be clear here, are you saying that those organisations and the body that administers FSC is open to bribes and thuggery?

Mr ARNOLD - In third-world countries, yes. After going to that conference and talking to some of the other delegates that were there and the way they were operating, I thought it was never going to happen.

Mr SHELTON - A few questions around the mill. As you have said, you have been in business for a long time and this committee is investigating where Triabunna goes in the future, and given its strategic position and the depth of the port and the accessibility to the southern forests as well as all through the Midlands, and we have talked to Mr O'Connor this morning, in your view what sort of throughput would you need in a mill in order to sustain it when looking at your proposal or thinking about this? The actual number of tonnes that has been mentioned - 500 000 already today for throughput of the mill - is that about what you would estimate you would need? I think Triabunna almost had almost a million before - 800 000.

Mr ARNOLD - It all depends on your cost structure, how many employees you have there, if you wanted to run that mill - and I don't know the mill very well - how many people you needed to run that mill to make the whole thing work. It gets back to cash flows, too. If you're rolling out a boat every month, that would be ideal - say, 40 000 tonnes a month - but does that suit the shipping schedules?

Mr SHELTON - We now note, through an article, that the mill doesn't exist at all, but the reality is that southern Tasmania needs an outlet for its waste coming out of the sawmilling industry, et cetera, so we need to look at the ability to export some of the waste out of the native forest. Do you believe there an opportunity in the south-east of Tasmania to export any residues out of native forest?

Mr ARNOLD - I believe there is. To be honest with you, my opinion is Triabunna doesn't work. There's not enough resource close to Triabunna, given the fact a lot of that resource has been eroded over the years by the swift parrot and whatever else they have dreamt up to chip away at the resource. It's too far to take it out of the southern forest to Triabunna anyway given where the price of chips would be at the moment and our high dollar.

Ms O'CONNOR - Mr Arnold, you stated you got out of the timber industry more or less six years ago and that the dollar basically brought the industry to its knees. Do you agree that is fundamentally what happened to the industry in Tasmania when it went through that difficult period leading up to when the industry went to the environment groups and said, 'Let's talk', that it was the dollar and the market circumstances?

Mr ARNOLD - I would say the dollar basically brought the industry to its knees. Given our fickle government at the time, the environment groups drove the boots into the industry while it was on its knees.

Ms O'CONNOR - What do you think the government could have done - put some more subsidies in or something like that?

Mr ARNOLD - Probably could have done something to remove some red tape and make life a little bit easier for industry. I think you're asking probably the wrong questions here.

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The reality is, why would they sell a mill for \$10 million when somebody was offering \$16 million? Obviously Gunns wanted to screw somebody over on the way out. What was the point of it? I think you'd have to look at FT. Everybody else was just collateral damage.

Ms O'CONNOR - Could you elaborate on that, Mr Arnold? Do you think Gunns made a commercial decision to sell the mill for \$10 million out of spite towards Forestry Tasmania?

Mr ARNOLD - To a certain extent, yes. Did Greg L'Estrange really have any fat in the game himself?

Ms O'CONNOR - He was the CEO of Gunns.

Mr ARNOLD - An employee, ultimately. The industry as a whole for a long time were the people who make all the decisions. How many of those people have fat in the game?

Ms O'CONNOR - It's like politicians who send young men off to war, isn't it?

Mr ARNOLD - It is. You look at the Scottsdale sawmills - that ultimately was a game of brinkmanship and the people of Scottsdale lost.

Ms O'CONNOR - From a personal perspective, where do you think the relationship between Gunns and Forestry Tasmania went sour?

Mr ARNOLD - I don't know specifically. All I know is that for a GBE, FT have a real knack for turning industry people against them, so you have to wonder about the whole structure of it.

CHAIR - Can we bring you back to the impacts on Triabunna and the forest industry of the closure of the mill and the non-re-opening of the mill? What is your response to that?

Mr ARNOLD - It has devastated the community. You only have to go down there. If it was not for Graeme Elphinstone there and, let us face it, Graeme is manufacturing trailers and a lot of what he is manufacturing is going to the mainland. You have to wonder why he stays. With his manufacturing business he could operate from anywhere in Australia. He was one business that you could say grew off the back of the Triabunna mill. It's a real success story, a credit to him.

CHAIR - You are painting a picture of what the industry was like at the time and you have said that you were wanting to go ahead, if at all possible, to operate the mill and presumably make a few dollars on the way through. You thought there was a market to operate and do what you wanted and you could make a buck and employ people and keep the industry going. Can you describe your understanding of where you saw things and the market at the time?

Mr ARNOLD - There's always a market at a price. It's whether you can do it for that price. The first thing was to explore whether the mill would be available and then where the markets are.

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CHAIR - Did you discuss it being available for five years? Did that come up?

Mr ARNOLD - No, we didn't discuss terms like five years, although I would have been looking for more than that.

CHAIR - You have described it, using your words, as 'all a bit of a joke or a waste of time.'

Mr ARNOLD - Yes.

CHAIR - Is that based on your discussions with Alec Marr?

Mr ARNOLD - Yes.

CHAIR - But you wanted to express an interest to operate the mill if you could make a deal?

Mr ARNOLD - Yes. I wanted to explore if there was a deal there to be done and if they were interested, but there was no legitimate interest.

CHAIR - I think the advertisement for expressions of interest in the local papers appeared on 16 November 2011 or thereabouts.

Mr ARNOLD - It was before that.

CHAIR - Did you have meetings before that?

Mr ARNOLD - Just the one meeting with Alec Marr and that was at Carlton House at the farm.

CHAIR - Have you had a chance to read the *Monthly* article which was one of the stimuli -

Mr ARNOLD - I didn't read that article that they've carried on about where they wrecked things and carried on.

CHAIR - I put this to you from Alec Marr, quoting from this document.

Mr ARNOLD - I wouldn't mind a copy of that, if you have a spare one, and then I could read it.

CHAIR - It is a public document. From the article it says:

To pre-empt any such intervention concerning the mill being compulsorily required, Marr longed to wreck the mill infrastructure. This would entail a breach of the forestry agreement which stipulated that the mill remain operational. Marr recruited three ship welders, two from Launceston and one from interstate, and a seasoned electrician to do the job. The team needed to be tight because it would have to operate in secret. Wood stayed away but invited Mike Bowers, the star photographer of the *Global Mail*, to document proceedings. Marr sacked his site manager and sent his caretaker, who lived on-site with his family, on leave. He then chained the gate, stocked up on

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food and hardware and holed himself up in the mill's reception and office block to await the arrival of his wrecking crew.

Mr ARNOLD - That's interesting - 'wrecking crew'. They basically said that they recruited a wrecking crew. I reckon Terry Hazell and Rodney Howes would be pretty interested in that because you can bring a wrecking crew into a site and destroy something. I think they had a bit of a hard time in the Southern Forest with their equipment at one stage.

Ms O'CONNOR - Isn't the difference that we're talking about a private property and the private property owner makes certain decisions about what happens on the site, whereas you're talking about an operation that has happened in a public forest?

Mr ARNOLD - Yeah, but a wrecking crew's a wrecking crew, isn't it? I suppose if you've got the contacts to recruit a wrecking crew and you describe them as that -

Ms O'CONNOR - That's the journalist's description, it's not a quote from Alec Marr.

Mr ARNOLD - Oh, okay, no worries. Like I said, I haven't read it.

CHAIR - The two quotes from Alec Marr here say, 'I've been waiting 27 f***king years for this', and the next, 'We were buying the port more so than the mill itself. It was a bullseye. We totally f***ked them'. Does that coincide with your -

Mr ARNOLD - The Greens basically get around and think they own everything they see, including private property, and they can put their views onto everybody else. It's interesting to hear there's been talk of government compulsorily acquiring Triabunna and god knows what over the last few years and listen to them cry, 'Oh no, it was private property.'. I've got absolutely no time for the Greens, none. I think 99 per cent of them are hypocrites -

Ms O'CONNOR - Thank you, Mr Arnold.

Mr ARNOLD - No problem - but I think if they own private property, that's their property. Now they own it I don't think anybody has the right to impede on that private property. What they do is their business.

CHAIR - But it doesn't surprise you what he was doing? Is that consistent with the discussions you had some years earlier?

Mr ARNOLD - No, he didn't mention anything along those lines, I have to be honest. To go back to what Mark was saying earlier in relation to any other opportunities in the south of the state, Macquarie Point is a working port.

Ms O'CONNOR - Mr Arnold, do you spend a fair bit of time in Triabunna?

Mr ARNOLD - Not a lot, no.

Ms O'CONNOR - But you have connections up that way. I'm just interested in your take on what the feeling is in Triabunna now, because they've been through this really difficult time, about the future.

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Mr ARNOLD - One truck driver who works for me has been with me 12 or 13 years and he's from Triabunna. He's always talking about what everyone's up to there and where they've ended up. I suppose it's the social cost of what happened at Triabunna. You had bloody good men working there now scattered all over Australia and by and large their families are left behind.

Ms O'CONNOR - Part of the role of this committee is to explore how potentially government can help Triabunna and what sort of opportunities there might be for this region in the future in the absence of a functional chip mill. I'm interested in your views on what the opportunities are for Triabunna.

Mr ARNOLD - You're probably talking to the wrong bloke because I think the opportunities for anything in Tasmania are very limited. For any significant investment in Tasmania in any sort of industry now you're basically looking at one term of government - you've got to be in, out and done within one term. If you blokes get back in there -

Ms O'CONNOR - Labor was in government for 13 or 14 years.

Mr ARNOLD - Yeah, but when did it all go totally pear-shaped?

Ms O'CONNOR - When the electorate got sick of them.

Mr ARNOLD - Yeah - take a look in the mirror.

Mr SHELTON - When it comes to your discussion with Mr Marr and the insight you got from that, expressions of interest come around and you deal with contractors and other people who talk in those circles. Are you aware of anybody else who expressed an interest in Triabunna Investments, or had any discussion with people along those lines?

Mr ARNOLD - Not firsthand; I heard that there were a couple that did put in an expression of interest but that was all secondhand so whether it's right or not I don't know.

CHAIR - Just following on from that, you talked about the industry at the time, the devastation in the local community and that the resource was there and you were willing to have a go. What about now? I am not saying you, but if somebody wanted to have a go and get involved in the forest industry using Triabunna, do you think that is a possibility if somebody wanted to do that?

Ms O'CONNOR - How could they use Triabunna?

Mr ARNOLD - I'm a little bit with you here, which is a bit odd. Basically somebody else owns Triabunna.

CHAIR - What if the port was available?

Mr ARNOLD - I still don't think it'd work because ultimately with the cartage distances where the bulk of the wood was coming from to go to Triabunna, it was basically killing Triabunna anyway.

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CHAIR - That's just your view?

Mr ARNOLD - Yes, and what stops Hobart? Basically there are just too many people here who do not need commercial activity to survive. Like I said before, you have a working port here, Macquarie Point. Woodchips are just another cargo.

Ms WHITE - In the point you just made about Triabunna and its location to forests you said it was basically killing it anyway. Do you mean because of where it is located it was quite unviable?

Mr ARNOLD - I think when you look at some of the cartage distances there, there wasn't a hell of a lot of close wood to that Triabunna mill.

Ms WHITE - Gunns closed the mill before it was ever sold. Do you think they did that because it was costly to cart woodchip there?

Mr ARNOLD - The price for the wood ultimately reflects on the price of the product out the other end and if you milled all prices with too much cartage in that price, your product out the other end is getting too dear.

Ms WHITE - So with all of that in mind, you were still interested to tender to operate the mill?

Mr ARNOLD - If it was available and then you would explore the option. Where we are at now? We've basically got federally-subsidised cartage.

Ms O'CONNOR - To Bell Bay.

Mr ARNOLD - All over the state.

CHAIR - Mr Arnold, quite clearly you wanted to put in an expression of interest to operate the mill, you have come to the committee and shared that evidence to us, so clearly in late 2011 you thought there was an opportunity to operate a woodchip mill out of Triabunna using the port there - is that right?

Mr ARNOLD - Yes, I thought there was an opportunity there.

Mr SHELTON - Originally the strategic advantage of Triabunna was the fact that it had all of the east coast forest available as well and a lot of woodchips were carted out of the Lake Leake area to Triabunna and it was strategic in the sense that it was a deepwater port and within a 120-kilometre radius you could get to the east coast forest and come out of the Southern Forest. The east coast forest has been regrowing now for 30-odd years when I count my childhood trips over Lake Leake and the activity in that area.

Mr ARNOLD - There's probably quite a bit of thinning there that could be done but whether that would generate the volumes, I don't know. There's a lot of thinning there that probably really does need to be done.

Mr SHELTON - That is a question for FT later on.

Mr ARNOLD - I think the biggest thing with this whole inquiry is why would somebody sell something for \$10 million when somebody else was going to pay \$16 million?

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Ms O'CONNOR - What do you think, Mr Arnold?

Mr ARNOLD - I think there was a bit of 'stick the knife into FT on the way out the door' involved. Probably a commercial decision as part of that would be if there was to be a pulp mill, if there is one less export operator in the state it's one less competitor for the wood.

Mr JAENSCH - Mr Arnold, you just raised a question about why you would sell it that way. Why would you buy it that way? We've seen a couple of operators who haven't had a long history in the timber woodchip export industry buy a chip mill that wasn't operating and then advertised that they were going to run a tender process. They're telling us no-one was interested in operating that chip mill. You had an early discussion with them and decided there was nothing in it for you and there was no interest from them in talking to you about the business. Why do you reckon they did it? You talked about Gunns' motives, but what about the other side?

Mr ARNOLD - I suppose lots of loose cash. Perhaps it made them sleep better at night, I don't know.

Mr JAENSCH - The article that triggered this inquiry puts the case that Mr Marr and the people he represented set out to close this down and put a great big dent in the industry. Does that ring true for you?

Mr ARNOLD - History is going to show it that way, isn't it? What other reason is there?

Mr SHELTON - So from the conversation you had with Alec Marr, walking away from that meeting you had similar feelings, as you've mentioned, that there was no advantage to you to go down that path and you came out of that meeting thinking that chip mill would never open again?

Mr ARNOLD - Yes. A bloke who drives a truck for me, Rick Sutcliffe, was all hyped about Triabunna saying, 'I reckon she'll get going' - he was basically willing it to fire back up and I said, 'Mate, it's not going to happen'.

CHAIR - You told him that?

Mr ARNOLD - Yes.

CHAIR - He is one of your own workers?

Mr ARNOLD - Yes.

CHAIR - So that's how convinced you were?

Mr ARNOLD - Yes.

CHAIR - Thank you, Mr Arnold, for being with us today.

THE WITNESS WITHDREW.

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Mr ROBERT TORENIUS, TORENIUS TIMBER, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thanks, Mr Torenus, for being here today. It is much appreciated.

Mr TORENIUS - That's all right, a bit of a rush, but anyway.

CHAIR - I have a few remarks to share with you before we start. Have you received and read the guide sent to you by the committee secretary?

Mr TORENIUS - I did.

CHAIR - I would like to emphasise a couple of those points. A committee hearing is a proceeding in parliament. This 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 and without the fear of being sued or questioned in any court or in any place or parliament. It applies to ensure that parliament receives the very best information when conducting 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 by you outside the confines of this parliamentary proceeding. It is a public hearing today. We have members of the public and journalists and they may be present to report on your evidence. It is important if you wish all or any part of your evidence to be received in private, that you give us an explanation about that in advance. Does that make sense?

Mr TORENIUS - Yes, that is fine.

CHAIR - Thanks again for being here. On behalf of the committee we welcome you to make an opening statement, maybe share a little bit about yourself and then we will move to questions.

Mr TORENIUS - I am in the timber industry, sawmilling. When it became clear that the woodchip mill would be closed at Triabunna, I was involved in two particular consortiums to try to do something about it. The initial one was when the Triabunna mill was put up for sale by Gunns. My company was involved with quite a few other interested parties in the industry, including FT, to put a proposal up to Gunns to buy the mill and operate it. That was unsuccessful and the mill was then sold to Cameron and Wood.

It was really disappointing to see that it went out of the industry's hands. It left a dilemma with us - what to do with the residues. Once it became clear and Alec Marr was put in charge of the mill, I started making some contact with him. Consequently another consortium was formed when it was in the hands of Alec Marr to maybe have some sort of an arrangement to run the mill and that way get rid of our residues.

I had a couple of conversations with Alec Marr, which abruptly ended with a - and I will pass this on - with a fax - actually it was an email that I received from him on my phone, to virtually -

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CHAIR - A text on your phone or an email?

Mr TORENIUS - Sorry, a text on my phone, which I still have on my phone to indicate that he certainly wasn't interested. I can pass this around if you like.

CHAIR - Can you read it to us or give us a copy?

Mr TORENIUS - Yes, this was emailed to Adrian Lacey.

Ms O'CONNOR - Adrian Lacey's position at the time, just to be clear?

Mr TORENIUS - No, this was emailed to Adrian Lacey about two or three weeks ago.

Ms O'CONNOR - Adrian is in Forestry Tasmania now?

Mr TORENIUS - Is he?

Ms O'CONNOR - Is he, I don't know, I am just trying to get some clarification.

Mr TORENIUS - I think he is with the minister.

Ms O'CONNOR - Adrian is with the Minister for Resources.

Mr TORENIUS - Yes.

Ms O'CONNOR - Okay.

Mr TORENIUS - It reads, this is the transcript:

Dear Robert, I have been very disappointed with your continued public attacks on the reserve agenda. Let me be clear no logs from within the reserved agenda will be coming through the gates of Triabunna. Is there still any point in meeting? Alec

CHAIR - Was that an email or a text message to you?

Mr TORENIUS - It was a text message.

CHAIR - You are reading to us a text message from Alec Marr to you.

Mr TORENIUS - That came to my phone.

CHAIR - Do you have a date when that was or can you remember?

Mr TORENIUS - It was 9 August 2011.

CHAIR - Thank you.

Mr TORENIUS - I can pass this on to you if you want to make some copies.

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Ms O'CONNOR - For clarification, Mr Torenus, is it your understanding that what Mr Marr was saying was that if the timber that you wished to put through the mill comes from the reserve forests then Triabunna Investments is not interested?

Mr TORENIUS - I think it is pretty clear that is what he was saying. But at that time there was no indication of what the reserve system was going to be, how big or when.

Ms O'CONNOR - Had you discussed with him the prospect of Forest Stewardship Council certification and also whether it was possible to access a resource from outside what was broadly known to be the reserve areas?

Mr TORENIUS - Quite frankly, it didn't get that far. There was no appetite from him to even discuss it. Consequently, the second consortium that I was involved with, we put in an application when it was advertised in the paper that they were looking for someone to run the mill. We put a proposal up. It was drawn up by Robert Eastment and, as far as I know, there was never any reply to that.

CHAIR - Robert Eastment is appearing before us tomorrow, so we can ask him.

Mr TORENIUS - Yes, check that out. As far as I know, as a member of that consortium, I did not hear anything back that it was even received.

CHAIR - Mr Torenus, we need to be thorough with our inquiry. You referred to two commercial transactions this morning, one to purchase the mill and one for the expression of interest. We need to deal with both of them but separately.

For the first one, are you able to tell us who was in the consortium and describe the transaction and how it came to be? You wanted to put in a bid for the mill. Did you proceed with it? Tell us the terms and conditions, what feedback you received from Gunns.

Mr TORENIUS - I will try to remember as much as I can of it. FT was involved, ourselves, Bernard McKay, Kelly's sawmill, SMF, John Pity from Porter's [TBC] and I think Ta Ann may have been, I can't remember.

CHAIR - Can you check that and get back to us?

Mr TORENIUS - Yes, I can check that.

CHAIR - Describe for the committee what happened.

Mr TORENIUS - We employed Bob Ruddock to do the proposal.

CHAIR - For a forestry consultant?

Mr TORENIUS - Yes. After quite a few meetings it was decided that we would put an offer of \$5 million for the chip mill and that was formally presented to Gunns and was consequently knocked back. The whole idea of that consortium was that FT would own the woodchip pile and we would run it as a consortium. That would work that way. They would do the selling of the woodchips overseas. There was a lot of work and money that

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went into this one. I think we all put in about \$7 000 or \$8 000 for the consultant and we know the result of that sale, it went to Cameron and Wood.

Ms O'CONNOR - Mr Torenus, how was the figure of \$5 million arrived at as a potential value for offer to Gunns?

Mr TORENIUS - At the time, Bob Ruddock did all work on the woodchip mill and we did all the feasibility studies, had a look at Gunns' running costs and, at the time, it was virtually scrap value.

Ms O'CONNOR - The mill itself?

Mr TORENIUS - Yes. Unless something happened there, it was just scrap value.

Ms O'CONNOR - Given that Gunns had closed the mill and it was moving out of native forest logging and woodchipping and said that the mill wasn't viable, how was your consortium proposing to make the mill viable, or was it contingent on the continuation of subsidies?

Mr TORENIUS - I don't know whether they ever said it was unviable. There were other markets we were looking at - China. I think the numbers stacked up. I don't think there was any problem.

Ms O'CONNOR - If the subsidies continued, the numbers stacked up because industry -

Mr TORENIUS - No. The numbers stacked up because FT was going to finance the woodchip pile.

Ms O'CONNOR - Through subsidies?

Mr TORENIUS - I don't know what subsidies they have.

CHAIR - Let the witness respond to the questions.

Mr TORENIUS - As far as I know and the numbers that Bob Ruddock came up with, it did stack up. At \$5 million, if we could have picked up that mill, the numbers would have stacked up in selling the chips. For one thing, we could get rid of our residues and FT could get rid of its forestry residues.

Ms WHITE - When you engaged Bob Ruddock to do the work for you, was he the one who went on site to assess it?

Mr TORENIUS - He did all that sort of work.

Ms WHITE - Did he assess the wharf as well?

Mr TORENIUS - Yes, which I believe belongs to TasPorts.

Ms WHITE - So that valuation was done on assessing all the equipment on the site, including the wharf?

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Mr TORENIUS - Yes, that's right. I have been to plenty of fire sales of sawmills, woodchip plants and what have you, and that's about all they're worth - scrap value - unless there's a market for it, which we had. We had a Forestry Tasmania consultant who was working in China and he had markets for woodchips. There was no problem with that. The only problem was there was no appetite to sell it back to the industry.

Mr JAENSCH - Can you tell us about the subsequent bid you were involved with as an expression of interest to operate the mill that was advertised by Triabunna Investments? Who was involved with that one and what were you proposing?

Mr TORENIUS - There were ourselves, Kelly's sawmill and two of the cartage contractors from the Derwent Valley - the Triffetts. I think that was all that were in that initial consortium, but others would have been brought in if we had been successful.

Mr JAENSCH - Did you put together a proposal after the advertisement was put in the paper?

Mr TORENIUS - Yes. Rob Eastment did all that.

Mr JAENSCH - What response did you get when you submitted that? Did they come back with detailed guidelines?

Mr TORENIUS - Absolutely nothing, as far as I know, and Robert Eastment can confirm that. I don't know whether they even acknowledge they had received it. Alec Marr was the one in charge up there at the time.

Mr JAENSCH - I think in the advertisement there was reference to detailed guidelines being provided, or you would be required to meet detailed tender documents that would be made available. Did you get as far as getting any of that?

Mr TORENIUS - No.

Mr JAENSCH - So you were just pitching what you thought you could offer?

Mr TORENIUS - Yes. It was very much an expression of interest to run that mill as a consortium of sawmillers and logging contractors.

CHAIR - Do you have a copy of that?

Mr TORENIUS - I will have, but I will need a bit of time to dig it out.

CHAIR - Was it a credible commercial document? Do you stand by it?

Mr TORENIUS - Yes, it was an expression of interest.

Ms O'CONNOR - Mr Torenus, the advertisement says:

The lease will be for an initial period of five years. The mill will be operated in a way which is consistent with the aims of the Tasmanian Forests Intergovernmental Agreement 7 August 2011.

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Do you know if Mr Eastment's EOI application on your behalf addressed the tender criteria and said that your proposal would be consistent with the intergovernmental agreement or the forests agreement?

Mr TORENIUS - We were very much relying on Robert's expertise to do that, if it got that far. You will have to ask him.

CHAIR - But you wouldn't have expressed interest if you didn't see merit in doing so, and you were a consortium and stood behind that document and were prepared to back it up.

Mr TORENIUS - Yes, absolutely. Obviously there was a lot more work to be done if it had been acknowledged they were interested.

CHAIR - You would have thought you'd get something back and maybe some tender documents?

Mr TORENIUS - Yes, that's right.

Ms O'CONNOR - Was your consortia prepared to operate the mill in a manner consistent with the forests agreement objectives?

Mr TORENIUS - I don't think there was any other choice; that would have been the case. We were interested in trying to save the sawmilling industry at the time and the huge amount of sawmill log residue that was left in the forests, otherwise we would have to stop our operation. In fact, we are still there. We cannot sell our residues at the moment, except up north and it is unviable to send them up there.

Mr SHELTON - It is obvious you have been enthusiastic about trying to create an avenue for the waste from your sawmill.

Mr TORENIUS - Absolutely.

Mr SHELTON - In a general sense, where are you now with the waste? How important is finding a solution to this waste to your ongoing business?

Mr TORENIUS - Absolutely imperative. We are absolutely choked with residue wood. We have been able to sell some into the firewood market and some into garden mulch type of arrangements, but it is imperative. The other thing that we did as a proof is to look at the possibility of loading woodchips from the Hobart wharf with a portable tip loader/conveyor. FT was backing us on that as well, but at the time we were just told that there is no way they want those dirty rotten things on the wharf.

Mr SHELTON - As the sawmilling industry goes, you have markets for your top-line product; you can get rid of that coming out of Tasmania. You are not FSC certified or anything like that. It is the waste stream that is an issue for the industry?

Mr TORENIUS - Which was about 10 per cent of our bottom line. We lost that straightaway. Even at the moment, woodchips are selling into China for about \$47 a tonne. If the loader was here in the south we could still make a little bit of money on it and get rid of them, but

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freighting them up north, which is for us about \$37 a tonne freight, is out of the question. We are going backwards.

Mr SHELTON - Your category 1 logs, and people talk about the forest industry and how dead it is and so forth, you have no trouble selling those lines? You are still cutting as much as you have done and finding markets for all that?

Mr TORENIUS - Yes, a huge demand out there, especially now that the volume that is coming out of the forests is reduced by virtually half. The demand for quality Tasmanian hardwood has really grown.

Ms O'CONNOR - Is the price at a premium now? Is it a good price?

Mr TORENIUS - Absolutely. A good price. As far as trends change and fashions change in timber, as they do in anything else, there are a lot of people now wanting having feature-grade timbers, which then utilise a lot of the lower grade sawlogs in sawn kiln-dried timbers. That is a trend that is happening in things like flooring. People want feature in their flooring, rather than just bland select grades.

Mr SHELTON - How much of your product that you produced at the mill goes into the Tasmanian market, versus exported out of the state, gaining income?

Mr TORENIUS - We send a little bit interstate, but probably only about 10 per cent, but the rest is all used in Tasmania. We developed a market for a species of Tasmanian hardwood called Johnsonite - yellow gum - which is extremely good and meets all the fire criteria now with all the fire restrictions. It is also an extremely good timber for outside - decking and those sorts of things. We now cannot get that because it is locked up in the reserves.

Mr SHELTON - As a product goes, if you cannot get rid of your waste stream or get some sort of return for that, where does that place you in the market when you are trying to compete against Victorian ash coming in and pine and so on? How important is this waste stream to you?

Mr TORENIUS - It's a huge problem because of the space that it takes up to store it somewhere. We bundle it up into huge two-tonne bundles and just place it somewhere. We have it stacked all over the place. It is an increasing fire danger. We nearly lost our mill in that fire two years ago. Also, the loss of revenue because we're not being able to sell it.

Ms O'CONNOR - You were saying before that the timber products that come out of your sawmill are in high demand and are getting a good price. Do you think that the price that consumers are now prepared to pay - not a premium necessarily - but they are prepared to pay more for Tasmanian timber, in part because of what has happened over the last four, five, six, seven years, because the timber supply has narrowed so people understand they are buying something that is rare?

Mr TORENIUS - There could be a little bit of that in it because it is becoming a more exclusive product. Also, there are not as many producers.

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Ms O'CONNOR - What you have lost in your revenue stream from the residue sales, has that been made up for by being able to get a higher price for the sawmill products that you are producing?

Mr TORENIUS - That's a good question. I think it is something that we have been able to ride the storm, so to speak, by being able to at least sell some of our residues into the firewood market, but we still desperately miss that particular income stream for the residues. It is not just income streams, it is actually getting rid of the volume of it which is a problem.

Mr JAENSCH - Mr Torenus, we have a submission here from Mr Alec Marr, who said that the tender process was kept open for a year without receiving a single serious business proposal for the lease of the mill. You have told us about a consortium of at least three or four players, yourself being one of them, and that you hired an industry expert the media interviews every time there is a forestry issue on, Robert Eastment, who we will be hearing from later in the process. You made a submission in responding to that tender process. Are you aware of any others who did?

Mr TORENIUS - Not offhand, no.

Mr JAENSCH - Do you think there was broader interest in the industry in that process getting up and there being a viable operator for the mill?

Mr TORENIUS - I'm not sure. To be quite honest with you, we were quite despondent because we didn't get any reply from Mr Marr and I think we needed to try and do something, even though we were pretty sure it wasn't going to get up because of the way the whole thing is set up.

Mr JAENSCH - Why did you think it wasn't going to get up, because you didn't have a strong business case or because there was no interest at the other end?

Mr TORENIUS - Because Alec Marr was going to control what went through that gate and he made it very clear to me that they would be watching every log that went through that gate. I just couldn't see, even though we tried very hard, how it could possibly operate.

Mr JAENSCH - Under those conditions.

Mr TORENIUS - Under those conditions.

Mr JAENSCH - Did they supply you with any detail on what those conditions were so that you could address them in your EOI?

Mr TORENIUS - No. Ours was an expression of interest to take it further, so those sorts of things would have come - dotting the i's and crossing the t's.

Mr JAENSCH - The advertisement said that detailed guidelines would be provided to the preferred party.

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Mr TORENIUS - If we couldn't even get a response to an expression of interest, we couldn't afford to spend thousands of dollars doing comprehensive reports just for it to fall on deaf ears. Robert Eastment should be able to fill you in more on those technical parts.

Mr SHELTON - That quote from Mr Marr said there were no serious responses.

Mr JAENSCH - He said there were no serious business proposals for the lease of the mill.

Mr SHELTON - So he is saying that yours wasn't a serious proposal.

Mr TORENIUS - I think if you read between the lines there, 'serious', all those sorts of words, what does it really mean? Who was going to ascertain what was a 'serious' proposal or not?

Mr SHELTON - So you object to that statement?

Mr TORENIUS - I do, because they could have had the courtesy to let us know that there was a possibility, if we got all of the things in line and everything stacked up, that they could talk to us. Instead, I got a letter back from them saying there is no point talking to me, because I gave a couple of television interviews trying to support the timber industry. That is all I did; I have never bagged anybody.

CHAIR - Mr Torenus, can we go back to that point because it seems that Alec Marr did not like what you said publicly because he said in his text message, 'I have been very disappointed by your continued public attacks on the reserve agenda', so what do you think he was referring to?

Mr TORENIUS - I'd hardly call them attacks to start off with. I was trying to put the industry's side, like where I was speaking from as small-medium sawmilling operation.

CHAIR - You object to that?

Mr TORENIUS - I do. I object to that because you just couldn't deal with him.

CHAIR - So that text message came through to you, and your response was, 'Hello there. Wondering if you're in a position to meet?', and there was no reply from him to that last request from you. So you got that text back and that was it, was it?

Mr TORENIUS - Yes.

CHAIR - Was there anything else?

Mr TORENIUS - No, nothing.

CHAIR - No documentation, no tender documents?

Mr TORENIUS - Personally I haven't heard anything from anybody since then.

CHAIR - And none of your consortia would have got anything back?

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Mr TORENIUS - Not that I know of.

CHAIR - Mr Marr has given evidence in a submission to this inquiry, which is on the public record, and the *Monthly* article which you might have seen says:

Although Wood and Cameron had initially said they 'hoped' to reopen the mill in keeping with the forestry agreement, Marr admitted this was never on the cards. Bids by various parties, including the government's Forestry Tasmania, to lease the site, were rebuffed.

Is that consistent with your thinking?

Mr TORENIUS - That pretty well confirms everything from my side of things.

Ms O'CONNOR - Mr Torenus, Gunns closed the Triabunna mill in early June 2011. What we are exploring here is the sale process and why Gunns sold to Triabunna Investments Limited. An inquiry has been established to have a look at the circumstances surrounding the sale but, ultimately, where do you think the nub of the issue is here? Can you see what purpose there is in an inquiry looking at the sale of a private property to another private property owner?

Mr TORENIUS - These are just my thoughts on this. I believe Gunns sold the Triabunna woodchip mill to that particular consortium, Cameron and Wood, to gain support for the pulp mill up north - the public licence, so to speak, from the Greens. The social licence.

Ms O'CONNOR - But you would understand that the Greens - and I can speak for the Greens in this instance - would never have supported a pulp mill in the Tamar Valley. Are you talking about the Greens or the environment signatories to the process?

Mr TORENIUS - Call it whatever - environment signatories, then. That is what I think they were doing. Gunns made sure it didn't get into the hands of the existing industry, at the peril of the existing industry. That's what I believe.

Mr JAENSCH - Mr Torenus, do you see that the Government's payment of compensation to Gunns for exiting native forest was part of the same agenda? How is that viewed in the industry?

Mr TORENIUS - Just personal thoughts on that - some of the contractors were paid out with Gunns contractors. I don't know. That's a tough question. I'm not in government and I don't make the decisions. At the time we were all wondering what sort of deals were going on.

Mr JAENSCH - That's why we are having this inquiry.

Ms O'CONNOR - It's actually not why we're having the inquiry, Roger, but I'll let that one pass.

CHAIR - You have talked about the industry and the market at the time and that you came forward with an expression of interest because you thought there was adequate resource and as business people you could make a dollar. That was in 2011, but I want to bring you

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forward to today and get your thoughts on the merit or otherwise of a woodchip mill operating out of Triabunna at the moment if the port was available. You have talked about the importance of residue et cetera, so do you have any views you would like to share from that aspect?

Mr TORENIUS - We all knew it wouldn't be at the volume it was operating at its peak but at least it would allow the residue to be chipped - at the moment we're selling whole logs from the wharf - and it would allow that to keep going. The volume we were talking about in Triabunna was somewhere around 500 000 tonnes a year. That is from all the sawmills and the forestry residue and any other residues from any private land clearing, councils and all that type of thing.

CHAIR - Would you support efforts for an operation to get going again if it could?

Mr TORENIUS - We're hanging out for it.

CHAIR - You would support it straightaway?

Mr TORENIUS - Absolutely.

CHAIR - What things could you do to support it? Are you saying the key consortium members and others in the industry would get behind such a project?

Mr TORENIUS - The few that are still left. There is not many of us but I know that McKay's are in a huge problem once the subsidy runs out on the woodchip, as are ourselves, Ta Ann, all those people. The solution may be some sort of loading facility in the south with the chips brought in from satellite chippers and loaded onto a ship. I don't know what the critical mass is for a shipload.

Ms O'CONNOR - Mr Torenus, when does the subsidy run out for the woodchips that you were talking about earlier?

Mr TORENIUS - I believe October.

Ms O'CONNOR - That is to ship it to Bell Bay?

Mr TORENIUS - Yes, it's a subsidy for the freight.

Ms O'CONNOR - Is the \$1.1 million?

Mr TORENIUS - Yes.

CHAIR - Mr Torenus, we have received evidence today from SFM. It is a public document, signed by Andrew Morgan, managing director and it says that on 16 November the Triabunna Woodchip Mill advertised and they put in an expression on 2 December 2011. That was from SMF and Les Walkden Enterprises. Does it surprise you that they put in an expression of interest?

Mr TORENIUS - No. Everyone was trying their best to try to get something going.

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CHAIR - They also say in this letter, 'No acknowledgement of receipt of the letter was received.' That is consistent with your experience.

Mr TORENIUS - It confirms what I'm saying.

Mr JAENSCH - That counters what Mr Marr says about no credible business proposals received and no tenders received.

CHAIR - Then it says:

In February 2012, David Wise, my business partner and director of SFM, contacted Alec Marr, general manager of Triabunna Investments, via a phone call to inquire as to the progress of the expression of interests. David was told that Triabunna Investments was going through a process and they were going to send out documentation in due course. On 29 February, David send a text message inquiring into further documentation. The text message dialogue is attached.

We have that in this document that has been tabled this morning, which indicates there was documentation sent out for a short list group of applicants. Discussions were taking place with those applicants and the SFM Les Walkden Enterprises application was not shortlisted. The letter goes on to say, 'I have not, nor know anyone who has, seen the abovementioned documentation.'. Are you are aware of or have you seen the tender documentations anywhere?

Mr TORENIUS - No.

CHAIR - You are not aware of anybody else who has ever received it?

Mr TORENIUS - Personally, no, I am not aware.

CHAIR - So whether this is fact or fiction, we don't know.

Mr TORENIUS - We don't know.

CHAIR - Thanks for that.

Ms O'CONNOR - Mr Torenus, do you think that the woodchip export market, or what exists of the market, is viable without public subsidies?

Mr TORENIUS - It's the only thing we've got because looking in the future there could be some other fuels, but they're not there now. Our operation needs something now. If we could have some sort of woodchip industry still going it would be a stopgap until something else comes along because it is going to take a lot of investment to put in ethanol plants or any of those types of industries and we need something now.

Ms O'CONNOR - Is it more about the volume of residue businesses are left with than it is about any money that's made from the industry?

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Mr TORENIUS - The volume is a big issue but we could certainly do with that extra bit of cash out of it as well so we can keep people employed in our businesses.

Ms O'CONNOR - Do you know of anyone who has had any discussions with the Government, whether it be the Department of Economic Development or what used to be DIER, about alternative uses for the chips?

Mr TORENIUS - There has been some talk of making them into pellets as a trial plant; I think McKay's have put in to try to make some fire pellets for wood heaters. We have not. We invested some money into a saw that cuts the packs into firewood. That is something we have tried to do ourselves with limited funds. We have not approached any other government organisations and I do not know of anybody else who has.

Mr SHELTON - As an industry that employs people, where are you going as a business with this residue build-up that's happening and where do you see your future? You can sell the timber produced out of the cat. 8 logs and so forth, but what is the residue doing to you as a business and how are you going to deal with that in the future if there is no solution found?

Mr TORENIUS - The only thing I can think of as a viable option would be for us to put another firewood plant in where we are now. It would be another impost on our finances and another infrastructure which we haven't done except for this particular sort we put in as an experiment. It's a huge problem. Even today as I sit here we have absolutely no room to put any more in; we are actually cutting ribs into the banks so we can stack some more - it's a big problem.

Ms O'CONNOR - What are you going to do?

Mr TORENIUS - I don't know. Anyone want a bundle of residue?

CHAIR - We are out of time but on behalf of the committee thank you very much for sharing with us today and also willing to follow up with the document.

Mr TORENIUS - I was very disillusioned with the whole Triabunna thing; I think you can probably tell that. I think it would have worked under the conditions that were going to be set. There was always going to be wood out there and Rebecca knows who farms this wood, there's wood everywhere, it's growing every day.

Ms O'CONNOR - You mean outside the reserves?

Mr TORENIUS - Yes, outside the reserves. I have private people phoning me monthly to say, 'I have some sawlogs on my block somewhere, can you buy them?' We can't get rid of it.

CHAIR - We are hearing from the EPA tomorrow and private forestry so we will have their views obviously shared with us and may pick up on some of those points. Unless there are no further questions we thank you again for being here.

Mr TORENIUS - Thank you.

THE WITNESS WITHDREW.

PUBLIC

MR KEN HUGHES, KELLARA TRANSPORT, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thank you very much, Mr Hughes. Welcome to our committee hearing today. The committee hearing is a proceeding of parliament and this means it receives the protection of parliamentary privilege. This is an important legal protection that allows people giving evidence to prime committee to speak with complete freedom without the fear of being sued outside the parliament. It applies to ensure the parliament receives the very best information in conducting its enquiries. It is important to be aware that is committee is not accorded to you if statements that may be defamatory are repeated or referred to outside the confines of parliamentary proceedings. This is a public hearing and members of the public and journalists are present today. This means your evidence may be recorded. It is important that if you wish all or part of your evidence heard in private you must make this request and give an explanation prior to giving that evidence.

We would appreciate if you could share who you are and where you are from and some opening remarks before we have some questions.

Mr HUGHES - My name is Ken Hughes and I am the director of Kellara Transport in Launceston. We were hired by a company called Timber World at Scamander to transport machinery out of Triabunna Woodchip Mill to various places around Tasmania, all done on behalf of Timber World. Bronte Booth is the one who organised it.

Ms WHITE - What date were you contracted?

CHAIR - Do you want to table those documents with us, Mr Hughes? That would be appreciated and then we could have the documents to refer to.

Mr HUGHES - Okay.

CHAIR - Putting that in context, you are a transport company and you've been contracted accordingly?

Mr HUGHES - Yes.

CHAIR - Can you describe the nature of those arrangements? Is it normal for your business? How many are in the business? What is the nature of the arrangement you had with Timber World?

Mr HUGHES - Timber World is a client of mine. We transported a lot of the transportable homes they were building and also various machinery they required for the sawmill.

Ms O'CONNOR - How long-standing is the business arrangement with Timber World?

Mr HUGHES - Probably the last 10-12 years.

CHAIR - You mentioned Bronte is representing Timber World in those discussions with you.

Mr HUGHES - Yes, in discussions - it wasn't with me, it was with my operations people.

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CHAIR - Can you give us their full names?

Mr HUGHES - There is Bronte Booth and my general manager is David Hughes. He organised the movements.

Ms WHITE - Mr Hughes, the machinery that was arranged to be transported from the Triabunna mill site, do you know whether that was sold on?

Mr HUGHES - I don't know that.

Ms WHITE - Where did you have to transport it to?

Mr HUGHES - There was a large wheel loader that was transported from the Triabunna mill to the Meander sawmill on 6 November 2013. On 16 November 2013 we transported a cab chassis - a truck with no trailer - and a telehandler from Triabunna, and also a forklift from Hobart.

Ms WHITE - So it was mostly machinery that was transported from the site, not the actual equipment that would be used for the running of the mill?

Mr HUGHES - No, it was the machinery.

CHAIR - Do you want to walk us through these three documents you have there, starting with the first one?

Mr HUGHES - The first one was a wheel log loader that went from Triabunna to Meander - that is probably about a 30-tonne machine.

CHAIR - For the novices in the room, can you describe the loader, the size and nature of it, was it second-hand? Do you know what sort of value would be attributed to such a loader?

Mr HUGHES - I don't know the value. There was a wheel loader for loading and shifting logs around.

CHAIR - So a substantial machine?

Mr HUGHES - Yes, a very large one.

CHAIR - You must have had a decent sized truck to move that?

Mr HUGHES - We carry anything up to around 65 tonnes.

CHAIR - When would that agreement between David Hughes and Bronte have happened, weeks before that?

Mr HUGHES - Probably just a few days.

CHAIR - Was there a phone call?

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Mr HUGHES - There was a phone call made to David for us to move it.

Ms O'CONNOR - Can you see any problem with an arrangement between your transport company and Timber World in relation to the Triabunna mill?

Mr HUGHES - No.

Ms O'CONNOR - Do you think there is an issue here? Do you think anything underhand has happened?

Mr HUGHES - I don't know.

Ms O'CONNOR - I am curious to know why you have been called and what relevance it might have to the terms of reference of the inquiry.

CHAIR - Cassy, why don't we go through the three documents and then you can ask some questions.

Ms O'CONNOR - I think that's an important question so I will come back to it.

CHAIR - Fair enough. Go to the second document.

Mr HUGHES - The second one was a cab chassis and a telehandler. A telehandler is a type of forklift with an extendable boom.

CHAIR - How big was the cab chassis and how big was the -

Mr HUGHES - I don't know that, to be honest. I don't know.

Ms O'CONNOR - These are probing questions.

CHAIR - So a cab chassis and a telehandler ex-Triabunna to Legana.

Mr HUGHES - Yes.

CHAIR - And an S7T fork.

Mr HUGHES - No, a 7-tonne fork went from Timber World Hobart to Legana, to Danbury Drive.

CHAIR - Where in Hobart was it?

Mr HUGHES - From their business in Hobart.

Ms WHITE - I assume that wasn't anything to do with Triabunna.

Mr HUGHES - That one wasn't, no.

CHAIR - Where did it go to exactly in Legana?

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Mr HUGHES - To Danbury Drive.

CHAIR - What number?

Ms O'CONNOR - What is the point you are making here, Chair? None particularly?

CHAIR - We will see.

Ms O'CONNOR - I am sure we will see.

Mr HUGHES - It's 33-35 Danbury Drive, Legana.

CHAIR - And the next document.

Mr HUGHES - The next one was a 7-tonne forklift from Triabunna that went to Timber World at Glenorchy, Hobart.

Ms O'CONNOR - As far as you are concerned, Mr Hughes, what your transport company was doing was, commissioned by a private business, to collect some machinery from another private business and obviously there had been some sort of arrangement between these private businesses.

Mr HUGHES - Yes, that's fair to say.

CHAIR - There has been a report in *The Advocate* newspaper with respect to some equipment moving from the Triabunna woodchip mill to Timber World at Meander to Timber World in Hobart and then to a residence in Legana. That *Advocate* newspaper article referred to that property being owned by a member of parliament, Kim Booth. Are you aware of that newspaper report?

Mr HUGHES - No, I am not.

CHAIR - I haven't got it front of me but there was a report along those lines.

Mr JAENSCH - Do you want it?

CHAIR - Yes. It says 'The *Advocate* has learned that items including a wheel loader and forklift were taken from the Triabunna mill for Timber World late in 2013 and early in 2014'.

This has only related to late in 2013.

Ms WHITE - No, there is the last one.

CHAIR - The last one was in early 2014.

Meander-based Timber World used to be run by Mr Booth. It is now run by his son, Bronte.

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The disposal of the equipment followed the mill being closed by Gunns Limited, bought by environmentalists Graeme Wood and Jan Cameron ... and then, according to a recent article in *The Monthly*, trashed so it could not be used again by the timber industry without major cost.

The Greens, including Mr Booth, campaigned hard against the woodchip industry.

Mr Booth - now Greens leader - has no direct involvement in Timber World.

It is not believed he gains financial benefit from it.

The Advocate asked Mr Booth a series of questions, including:

There is no suggestion of any sort of illegality here, but do you acknowledge this is not a good look for an MP from a party, and who personally, fought against the woodchip industry?

Mr Booth said he could not comment on details surrounding the private property of private businesses.

'It is worth noting that it is standard practice that when a farm or forestry business somewhere around the state closes down, their competitors go along to buy second-hand equipment,' Mr Booth said.

'If Triabunna Investments want to sell off redundant equipment, then it would logical that it is bought by other sawmills or businesses which use heavy equipment, but any questions about that should be redirected to those businesses involved.

'As there is no suggestion of wrong doing or illegality, I am not sure really what the point here is.

'The Greens party and myself as an individual have long been on the record advocating alternatives to industrial scale woodchipping of our special forests, and we will continue to do so. There can be no surprise about that. If anyone has genuine concerns of potential wrongdoing or illegal behaviour then I would urge them to send any information they may have to the relevant authorities such as EPA or Tasmania Police.

Triabunna Investments and Timber World have a commercial arrangement for works on site. That is obviously some arrangement between those two companies. That is the main thrust of *The Advocate* article and some key questions were asked of Mr Booth and responses that are in *The Advocate*.

Ms O'CONNOR - In the absence of meaningful questions, Mr Hughes, you had the whole newspaper article read out to you.

CHAIR - Was there any other equipment or items, apart from what is in these documents that were transported to Timber World?

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Mr HUGHES - Not that I'm aware of.

CHAIR - Are there any other responses that you would like to share with the committee from the article that has been read?

Mr HUGHES - No, I think that must have come from another party, I think, it was Graham Lucaston [?] that I spoke to. I think that is from there.

Mr JAENSCH - There is a suggestion that Mr Booth has somehow taken delivery of some of this. He lives in Legana, apparently. Do you believe that these items were taken to Mr Booth's address?

Mr HUGHES - I believe so, yes.

Mr JAENSCH - You believe that the items were taken to Mr Booth's address in Legana?

Mr HUGHES - Not all of them.

Ms O'CONNOR - Wasn't it a single item?

Mr JAENSCH - A single item was delivered to Mr Booth's address in Legana.

Mr HUGHES - No, it was two items.

CHAIR - A cab chassis and a tilling handler.

Ms WHITE - One of them wasn't from Triabunna.

Mr JAENSCH - One of them was being relocated from Hobart. I don't know Mr Booth's address or his operation - is that a business address?

Mr HUGHES - I'm not too sure on that.

Mr SHELTON - I'm aware that you weren't the driver of the vehicle but there are some issues around the timing of the decommissioning or dismantling of the chip mill. You have indicated to the committee that on 6 November 2013 that the activity took place where your company moved the wheel loader to Meander, and that was fair enough.

We have in front of us the decommissioning rehabilitation plan for January 2014. Even though you could argue that moving a main wheel loader for sale isn't decommissioning, it is evident to me that there was some work on site in decommissioning and removing the wheel loader on that particular day.

Was there any comments about the state of the mill from your drivers when they performed these tasks?

Mr HUGHES - No.

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Ms WHITE - It is also machinery. It is not equipment necessarily for the continuation of the mill activities. I understand the point you are trying to make, Mr Shelton, but I think it is a bit of a long bow to draw. The EPA report says that formal notification was provided that the permanent cessation of operations at the Triabunna chip mill had happened on 10 October 2013.

Ms O'CONNOR - It's not as if the Environment Protection Authority wasn't aware.

Ms WHITE - This is for 6 November the same year, a month after the EPA's notification.

CHAIR - You're not saying it's a long bow to draw that a member of parliament is receiving equipment?

Ms WHITE - I didn't mention that.

Ms O'CONNOR - You're making some quite serious assertions, Mr Barnett.

CHAIR - What is the long bow to draw you are referring to?

Ms O'CONNOR - You're trying to slur by association and using a parliamentary committee to do so.

CHAIR - I am asking questions.

Ms WHITE - I am saying there is further evidence that needs to be considered before statements are made by members of this committee.

Mr JAENSCH - Mr Hughes, with the equipment moving out of the Triabunna site, I know in the article in *The Monthly* there is a reference to some lengths of belting being taken off-site to be used by farmers for protecting their yards. Is there a clearing sale under way there?

Mr HUGHES - Not that I was aware of.

Mr JAENSCH - Is there much activity in terms of getting equipment off the site now that you are aware of or was it just a one-off?

Mr HUGHES - It was the one-off that we engaged in.

CHAIR - I was advised last week that on Gumtree there was a substantial quantity of belting available for sale at a certain price. Are you aware of that?

Mr HUGHES - No.

CHAIR - So you don't know whether that's related to Triabunna?

Mr HUGHES - No.

CHAIR - What we do know from the document you have tendered to us is that we have a cab chassis and a forklift telehandler and from Triabunna it has gone to a Legana residence

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which you understand to be Mr Booth's. You also have a 7-tonne forklift that has gone from Timber World in Hobart up to the same residence - is that right?

Mr HUGHES - Yes.

CHAIR - Three substantial pieces of equipment.

Mr HUGHES - Yes.

CHAIR - That does raise questions, not necessarily for you but for others and specifically Mr Booth, to answer before this committee in due course. There may be a simple answer but that question needs to be put and it is a very fair and legitimate question that is relevant to this committee, in my view. Others may have a different view.

Ms O'CONNOR - Mr Hughes, do you think there has been any wrongdoing? Do you think there has been anything underhand in your contractual relationship with Timber World as it relates to the Triabunna mill?

Mr HUGHES - I don't know. We were just hired to move this machinery and that was it.

CHAIR - Thank you very much for being with us today, we appreciate it.

THE WITNESS WITHDREW.

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Mr TERRY EDWARDS, CEO AND Mr GLENN BRITTON, CHAIRMAN, FOREST INDUSTRIES ASSOCIATION OF TASMANIA WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED

CHAIR - Thank you very much for being here. You have parliamentary privilege, 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 possible. Protection is not accorded to statements made outside parliamentary proceedings. This is a public hearing. Should you wish to deal with any matters in confidence, please advise the committee in advance.

Mr EDWARDS - I thank the committee for issuing an invitation to FIAT to provide our views about what we believe is an important issue. It is important mainly because it has been the subject of considerable public funds over a period of time, including the rescission of Gunns' previous contracts held with Forestry Tasmania, which was a condition precedent to the sale of the Triabunna mill to Triabunna Investments. So from that point of view I think it is an important issue and one that perhaps does need a hearing.

I want to make it absolutely clear, as we did in our submission, that it is not our intent to get dragged into a political point-scoring exercise, or making political judgements about why particular parties did particular things as part and parcel of the sale of Triabunna, and the decision to either open or not open that mill for business post that sale.

We will try to deal with what we know to be facts and we will try to stick to that. If people ask us to speculate, we will take those questions on their merit at the time, but it is not our intent to speculate about things that we cannot possibly know the answer to. I do not think that would be helpful to you and my opinions about much of this I am sure will not be of much assistance to the committee or to the general public.

The primary issue we wish to deal is the interaction between Triabunna Investments and the group that we are negotiating the Tasmanian Forest Agreement, and trying through that process to understand exactly what the intents of Triabunna Investments were and what various statements that were made around the sale by Gunns Limited to Triabunna Investments actually meant in a real life situation, which is what we were confronted with at that time.

We are bitterly disappointed that Triabunna Investments has not implemented the position it advised to the signatories to the Tasmanian Forest Agreement to reopen the mill for business as a woodchip export facility in conformity with the outcome of the TFA negotiation process. We find that unfortunate and it has produced significant adverse circumstances for the industry from that day to this and continues to be a major problem.

We would also say that if the signatories had been required to produce a second durability report within the next few months, as was originally required by the TFA act, we would almost certainly have had to find this to be a key failure of durability. The failure to secure a genuine viable residues outlet in the south of Tasmania would have been a critical durability issue.

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I am sure you are aware from our submission and otherwise that the TFA required both governments - the state and Commonwealth governments - to do everything they possibly could to secure the reopening of the Triabunna mill. That has failed demonstrably and that is why this inquiry is underway. It is almost perverse when you think about it. Triabunna Investments made clear to the signatories right throughout the negotiations process that one of the key issues for them was the reserves outcome from the TFA. That would be one of the key issues for them about whether they would or would not reopen the mill. They expected an outcome that was consistent with the statement of principles agreement and subsequently the intergovernmental agreement, and by inference subsequently the Tasmanian Forest Agreement to be in place. A finding of non-durability, however, would imperil those reserves and would have meant they would not have come to flow, regardless of the bill currently before the Tasmanian Parliament. That is a little bit perverse but it is nevertheless what would have happened had there not been a change of government at the last election.

In the direct contact that FIAT had with Triabunna Investments it was maintained that the mill would be reopened in a manner consistent with the statement of principles agreement, which I understand was a condition imposed by Gunns Limited in the sale of the mill to Triabunna Investments. It was subsequently stated to be consistent with the intergovernmental agreement, which I think was executed on 7 August 2011. All the discussions FIAT was involved in with Triabunna Investments were really to ascertain with greater precision what that requirement meant, because it is quite vague. We met on three separate and distinct occasions with Triabunna Investments.

The details of those meetings are contained in our submission. Summarising the three of them into one codified set of conditions that were provided to us: Triabunna Investments consistently advised us that their interpretation of that set of words, or those sets of words, was that no wood would be sourced from areas identified by ENGOs for reservation; no wood would be sourced from private land unless it was certified and there was no adverse impact on biodiversity; the mill would only operate for a limited time - and we infer from the subsequent advertisement put in the daily newspapers by Triabunna Investments that their intention was around the five-year period; Gunns needed to advise their satisfaction with compliance with the statement of principles outcomes, including compensation arrangements from Gunns' surrender of its wood supply contracts; and that an operating committee was to be established to finalise the actual operating terms for the mill and to finalise tender documents for would-be tenderers.

We were initially advised that both Timber Communities Australia and the CFMEU Forest and Furnishing Products Division had accepted invitations to be on that operating committee, and an invitation was issued to FIAT to also be on that committee. We never responded to that invitation because the committee never met. We told them we would judge that issue by events that transpired from the issuing of the invitation to the date it became a reality. That invitation was issued to me on ABC television as part of the *7.30 Report* by Alec Marr, which is clearly checkable by anyone who wishes to do so.

Because the requirement for a southern residues export facility in the south of Tasmania was so critical to the operations ongoing of the forest industry in southern Tasmania, and because our determination at that stage was that alternatives were unlikely to be presented by both or either of the governments, the requirements of Triabunna Investments took on

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a very strong, influential position in terms of the eventual outcome of the Tasmanian Forest Agreement.

As one of the negotiators - I can only speak from my own point of view here - we took a particularly keen interest in trying to work out what we could do to satisfy the requirements of Triabunna Investments so that that mill would remain available to the industry because it was such a critical issue in terms of ongoing wood supply for the sawmills and the veneer mills in southern Tasmania.

In our submission I have provided just a short background sketch about why residues utilisation and export are so important in an industry that is primarily focused on sawlogs and veneer logs. I don't intend to traverse that. It was put in as background information for the committee's benefit. I can say that the position of Triabunna Investments most certainly did influence the final reserves outcome of the TFA negotiations process. I say that being one of the negotiators of that agreement.

The industry feels that we were misled by Triabunna Investments and we feel that we were let down by both the state and federal governments of the day over this particular issue. I don't say that lightly. Nor do I say it in any political sense - not in a party political sense anyway. Our concerns were that the mill did not reopen as we were advised it would as we met the requirements. There was no reconsideration of the terms of the intergovernmental agreement between the Commonwealth and state governments, which was clearly flagged as a potential in the event the Triabunna mill did not reopen. That was the intergovernmental agreement signed by the then Prime Minister of Australia and the Premier of Tasmania on 7 August 2011. We feel let down by that and I think we have every reason to feel let down by that.

Finally, no alternatives have been implemented to provide secure longer-term residue solutions in southern Tasmania. That remains the extant position even today. I think from that point of view the industry has every reason to believe it has been let down by the process.

Of greater importance for us is that the ultimate outcome is that we still do not have a viable residues solution in southern Tasmania and we need one. This continues to fetter Forestry Tasmania in its capacity to supply sawlogs and veneer billets to the processing sector in southern Tasmania. It affects the viability of Forestry Tasmania because if you cannot sell the residues arising from a harvesting operation, those operations are unlikely to be viable, and you have all of those other issues of the collection of the residues in the forests, which has all the wildfire implications that go with that along with biodiversity implications which we should not close our mind to.

Equally, the lack of a viable processing residues export facility in southern Tasmania is continuing to bedevil the processing sector in southern Tasmania. Turning a round log into boards means you are going to produce residues. It is a simple fact of life. Nobody wants to buy rounded boards. We need to dispose of those residues. At the moment we have a short-term residue transport subsidy in place provided by the previous government. There was an amount of \$1 million provided for the processors to move our residues from the south of the state to Bell Bay for eventual export. To date, of that \$1 million we have expended as at the end of June \$792 371.27 approximately, which leaves a balance remaining of \$207 628.73 if my maths is correct.

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Ms O'CONNOR - There are media reports that the subsidy is \$1.1 million. That is incorrect? It is \$1 million subsidy?

Mr EDWARDS - It was \$1 million for the processing sector. There was a separate arrangement in place for Forestry Tasmania for harvesting residues which, in my understanding, is \$5 million a year. I know Steve Whiteley is next in line to sit in this warm seat, so he can tell you more detail about that, I am sure.

That \$207 000 remaining, given that the spend is a monthly average of \$66 000, would expire by the end of October this year. If it expires and the state Government is not either minded to or unable to replace it with a further subsidy, it is going to create a very significant viability issue for all of the processing facilities in southern Tasmania as well as for Forestry Tasmania in terms of their viability to go in and access those high-value products.

I can provide a snapshot of the expenditure of that residue subsidy if it is required by the committee in terms of moving monthly averages and the like.

FIAT is looking to this committee to consider the impact of the non-reopening of the Triabunna mill on the terms that were advised to the general public and to the signatories to the forest agreement, in terms of there not being a woodchip export facility currently available in southern Tasmania.

It is a critical issue. It is one this Government now has inherited and needs to turn its mind to, regardless of the outcome of the TFA, regardless of whether the Rebuilding the Forest Industry Bill does or does not pass the Parliament. This issue is going to remain a critical issue and it needs resolution.

We ask this committee to turn its mind to that and consider making a recommendation that this issue be dealt with as a matter of urgency. Initially that would involve calling together all the relevant key stakeholders to work out what the solutions could look like. I don't expect the committee to delve into the viability of various export solutions. I don't think that is within your scope or remit, but a general statement about the need to resolve this as a matter of critical urgency is absolutely vital, in our view.

This matter continues to create substantial dislocation and hardship for the industry. It has done since the Triabunna mill was first closed. That is most recently evidenced by the durability report of the signatories to the Tasmanian Forest Agreement who were then sitting as the Special Council who presented a durability report to both Houses of the Tasmanian Parliament on 30 June last year which highlighted a number of issues causing concern and traced the various implementation processes gone through about a number of elements in the TFA. At pages, 4, 6, 7 and 11 of that durability report, the issue of the non-emergence of a proper solution to the residues utilisation issue is canvassed by the signatories as being a critical issue and remains so.

I use that example because it is one that was signed off and was a unanimous document prepared by the signatories to the TFA. That includes the environment groups that saw this issue is a critical issue for the industry and they understood, after three years of long, hard negotiations, that this was something that needed to be resolved and that there are

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residues produced from harvesting and processing and they need to be used and used productively.

That is an introductory summary of our submission in many respects to save people not having to read it if they don't want to.

CHAIR - Thank you very much, Terry. Glenn, do you want to make an opening remark?

Mr BRITTON - No. Terry is our spokesperson, so I would prefer to leave it.

CHAIR - There is a lot of substance in your report, so we will go to questions now.

Mr JAENSCH - Thank you very much for your submission and for coming today. I want to just go to one of the attachments to your submission which is a letter from you to then Premier Lara Giddings on 20 July 2011. It says that FIAT is aware that former Premier Paul Lennon has been contacted by a prominent Tasmanian businessman at the specific request of Jan Cameron to advise him that she and Graeme Wood had agreed to a condition of sale imposed by Gunns that could prevent the Triabunna Mill from operating for a period of up to 12 months if Gunns is not satisfied with the level of financial compensation they receive as part of the principles process. It also says that FIAT understands that Jan Cameron also informed the Premier of that condition last week, and then you go on to make some comment on that.

I just want to confirm a couple of things that letter implies or asserts. First, are you able, or prepared, to tell us who the prominent Tasmanian businessman is?

Mr EDWARDS - No, I'm not because I don't know. This arose as a direct result of conversation I had with Paul Lennon and I did not ask him that question. He used the term 'prominent Tasmanian businessman' and I interpreted the use of that terminology to mean that he wasn't going to tell me.

Mr JAENSCH - Exactly, because it's a lot easier than naming them. What I am trying to understand is that the payment by the state government of compensation to Gunns which ended up being \$25.3 million or thereabouts -

Mr EDWARDS - \$28 million.

Mr JAENSCH - is effectively a condition of the sale or purchase of the Triabunna mill by Triabunna Investments. The condition regarding this prevented the mill from operating. If that condition was not met, the mill would be kept closed or not allowed to operate again for 12 months. From other statements in your submission that would have a big impact on the broader industry as whole. The money was provided but the mill did not open. So, in this discussion of the circumstances of the sale of the mill and its status, in that deal as part of those transactions, the state paid \$28 million to meet a condition to enable the mill to be reopened and it wasn't.

In terms of your summing-up comments about how we need to take this seriously, the state has already spent \$28 million trying to secure the reopening of that mill as part of this transaction which has not been successful.

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Mr EDWARDS - I think that is a reasonable summary of where things went. I am reporting here in a third-party style and I have to be careful to not say this is fact. I have reported what someone else has said to me and have done so in good faith; I checked the words with Paul Lennon before I sent this letter to the Premier to make sure I had it right because I was concerned that I was quoting someone else and I don't want to do that but sometimes I do.

In this instance you are right. We were told that a condition of the sale from Gunns Limited to Triabunna Investments was that Gunns needed to be satisfied with the outcome of the statement of principles process. That went further to be that they also, as part of that requirement, had to be satisfied with the compensation arrangements for surrendering their wood supply contracts back to the Crown. That was a negotiation conducted by the Tasmanian Government, there was oversight provided by an external probity auditor as I recall at the time of those negotiations, and in the end result a payment was made, so to that extent you are dead right. That did not secure the opening of the mill and on that point you are also right.

I am being careful here not to necessarily infer one flowing from the other.

Mr JAENSCH - I respect that.

Mr EDWARDS - I have to be a bit careful. Even though I am under parliamentary privilege, I don't think it will assist the committee if I start giving you my personal views about who said and did what, when and why.

The payment made to Gunns, as I understand it, was a condition arising from the intergovernmental agreement, that Gunns would be compensated for surrendering its wood supply contracts. I don't think an amount of money was mentioned, but there was a funding component of approximately \$15 million which was offered to Gunns. As I recall, it was rejected by Gunns and a further amount was negotiated in the order of approximately \$28 million, I believe.

Mr JAENSCH - I want to link this back to the way we more broadly discussed the history of this and the circumstances. Part of the purpose of this inquiry is to try to understand what happened. It has often been said that we have a commercial transaction from one company to another selling an asset, business to business. What you are referring to here, the government's payment of an amount perhaps to satisfy one of those businesses, puts the government into that transaction and makes it not a business-to-business straightforward thing. It is something where the government of the day was a party to this effectively and undertakings were given regarding the future of the mill and its reopening, which have not been met although the money was spent.

Mr EDWARDS - Again, I am going to be cautious and say I am not aware whether Gunns did or did not give that commitment as part and parcel of the settlement with the Tasmanian Government. That is a matter you ought to direct to the Premier, who I think was involved in those negotiations at the time, or at least to someone in the Tasmanian Government at the time.

The issue FIAT was raising through this correspondence was that it was our understanding that Gunns had already previously surrendered its wood supply agreements back to

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Forestry Tasmania in writing, and there was nothing to compensate. The context of the discussion at the time was that Gunns was prepared to surrender its wood supply agreements, totalling some 190 000 cubic metres, to make way for an agreement to be reached between environment groups, industry, unions and the community. That was to give the TFA process, as it ultimately became, the space and time it needed to do things.

At that stage, our understanding was Gunns had already surrendered its wood supply agreements once but subsequently sought to surrender them what appears to be a second time - again, I am being cautious with my language - and a payment was made. Did that result in the reopening of the mill? No, it didn't. Was that a condition of that? I don't know.

Mr JAENSCH - In terms of an outcome that maybe was being used as a condition, 'We won't reopen it for 12 months, or we will make it a condition that it doesn't reopen' - it implies that, otherwise it would.

Mr EDWARDS - I can say with authority that when I met with Alec Marr on 22 July 2011, he advised me that one of the key conditions attaching to the mill reopening was that Gunns would be satisfied with the statement of principles implementation, including the compensation payable to Gunns for surrendering its wood supply agreements.

CHAIR - He said that to you?

Mr EDWARDS - That is what Alec Marr said to me and a group of other people.

Mr JAENSCH - The statement you made following that says:

FIAT regards this condition by Gunns to be outrageous and tantamount to holding the rest of the industry to ransom and requires an immediate explanation from Gunns chairman Chris Newman.

Did you get that explanation?

Mr EDWARDS - No, we got no explanation. We finally received correspondence back to this letter from the Premier some time in October of the same year, which was a very short letter saying they acknowledged the nature of our concerns. No further information was provided in any detailed sense. I did receive a short note from the Premier's office - I think that was the one that had the handwritten annotation on the bottom from Mark Sayer, the then chief of staff to the Premier - telling me I was going to be on leave when I received that letter and that by the time I got back everything should be fixed. It does not quite say that in those words; I should not be so flippant.

Mr JAENSCH - That is the one in which the Premier refers says, 'Look forward to working together with you and Forestry Tasmania to resolve this unfortunate commercial transaction.' Again, that to me suggests that the government was either able or thought it was able to contribute to the resolution; to intervene to participate in what has subsequently been referred to as a business-to-business transaction.

Ms O'CONNOR - You're speculating there. You are drawing a conclusion from -

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Mr JAENSCH - Well, it says, 'working with you ... to resolve this unfortunate commercial transaction.'

Mr EDWARDS - I can only rely on the words that are there, supplemented by the note on the bottom of that correspondence from Mark Sayer, which simply indicates that Bryan - I interpolate that is Bryan Green - was to meet with Jan Cameron and Graeme Wood in an attempt to progress the matter. We know what happened subsequently. There are some inferences there, I take that point, but I think the inferences I'm making are valid ones. Whether or not it extends the way the question was, I'm not sure.

Ms O'CONNOR - Mr Edwards, you have said that it was your understanding that Gunns notified Forestry Tasmania in writing that it was surrendering its quota. Have you ever seen that letter, or do you know where it may be? I guess it is in Forestry Tasmania's and Gunns' filing cabinets somewhere, if it indeed exists.

Mr EDWARDS - Again, as an assumption it may well be in the hands of whoever in the state government conducted the commercial exchange with Gunns over the compensation payments. I assume that the probity auditor would have wanted to see that because it was in the public arena at the time.

Ms O'CONNOR - Can you accept that if the matter was being overseen by a probity auditor presumably the government had taken legal advice to determine whether or not it was required to pay compensation for the quota buy-back?

Mr EDWARDS - I can assume that is correct. Whether I'm right or not, I don't know. What I will say from my personal circumstance is that I raised the issue properly with the Premier and made the Premier aware of our concerns. What subsequently happened, happened. We didn't raise the issue further with the Premier post that point. We left it to the probity auditor. I have seen the report of the probity auditor, but it doesn't make an absolute finding around the legality issue, at least the components that were released publicly at the time. There were components of that advice from the probity auditor that were not in the documents provided to me, presumably because they were commercial-in-confidence.

Ms O'CONNOR - But as a member of the signatories group you would have been aware that the buy-back of that quota was a critical component of making the forest agreement work?

Mr EDWARDS - Absolutely. As I just answered before, we are aware that the purpose of the handback was to create the space by reducing the overall sawlog off-take from the forests to enable a reservation outcome which would not otherwise have been available. Had we not seen the handback of that volume and Gunns exiting native forestry there would not have been the space to create 500 000 hectares of reserves because the forests that were available would have all been needed to continue to supply the 300 000 cubic metres minimum supply arrangements that were in the Forestry Act at the time.

Ms O'CONNOR - We have had some evidence given today that the government and the state government, particularly, should have done more to ensure the Triabunna mill opened. What tools do you think government had at its disposal and what rights did it have, in your view, to intervene to force the mill to reopen?

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Mr EDWARDS - I guess the only one that could have forced the mill to reopen in any legal compelling sense would have been compulsory acquisition. That was never discussed with us and it wasn't an issue we were canvassing because we believed - wrongly, as it turned out - that the purchasers of the mill were fair dinkum in telling us that they would reopen the mill if we reached an agreement that was consistent with the requirements they advanced to us. We did that, as you know better than most, and they did not open the mill.

We read *The Monthly* article and I am not going to go too much to that because I have no knowledge about whether it is true or false, or partly true and partly false. But if that is what happened and it was directly done to destroy any prospect of that mill being re-opened, given the assurances we had received from Alec Marr and Graeme Wood, I would be very bitterly disappointed that that is the case.

Ms O'CONNOR - Do you accept that the activities that are detailed in *The Monthly* and are alleged to have happened on a private property happened more than two years after Gunns sold the mill to Triabunna Investments?

Mr EDWARDS - It was AFL grand final day 2013, from memory. But to me, Cassy, the clear issue here is the enduring nature of the commitment that was provided to the signatories, that if we could reach an agreement that satisfied the requirements that Triabunna Investments placed on us, they would reopen that mill, only for five years but nevertheless they would reopen the mill. That would have given us some space to look at the alternative uses for residues project that is currently being conducted through the Department of State Growth. We could have then had the industry on a strategic footing going forward rather than limping from one spot to the next.

This is where we have been let down. I make no allegations about the legality or otherwise of what Triabunna Investments did or did not do to destroy the mill at Triabunna. It is their property and they can do with it as they will. One of the things for this committee is to judge the honour or other or otherwise behind those acts in the context of the commitments that were given. That is what is burning me up, to be honest. I feel very bitterly disappointed, in case people have not detected that yet, that we were conned and fell for it hook, line and sinker. I have never considered myself to be quite that gullible, but clearly I am.

CHAIR - Terry, you have been around for a while. Your and FIAT's expectation under the IGA that the Triabunna mill would reopen was a very high level of expectation that you are sharing with us. I want you to expand on that. When you say you felt gullible and misled under the IGA process you had a strong view that it would reopen and there was commitment. You referred to being let down by the state and federal governments and being misled by Triabunna Investments.

Can you expand on that? What do you mean by that and to what extent were you misled? Are you saying if you knew then what you know now, that the commitments to reopen Triabunna mill did not occur, you would not proceed with the IGA agreement or are you proceeding in good faith? Can you share a little bit more about your thoughts?

Mr EDWARDS - I am happy to elaborate on that. It goes partly to the question Cassy asked that I did not quite answer - and I apologise for that, it was not deliberate. Would we have reached a different conclusion had we known then what we know now?

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CHAIR - You would have.

Mr EDWARDS - Maybe, maybe not. There were other drivers as well. I am not suggesting this was the only driver at the time. We would have been much more circumspect and put much stronger requirements on the two governments to give them the legal right to get that mill to reopen. That is what we would have done.

In terms of what our expectations were and whether they were reasonable or otherwise, I have referred to the three meetings I had with Triabunna Investments in our submission and do not intend to retrace that.

One of the important issues is about the intergovernmental agreement signed on 7 August 2011 and in the heads of agreement that predated that by about a week or a fortnight, both of which were signed by the Prime Minister of Australia at the time, Julia Gillard, and the Premier of Tasmania, Lara Giddings. I spent a whole weekend in the Executive Building over the road from here with those people along with Tony Burke and Bryan Green and a range of other people, engaging in a range of dialogues to try to put together something that we could progress. One of the issues that was a burning issue and I think my recollection is correct, and I am sure Cassy will correct me if I am wrong, but Nick McKim got called in as well during that weekend.

Ms O'CONNOR - Was that the pizza weekend?

Mr EDWARDS - No, it was much earlier than the pizza weekend. One of the key issues that was bedevilling us at the time was just this issue around Triabunna, and as a consequence, there was included in the IGA a provision that said, if the Triabunna mill did not open in accordance with the expectations of the two governments, the two governments would review the outcomes of the IGA. I am paraphrasing but I am pretty close.

Mr JAENSCH - That is in your submission somewhere.

Mr EDWARDS - That is very clear in the IGA; that never happened. We asked both governments on a number of occasions, because of the continued refusal of Triabunna Investments to open that mill, to exercise the right they had under that provision to reopen dialogue about where the whole process was going.

CHAIR - You are saying neither government took that opportunity, and did you ask them?

Mr EDWARDS - Yes.

CHAIR - What did they say?

Mr EDWARDS - We asked them in writing, I think the letter is in here somewhere as one of those attachments, and it is one of those to which we are yet to have a response. I am sure we will get one one day. This is fairly normal, it appears, when you write to the Prime Minister of Australia regardless of the political colour of the day, you don't get responses if they don't want to respond.

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CHAIR - When you say you were conned - you used that word and you have used the word 'misled' - what do you mean and by whom?

Mr EDWARDS - What I mean by that is that Triabunna Investments, on the three occasions we met with them, outlined to us in fairly clear detail what they required for them to exercise the obligation they had under their sale agreement from Gunns, to reopen that mill as a woodchip export facility. We then, in the negotiations process, secured an outcome that was consistent with those requirements and - no mill. It remains today, no mill. Were we misled? I believe so, absolutely. Who were we misled by? In my view, Triabunna Investments because they said if we did these things, they would reopen the mill; they did not reopen the mill even though we did do those things.

CHAIR - You then wrote to both governments to say please follow up, it is part of the IGA, we have that level of expectation that the mill will reopen - and nothing was achieved.

Mr EDWARDS - Nothing.

Ms O'CONNOR - It has been submitted by Alec Marr now in a private capacity, as I understand it he is no longer with Triabunna Investments, that when the tenders were called in the papers for an operator for the mill, Mr Marr's submission is that the conditions Triabunna Investments had set for the operation of the mill - and that goes to sustainability and those provisions you talked about before - none of the potential operators met the conditions set by Triabunna Investments. Your evidence today is that certainly from the FIAT's point of view, you worked very hard to try to meet those requirements that were set out in the tender.

There are two different stories here, of course there are always going to be but I am very curious to know, as I am sure other committee members are, where the truth lies.

Mr JAENSCH - In Mr Marr's submission he says the tender process was temptation for a year without receiving a single serious business proposal for the lease of the mill. He doesn't say that he received proposals but that they were unable to meet his requirements. He just says there weren't any. I think you may be referring to the EOI for the operation later on.

Ms WHITE - I understand that.

Ms O'CONNOR - So do I. I guess the question remains: your statement, Mr Edwards, is that the industry or FIAT worked very hard to make sure that the conditions of Triabunna Investments were met, there were a number of people or consortiums who have stated that they have put in for that tender with no response, and Mr Marr's submission is that they did not meet the requirements of Triabunna Investments. But you are saying that, to your understanding, the requirements were met.

Mr EDWARDS - Certainly from what was put to us. But I think part of the misunderstanding here is about what was actually sought by the advertisement in the newspaper by Triabunna Investments. It did not seek detailed tender documents. It did not ask people to put forward any details about the commercial viability or any of the details around the issues we are now discussing. What it asked people to do was simply to express interest. They did that. It goes on to say: 'Detailed tender documents will be made available to successful applicants.'

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At my meetings with Alec Marr he said a committee would be established to prepare those detailed tender documents; that TCA had already accepted a seat on that committee; the CFMEU Forestry and Furnishing Products Division had already accepted a seat on that committee; and that FIAT had been invited to accept a seat on that committee. It never met, it was never called, so how could we prepare detailed tender documents for people to put forward a detailed tender proposal when there was no proposal to tender against?

Alec Marr can't have it both ways on this. You can't put out an expression of interest and then try to convince the world it was a call for a tender. It was anything but, and that is where the difference is between the two opinions between yourself, Cassy, and Roger on this issue.

Ms O'CONNOR - I am trying not to express an opinion. I am trying to get the detail of the issue.

Mr SHELTON - Terry, to go back a couple of steps, and we are talking about even before the expression of interest, you played a major role in those negotiations as one of the signatories to the TCA document. You indicated you had had a number of discussions with Alec Marr around what Triabunna Investments would be likely to put in this tender document. That is the crux of it: can the industry meet what they are going to put in the document? You must have had a feeling in order to sign the TFA. You must have had a feeling or done some work on the ability of the industry to meet those criteria in those discussions. It is around quantity of timber coming out of areas that aren't in the disputed areas and private land and so on. So where did it go wrong between your interpretation of what they were saying and now basically?

Mr EDWARDS - Our understanding was exactly those that were given to us by Alec Marr. There is an override there, and I hope I have referred to it in our submission. If not, I will clarify it now. There was always an override provided by Triabunna Investments that it had to be a commercially viable proposition that was brought to them to reopen the mill. That is a given but in case I missed it I will say it now.

In addition to that, there would be restrictions about what wood would be allowed to go through the mill, and that is from public land that would only be from land outside of the areas claimed by the ENGOs for reservation. From private land it would only be certified wood - and on the second occasion that was changed to 'FSC-certified wood'; the first time it was just 'certified' - and that did not have an adverse impact on biodiversity. They were the primary requirements; the rest were all about the operating committee and how the process would run.

We met those conditions we could meet. There has certainly been no failure to meet the commercial viability side because it has never been tested. No tender documents have ever been prepared and issued. If they had, it's a further failure to follow through on obligations by Triabunna Investments. They made it quite plain that those tender documents would be prepared by the operating committee including a FIAT representative if we had accepted a seat on that committee, which we didn't do until there was a real reason to do so. There doesn't remain one even today.

Mr SHELTON - Did you say 'if they have' or 'if they had been'?

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Mr EDWARDS - Had.

Mr SHELTON - The expressions of interest went in but the tender documents, for your information, there has never ever been a tender document developed that anybody in your organisation has seen?

Mr EDWARDS - I cannot find any person who has received tender documents from Triabunna Investments to operate the mill. I think I have seen public comment by Alec Marr that they didn't ever issue any tender documents because none of the proposals received met their terms and conditions, which had yet to be laid down.

CHAIR - Regarding offers for the mill, you have in your submission that you were aware of a number of other offers and we have heard this morning evidence from Bob Horner of Finance Hotline regarding a cash offer of \$16 million for the mill, subject to transfer of timber rights, et cetera, so that is now on the public record.

Just to clarify your position, you are aware of other offers. Can you tell us why you think Gunns accepted the \$10 million and not \$16 million or some other figure north of that?

Mr EDWARDS - This requires guesswork on my part about what was in the mind of Gunns. I cannot give firsthand evidence about that. I have views, but they are personal views and they may or may not be founded on the fact.

CHAIR - Well, you have been around for a while and you have an opinion.

Mr EDWARDS - As long as it is understood that that is the basis upon which I do it. I believe it was about Gunns trying to secure an outcome for a pulp mill project on the Tamar. I believe that this arrangement was to progress the Gunns pulp mill proposal, if I could interpolate, at the expense of the rest of the industry. It is only a personal view and it is what I see looking backwards in the rearview mirror. Did I think that at the time? Yes.

CHAIR - So you were suspicious at the time?

Mr EDWARDS - Absolutely. We discussed it at the FIAT board table a number of times. The clear impression of everyone around that table at that time was that Gunns was trying to progress their own interests - that is, the pulp mill - and did not really have much cognisance of the needs or requirements of anyone else in the industry.

CHAIR - If the chip mill export facility was closed down at Triabunna would that help the resource head up to the pulp mill? Is that one of the reasons?

Mr EDWARDS - No.

CHAIR - That was put to our committee this morning.

Mr EDWARDS - I don't think that was the case at all because the pulp mill was only ever going to accept plantation wood.

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The Triabunna woodchip mill is much more important to the industry for native forest export requirement. Certainly, subsequently, plantation wood as it becomes available and matures would be an excellent opportunity as well, but the short-term imperative was around harvest and processing residues derived from securing sawlogs and peeler billets for the rest of the industry. Therefore, it is about native forestry and so no, I don't believe it is that.

It appears to us that there were some discussions that took place behind the scenes between Gunns and some others - who have to remain nameless because I don't know who they are - that said, 'If you do this and sell to these people then we will go a bit softer on you in that other area', and that did not happen either.

CHAIR - You are talking about members of the green movement?

Mr EDWARDS - Again, pure guesswork, but yes.

Mr JAENSCH - Is that what has been referred to since as 'social licence'? Is that the end, because it is not supply of material?

Mr EDWARDS - It has to be around that 'social licence' issue.

Mr JAENSCH - So the speculation is that the sale of Triabunna mill to Triabunna Investments would somehow contribute to the achievement of a social licence for the Bell Bay pulp mill project. Is that by virtue of who it was sold to or that it would lead to the nobbling of the remaining native forest industry?

Mr EDWARDS - I think they're one and the same thing. Selling the Triabunna woodchip mill to Jan Cameron and Graeme Wood, and making Alec Marr the general manager of Triabunna Investments really did not give the industry a hell of a lot of confidence from day one that this was going to work. Did we believe that we could reasonably expect -

CHAIR - Is that tongue in cheek?

Mr EDWARDS - No, no. If you look at my media releases which are in the attachments to our submission I make quite plain that we did not expect this to work at all. Did the industry have any realistic expectation from the day that sale was announced that it could get access to this mill? We had serious doubts all the way through. If you look at one of the letters I wrote we make exactly that point, that we did have serious reservations that this was going to work because we couldn't see, in our heart of hearts, Jan Cameron, Graeme Wood and Alec Marr being woodchip exporters. It did not fit the picture.

Mr JAENSCH - So we saw Gunns remove itself from native forest work entirely and the state pay compensation for that and the rest of the native forest industry undermined, all to establish social licence for a pulp mill we did not get?

Mr EDWARDS - That is what I am inferring. There is guesswork involved in that and it is not factual and I cannot say it is. I want to be really careful about that. I would add, however, that there has also been the payment of something like \$11 million in transport subsidies for residues as a result of the failure of the Triabunna mill to open and those

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subsidies are going to be required into the future if an alternative residues outlet is not identified and implemented as a matter of urgency.

Ms O'CONNOR - Mr Edwards, you talked about Gunns focusing on the pulp mill at the expense of the rest of the industry. Do you think that had been the flavour of Gunns' corporate behaviour for some time? Is it something you think happened recently? Gunns announced that it was getting out of native forest woodchipping because it was not viable, but isn't it a fact that there had been a lot of grumbling within the industry about the way Gunns treated its contractors and shed people for some time prior to the whole Triabunna issue?

Mr EDWARDS - I have a couple of answers to that. The first is, the corporate citizenship of Gunns as a company had undergone something of a metamorphosis in the lead-up to this period and had become much more internally focused and much less externally focused and a lot of that had to do with the amount of money they had been expending to get a pulp mill proposal up that was not going anywhere and there was a frustration element there. If you read the tone of the address to the Forest Industry Conference in Melbourne where Greg L'Estrange announced Gunns' withdrawal from all native forestry, it was a case of, 'We are going to forget everything and everyone else and focus solely on getting a pulp mill up for our business'. I re-read it the other day to refresh my mind and that is the very clear impression you cannot help but get from that statement.

Ms O'CONNOR - Do you agree, though, that Gunns had moved out native forest woodchipping because it was no longer viable for them?

Mr EDWARDS - Again, there is a number of things there. There was a point of time at which it was not viable.

Ms O'CONNOR - That is when the dollar was so high.

Mr EDWARDS - The dollar was extremely high, there were ongoing market protests in Japan by a number of environment groups, and there was the whole question of FSC certification. There is a whole range of issues. There were quality issues; there was a glut of plantation wood becoming available from Thailand and Vietnam. There was a tsunami in Japan which saw a number of the pulp mills there close, some of which have not reopened even today. There is a whole raft of issues and anyone who says it is just one thing is cherry-picking to suit their own argument. It is a lot of different things.

Ms O'CONNOR - I thought it was the disastrous, jobs-destroying forest deal.

Mr EDWARDS - That too - I forgot that one. Thank you for reminding me, my apologies.

Gunns made a decision to permanently close all of their native forest exports of woodchips. In the past they have opened and closed mills to meet the cyclical nature of international markets for any commodity product. This time they were closing them and announced they would not be reopening them; in fact, they were putting them on the market to sell and that was a strategic decision taken by Gunns to focus on the pulp mill project virtually in isolation of everything else. Bear in mind, they were selling their wineries, they were selling their wineries, hardware stores and a range of other things at that time to raise the liquidity to enhance the opportunity for the pulp mill project to run.

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Ms O'CONNOR - What do you think the cost of that decision and direction was for the industry?

Mr EDWARDS - I couldn't put a dollar figure on it; it is enormous. The human cost is more important, in my view, the number of people who are now on the unemployment queues as a result of that decision. The human cost to the regional communities around Tasmania that are suffering even today is almost impossible to contemplate - the hardship created in Tasmania by that series of decisions. It is quite mind-blowing to contemplate. I still lay awake at night wondering whether FIAT and I personally did the right thing during that era, whether we should have stood up and said no. But what would it have achieved?

As you know, because we talked about it at the time, we made judgment calls based on what we knew at the time and, more importantly for the sake of this inquiry, the assurances we were being given. One of those assurances was Triabunna Investments.

Ms O'CONNOR - We had some evidence this morning about the volume of a big tree that ends up becoming residue - I think it was 50 per cent or 60 per cent. In terms of how much of a tree ends up as residue, how much of a tree in the current climate is an issue for the industry, what percentage of a tree, roughly, ends up as potential woodchips?

Mr EDWARDS - I refer you to pages 7 and 8 of our submission where I put some pretty pictures to break up the text. You get low-quality wood out of every tree, no matter the quality of that tree. An amount of the tree can be used for sawmilling or decorative veneers, an amount of the tree could be used for rotary peel veneer billet, and an amount of the tree is going to be chipped. There are also low-quality trees in which 100 per cent of the tree is only suitable for chipping.

Ms O'CONNOR - It looks like roughly 50 per cent of tree ends up as woodchip.

Mr EDWARDS - It depends on a lot of things, including the tree. The average recovery of sawn material from a sawlog is in the order of 35-38 per cent. Glenn can answer that a lot better than I can; he knows how to saw a tree. The rest of the tree can be used for lower quality products and it trickles down to the point where the residues then are chipped and sent offshore as woodchips.

Ms O'CONNOR - Do you know what a tonne of woodchips can now be sold into China for?

Mr EDWARDS - No, I'm not even going to try to guess. Your next witness might have some better information on that so you best direct it to him.

CHAIR - Glenn, were you part of any consortium to purchase the mill or were you part of a consortium to express interest to operate the mill?

Mr BRITTON - No, not personally. There were a number of sawmillers we caucused about putting in an expression of interest, but in the finish we didn't because we were aware of the two or three other entities that we thought were better situated to make an expression of interest and hopefully gain access to the mill.

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I personally approached Greg L'Estrange about our company purchasing the Burnie mill, but we did not get a chance to put in any correspondence on that. It was sold from under us to another entity. I don't think Greg L'Estrange was interested in seeing anyone in the industry. I think Mr Jaensch was on the money when he said they are out there nobble us. I have no compunction in saying I believe that is a fact and that is the case.

Ms O'CONNOR - That Gunns was out to nobble the industry?

Mr BRITTON - Yes, to aid and abet their social licence for a pulp mill.

CHAIR - Their objective to get a pulp mill up?

Mr BRITTON - Yes.

CHAIR - Do you think that is one of the reasons they took the \$10 million rather than the \$16 million?

Mr BRITTON - Yes.

CHAIR - I want to go back to a statement you said in your opening remarks, Terry, where you talked about the need for an export opportunity in southern Tasmania and the importance of that going forward. I would like you to expand on that and what you see are the opportunities there for Tasmania and the forest industry. Can you give us any examples? Are you talking about Triabunna or other opportunities?

Mr EDWARDS - I start with Triabunna. I do not see that is any longer a viable alternative. The mill that was there has been dismantled, rightly, wrongly or indifferently. It is no longer there. The land is owned by people who do not have any intentions of operating a woodchip export facility from their land. We have to accept that at this stage. I do not think we have any alternative.

Then we have to start turning our mind to what the alternatives might look like. Is there an alternative deep water port available in southern Tasmania that could be used to export woodchips? There are several. Which is the most viable, and what are the social, economic and environmental ramifications of each of those options? There was some work done on this for the previous government by the Department of Economic Development at the time; that produced a report. I do not know what subsequently happened to that report but there was one. I have been advised, as recently as yesterday, that the current Government is trying to get some work done in a similar vein to that to try to identify what options may or may not exist as an export woodchip facility.

We need something to move residues from Tasmanian shores whilst we go through that longer term project of identifying alternative uses of residue products in Tasmania. That might be biomass or biodiesel and other opportunities that exist in that space. That work needs time to be done. If we identified two or three options that were available, and there was \$12.5 million funding attached to this from the TFA outcomes to implement those opportunities, our best assessment at this stage would be something like a five-year lead time from identification of opportunity to commercialisation. So we have at least a five-year period that we need to be able to use our residues, or the mills are going to stop or Forestry Tasmania is going to find it not viable to go in to recover sawlogs and rotary- peel

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veneer billets for the industry, because they cannot use or dispose of the residues that are created as a by-product of that process.

It is like the cow going into the abattoir. We would all like to think that every cow is going to come out as only prime cuts of meat, scotch fillet or eye fillet, or whatever your favourite is. But the reality is that part of it comes out as chuck steak, part as mince, part as all sorts of bits and pieces that are not prime cuts of meat. It is the same with the forest. You have some non-prime cuts and some prime cuts, and you need to recover a value from all of them, but you do not try to charge for your mince what you charge for your eye fillet on a per kilo basis. The same with wood. You cannot charge the same for your residue as you do for your sawlog.

CHAIR - In terms of an export facility, what if you could get access to Triabunna? They say that between Eden and Hobart that is a terrifically suitable seawater deep port. We have had a submission from Australian Bauxite in terms of exporting their bauxite - an expression of interest. What is your view on that opportunity for the timber industry?

Mr EDWARDS - There is a number of issues you would need to consider. One of them is the transport economics issue. If you are not carting the logs to Triabunna to be chipped and exported, but are chipping somewhere else, presumably in forest or close to the forest operations, you would need to know where that location was and whether it is a viable proposition to cart to Triabunna to use that deep water port, or whether it is better and more economically viable to cart a shorter distance to a different location in the south of the state - or further south than Triabunna - to Hobart, Margate, North West Bay, Port Huon, the list goes on. You would then do your transport economics about the most economic cart. All of them are very good deep water ports, probably the equal almost of Spring Bay. There is a lot that goes into trying to answer the question. To answer the question you would need a little bit more information than is currently on that question that you have asked. There is a lot of opportunity.

CHAIR - You are saying there is a lot of opportunity, there is a lot of resource there, but there is a subsidy to go to Bell Bay for a lot of that at the moment, but it is month to month at the moment. There is a resource there and there needs to be an opportunity for that resource in southern Tasmania going forward. That is what your call is to us or that is one of your calls?

Mr EDWARDS - Absolutely and that opportunity exists for wood that has been derived from public land in accordance with, at the moment, the TFA outcomes. There is also wood available from private land; currently that would be in the order of about 400 000 tonnes a year, rising to something like 860 000 tonnes a year by 2025.

I noted with interest Alec Marr saying that they couldn't source wood. There is plenty of wood. There is over a million tonnes of the stuff available.

Ms O'CONNOR - Sorry, Terry, in which part, inside or outside of reserves?

Mr EDWARDS - In southern Tasmania. I'm staying outside. I have always stayed outside.

Ms O'CONNOR - Okay, so outside the reserves on public land and private land?

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Mr EDWARDS - Yes.

Ms O'CONNOR - Your assertion is that there is.

Mr EDWARDS - Yes, absolutely, over a million tonnes.

CHAIR - Over a million tonnes.

Mr EDWARDS - Again, your next witness I think will have potentially better information available on that, so I put him on notice. It is a good question to go to him.

Ms WHITE - Terry, you mentioned it would be five years before a viable residue outlet could be identified if we all started working on it today, for instance. The subsidy ceases at the end of October; what is the likely impact for the southern forests once that subsidy ceases and it is not continued?

Mr EDWARDS - If it is not continued I suspect we are going to end up with the same scenario we went through when Artec closed their operations for a period a couple of years ago. People may remember that McKay Timber at Glenorchy had to close their operations within two days because their chip bin was filled and they had nowhere to take those residues and the mill was turned off. It is an automated mill and the chipping is part and parcel of the continuous flow through the mill. Once the chip bin is full, that is it, the mill stops. That would affect, in the south of the state at the moment, McKay's, it would most certainly affect Neville-Smith Forest Products down at Southwood and, to a lesser extent, Torenus.

Ms WHITE - Potentially those sawmills would shut.

Mr EDWARDS - Yes. If they close and FT can't sell wood to them, then it is not going to be viable for Forestry Tasmania to be harvesting to get rotary-peeled veneer billets, in which case Ta Ann's southern operations would close as well.

Ms WHITE - So Ta Ann would close as well?

Mr EDWARDS - Absolutely.

Ms WHITE - You also mentioned that the TFA provided \$12.5 million to help fund some of these new initiatives to do with residue. If the bill passes the House and the TFA effectively no longer exists, and that money therefore doesn't flow, how will these new initiatives to do with residue be funded?

Mr EDWARDS - They would have to be funded privately I suspect. One of the issues we have been trying to deal with the new Government on is the extent to which some, all or any of those funds may or may not still flow. I understand there was a written response to Legislative Councillors that provided a fair amount of detail responding to questions raised by Legislative Councillors to questions posed during the briefing process.

As part of that there was a three-page A3 spreadsheet which dealt with a lot of this stuff. That says that the money available for residue solutions is still available but I think there is an error in the spreadsheet; it has actually dropped it back to \$7 million because they are

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artificially applying some moneys that were expended from a different pot to that pot. When I leave here I will be speaking with the Government further about trying to get that fixed.

Ms WHITE - Which is my next question: what conversations have you had with the government about funding continuing to flow for these residue solutions?

Mr EDWARDS - Numerous and continuing.

Ms WHITE - Any luck?

MR EDWARDS - Yes. We are progressing slowly. There is a number of issues and we need solutions. This is slightly off the track but we need to know what the terms of reference of the proposed ministerial advisory council are. We need to know who is on the ministerial advisory council, we need to know which of those funds that were previously available will remain available and what will be the Government's arrangements around those funds. Can they still be used for their original purpose? If so, given they were previously going to be managed by the special council, what will be the new governance arrangements to ensure those funds are appropriately applied to their end purpose? These are the sorts of questions, quite detailed questions but you can understand why we are asking them and we will continue to ask them until we have answers to them.

Ms O'CONNOR - In terms of the TFA and where it's at at the moment, and FIAT's position that moneys that were contingent on the TFA progressing in the steps in was going to progress, can you see why provided former environmental signatories to the process would feel robbed in some ways because it was proposed that moneys would still flow to the industry, the reserves are not now protected in reserves and there is no certainty of those forests in the future being protected from logging?

Mr EDWARDS - I understand totally how the environment groups feel around that. They feel the same way about that as we feel about Triabunna. They feel the same way about that as we feel about the 137 000 cubic metres of high-quality sawlogs. I think last year Forestry Tasmania managed to produced somewhere around 125 000-130 000 cubic metres. My chairman didn't get his contracted volume last year because of problems encountered through the implementation of the TFA process that adversely impacted on the industry. I could go on, the list is legion, but yes, I understand. No-one got the deal out of that they expected to get out of it.

Ms O'CONNOR - Everyone made compromises.

Mr EDWARDS - Absolutely. I am not saying anything about the outcome of the negotiations. What I am saying is, having reached the agreement we all had expectations that our outcomes would flow. The reality is, some environmental outcomes have not flowed. Some industry outcomes have not flowed and will not flow. Triabunna is a classic case in point today. We were promised that was going to be there and going and it isn't.

Ms O'CONNOR - Just to be really clear. This is my last question as I know you have to go. Who promised you the Triabunna mill would be reopened?

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Mr EDWARDS - Triabunna Investments. It was not a promise by the government and I am not trying to paint that; if I painted that at all, please disregard it.

CHAIR - It was in section 32 of the IGA.

Mr EDWARDS - Yes, it is. The governments adopted the intergovernmental agreement and they adopted the TFA.

Mr JAENSCH - And paid the compensation which was a condition of the sale.

Mr EDWARDS - The TFA required them to do all they could do to get Triabunna to reopen and I think I've also included in our submission, by the time we first did our first durability report, we were so jaundiced about the potential for Triabunna to reopen that we pretty well accepted a one-liner saying, 'It isn't going to happen, both governments have tried and failed'. They couldn't convince Triabunna Investments to reopen the joint.

CHAIR - You said earlier that you had written to both governments and didn't get any response.

Mr EDWARDS - That was in respect of the IGA, not the TFA.

CHAIR - The section 32?

Mr EDWARDS - Yes, of the IGA, which required them or suggested that they would be able to renegotiate or reconsider the outcomes of the IGA, which includes its wood supply and reserve outcomes in the event that Triabunna did not reopen. This goes right back to the Kelty in principle agreement on 22 June 2011 where it was a condition imposed by industry that the Triabunna mill must remain open as a condition precedent for us going forward with that process. It was recorded in writing and was conveyed to both governments by Bill Kelty in his report to both governments. Yet it still didn't happen.

Ms O'CONNOR - Mr Edwards, you would agree that the wording is quite clear in the in principle agreement, that this is the industry agreement being premised on Triabunna reopening and that the environment groups had never agreed that that was your condition.

Mr EDWARDS - Absolutely, and they realised that to get an agreement, to get an agreed outcome, that condition had to be met. That they did recognise and that they did agree to. They can speak for themselves. It is not for me to put words in their mouth. I can only tell you what I know.

CHAIR - Thank you very much, Terry. We have had a good session this afternoon. And to Glenn, thank you for being here and for your submission.

THE WITNESSES WITHDREW.

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Mr STEVE WHITELEY, CEO, FORESTRY TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Barnett) - Welcome, Mr Whiteley. A committee hearing is a proceeding of Parliament. This 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 the fear of being sued or questioned in any court or place out of parliament. This applies to ensure the Parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you for statements that may be defamatory or repeated or referred to by you outside of the confines of the parliamentary proceedings. It is a public hearing; members of the public and journalists are present today and this means your evidence may be reported. It is important that if you wish all or any part of your evidence to be heard in private that you indicate that to members of the committee and give an explanation prior to the giving of that relevant evidence.

Mr WHITELEY - I will make some brief remarks. Some of the detail that FIAT provided covered the background. In terms of context, the Triabunna mill is very significant to the southern part of Tasmania. By comparison, in the northern part of the state there are six woodchip mills that operate: four in the Tamar area and two in the north-west. There is some choice, there are some different businesses and different access, but the south was serviced by one mill only. That is what has made it such a critical issue, dealing with all the residue issues that have been raised. Clearly the closures had a significant effect on commercial viability broadly through the industry and in communities, most significantly felt in east-coast communities but it has resonated through much of the south in various ways as well.

From Forestry Tasmania's point of view, we are very disappointed the mill did not continue to operate. It is a key piece of infrastructure and expressions of interest were lodged by a number of parties and there was also an insurance-style expression of interest put in by Forestry Tasmania. We are not normally engaged in forest processing, but based on requests from some community members, we submitted an expression of interest also.

Terry made mention of resource, and there is no shortage of timber that needs to be processed, in some way, arising from forest operations in southern Tasmania. Principally, at present, that is from native forest eucalypt but increasingly from the hardwood plantation estate. That is also currently impacting on Forestry Tasmania's ability to make the transition out of native forest into a solid wood state. We need to thin those plantations so it not only has current implications for native forest residues that some of our current customers deal with but also development of the hardwood plantation state with a solid wood objective in mind.

CHAIR - Thank you. Can you be a bit more specific about the impact of the closure of the Triabunna woodchip mill on local communities, and particularly the forest industry?

Mr WHITELEY - In practice, Forestry Tasmania was forced to withdraw its operations from the east coast. It had a direct impact on physically operating in the forest on the east coast, with various other avenues to create some residue solution and movement. It was not viable to operate there at all, so that directly affected people who based their businesses

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on the east coast. Some of those were able to be transferred to other parts of the south but it was very disruptive to those communities and those people working there, particularly harvest and haulage contractors.

A lot of businesses were based locally in that area and we did not have areas to operate in that area. People were forced to move to other places and that is what we endeavour to do where possible. Many of the contractors were engaged by Gunns and others and they were the ones who have suffered most significantly. From Forestry Tasmania's point of view, we sought to keep as many of the contractors working as possible but it was very disruptive for those who were working broadly on the east coast, including the Tasman Peninsula area.

From a business point of view, this has had a very significant impact on Forestry Tasmania's revenue and cost structure associated with transport. It has both reduced turnover but added very significantly to the transport costs. In terms of kilometres of log trucks carting wood, it has significantly increased the road miles attached to any wood that is being produced. It is much less efficient. We have more movements on some of the other roads, which we endeavour to mitigate by things like putting wood on rail, but there are more log trucks on some of the other roads over greater kilometres. That is largely associated with carting wood up to Bell Bay in limited quantity.

It has also affected some of Forestry Tasmania's employees. Thankfully there was a process where some of those were able to move across to be employed by DPIPW. That has maintained some specialist land management skills which otherwise would have been lost to the state. It was very disruptive to the people who work in that area in a broad range of ways.

CHAIR - Is there anything else you can say about the impact on the southern Tasmanian forest industry? You mentioned the opportunities in the north and the north-west.

Mr WHITELEY - This was one shot. The other things that Forestry Tasmania endeavour to do were to increase log exports where that was viable. A significant volume of logs for a period was exported across the Hobart wharf. It has had, in some years, 200 000 or 300 000 tonnes of logs across the wharf. It is obviously more limiting in the number of customers that can buy residue-based logs as opposed to processing grade logs. What we aim to do is have all the processing grade logs processed within Tasmania and this was focused on looking just at those logs that weren't of commercial interest to Tasmanian businesses.

CHAIR - Do you have any figures on the total quantity of sawlog residue available per annum or per month over the last four years? Can you provide those sorts of figures?

Mr WHITELEY - We can provide historical breakdown so I will take that on notice. In terms of the forecast, we publish a three-year wood production plan each year. That sets the proportions of different grades of material. Within the south we are looking to produce around 90 000 cubic metres of high-quality sawlog. This is part of the legislated minimum of 137 000 cubic metres. The peeler log supply is split almost 50:50 between the two Ta Ann mills, so there is around another 100 000 tonnes of peeler logs that are directly peeled by Ta Ann of the grade they are currently utilising. There is also some lower grade sawlogs produced but the residues associated with that native forest activity are somewhere in the order of 400 000-450 000 tonnes per year.

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Ms WHITE - Across the state?

Mr WHITELEY - No, in the south.

CHAIR - If you could look into the history books for us, on notice, for 2009, 2010 and 2011 and then in terms of the residue available, that would be appreciated.

Mr WHITELEY - I am happy to provide that historical view of the mix of products that were produced over the last four or five years.

CHAIR - Under the IGA process, that sawlog residue available per annum or per month to Forestry Tasmania, can you provide that sort of information?

Mr WHITELEY - I will give you a structural answer for a start. Within the IGA process there was some resource modelling. It was undertaken by Forestry Tasmania at the request of the signatories and by a third party through Burgman and Robinson, who published a resources report. Whilst FT did the modelling, it was fed into a report they prepared as independent advice to the signatories. Within that, associated with 137 000 cubic metres of high-quality sawlog and around 200 000 cubic metres of peelers, the long-term average statewide is around 900 000 tonnes of residues.

CHAIR - We now have New Forests coming into the market, we understand, so will there be enough residues available in southern Tasmania to maintain that previous operational output out of Triabunna? I believe it was approximately 800 000 metric tonnes per annum.

Mr WHITELEY - The other thing that may be useful to the committee is that there has been a residues report prepared. It has been prepared as a precursor to the resources evaluation being undertaken by State Growth or DIER. One of the inputs to that was Forestry Tasmania and Private Forests Tasmania were commissioned to provide a report on residues of all types. That may be useful to add. In broad terms, it was split into the first five-year period and then the following eight, which took us out to the contract period for all the current hardwood sawmills and Ta Ann. It was looking at residues associated with current contracts and then a longer-term view. My recollection of that is there is approximately 1.1 million tonnes of public and private wood residue per annum. Native forest on both public and private land, so it is both a native forest and an emerging plantation supply -

Ms O'CONNOR - So it is a mix of plantation and native forest?

Mr WHITELEY - Yes, that's right. In terms of the ownership question, it is effectively accounted in that report. To answer your question about the scale of non-softwood - most of the softwood in the south is currently used by Norske Skog at Boyer so the residues are associated with thinning of the plantations on public land for a different purpose. There is the investor base of hardwood plantations that they will need to seek a market for. They were purpose-grown for a fibre customer, so they will be seeking to capture that. If they let the plantations grow beyond a certain age, they will deteriorate and become diseased, so they will need to manage those plantations and make sure they can recover that value. It's an order of magnitude of 1.1 million tonnes per year.

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Ms WHITE - Is that in the south or the state?

Mr WHITELEY - In the south only.

Ms O'CONNOR - That is outside the area that was the proposed reserves?

Mr WHITELEY - Completely outside of that. This does not impinge on any of the proposed reserves no matter what their status may be.

CHAIR - The 1.1 million tonnes, it is 1.1 million tonnes per annum of export. We don't have an export facility to provide for that.

Mr WHITELEY - No. What is happening on private land in the native forest sector is not much, probably nothing.

CHAIR - We have the TFGA coming tomorrow so they will share on that.

Mr WHITELEY - There are two drivers at the moment on public land. One is, by virtue of legislation, Forestry Tasmania is obliged to make available a minimum quantity of high-quality sawlogs and in order to meet the statutory requirements we inevitably produce residues. At the moment we are managing that to try to minimise the quantity. There has been a cap put on the transport assistance of \$5 million. That is enough to cart somewhere between 260 000 and 300 000 tonnes of wood. That is below the available supply but certainly enough to keep sawlog production, peeler log production and harvesting contractor viability ticking along.

CHAIR - Okay.

Ms O'CONNOR - Mr Whiteley, Robert Torenus gave evidence earlier and stated that his company was involved in consortia and that Forestry Tasmania was part of the consortia. They had put in a bid for the mill itself. Can you confirm that?

Mr WHITELEY - No, I can't. I am not aware of that. There may have been some discussions that I wasn't aware of at the time but Bob Gordon might be able to help you with that tomorrow.

Ms O'CONNOR - Alec Marr, in his evidence, states that there was a letter from Bob Gordon to Triabunna Investments suggesting Forestry Tasmania could run the mill but that they made no attempt to satisfy the tender requirements and it was clearly part of a push by FT for more public money to prop up its operations. Forestry Tasmania made no attempt to make a business case for how it would operate the mill profitably. Are you aware of that letter?

Mr WHITELEY - I have copies of those letters, which I can table if you have not received those.

Ms O'CONNOR - I was going to ask.

Mr WHITELEY - There is a number of copies if you need to refer to those. There were two letters, one in which Forestry Tasmania made a submission, having been approached by

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the Glamorgan-Spring Bay Council. There was an approach made by the Australian Manufacturing Workers Union and the Glamorgan-Spring Bay Council, the representatives of the workers at the mill.

Ms O'CONNOR - Before, during or after the sale?

Mr WHITELEY - The letter was dated 21 December 2011.

Ms O'CONNOR - That was after the mill had been sold to Triabunna Investments.

Mr WHITELEY - That is correct. There was an earlier process associated with Fibre Plus. There was some discussion and that ended.

Ms O'CONNOR - That is exactly where I was going next. Mr O'Connor, in evidence this morning, said that Forestry Tasmania had agreed to contribute \$2 million towards Aprin or Fibre Plus' consortia bid to buy the mill. Can you confirm that from Forestry Tasmania's point of view?

Mr WHITELEY - No, I can't.

Ms O'CONNOR - There was also evidence this morning by Mr Leigh Arnold that the relationship between Gunns and Forestry Tasmania had become poisoned, for want of a better word, and that, in his view, that affected Gunns' decision about who to sell the mill to. Can you elaborate on that?

Mr WHITELEY - I don't think I am the best person to do that. I am aware that Bob Gordon is going to speak to you tomorrow, so it is more productive if you ask him.

Ms O'CONNOR - That's fine. Evidence has been given today that there is a market for woodchips in China at present. Do you know what it costs to produce and ship woodchips to China, and what is being paid in China for our woodchips per tonne?

Mr WHITELEY - Yes.

Ms O'CONNOR - Could you tell us?

Mr WHITELEY - I won't give you the amount of money, but Forestry Tasmania supplies pulpwood to Artec and they have markets in Taiwan and China. There is a profitable commercial market for native forest residues in instances. It is commercial where the distance to the woodchip facility isn't too great.

Ms O'CONNOR - Is that profitable without government subsidies?

Mr WHITELEY - Yes, in the instance that the transport distance isn't excessive.

Ms O'CONNOR - I go back to the question. The cost of producing and shipping chips to China is not something you're prepared to share with the committee?

Mr WHITELEY - That is done by the other company.

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Ms O'CONNOR - Which company is that?

Mr WHITELEY - Artec.

Ms O'CONNOR - So Forestry Tasmania doesn't know how much it costs to produce and ship woodchips to China?

Mr WHITELEY - We know how much it costs to produce the logs because we sell them to the woodchip mill.

Ms O'CONNOR - What does it cost Forestry Tasmania per tonne to produce those logs, for example?

Mr WHITELEY - We sell them for a higher price than it costs to produce, so I would prefer not to comment.

Ms O'CONNOR - I am just wondering what the issue is with giving the committee, while you're here under oath, that information. It surely isn't commercial-in-confidence; I can't see the argument for it being commercial-in-confidence.

Mr WHITELEY - We don't sell those products. You would need to approach the business that sold those. Whilst we have some knowledge of the range of prices they receive, that is their business.

CHAIR - That is a matter for Artec.

Mr WHITELEY - That is a matter for individual businesses.

Ms O'CONNOR - But the question was what it costs Forestry Tasmania to get the wood even to Artec.

Mr WHITELEY - The price that Artec purchased those logs is greater than the cost of production.

Ms O'CONNOR - By what margin - 20 per cent, 30 per cent, 50 per cent?

Mr WHITELEY - More than 20 per cent.

Ms WHITE - You mentioned it was profitable if the transport wasn't excessive. Is there a kilometre ratio you could give us as to what is excessive?

Mr WHITELEY - An industry rule of thumb is somewhere around maybe 120 kilometres.

Ms WHITE - When we were talking about the southern forest you mentioned there was 400 000-450 000 tonnes across the south of residue currently?

Mr WHITELEY - Yes, produced in association with meeting the sawlog and peeler log -

Ms WHITE - So that is what is currently being produced?

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Mr WHITELEY - Yes.

Ms WHITE - We've heard that a subsidy to transport that to Bell Bay ceases at the end of October. Does Forestry Tasmania currently access that subsidy?

Mr WHITELEY - No, they are two components to the assistance. There was a fixed amount to cart sawmill residues, and that is what Terry was speaking about.

Ms WHITE - A subsidy for that?

Mr WHITELEY - Yes. Separately we are capping the amount we send from the south to the north at \$5 million per year.

Ms WHITE - And Forestry Tasmania pays for that?

Mr WHITELEY - We pay for that and we have received assistance to do that.

Ms O'CONNOR - Is that \$5 million federal funds?

Mr WHITELEY - I'm not sure. You would need to ask State Growth which pool it came out of.

Ms O'CONNOR - So that was assistance that came out of the forests agreement.

Mr WHITELEY - It came out of the World Heritage Area implementation.

Ms WHITE - So that is \$5 million and you will need that, I presume, in recurrent.

Mr WHITELEY - Yes. Transporting over that distance, there is nothing changed to diminish that cost. We are looking to refine that. As an order of magnitude that would be the minimum required to transport the residues.

Ms WHITE - That is the cost of it, so either you have to find that from within your own budget, or continue to rely on that funding being provided by government, federal or state?

Mr WHITELEY - It's a payment we need to make for contractors in one way or another to transport over a long distance. We utilise the most efficient way we can of carting those logs. Some of it is by road on back-cart arrangements with softwood coming down; some of it is on rail. There are various things we will use over time to try to make it as efficient as possible. At present we have capped that amount of \$5 million and that's associated with carting around 260 000-300 000 tonnes per year.

Ms WHITE - What happens to the rest of it?

Mr WHITELEY - It's left on the forest floor.

Ms WHITE - Terry also gave evidence that it would take about five years to find alternatives to the current solution we have for residues.

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Mr WHITELEY - I believe there should be a window like that. Obviously part of the state should not just continue to export woodchips, but ideally from a state benefit point of view, the more we can utilise and add value to what we currently call residues locally in some way or another, that is what we should aspire to. In the meantime, I think he is correct in that a window of about five years will be prudent while some of these happening. So ideally it will be value adding opportunities to maybe do more peeling or various other things. I think that is what we should aspire to, not simply chase infrastructure to export. But, in the meantime, the reality is, failing those other options there needs to be an outlet for those residues.

Mr SHELTON - I wanted to go back to a question that Ms O'Connor raised that is dealing with FT putting in an expression of interest in the Triabunna mill, and Mr Marr's comments that it never met the criteria, or whatever terminology he put. Have you ever seen the criteria for operation of the Triabunna Pulp Mill that was supposed to be put together for people to submit to? There was an expression of interest process and then there was supposed to be a detailed program after that.

Mr WHITELEY - That was our understanding. So there's two pieces of information I will provide. One was written in response to the invitation to express interest and it was dated 21 December. We received no acknowledgement or response to that expression of interest so were not aware of any other specific requirements that we were quite happy to address. But we did make the point that in seeking to do this was both at the behest of the some community members but also we were concerned that progress towards the TFA may have been in jeopardy based on the understanding of the role of Triabunna. So we did not want that to be a blocker to the whole of the TFA. So that was made very clear. We were not particularly interested in being a processor but, in the interests of the community and the political process that was happening at the time, it was more of an insurance policy from our point of view.

Mr SHELTON - To go to another point, and this is more a local issue that I am dealing with. That is the M Road, and my childhood in seeing the forestry activities through Lake Leake and so on, and it was all being carted to Triabunna. So it was a significant asset to Triabunna, employing a lot of people and so on. That has now gone so the opportunity is lost. You said in your opening statement that it is basically off the cards as far as forestry activity on the east coast. So where does that leave FT with the road infrastructure and everything that was put in, that was directed towards Triabunna, in the future of management of the east coast forest ó that is private as well as public - given that it is now forty-year old regrowth that needs activity, that needs thinning, to get the maximum value out of the soil. Where is FT? What is your strategy for dealing with the east coast forest now that there is no Triabunna?

Mr WHITELEY - If I could just characterise the two. With Triabunna we had started an investment program in thinning, as you suggested. So part of that was to maintain activity to generate future value. So forty-year old trees grown in the east coast circumstance, they would be 80 to 100 years before they got to sawlog size. Any other means of recovering value in the meantime was seen as important and that activity had been taking place.

Contrast at the moment is without a place to sell those products commercially, essentially the east coast has become an area that is subject to non-commercial activities. Maintaining roads, managing weeds, fire fighting and all those sort of things. It has flipped from

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something that certainly still had those non-commercial activities associated with it. I had a revenue stream and also some skilled people working with the forest that were out there dealing with rubbish, dealing with weeds, able to fight fires and those sort of things. So I have actually lost some of our capability. Keeping the mix between commercial activity and land management is something we would seek to do in those areas where we have younger forest, where we know that for many decades they will not be subject to significant harvesting activity, but in the meantime there is certainly value there that can be gained subject to there being an accessible market.

Mr SHELTON - There would also be a loss due to the fact that because of the thinning and so forth that is not happening, then the quality of the eventual sawlog that is being looked at in 100 years time or another 60, has to have deteriorated because of the non-activity in the area.

Mr WHITELEY - The proportion of sawlog would be lower and it would be produced some decades later, so it is both a timing and quality issue to some degree. That investment in thinning is proven - you can grow a greater proportion of higher value trees more quickly.

CHAIR - Did you ever get a response back to the Forestry Tasmania expressions of interest to operate the Triabunna woodchip mill?

Mr WHITELEY - A second follow-up letter sent on 16 March having received no reply - a follow up letter just reiterating my expression of interest - and again there was no acknowledgement or response to that.

Ms O'CONNOR - Was there ever a meeting between Forestry Tasmania and Triabunna investments face to face?

Mr WHITELEY - I think in the early days one of our officers met with representatives of Triabunna Investments. It was not standoffish in that sense but in terms of a formal process, we made a formal response to what had been advertised and did not receive the response that was appropriate for that submission.

CHAIR - You got no response?

Mr WHITELEY - That is correct.

Mr JAENSCH - Mr Whiteley, you have spoken to us about the impacts of the closure of the Triabunna woodchip mill on Forestry Tasmania's operations and costs of things like transport as well. In our discussions with the previous witness, we talked about the state government's agreement to compensate Gunns for their withdrawal from native forests and the extent to which that was a condition of the sale, et cetera. That compensation agreement, did that have then or does it still have now any implications for FT as a state-owned company? Did Forestry Tasmania need to pay anything or forgo anything in terms of satisfying that compensation?

Mr WHITELEY - In terms of a lot of the detail, Bob Gordon is probably in a better place to answer detail around that.

Mr JAENSCH - In general, though?

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Mr WHITELEY - In general terms, the payment made, Gunns owed Forestry Tasmania some outstanding payments for what would have been supplied to them and also had some liabilities for other wood that they had chosen to not receive below the contracted volume, so we engaged contractors and have done various things in order to supply and to some degree they will receive that. It was an amount owing by Gunns to Forestry Tasmania; part of the settlement in our terms was to rectify to some degree those debts that were owed.

Mr JAENSCH - Whilst there were some amounts owed that were historical, in terms of your business that you are the CEO of now, there is a component of revenue associated with that work which you are no longer receiving as well.

Mr WHITELEY - That is correct. Again, in structural terms in the previous legislation, Forestry Tasmania was set up and obliged to make a minimum of 300 000 cubic metres of high quality sawlog available and the associated products, so in terms of the scale of operations, the revenue associated with that and the capacity and employment levels within the organisation, the contractors engaged and those sorts of things, it was set up to operate at that level. With Gunns' exit it dropped by slightly more than 50 per cent in terms of operating level.

Mr JAENSCH - Gunns' decision, its own decision to exit native forests, created a significant operational change for you.

Mr WHITELEY - Very significant.

Mr JAENSCH - Which carries through to today's model. In addition to that, the decision to compensate for that had an additional cost to the state owned company's business?

Mr WHITELEY - No. Forestry Tasmania did not make that compensation; that was a decision made by government. So in fact we were -

Mr JAENSCH - But you wrote off what you were paid.

Ms O'CONNOR - No, that was -

CHAIR - Let the witness respond.

Mr JAENSCH - The State Government paid Forestry Tasmania for that forgone?

Mr WHITELEY - In part. It met most of the obligations. The Government paid on behalf of Gunns, if you want to put it that way.

Ms O'CONNOR - Mr Whiteley, can you quantify in human and resource terms, and that is financial resources, what impact Gunns' decision to exit native forestry had on Forestry Tasmania?

Mr WHITELEY - Forestry Tasmania is the staff, but it is also relationship with contractors and other customers. It was devastating in terms of such a shock. Gunns had built themselves by buying out various other businesses to be the dominant player. They

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accumulated various other sawmilling businesses to the extent that they chose to close at short notice. Devastating particularly on their contractors who were directly tied, but also it had knock on effects to both our staff. It created a very uncertain environment.

Mr SHELTON - But hang on, Mr Whiteley. Gunns handed it back. That is fair enough, but it was not for resale. You could not hand it on. It was the government of the day that made the decision not to put that allocation back out on the market. So it was not Gunns handing back their allocation that caused the issues. It was the fact that it could not be used again.

Mr WHITELEY - The Board of Forestry Tasmania agreed. It was a deed; it is public. It was published at the time - a deed that Forestry Tasmania, in receiving those funds, agreed to the conditions laid down in the IGA. That was a sign-up to the IGA coincident with having some of those debts dealt with and those documents are publicly available.

CHAIR - Those documents are publicly available because they are part of a Right to Information request. I think it was Peter Gutwein and Elise Archer and that is on the public record. I have them in front of me.

Can I follow through? We have just had Terry Edwards here and he has tabled this letter from FIAT to the Premier of 20 July, which is on the public record. It is part of his submission and he said in terms of this financial compensation for Gunns from FIAT's point of view he was very upset about it and he says FIAT regards this condition by Gunns in terms of the condition of the sale agreement to Triabunna Investments. He says:

The condition by Gunns to be outrageous and tantamount to holding the rest of the industry to ransom.

They are some very strong words. Do you have any response to that?

Mr WHITELEY - Terry, as a signatory, has a different place in observing those sorts of things. I guess Forestry Tasmania, both then and now, was not a direct party to the signatories. In terms of agreement or tacit agreement reached between parties, then we are an observer.

CHAIR - When Gunns had voluntarily given up their right to native forests and then the Government subsequently, after the fact, provided compensation, do you know why they did that?

Mr WHITELEY - No.

CHAIR - Do you have an opinion as to why they did that?

Mr WHITELEY - No. Gunns, prior to that arrangement being put in place, had terminated its agreement in writing to Forestry Tasmania.

CHAIR - This is important. I need to finish this question. You have terminated their arrangement with you to access native forests. It is in an agreement which is on the public record, I understand.

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Mr WHITELEY - Prior to the agreement the chairman of Gunns wrote to the chair of Forestry Tasmania terminating the agreement. Some time later there was some other reconciliation made and Gunns may have regretted pre-emptively cancelling their contracts. Nevertheless, that was subject to some scrutiny and prior to any payments being made. But it was clear to FT that the agreements had been terminated.

CHAIR - Where does this fit? There is a letter here, right to information, from Lara Giddings, premier. It is to the chairman of Forestry Tasmania, Mr Kloeden. 'I refer to my letter of 26 August 2011 regarding the forest statement of principles process.' The last paragraph says, 'I would be grateful if you would indicate your acceptance of this offer by signing the attached deed of release by 13 September 2011.' Is that the deed of release when Forestry Tasmania would release Gunns of any claims it had on Forestry Tasmania?

Mr WHITELEY - I understood that release was publicly available, so the matters dealt within that are on the public record.

CHAIR - Is that something for Bob Gordon more so than yourself?

Mr WHITELEY - That is right at that time. I understand the deed referred to is on the public record.

CHAIR - Gunns says it had claims on Forestry Tasmania. Forestry Tasmania says it has claims on Gunns. Gunns has voluntarily given up their right to native forest and subsequently the government provided millions in compensation to Gunns and they say in accordance with the principles of the IGA.

Mr WHITELEY - Following that through with Bob would be appropriate.

Mr SHELTON - Was the contract with Gunns a take-or-pay contract at the time?

Mr WHITELEY - Beyond a certain threshold, that is right. There was a threshold in that some of that was taken.

Mr SHELTON - Gunns had to get out of the contract once they decided not to log native forest?

Mr WHITELEY - Unless they renegotiated a contract, yes.

CHAIR - Do you have an understanding of the value of the national and international trade in wood residues, including the growth in recent years?

Mr WHITELEY - Yes, I have some information on that. These are not FT numbers but there has been some recently updated material at a conference that we attended. The total size and value of Australian hardwood woodchip exports reduced from about 4.2 million tonnes, valued at \$750 million in 2010. It dropped back to 3.3 million tonnes, valued at \$560 million in 2012. They then improved slightly, so the volumes went up to 3.5 million tonnes, valued at about \$580 million in 2013.

Ms O'CONNOR - Is that predominantly in the Chinese market?

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Mr WHITELEY - China, Japan and Taiwan. Some others as well but they were the dominant ones.

CHAIR - That is an increase, isn't it?

Mr WHITELEY - It is slowly increasing. From memory, the conference talked about the bit of up-kick, nearly 10 per cent in supply in 2013.

CHAIR - The prognosis going forward?

Mr WHITELEY - Is increasing.

CHAIR - What does that say to you as Forestry Tasmania in terms of Tasmania's opportunity?

Mr WHITELEY - Whilst there is a very competitive market, Tasmania has significant advantages in reliability and quality. Some of the other lower quality pulpwood coming out of Thailand and Vietnam which caused some of the drop-off is much lower grade. Depending on what the manufacturers are seeking, we are already aware that some of those suppliers are unreliable. They might be cheap but they are not always reliable, and some pulp products cannot be made from very low quality fibre. At the very least they would require some blending. Many of the manufacturers cannot deal with the low quality pulp; they need a high quality pulp.

The Japanese have always been very attuned to quality, and some of the purchasing within China, we have noted in the last few years, is becoming more sophisticated. Rather than just think about value of dollars per tonne bulk, it is converting it back to the yield of the fibre that they are seeking. Some of the wood from some of the other countries is not as cheap as it appears when it comes to the output through a manufacturing process.

It is competitive; there is a significant plantation estate nationally coming on stream. There is a pulse coming through based on some early plantings. There will be decline after that and another pulse, so the age class of the wood is cyclical, along with markets being cyclical and international trade being exposed to pulp imports and not just wood going in to be pulped in China. There are all those things at play. We are located well in terms of access to Asian markets. Southern Australia is quite accessible to those markets and we have a good reputation.

CHAIR - So we have a growing market but we have a constraint here in southern Tasmania through a lack of access to an ongoing supply chain and export facility?

Mr WHITELEY - We already know we are spending a lot of money to cart the same wood up to Bell Bay to export it. We are carting 300 000 tonnes and it is already going off to those markets, so there isn't a market problem or a resource problem. It is a logistical infrastructure problem.

Ms O'CONNOR - How much is it a funding problem and how viable are Australian woodchips, particularly Tasmanian woodchips, without some level of support from government, whether that is in providing support to Forestry Tasmania to continue its operations or through some other assistance packages for industry?

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Mr WHITELEY - I am not aware of any assistance in the north or the north-west now that the ports are open. There was assistance and the north-west is probably the best example where, coincident with the \$5 million being paid to transport residues from the south to Bell Bay, there was \$2.5 million being paid to transport residues past Burnie, when it was closed, across to Bell Bay. That subsidy is no longer required.

Ms O'CONNOR - Is it your assertion that the woodchipping industry in Tasmania can make a profit on global markets without any subsidies from government?

Mr WHITELEY - It will be cyclical. The chips that receive the highest price coming out of Australia are globulus and are largely planted on the mainland states. There is a significant supply of those. In many of the pulping processes nitens has a lower yield. There are some pulping processes that are more favoured but for the bulk supply nitens has a slightly lower price. Native forest, because of its mixed nature, has a price lower than that. Essentially the price of each of those three floats up and down, as does supply from Vietnam, Thailand or any other supplier. We know where we are pegged and native forest residues, because they haven't been purpose grown for that market, receive a lower price and they are lower yielding.

Ms O'CONNOR - Which means they require a higher subsidy.

Mr WHITELEY - No, it's nothing to do with subsidy; it's just the price. Essentially it comes down to transport. The harvesting cost is virtually the same for plantation and native forest. If you have to cart your wood a long way, whether it be plantation or native forest, it won't be commercial. There was a question earlier about new forests and will they afford a plantation estate. I think they would have significant difficulty in making their southern estate commercially viable under the current infrastructure constraints.

Ms O'CONNOR - You have been around forestry for a very long time, Mr Whiteley. I have seen you out in the Florentine and around and about so you would have a highly informed understanding of forestry in Tasmania. To your knowledge, has there ever been a time when the woodchipping industry in Tasmania, even in the past 20 years, wasn't reliant on a level of subsidy or transport subsidy from government?

Mr WHITELEY - What sort of subsidy do you have in mind?

Ms O'CONNOR - If you look at Professor Graeme Wells' works out of UTAS, his assertion is that \$700 million in commonwealth and state subsidies went into the industry between 1997-2008. Any sort of assistance that comes from government in order to make forestry viable, whether it is for Forestry Tasmania as the GBE or for industry players.

Mr WHITELEY - The term 'subsidy' is probably a misconception. Most of those funds were related to changes in land use. Whilst the legislation still required Forestry Tasmania to meet a certain threshold level of sawlog supply, the trade-off between adding more land to the conservation reserves was to invest, in the first instance, thinning native forests and there was certainly some assistance there because it was more costly.

Ms O'CONNOR - Which timeframe are you talking about here? I am talking about the industry globally over the past two decades, for example, in Tasmania.

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Mr WHITELEY – Yes, I am talking about the same. Yes, so we are talking about [inaudible 16:10:40] that was FFIs. There has been various processes on which there has been land use charge. By far and away the bulk of funds made available to the forest industry have been to replace trees that have been moved off into a different tenure. They are not operating subsidies. They are delivering more capital, if you like.

Ms O'CONNOR - But Forestry Tasmania requires an operating subsidy, doesn't it, because for the past x number of years FT has been operating at a loss which has required government to assist Forestry Tasmania to meet its obligations under the GBE Act?

Mr WHITELEY - It depends what it is for. Probably the two best examples are whilst we are in a plantation development phase that is a cash stick. So I don't think 'subsidy' is the right term.

Ms O'CONNOR - Public funds.

Mr WHITELEY - Public funds have been made available to establish eucalypt plantations for a solid wood purpose. In recent times that has been the foundation for enabling a transition. It was not an operating subsidy because there is no market for those products. It is the cost of developing those. That simply is a policy reflecting the desire to maintain a particular scale of industry and requiring funds capital to develop the plantation estate. The same happened with the soft wood estate in the 1970s and various things so there has been various decisions to apply capital to develop plantations. That is certainly not an operating subsidy.

There are other things related to land management. I think there has been various submissions by the park service about how much it costs to manage a hectare of land to do various things - somewhere around \$20. Traditionally, FT has not received assistance to do that. It has been all part of the basket, if you like, of developing plantations, managing land as well as a native forest production task. The model has been integrated so the same people have been involved in establishing plantations, fire fighting, and doing various things along with the production task.

Depending on market cycles, from time to time, you could look to see whether it was cash positive across all of those and clearly, particularly when plantations are being developed, there is possibility it could be cash positive. Significant capital is required to develop plantations.

Mr SHELTON - However, in the past, the amount of expense that has gone into the CSO obligations that FT have put in place for tourism and the money that went into the air walk down south and the investments into tourism that Forestry met, it would basically come out of the profit levels of -

Mr WHITELEY - A combination of [inaudible 16:13:21] and profits. Certainly during the period in the early 2000s it was associated with a combination of markets and also a very high level of activity because plantations were being established, and Japan was buying a lot of wood chips. So within market cycles that was an opportunity to develop plantations profitably in terms of the supply of residues to a market that wanted far higher prices.

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Mr SHELTON - If I offered the Australian dollar to you at 85 cents for the next 10 years you would take that.

Mr WHITELEY - I would take it.

Ms WHITE - I just wanted to go back to the comments you made before about where we are currently selling our wood chips to. I just wanted to see whether you could tell me, off the top of your head - you may not be able to - but the percentage of plantation versus native wood chip that is being sought by those markets.

Mr WHITELEY - I could get some stats. I think there are some international stats about soft wood, native forest and plantation. Certainly the trends show that soft wood is relatively flat. People are not planting the tall pines so it is being processed and whatever chip residues, it goes up and down a little bit. Essentially, soft wood is stable. Then there has been a replacement of much of the Australian native forest wood chip supply progressively by plantations and the growth is all in eucalypt plantations.

Ms WHITE - Particularly globulus is the most preferred by the market.

Mr WHITELEY - It is the most planted as well. Typically, the plantations on the mainland are globulus - it copes better with drier conditions where in Tasmania, because it is colder, we need to plant a mix of globulus and nitans to meet the site conditions.

Ms WHITE - What sort of demand are you getting from the market to have certified products?

Mr WHITELEY - They would absolutely prefer to have certified product. We are getting clear signals from customers about FSC, which is why we are very keen to pursue that to the extent possible and demonstrate responsible forest management. They would prefer to have non-contentious supply and meet that market.

Ms WHITE - If the transfer certified plantation hardwood, what avenue do you see for the residue we have in our native forest products to be sold in today's markets?

Mr WHITELEY - If it was FSC and AFS certified, it is a quality issue but to the extent its certification reflects contention and we are able to be certified and that demonstrates a number of things, the forest management as well as how we engage with stakeholders et cetera. That will clearly open up markets for native forest residues, particularly in Japan.

Ms WHITE - That is clearly an agenda you have in Forestry Tasmania and their customers.

Mr WHITELEY - It is us directly and indirectly. The market has spoken and we need to respond to that.

Ms O'CONNOR - Mr Whiteley, you were talking earlier - and I think we on the committee can all acknowledge there is an issue with residues, and it is a physical issue almost and there is a desire to have a temporary solution of some sort to that. In the longer term, what sort of talks is Forestry Tasmania having with people who are innovators in forestry research - and I believe we have a centre down here at the university - and are very excited by the opportunities available -

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Mr WHITELEY - So are we.

Ms O'CONNOR - I want to end on an optimistic note about some of the work that Forestry Tasmania is doing around residue innovation and what opportunities there are here for local innovators and businesses and the timber industry itself.

Mr WHITELEY - You are probably aware of Hardlam, our LVL product. Oak Tasmania has received some funding to build a plant to do that.

Mr SHELTON - Do you class that as a subsidy?

Mr WHITELEY - It is an investment and innovation. Part of what we are driven by - we've been talking a lot about problem solving and there is a large volume that will be residues. But rather than just focus on residues, I agree with the proposition that we need to strive to recover value. We would need to reduce, as much as we humanly can, the amount we deem to be residues. We need to turn as much of that in whatever way we can into something of value. If we've got this basket called 'residues' we need to work very hard to reduce that.

Ms O'CONNOR - What are some of the future possibilities?

Mr WHITELEY - Our view with native forest is it is really about smarter marketing of some of our eucalypt species. What has been the Tas Oak brand, I think we can do some more around marketing that. That has served the industry well but I think we can be smarter about branding some of our native timbers broadly under a Tasmania brand. So try to capture value there for things that aren't traditionally the straight logs that the current sawmilling industry requires and pick up on some of that nature feature and those sorts of things. It's still got very good wood properties and we have a Tasmania story to tell if we can all get together and write it. If we're capable of doing that, I think it needs all those things to unlock some of that value.

Within plantations, most of the plantations have currently been grown for woodchip export but New Forest and any of the other businesses would similarly wish to see local processing or other value-adding to the extent possible. Gunns had a view of a pulp mill and there are a number of other opportunities to make sure we can capture as much of that value locally as possible.

CHAIR - Roger has a final question but thanks, Cassy, for such a positive question.

Mr JAENSCH - To get to that positive future though, if I read some of the other commentary we have had today, in the absence of the means to make the transition from where we are to the investment, technologies, markets and brands required for that future that you are talking about, are we going to get there, based on the situation we have at the moment, without the Triabunna mill in the picture? From what I understand, a significant loss of skill and intellectual capacity from our industry, from your organisation and others, we are tying our arms and legs behind our back a little bit in terms of achieving the innovation future that we talk about glowingly. We need an interim, a stairway to that.

Mr WHITELEY - Absolutely. To the extent that many smart people in business, government and elsewhere are problem-solving around residues, it would be much better if there was

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a residue solution to free up people's energy to innovate and derive value. Terry characterised it well; there needs to be a base of how to deal with the residues but that is not the focus. That is an enabler to allow us to do these other things.

Mr JAENSCH - It might be a thing in transition.

Mr WHITELEY - There is a whole lot of interesting stuff going on around the world about ways to use wood that we have not imagined. There is a whole lot of chemical properties, there is a whole lot of engineered wood products. There is a stack of potential out there and, as a state, we are not just competing internationally, we have our friends on the mainland. People are doing a similar study, so part of Tasmania's value proposition needs to be why would you invest in Tasmania. Why would you do it here rather than lock us into a residues world and get stuck in that?

Mr JAENSCH - To the extent that the residues are currently blocking production and in the immediate five-year future, what do you see an answer looks like to get those residues flowing now while we work out new higher-value uses for them?

Mr WHITELEY - There needs to be an appropriately scaled piece of infrastructure in the south to be able to chip residue logs and load them and supply the market. Whether you call it Triabunna or a Triabunna equivalent, it is very clear that key piece of infrastructure is absolutely required to underpin any of the other aspirations we may have for the forest industry in southern Tasmania.

Mr JAENSCH - In your experience, is that the sort of thing that might be able to be brought online rapidly and operate for a period of this window of need, or is that going to have to be an investment which has a payback time of decades to work?

Mr WHITELEY - No. Depending on the scale, appropriate, moveable components could be put in place for five years and then taken away and used somewhere else. You could purpose-design it so it had a payback period of five years and it was very clear it was an interim solution. It may well be there does need to be something permanent but it needs to be something with a five-year view just to get something there. There also need to be incentives, not just to continue to do that. There needs to be the flipside and while we have that going we need to very actively chase value.

Mr JAENSCH - Does it need to be on a port, do you think, in terms of the transport linkages?

Mr WHITELEY - The models we know at the moment - perhaps contrasting Bell Bay, where chipping is on the port and it loads directly onto a ship. Burnie is different. The two Burnie propositions are Massy-Greene, which is a couple of kilometres, but also at Hampshire they used to run a shuttle. There are off-site chipping with loading and logistical options that we know can work.

Mr JAENSCH - That is useful, thank you.

Mr WHITELEY - There is cost information around those things and the machinery is there to do those sorts of things. It is coming up with the right package and Terry was right, it needs to pick up the social, economic and environmental aspects of putting something that is appropriate there to do that job for a period. From an engineering and logistical point

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of view, there are probably a number of places in southern Tasmania that have various attributes and it is a matter of quickly establishing which one is the most appropriate.

CHAIR - We thank you, on behalf of the committee, for being here today, Steve Whiteley, much appreciated. I know you are following up with a few documents and information for us.

THE WITNESS WITHDREW.