

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE TASMANIAN FORESTS AGREEMENT BILL 2012 MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON TUESDAY 15 JANUARY 2013

Mr PAUL SINCLAIR, ACTING CAMPAIGNS DIRECTOR, AND **Mr LINDSAY HESKETH**, FORESTS CAMPAIGNER, AUSTRALIAN CONSERVATION FOUNDATION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Harriss) - Paul and Lindsay, welcome to the committee. I do not think either of you have appeared before a Legislative Council committee in the past, although you might have given us briefings, Lindsay. You are protected by parliamentary privilege while in this process and all of the proceedings are recorded and subsequently transcribed. If you choose to, or are invited to, make comment outside of the committee you are not protected by parliamentary privilege and are therefore exposed to the law in the event of claims for defamatory comment or the like.

We do not have a written submission from you but you understand that we want to receive evidence and then question the signatories to the agreement in the first instance along with others, so I will hand over to you for your presentation and then we will have as orderly a process as we can for questions.

Mr SINCLAIR - Thank you, Chair. I would like to make a short statement to the Council. Thank you for the invitation extended by you for the ACF to appear today. It is greatly appreciated. I am here today representing our CEO, Mr John Henry, who has been deeply involved in the negotiations around the Tasmanian Forest Agreement. Mr Henry apologises to the Council for his unavoidable absence. I act as ACF campaigns director, managing our campaigns on ocean, forests, fresh water, Northern Australia and climate change. My colleague, Mr Hesketh, is our Healthy Country campaigner who has also been deeply involved in the negotiations around the Tasmanian Forest Agreement.

As a bit of background, the ACF is a national community-based environmental organisation. We are governed by a council of 35 and a board of nine, elected by our members. About 93 per cent of our funding comes from public donations, generated by a membership of around 50 000 people Australia-wide. ACF has been working with many others to protect and restore Australia's environment over the last 50 years. Back in 1989, the partnership between ACF's then CEO Phillip Toyne and Rick Farley, his counterpart of the National Farmers Federation, was the X-factor that helped create the Landcare movement. That partnership was a catalyst for leveraging almost \$350 million onto farms and into regional communities over what became known as the decade of Landcare.

At the time, not all ACF members thought it was a good idea to trust the NFF, and not all NFF members wanted to bury the hatchet and work with the ACF, but enough did. Few will say that Landcare is perfect or without fault but there can be no doubt it has brought Australians together who had a long history of disagreement for the purpose of solving a shared problem. Landcare gave people hope and a practical way of getting on with the job of making a dollar and protecting the environment at the same time.

In Australia's history of managing our resources and environment, examples where warring parties come together and agree on a fair solution are rare. They are opportunities that quickly evaporate. Landcare was one of those opportunities, and we strongly believe that the Tasmanian Forest Agreement is another. The agreement itself is a remarkable feat. Timber industry, union and environment groups spent two years wrestling over hectares, wood supply quotas, definitions and much more. These different groups of people came together knowing that we had different views of the world, but we were all aware that the status quo was not working and a better way forward had to be found for the forest industry, workers, communities and the environment. Once implemented, the package will unlock more than \$100 million of federal government funding to support the timber industry's transition to a value-added plantation-based future and provide opportunities to diversify the state's economy.

The ACF, like all signatories, supports the whole agreement. We will back the business and employment outcomes of this agreement just as hard as the conservation outcomes. The durability of this agreement lies in the argument, negotiation and resolution that created it. It is not an agreement imposed on the union, industry or environment movement in favour of one of those groups. It has been brought to the Tasmanian parliament by the warring parties. That is unusual, and we acknowledge that unusual process now requires the exercise of a unique form of leadership from the Tasmanian parliament. The agreement is a total package. All sides support full implementation of the agreement so it can start to provide real benefits for workers, the state's economy and our native forests.

You and I know that to get 100 per cent consensus on a long-running and divisive issue is impossible. Not every environmentalist in Tasmania will back this plan. The unions cannot guarantee every worker will support it and the industry groups cannot pledge the cooperation of every business, but the fact is that the agreement is backed by the majority of environmentalists concerned about the future of Tasmania's forests. The three environment groups, which have been at the table with the industry and union, represent tens of thousands of people who love and care about the future of Tasmania. Since the agreement was inked, 16 other Tasmanian environment groups, which include people who have led anti-logging protest movement over decades, have released a statement in support of the agreement. By protecting forests that have verified high conservation value the agreement will lessen the impetus for ongoing protests.

ACF strongly believes this agreement is the only solution on offer that can bring an end to the conflict, protect important native forests, and provide decent and secure jobs for workers and contractors. The forests agreement offers a better future for all Tasmanians and provides a one-off chance to transform Tasmania's economy. We urge members of Tasmania's Legislative Council to seize this unique opportunity to provide market certainty for wood products, secure jobs for workers and protect forests that have been the focus of conflict for 30 years. I again thank the committee for the opportunity to present with my colleague here today.

Mr WILKINSON - In relation to your comment that the ACF supports the whole agreement and backs any employment opportunities, what employment opportunities does the ACF see?

Mr HESKETH - As part of the process of negotiation through this we have brought into the agreement strong expectations right from the commencement of the statement of principles that the economic research and studies be done to look into the future growth potential for the wood products industry in this state and working together to ensure that outcome is achieved. We have seen, through the intergovernmental agreement in clauses 37 to 39, commitments by the governments to ensure that work is undertaken, is adequately resourced, and a consultation process be put in place within the community in the existing industry and beyond. We are seeing those elements of work moved through the independent verification group process and we have experts now who are entering into that work. There have been delays in getting that achieved - we would have liked to have seen it by now - in large part due to fact the agreement was not achieved last year, but that work is now under way. We are now seeing reporting by the government about progress on that, so that is a work in progress.

As ENGOs we are not industry experts. We discuss opportunities with industry and try to share views on these matters but, at the end of the day, very high-level economic studies will show where the overseas and national trends are in markets, which will then bring the market into play that will support the industry in this state. I would not want to postulate on the detail on that now but I think there are very large opportunities with the amount of wood that is coming onstream in the state, particularly from the burgeoning plantation sector that is highly invested in. A lot of money and capital has been put into by sincere investment which does not seem to have a market or a home, but there is a large opportunity there for future industry to look at that and direct where they would want to see that resource go and put forward proposals for it.

Back to the IVG process, there is a direction in there to identify where markets will be and infrastructure required to support those investments. That is under way in the process.

Mr WILKINSON - Would I be right in saying that opportunities have not yet been identified because that was a process that was going to be [inaudible] socioeconomic, but for some reason it has not concluded as yet? What we are saying is this is our aim but we do not know as yet because the socioeconomic analysis has not been done. My next question is should it be done before an agreement like this is passed? What we have to look at is lost opportunities gained in any profit business arrangement. At this stage we do not know.

Mr HESKETH - I understand your point but this is part of the crisis we now find ourselves in. The industry is in crisis and we will talk about that to you. Thousands of workers have lost their jobs over the last five years and that is a parlous position that we have to turn around very quickly in the public interest. It should have been done many years ago, there is no doubt about that, and that is why we are working so quickly together now to address those needs.

The industry's leaders and its major investors are telling us that they have no future in the current form. That is a real worry and the problem we have to deal with and that is why it is so extremely important.

Mr WILKINSON - I understand per annum a number of years ago that the industry was worth approximately \$1.48 billion and there were 7 000 people employed in it. Now,

from Jackie Sherman's understanding, there are approximately 3 000 people employed in the industry and it is still worth \$700 million a year to us. Are they still the figures that you have in relation to how many people are working in the industry and the money that it gives to the community each year?

Mr HESKETH - I cannot put my finger on current figures for you but on the decline that you have referred to, looking back at that profile, there is a trajectory that is continuing down and we have seen that in good flow volumes, et cetera, and export volumes. The big need is to turn that around.

Mr WILKINSON - Yes, we all want to turn it around but it is a matter of how we turn it around.

Mr HESKETH - It is about markets and market accessibility. That is why this agreement is so important because it sends a signal to markets that the Tasmanian industry is strong, well supported and has a future. Work done by Regional Development Australia shows opportunities that could emerge if investors came forward. We are seeing interest at the moment because of this process. Investors who have been in the industry in the past are coming back to it again looking at it and not writing it off.

Mr WILKINSON - Who are they, do you know?

Mr HESKETH - No, I don't, but I have seen a few statements in the media from people who are interested to buy back in if this can be resolved.

Mr WILKINSON - A couple of years ago we were told there was a great opportunity for ecotourism opportunities and then I asked if, over the last 30 years, they could give me an example of one business that had got up in relation to ecotourism and forests. At that stage nobody could give me that one industry. I am trying to look at some concrete examples so that we can say we do not have a crystal ball but this is what has happened in the industry over the last 20 years, these are the people who started up the business, they employ x number of people, which helps those rural communities because part of the forest act, as you know, is in relation to rural communities. We have a wish list but a wish list is still a wish list.

Mr HESKETH - That is a need for optimism in the future too and working together showing optimism collectively rather than the bipolarity of vision we have had in the past. That is why this agreement is so important.

Looking at ecotourism because it is an area of interest to us, we have seen a lot of good outcomes for that in Tasmania and certainly in the last 10 years, particularly around the north-west of the state. The Tarkine area is on the map now and people are coming from overseas to find this place and explore this magnificent area of the state. I know some tour operators who are involved in that and they are optimistic that will continue to grow. There are some impediments there such as the high Australian dollar but if the optimism continues in the state, and if a lot of these issues that have divided and created hardship in the community for so long are resolved, then that will bring a lot more strength and optimism.

Mr SINCLAIR - The agreement is supportive of the forest industry, not necessarily of alternate industries so the work that ACF and other NGOs along with industry and community have done through the Forest Stewardship Council, for example, in trying to develop a framework to build sustainable forest industry will go on. The agreement is really clear that all signatories of the agreement will work to build that industry into the future. Our key commitment is that ACF along with the other NGOs which are signatories to this agreement will work with the union and towards growing that industry.

Mr WILKINSON - Thanks.

CHAIR - You have just indicated your concern for jobs and growing and protecting, and so forth. A fundamental question a lot of people would want an answer to is that a number of environmental groups, possibly even yours, has sat by while the markets for Tasmanian product have been trashed in overseas jurisdictions which has resulted in job losses. What do you say to that in terms of your inaction - not only yours but others', until we reached this crisis point? We have reached this crisis point on the admission at a briefing to the Legislative Council from Linden [inaudible] who claimed responsibility and credit for being part of bringing to the world's attention this so-called environmental destruction of Tasmania.

Mr HESKETH - There is no doubt that there is international attention; there has been for a long time. I am not saying there is a simple approach, Mr Chair. It is a complex issue. Certainly, the high Australian dollar has been the real cruncher that has come through the capacity of pushing commodity wood from the Tasmanian supply chain into the world market. We have to remember that 90 per cent of the exported timber out of the state is woodchip - it is perpetually woodchip into the Japanese market; that is where it was running. 90 per cent of the timber coming out of the state's native forest was/is going into woodchip and being exported. The Australian dollar had a very strong role to play in winding that back.

Market attention around the sourcing of wood was part of it. The global market was certainly aspiring for respectable wood that it could use in products. For many years, since the early 1990s, the European market in particular has aspired to buy under a certification system that has become pretty much the global norm now, the Forest Stewardship Council certification system which Paul referred to earlier. The Japanese market is very attuned to FSC buying and so are other regional markets in the area, even China indeed. It is growing globally and therefore the market is moving with that. A strong part of the initiative we are taking in Australia is to ensure that FSC certification will be a great outcome here.

If we could have been in this place five or six years ago, with this turnaround that we are now attempting to achieve, we could have had a much stronger jobs outcome.

CHAIR - You have given us an overview of that process. My particular contention was that you have sat by while our markets have been trashed and that has impacted on jobs. Now you want to be part of the process, commendably so, to rectify that situation. Why weren't you so concerned about jobs over the last number of years?

Mr SINCLAIR - You have heard evidence from a range of other industry groups this morning, and they talked about the fact that they represent the interests of their industry, as they should do. They talked about the Legislative Council representing a broader public interest. Well, the environment movement represents people who are concerned about the interests of the environment. In the last 20 or 30 years everyone has a history in this debate and we can argue for a long time around that history. The important thing on the table now is an agreement between people who have been seriously disagreeing for a long time. There do not seem to be many alternatives to the answer that is currently on the table. I am not sure how far or where it takes us in terms of arguing.

We can debate about whether the environment movement sat back, or whether we were concerned about the management of the forests. It is not going to take us anywhere. The important thing is that we go somewhere. What we have in front of us now is an opportunity to go somewhere and we should grab it. One of the industry people this morning talked about the definition of insanity is to keep doing the same thing over and over again expecting a different outcome. Let's do something different.

CHAIR - Can I ask you, Lindsay, to give the source for your argument, or your contention, that 90 per cent of all of the wood harvested from Tasmania has found its way into woodchip markets? You might recall that Geoff Law used that terminology some time ago and had to apologise for doing so.

Mr HESKETH - No; Forestry Tasmania production figures show that and the ABS figures show that. That is not an unusual figure. I can supply that information. The residual-to-sawlog ratio is running around 10:1. This morning you would have heard from industry that put to you some figures along that line. I think it was asked this morning about 137 000 cubic metres of high quality sawlog supply and I think it was reported back to you that 1 million to 1.5 million cubic metres of residual would ensue from that production. That is the ballpark it works in. It depends, of course, on the quality of the forest stands in terms of the sawlog volume that has in that quality sense. There are some high and some low. Those things have been varied over the years by Forestry Tasmania in regard to the pricing outcome that is required, et cetera. Many natural resource industries will move on that depending on how good pricing outcomes are but over the long haul and even the short haul it is around that ratio.

CHAIR - Are either of you aware of, or were you aware before the government representatives this morning tabled the fairly significant document in terms of the amendments which the government is proposing which has already received a majority support from cabinet, so therefore one could presume that cabinet will eventually sign off on those amendments? Were you aware of those before they were tabled this morning?

Mr HESKETH - We are aware the government is working on the issue continuously and we are very pleased that they are putting in a very large effort to ensure that we get progress around this bill, and what is required to inform and meet and satisfy people. I was not aware that report was going to be produced this morning for you, but we will expect, as has been the case for years now in this process, that the government will call the signatories together, explain the report or the document to us, take us through the information there, and we will make a judgment in our response about how we feel about any changes or what is being proposed. I cannot comment, Chair, I am sorry, because I have not seen it.

CHAIR - Okay, so you said you were aware that the government is working constantly. Were you aware of any process which has led us to this document?

Mr HESKETH - I have to apologise to you because Mr Don Henry, the CEO, is now in the signatories group. He has been leading a settlement there. There may have been discussions there but I have not seen all the minutes of those meetings. It may have been raised but other people of input can give you more information than I can. The government is dealing with the bill continuously and putting a lot of resources into it. We welcome that but any proposed changes to what is occurring with the bill we expect to be taken through, and I am sure we will. We will be called to meetings to be briefed on any new ideas or proposed amendments that could be on the table and discussed. The signatories are going to have to agree that that is not going to affect the balance of the agreement. There might even be improvements, and if there are it would be welcomed.

CHAIR - Did you hear FIAT and AFPA's contribution to this committee this morning? It sounds like you have been listening elsewhere.

Mr HESKETH - I have been listening online this morning.

CHAIR - Are you aware that they expressed quite some concern about this changed process in regard to the reserves and the protection orders, which will now be in the legislation rather than in another process, and their concern about the capacity to test the durability component here?

Mr HESKETH - All those matters we will have to go through in detail. I cannot give you an informed opinion of that because I have not read the documents.

Mr SINCLAIR - The key principle is that the signatories will need to sit down and discuss whatever has been put on the table to ensure that it is consistent with what the signatories have agreed to. That process needs to occur before the signatories will make a statement about it. It does require careful consideration and is certainly something that we will work closely on with the other ENGO partners as well as with the industry and the union to understand where the different perspectives are coming from and where we should plan from.

Ms FORREST - Is it a fact that until this morning you have not seen this document that is a series of amendments to be proposed by the leader, potentially, with the schedule then attached to outline every lot? You have not seen that?

Mr SINCLAIR - As Lindsay has pointed out, we have not seen what the government presented this morning.

Ms FORREST - You do not think that Don Henry would have seen it either?

Mr HESKETH - There may be elements contained in there that have been discussed but I am unsure of that. There may or may not be; I will have to read the document.

Ms FORREST - You are expecting to be briefed, or Don or someone, along with the rest of the signatories at a time? It only went the subcommittee of cabinet yesterday. I assume

it will be some point after yesterday and it has not happened yet. Has there been no briefing yet of all the signatories, including ACF, on this package here?

Mr SINCLAIR - No.

Mr VALENTINE - How do you see cable logging and burning operations in designated areas outside of the reserves occurring? How do you see that fitting into the Forest Stewardship Council standard?

Mr HESKETH - It remains to be seen how it would fit in with an FSC national standard. FSC Australia has not produced a national standard as yet. There are some interim standards that are being used by certifiers. We welcome the support for the FSC national initiative in the agreement. It is welcomed by ACF as truly a great initiative to have all signatories support that very strongly, as in all components of the agreement. Any silvicultural operation that damages ecosystem function in natural forests and natural ecosystems is certainly not supported and in the modern sense should not be required to continue.

Mr VALENTINE - If it is in those designated production coupes?

Mr HESKETH - We expect that the Forest Practices Code should deal with these matters. If FSC is the area you want to go to continue to pursue the appropriateness of it, there is going to be an expectation of high scrutiny around the ecological sustainability of those operations. I think there are great sociological issues around them too in terms of landscape outcomes. It has, for a long time, been something that many in the community and in the environment movement have strongly opposed because of its landscape impacts.

Mr VALENTINE - If it is the forest production zone and that is the way the forest industry believes it needs to go in order to regenerate those areas -

Mr HESKETH - Sure. These matters need to be investigated, case by case, catchment by catchment, for appropriateness of how silviculture is conducted in all areas. If the expectation is to look at FSC certification, then the scientific analysis and the rigour of that to show that any operations are sustainable, need to be looked at. I would not single out any particular method of timber extraction. We understand that there is a lot pressure to keep sawlog supply levels where they are now. We also welcome transition of the industry to more capacity to process the state's very strong virgin plantation resources. Over time we have engaged with the community about how they expect the regions of the state to be managed. We can work through and we can see transition away from the most impactful forms of silviculture to much less ones and maintain what a truly sustainable industry.

The capacity to produce a range of speciality species timber, for example, is another issue. If you go to long-term management of those we have to have a different way of approaching the silvicultural operations in key areas.

Mr MULDER - You have asked us in the introduction to join forces, take a leap of faith; you have given stuff, the industry has given stuff, the unions have given stuff, and we are going to embark on this course. Not everyone is going to support it but as a group, as the

organisation of signatories, we are going to support it. With that I take it you are going to support cable logging in forest production zones, because that is what this agreement is about. You are going to support clear-felling operations in the wood production zones in exchange for which there will be no forestry operations elsewhere.

I would like to know your commitment all the way through, as an organisation, that you will support these operations of future forest practices in these production zones, and you will also not use those practices to try to divert the eventual certification because those are the things this issue is about. You are a signatory and you are asking us to commit, so can we please have a similar commitment from you?

Mr SINCLAIR - I think we have been clear as we could possibly be about what our commitment is to the Tasmanian Forest agreement. Lindsay has pointed out there is a range of processes articulated in that agreement that need to be worked through. The ACF is completely committed to all aspects of the Tasmanian Forest Agreement and we will back that in: conservation outcomes, industry outcomes, economic outcomes and worker outcomes. I am happy to keep saying that to you.

Mr MULDER - In essence, you are saying you are prepared to support these practices because they are fundamental to the forest agreement and that we won't see the Conservation Foundation running a huge campaign against Tasmanians products or the new certification code? We will not see the Conservation Foundation up to its armpits trying to protect areas from this kind of logging operation? That is what you are giving up in this agreement.

Mr HESKETH - I understand the intent of the question. In the commitment of working together through this process, there are a large number of expectations that the signatories to the agreement and who will become members of the special council expect to see as outcomes. Many of these are around wood volume production figures and we have expectations and long-held views in the state for key protected areas. There are issues around certification, and what is capable of being achieved in certification is one that is going to have to be rolled out. I am not here today to determine what the outcomes will be of a FSC national standard and how it will be applied in this state, but we have very clear benchmarks on wood supply and expectations for reserves that have been agreed. Other matters will be dealt with with a very strong public engagement process. They are the expectations of the intergovernmental agreement and the forest agreement itself and we will see those through. By working together on these things, I think we will achieve consensus and public acceptability of how we manage this issue in the state. This is the best chance we have had ever to do so.

Mr MULDER - We have worked through all these things and the outcome of all these agreements is that cable logging and clear-felling occur in the wood production zones, and the ENGOs which are signatories to this agreement have said they will use their best efforts to get the whole environmental movement to cease the protest activity, the thwarting of markets, so by that you are endorsing these operations in these industries. I do not know how more unequivocal you can get than saying, 'Yes, we commit to that', or 'No, we seek to use the escape clauses down the track'.

Mr VALENTINE - Is it best if you can approach the Forest Stewardship Council?

Mr MULDER - No, I am talking about their efforts, that they will not be approaching the Forest Stewardship Council saying, 'This stuff can't be certified because of these operations'. That is my point. I want this organisation to commit to doing it itself, not how it binds others, but what it is prepared to commit to in this agreement, which is has committed to in this agreement. I am detecting a little equivocation.

Mr HESKETH - No, we are fully committed to the outcomes of the agreement. What has been agreed in the Tasmanian Forest Agreement we are 100 per cent committed to.

Mr MULDER - And those outcomes include clear felling and cable logging.

Mr HESKETH - Back to that question around FSC, if that is an expectation that is going to come out in the future as well then we will fully that process as well. I cannot be clearer about the support for this.

Mrs TAYLOR - I have the same sort of question and about FSC. It clearly says that the signatories will actively support Forest Stewardship Council certification for the permanent timber production zoned land managed as intended under this agreement as a matter of priority. If you agree that Forest Stewardship Council certification is possible under the current practices, although not in all the areas - what you are asking for is other reserves but you are not asking for changes to forest practices - why haven't you been willing to support Forest Stewardship Council certification for Tasmanian forests before?

Mr SINCLAIR - We have been working deeply with the FSC in terms of the development of FSC in Australia for many years. In terms of the issues of contestation around the different sorts of accreditation, as the Chair raised earlier, that has been a long-running part of the battle around Tassie's forests. We are fully supportive of FSC. FSC is another example of groups working together and when it is locked in, it is backed and we back it. Even within the environment movement there is often internal discussion and debate about FSC and what-have-you.

Mrs TAYLOR - I don't quite understand why, if you are willing to do this now, albeit in specific areas, you were not willing to do that before. That is what we are told is the reason why, in many cases, we lost markets; because we did not have FSC.

Mr HESKETH - I understand the point of your question. Our concern has been for a long time has been the adequacy of the reserve system in the state. So many environment groups, both at the regional and state level, have long held the belief that there needs to be higher levels of protection of the forest estate in Tasmania. An FSC process is not going to drive an outcome around reserves. If community expectations around reserves are met, and we believe the agreement does meet that, then you have a much more straightforward process to get the areas of main production, whether they be native forest or plantation, under the certification system. It makes it possible. It enables them to happen.

Mrs TAYLOR - Sorry, I don't understand, but anyway.

Mr HESKETH - The thresholds of reservation in the state have long been argued to be inadequate in terms of forest.

Mrs TAYLOR - I understand that but I do not see what that has to do with FSC for those areas which are, in your opinion, properly managed because they are going to be managed in the same way. Why were you not willing to work towards or not oppose FSC for those areas? That has been part of the difficulty. My point is will you do that now? You have actually said in this agreement that you will give this high priority to work towards FSC for the remaining zones, so I fail to see that if that is going to be okay in the future, why it wasn't okay before.

Mr HESKETH - Because over the 35 years ACF has been directly involved in interest around this reservation issue there have been concerns that the threshold reservation in the state - these areas of forests that are seen to be strongly supported by the community, environment groups regionally and nationally as requiring protection - would not get that protection in the FSC system. People want to see some comfort around the fact that the reservation system is adequate and then we can manage the rest of the forest estate in a responsible way.

Mrs TAYLOR - We are not talking about the reservations here. We are talking about the working forests, right? If I understood you correctly, you are saying that each of the areas will be examined for FSC to see whether they are appropriately managed before you agree to support that. It is not going to be a blanket thing. You are not going to say, 'Okay, all the areas that are now working forests, if this agreement and this bill goes through, we will automatically say all those areas will be right for FSC.', because you are still going to look at each of the areas, aren't you?

Mr HESKETH - The FSC system is moving into the processes of developing the national standards. That is fully engaging with the community around what those standards will require.

Mrs TAYLOR - So is there not FSC now? Does it not exist? It does obviously.

Mr HESKETH - It does exist locally and there are some interim standards in place which have been provided for in Australia, but what is required in a global context is a national standard for Australia that is what the FSC national -

Mrs TAYLOR - And there isn't one?

Mr HESKETH - No, there isn't, but the agreement will provide support to move into that process nationally.

Mr SINCLAIR - Correct me if I am wrong, Lindsay, but part of the issue has been trying to deal with FSC as the credible accreditation process in Australia and that has been a long, hard battle.

Mrs TAYLOR - Yes, and you have done that for some areas of Australia, have you not?

Mr SINCLAIR - No, there is thinking about FSC as the primary accreditation body. That is what has been sought by ACF and many industry and community partners for the last decade and there have been different sorts of accreditation processes out there, as you know, so ACF supports FSC accreditation.

Mrs TAYLOR - Is there no such thing at present in Australia?

Mr SINCLAIR - There is now but it has been slow in building the resources, the capacity and the national standards to operate coherently across the country, so part of what this agreement is delivering is broader union and industry backing for FSC accreditation, which will enable much more coherent integration of forestry practices around Australia into FSC accreditation.

Mrs TAYLOR - How long is this going to take? I am sorry but that makes it more confusing for me because we have been told that one of the reasons we cannot get into the market is because we do not have FSC accreditation. Well we could not get FSC accreditation because you are saying the national accreditation did not exist.

Mr HESKETH - We need a national standard in place for Australia but there are interim certifications of particular forestry operations in Australia, generally in plantations, but the international expectations and the FSC system is that they will phase out and national standards will take over. We are in a global transition stage of the FSC system itself and the expectation is that Australia must have a national standard to continue to stay in the system. That is where it is going globally.

Mrs TAYLOR - Time?

Mr HESKETH - I cannot give you a time but in a couple of years, we would hope. You would have to speak to the FSC board members as to the expectations of time that they might have but I would hope to see it achieved in a couple of years.

Mrs TAYLOR - If this bill goes through on 15 March or whenever, you are still saying that those areas that are right to be logged that everybody is happy about cannot get FSC accreditation at least for a couple of years, so how will they then get into the market by saying we have FSC accreditation?

Mr SINCLAIR - Can we get back to you with information from the FSC?

Mrs TAYLOR - Sure. I am sorry, I am just not clear about it. I am not trying to be difficult.

Mr SINCLAIR - No, we will get back to you with information from FSC Australia regarding those times.

Mrs TAYLOR - Thank you, I am sorry to have taken up so much time.

Mr HALL - I want to talk about the burgeoning plantation resource we have and the need to use it. I have to say I find it quite bizarre that you are extolling the virtues of plantations because for decades environmental groups both large and small have belted plantations for all sorts of issues. You just talked about, for example, landscape impacts, water quality, chemical use, effects on catchments, biodiversity - all those sorts of things as opposed to -

Mr VALENTINE - Monoculture.

Mr HALL - Yes, monoculture - as opposed to a native forest resource which is organic in its nature. Are you telling me now that the environment movement and the ACF in particular will not have any issues with a large plantation in the state, management and harvesting thereof? Further, to add one more into it, would you support a pulp mill to deal with that?

Mr HESKETH - On the first issue, many plantation managers in Australia have sought interim certification under FSC and in that process they have dealt with many of the issues you have raised around chemical use, landscape management and catchments, community concerns around how they operate, harvest time and all of these things because the FSC system engages the community. We have seen a lot of very strong outcomes for plantation managers in Australia getting support within their regions because of the way they relate to their communities. It has brought people together, pretty much in the way it brought the signatories together around this agreement. There has been strong progress made on some of those concerns you have raised.

Mr HALL - In Tasmania?

Mr HESKETH - In plantations I am unsure. I do not believe it has progressed as far as it has on the mainland. We would welcome it. There are some very large areas under FSC management on the mainland, with the green triangle in western Victoria where operators there did a lot of work with their communities to phase out some of the chemical use you mentioned, if not virtually all of it in some instances.

In Tasmania, Gunns Limited embarked on certification of their plantation estates and did a lot of work and is still doing a lot of work around that, managing the remnant native vegetation, particularly in the rare vegetation systems that are around some of those estates. All of those on-site management issues come under that view, so there has been strong progress around plantations.

ACF traditionally has recognised the large plantation resources of Australia. They go back many years to the turn of last century and then through the 1930s. Through the 1960s and 1970s there was strong national investment in the plantation resources of the country and for 35 to 40 years that I can recall in a policy sense we have supported the transition of the wood products industry to rely on those plantation estates. You will see a lot of that in Tasmania. At Boyer, for example, there is a very strong use of plantation resource in its region. If they are well managed and the community is engaged as part of that management, a lot of concerns around them are alleviated.

Mr HALL - You keep talking about the community, but who is the community? I mean, you talk about the community's desire for these extra native forest lock-ups and all that sort of thing, but is that just -

Mr HESKETH - The community I am referring to in a plantation management sense and the FSC is the companies that are required to advertise in local papers to have meetings and discuss issues that a community has and work out ways of collaboratively managing to alleviate those problems. We have seen it in so many of those forestry areas that I mentioned before, the green triangle in western Victoria, the Strzeleckis in Victoria and indeed the Gunns operations in Tasmania on their plantations. It is a matter of outreach communication and getting people into discussion - that is my interpretation - interested

people who have a view and many of whom bring strong positive directions to solve problems in those processes.

Mr HALL - Can you give me a definition of an HCV forest? Does ACF actually have one?

Mr HESKETH - A high conservation value forest?

Mr HALL - Yes.

Mr HESKETH - In the context of the joint ENGO submission into the independent verification group process there was a very strong report put together of research of all of the areas identified in Tasmania that environment groups believed had high conservation values. The definition is in that document. It is quite lengthy; it is not a short line. There are a lot of values identified as being components of what we describe as low conservation value forest areas. I will not go through -

Mr HALL - I asked because a couple of years ago we requested that from environmental groups and they could not give it. I have seen that, and I have to say it is long and drawn out.

Mr HESKETH - The IVG process did not have a problem with that. They recognised each of those components and assessed them against the areas we put forward so it is in that report. I think the objectives there are fairly clear and concise.

Mr HALL - What is your understanding of the 500 000 hectares or thereabouts, what percentage of that is actually ACF forest?

Mr HESKETH - The independent verification group started off looking at 572 000 hectares and at the majority of that. Some areas are discounted as having lower values, and they were for a number of reasons which are in those highly detailed IBG reports, and some of the determinations around I will not go into because I have forgotten the detail of them. It would be unfair to try to recall. But, of 504 000 remaining, because we have come down from a higher figure where many areas have been taken out of the ask, we are now down to what are really very important places. The IBG process identified the 572 000, they mapped it at 563 000 and in the vast majority of that they recognise there are identified values which meet clearly the requirement of our definition. They saw species mix, bulk biodiversity profile, connectivity issues for the landscape for a whole range of nationally threatened species and ecosystem functions of those systems to maintain survival of those species in the future. All of those things are contained within the 504 000. The simple answer is, all of them.

Mr HALL - You want to achieve environmental outcomes. Your proposal was to lock it up. How are you going to achieve and manage those environmental outcomes for the state by locking it up, rather than having it in some active management regime?

Mr HESKETH - All public land in the state is managed. It is a matter of managed for what values and prioritisation of those values. We want these areas prioritised for their ecological importance, their high conservation values. We see them as a major asset to the state in perpetuity in the future, major landscaped areas that will be used for tourism and to maintain the state's precious biodiversity. They will be managed because we have

the capacity now, knowing we can bring in more economic drivers, particularly around carbon value that has been identified in the IVG process as well as the tradability of those carbon values.

The tradition of using of using forests for wood production, sawlog and woodchip was a value in the past which the community needed. There has now been more focus on the transition towards more use of the plantation resources, so the pressure is coming off native forest wood supply. We now know that the southern forests, potentially the most carbon-dense forests on the planet, have tradability value. If we decide to change the management profile of them and to no longer conduct silvicultural forestry processes in them but protect the carbon values that are there, that is highly tradable. There are some profiles put towards the value of that carbon tradability in the IVG reports which are enormously economically positive for the state. In terms of the cost of funding the management of these areas in the future and other things for Tasmania, there is an enormous opportunity for revenue received by protecting the carbon stocks in these forests.

Mr HALL - I think that is an argument for another day.

Mr WILKINSON - I am getting back to the native forest aspect and the FSC. As I understand it, part of the debate was - this is prior to December - FSC will be granted in relation to the forests that are able to be logged with agreement from all parties concerned. But, as I understand it, that is not yet the case because you are saying, in answer to Adriana, FSC at this stage has not been concluded, and we do not know whether those forests are going to be with FSC accreditation. Therefore, they need FSC accreditation properly to get back into the markets and there is no guarantee that the forests within this 504 000 hectares are going to be, at this stage, FSC accredited. If that is the case, what concerns me is the markets because if we do not have the tick for FSC, then there is no difference in the market. The markets still do not want to buy it, you are saying, because it is not FSC. That is a concern that I have.

Mr SINCLAIR - Correct me if I am wrong here, but in terms of the FSC, the markets require credible information to operate and FSC is a credible organisation that has its own processes of assessment and accreditation. ACF does not do that accreditation.

Mr WILKINSON - I understand that.

Mr SINCLAIR - It is not only the signatories. Different members of the signatories might also be members of the different chambers of FSC, but ultimately it is FSC's decision to accredit or not accredit.

Mr WILKINSON - Part of the spin is 'if this occurs there will be FSC accreditation'. Let's say the bill is passed tomorrow. Hopefully the following week we are out in the market saying, 'Purchase our product. It is FSC accredited', but I am concerned that you are saying that is not the case at the moment because as yet it has not been FSC accredited and it is going to take approximately two years to be accredited. Is that a legitimate concern?

Mr HESKETH - Of course it is a concern. We would have liked to have been in this process five years ago and we could have had a lot of work done to achieve a much

better place to be. We would be through all this by now. The FSC process will take some time. The national standards process - I am only a stakeholder and ACF is a member; we are one of the stakeholders within one of the chambers - we will fully support. Get back to this agreement, to have ACF fully supporting the FSC national standards process in Australia, supporting it in the community. It is going to give a lot of people comfort around believing it is going to be a responsible environmental outcome for the management of these areas, and I believe it will be.

Mr WILKINSON - Say the bill is passed tomorrow, going into the marketplace next week - and we are talking about interim FSC accreditation - you would be doing all you could to ensure that interim FSC accreditation prior to the full FSC accreditation?

Mr HESKETH - Interim standards are not going to survive into the future anyway, and I think we will get some expert advice on that. That is my understanding of it.

Mr WILKINSON - I understand that but we want to get into the markets. People say if we are not in the market soon we are going to miss out.

Mr HESKETH - We have to move as quickly as we can but if we had moved on this five years ago when the FSC national initiatives started out in Australia and had strong support -

Mrs TAYLOR - But the Tasmanian forest agreement is not relevant to that, is it? FSC national standard is national.

Mr HESKETH - Yes, and we are in the national context here and we are trying to work within in.

Mr WILKINSON - Let's forget about five years ago, we are talking about what we have in front of us now.

Mr HESKETH - I understand, but we are trying to achieve a lot in a very short space of time. We have committed to doing that but we must ensure the standard is a robust outcome. It is back to durability once again; this is a key durability issue. We will move as quickly as we can but a fast-tracked outcome that does not meet the community expectation required in the FSC system will make it fail, so we have to work very positively and confidently to ensure the community is behind that certification process, as well as this agreement.

Mr WILKINSON - I am looking for some support from the ACF that, if this legislation passes, you will be doing all you can as quickly as possible to ensure the forests within the agreement, which you are agreeable to being logged, have FSC accreditation. If that is not being said by you, that is contrary to the IGA, as I understand it.

Mr HESKETH - There is a full commitment to achieving FSC certification as part of this agreement for the future. ACF will work strongly on that, as will the rest of signatories.

Mr MULDER - That FSC certification you are going to work for, does that include the practices that this TFA agreement, which you are also committed to? We do not doubt you are working toward FSC certification, but for the durability of this agreement you

have to be working for certification that includes the practices that are proposed for the forests that are being put in wood production zones. This committee will need some assurance this is not a 'get it into reserves first and then we'll go about getting rid of the rest of the native logging industry through other processes'. That is the assurance we are asking for, a simple, 'Yes, we are committed to seeking FSC certification, given the practices the agreement sets up'.

Mr HESKETH - I probably failed earlier on in the response to you that we don't run the FSC process.

Mr MULDER - You have said that about 101 times. It is the work you do inside that member body to support this agreement, not what the outcome of that body does. You have committed to working to achieve those practices so, for the record, the conservation foundation is working towards having cable logging and clear-felling accepted into the new forest practices code.

Mr HESKETH - ACF is fully committed to the outputs of the Tasmanian Forest Agreement. There is no doubt about that.

Mr SINCLAIR - The point about it is I am sure the industry groups, the union and the markets want a credible process - a gold standard process. If there are ways that we can work within FSC to accelerate to expand the resources available with FSC to make this move as fast as it needs to move and still be a credible gold standard that the market can have trust in, which I am sure the industry in the end will also want because that will provide security, then we will support that wholeheartedly

Mr WILKINSON - So, using my same scenario, if next week we endeavour to sell wood, say, to Japan and it has not as yet got FSC accreditation, as I take it the ACF would be saying, yes, we believe that wood has no impediment in it being sold into Japan and we believe it is appropriate that Japan, if they believe it necessary, should purchase it.

Mr SINCLAIR - The market will be seeking independent verification through FSC. That is the standard. It won't be looking for industry, the environment group or the union to say this is great stuff. That is the power of the FSC certification process. Coming back to Lindsay's point, maintaining the independence in the operation of FSC is crucial to show the market the independent verification of this product so that they can have trust in it. That is critical.

Ms FORREST - Will they support the application to certify our remaining production forests as FSC certified? That is what we are asking you. Will ACF support an application for FSC certification for the remaining forests that will be production forests?

Mr HESKETH - We are a stakeholder in the process and we will strongly support all the FSC processes required to achieve a certification outcome.

Ms FORREST - Thank you.

Mr HESKETH - And participate in those processes as will the rest of the Tasmanian community.

Dr GOODWIN - Around the durability issue, is the ACF satisfied with the 504 000 hectares that are proposed to be reserved in this agreement, given that the original ask was something like 600 000? Is this going to be enough? Do we have a guarantee from the ACF that you won't be coming back to the table saying we want more?

Mr HESKETH - The answer is yes. The area is within the agreement and we support the agreement and the figure that was in there. Sure, there was an expectation within the Tasmanian community and nationally for more areas to be looked at and were proposed. They were in the report given to the independent verification group. There were some reductions from that, as I mentioned earlier, for various reasons, but as a member of the signatories group working with industry to meet the supply expectations they had, I know an exhaustive process was undertaken by Environment Tasmania and the Wilderness Society, our colleague ENGOS, to work with the regional environmental interests around the state to try to find wood production to be achieved by allowing areas to stay in production. That was really hard for a lot of people. I was witness to that. The organisations went through a lot of pressure to meet the needs that industry has for an ongoing wood supply. That was a major piece of work over a very long time, conducted with Forestry Tasmania to look at wood volumes from certain areas. If these areas are not protected and stay in production, will that meet these figures? An enormous amount of work was undertaken.

One of the major delaying reasons for getting the final deal struck and the figures achieved was because we were trying to verify all of that. That was undertaken; it was achieved; agreement has been reached. We support the agreement and the agreement has that figure in it. So we are on the record with that. We see it as a durable outcome because it does satisfy by far the main gravity of the expectations of the reserve system that people have in the state. Sure, durability was going to be compromised by any imposed outcome on people who would say no, we expected protection for that and therefore cannot support the agreement, so that was really a tough process. I think you have seen the regional group members of Environment Tasmania and others who have been in the forest reference group. You will hear more about it from those organisations that have been conducted all the way through for the last three years. It has been dealt with through a strong process of consultation and negotiation with them.

Dr GOODWIN - Are you satisfied that the highest conservation value bits are included in this 504 000 hectares?

Mr SINCLAIR - The point is we support this agreement and we want it to work. There is no shadow document, no shadow agreement. This is the agreement and we agreed to it. This is the agreement we want to work.

In my opening statement the point I was trying to make was that we had a track record of working with unlikely allies to achieve an outcome. Not everyone will agree with that outcome, it is not human nature to have 100 per cent agreement, but when we make that agreement we will stick to it. That is who we are. We are trying to represent that to you and to provide confidence to you. Our autograph is on this document and we agreed to it we want to see it work for Tasmania and for Australia. There is nothing else behind it; it is just what it is.

Dr GOODWIN - We had a bit of history this morning from FIAT about their involvement or non-involvement in the process going right back to an initial meeting that involved Gunns and some ENGOs. Was the ACF part of that initial meeting? How far back does your involvement date in this protracted process?

Mr HESKETH - As Paul has pointed out, we have been getting collaborative work happening for a long time. We were one of the foundation membership groups of the Forest Stewardship Council of Australia being incorporated and formed, along with industry groups and other ENGOs. I think within that FSC discussion we got together with industry people who started to share their problems. We were putting forward our problems and people started to realise that we needed to work collectively together and come up with durable solutions by agreement. So ACF was right in there from the outset of getting people to the table, along with others who were right there from the outset, and it became the process that it is today. I think from the very beginning we were part of this in bringing people together. That is the role that ACF has a strong history of doing.

Dr GOODWIN - Were you part of that meeting with Gunns that was referred to this morning or are you unable to answer that?

Mr SINCLAIR - I do not think we are sure and it would have been Don who was there at that meeting. I cannot speak for him but if you want me to get back with any information I am happy to try to do that.

Dr GOODWIN - Yes, it would be useful to know. There are some unanswered questions around the pulp mill as well.

CHAIR - I have a number of other questions for both Paul and Lindsay, or Don if he is available at another time. I want their reaction to the government's amendments.

Ms FORREST - And the other amendments members have proposed in addition to the government's amendments.

CHAIR - Thank you all very much.

THE WITNESSES WITHDREW.

Mr JIM ADAMS, CHAIR, TIMBER COMMUNITIES AUSTRALIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Jim, you have probably heard us indicate to other witnesses that you are protected by parliamentary privilege while here. That protection does not extend outside the considerations of this committee. We indicate to you that if you are talking to the media of your own volition, or by invitation, to be cautious about that lack of parliamentary privilege protection.

I indicate to members before we move into Jim's evidence and then subsequent questions that just as we were changing over, Jim has offered, as he has in the past, to come back at another time to provide the committee with some detailed and concise information about FSC. Members might be aware that Jim is a board member -

Mr ADAMS - The chair.

CHAIR - My apology, of the Forest Stewardship Council here in Australia. That might be something you would like to consider as we go through this process today. For the moment, over to you, Jim, for your presentation and, as with other witnesses, we will go to questions.

Mr ADAMS - I have a brief presentation that I would like to stumble my way through. I may afford the liberty also of acknowledging at the outset of my presentation the loss of our community members who have recently been caught up with the unfortunate bushfires and also the efforts from those who assisted to manage with all those fires.

TCA was formed in 1986 by a national coalition of community groups with the support of the timber industry and timber unions to assist timber communities across Australia to participate in forest industry processes in support of the industry. Very important understanding that is the role of Timber Communities Australia. Over the past 27 years, TCA has been the vehicle by which these communities have been able to support industry from the community perspective in the countless processes similar to this process of [inaudible] forest industry processes, very few have similar to this.

Mostly the processes have been around access to resource and TCA has adopted a position resisting further loss of resource in support of the industry which supports its communities. In the past, the process has very much been about proposals to remove further resource from access and TCA, in support of industry, has adopted a position of mostly opposing those proposals.

As well, mostly these past processes have been government processes which although intended to have never resolved the arguments over the reservation and utilisation of our forests, not only here in Tasmania but nationally.

On this occasion there were two very significant differences. The key issue in this process, although the outcome revolves significantly around resource, is market access, not resource access. I think you probably have a sense of that from the industry judging from some of your questions that I was witness to earlier. That is the first very significant difference that I would like to draw your attention to.

The second is, this is a stakeholder driven, government supported, process rather than the reverse, which has been the traditional process. I have characterised it to some others that I have spoken to. It is a bit like, the kids in the backyard squabbling and in the past it has been very much the case mum leaning out the kitchen window saying, 'Come on you two, get in here. This is what we are going to do. We are going to resolve this issue like this. You go to your room and you go to yours.', and no-one is happy. On this occasion the protagonists have come to government and said, 'We want to resolve this issue but we are going to need government support and recognise that none of us have the right or the capacity to arrive at and implement a solution by ourselves and we would need government support, but we would like an opportunity to try to arrive at what the solution looks like as a stakeholder group, so at the end of the day we own the outcome'. That is a very significant difference to any of the other processes that we have previously been involved in.

Both of these characteristics of this process have created significant and very difficult issues for TCA and its membership. Honourable members would have seen those played out honestly and publicly in recent months.

I will concentrate on those two issues for a moment. The first one, around market access, I make the point that resource access without market access is worth nothing to you, nothing to the industry today. Yes, the green movement has exploited, shifting market sentiment and yes, to some extent they have driven it, both nationally and internationally. But the fact is that it is real and more or less relevant across a range of sectors that make up our industry. At the woodchip end, the residue end, the market sentiment of disfavour or against native forest wood product, is a social view that it is becoming increasingly difficult to profitably market native forest residues from Australia, not just from Tasmania.

At the sawn-timber end, increasingly, the industry is vulnerable to exploitation of market sentiment and demands for certification of sustainable management are increasingly being made of the industry. In short, if you own no forest, unless you have a certified conflict-free product to sell, you are going to struggle to find a market for it, definitely internationally and increasingly domestically as well. I do not mean there are not people out there who are not still doing very well in the current circumstances, I am talking about trends and the way things are heading.

Mrs TAYLOR - So PEFC is not sufficient?

Mr ADAMS - They are certainly within the marketplace, particularly the international one. Some of the producers are finding their customers have a preference for FSC rather than PEFC. I am not saying one is better; the TCA supports both schemes. Through appointment to the FFC, through rotation I have got to the point of being chairman, but that does not mean our organisation necessarily favours one scheme over the other. It is just a role I fill on behalf of the membership.

In this process the industry is seeking to gain market security to utilising flexibility created by Gunns' exit from native forests and some voluntary reduction in size of the industry to deliver a reservation outcome in return for its support in the marketplace. That is basically what this agreement and this process boils down to. Because TCA

exists to support industry, it is supporting the outcome conditional upon durability and support for its communities. As we said very clearly, TCA exists to assist our communities to support industry and therefore we support industry and the outcomes it is assuming through this process. We also said very early on in this process that we do not want to be involved in yet another round of negotiations that lead to some compromise and then to further negotiations some time later and then further compromise. This needs to be a durable outcome and it is the last time we want to be involved in this kind of process.

I was only permitted, on behalf of my membership, to continue this process on that basis. That is the basis on which TCA participated in the process and the reason the TCA membership almost invented the durability concept in this process and sought, with the cooperation of others, to put bones around what that meant. Our initial ideas about what durability looked like were perhaps a bit draconian and have evolved somewhat during this process but we believe, provided the agreement is implemented in full, that we can have a durable outcome within this process.

CHAIR - Evolved or softened?

Mr ADAMS - Evolved as a result of understanding that some things are possible or not possible. Because TCA exists to support industry it is supporting the outcome and supports it in full as a complete package. Notwithstanding that, we are prepared to consider amendments that go to better reflect the intent of the agreement in some cases and in other cases to provide this chamber with greater comfort where required but that do not fundamentally impact on the fabric of the agreement.

For many TCA members this change to what supporting industry looks like from opposing reservation to actively supporting the process that involves a significant reservation outcome has been extremely challenging and very difficult.

I will talk briefly about the other key difference, the fact that this is a negotiated stakeholder process rather than a government process. As I said before, all the other significant forest processes that TCA has been part of have been government-led processes - a bit like mum leaning out the kitchen window and saying, 'We're going to sort this out'. That has had the effect of allowing all the parties involved at the end of those processes to sit back and blame the outcomes and impacts on government and not own those outcomes themselves and the responsibility to implement them. Not one of those processes has solved or even reduced in reality the forest war, resulting in ongoing mutual vilification, protest, safety risk, loss of production, loss of profit and loss of values, as well as tarnishing Tasmania's clean, green, smart brand and, very importantly, eroding public support for the industry and the agreement.

Mindful of those things and of a range of structural issues facing the industry, on this occasion industry approached the environmental movement to make a joint approach to government to support a stakeholder-driven attempt at a solution to these long-running and the immediate structural issues facing the sector. No longer would we be able to blame government for the outcome or the consequences. This also meant however that no longer was either party lobbying or negotiating with government and now had to arrive at their own agreement and agree to make it durable by committing to each other to do so.

This was extremely difficult for all parties involved but I would contend none more so than for the TCA and its membership. TCA agreed to participate in this process only if the outcome would be durable and a mechanism to ensure this durability will be built into the agreement. We are aware, of course, that many TCA members are opposed to the Tasmanian Forest Agreement and will make opposing submissions and should do so. The TCA, however, supports the TFA in full and will support amendments required to fully meet the intent of the agreement and that are not inconsistent with its intent.

Mr HALL - Jim, despite the process you have just been through, given that the RFA is a science-based process with a lot of community input, would you rather have seen some sort of process like that? The thing that has upset a lot of people, with all due respect to your signatories, is that you have done what you had to do under great duress and probably not getting what you wanted.

Mr ADAMS - My belief and understanding is that the RFA process cost our industry 11 000 jobs around the country. It was supposed to deliver resource security and a secure investment environment. I do not believe the RFA has delivered that. I have not seen that anywhere and while I acknowledge the scientific basis of the RFA agreement I wish it, in fact, had paid more attention to the stakeholder engagement side. I was part of those processes myself.

I have been in this industry for 35 years and I was part of the RFA, the Eden RFA in particular, and was on the regional community forum down there. I was there representing local government in my previous life as a mayor in that region and we were used as a rubber stamp to the process. I believe that other participants to the process also believed they were used as a rubber stamp for the process and really the outcome was determined by the governments and imposed on us. It is exactly the kind of failing, I suppose, I have described to you that we would avoid through this process. A combination of both would have been better if the RFAs had paid more attention to meaningful stakeholder engagement and consultation.

Obviously there have been flaws in this process. I do not think any of us would try to pretend that it could not have been done better in a lot of places but we are where we are. I acknowledge there are people outside of the room and people who figure they have not been properly consulted, but it is a great strength that this process does bring in a substantial collective of the people who up until this point in time have been in this dispute, have come together and said, 'Let's try to solve this', and put a proposal to government.

None of us at any stage have sought to usurp the role of government in this or the elected representatives. We have always acknowledged from day one that at the end of the day this process would have to come through and if you guys had sat in that room and heard the number of times that our side said that you are going to have to get this through the Legislative Council, you would acknowledge that has been understood in the room from day one.

Mr HALL - Given the large amount of forest estate which is already reserved in Tasmania - now we have another additional 500 000-odd hectares proposed if this goes through - are you concerned about the intensification of harvesting on that remaining bit, and given

you are chair of FSC? Things change; we have heard about the industry being down at the moment but I still contend that most primary industries and commodities are cyclical and dollar values change around the world. Will Tasmania, by further locking up 500 000 hectares of its resource, really be throwing the baby out with the bathwater in that we have an income-producing stream that we are cutting off?

Mr ADAMS - It will certainly restrict the capacity of industry to grow in the native forest sector in future. It will not restrict its capacity to grow in the plantation sector in the future, or certainly should not. You have to balance that with your view. People have different views about this but you have to balance that with your view. If you retain those areas and have the capacity to retain them in production, are you going to be able to use them anyway, and are you going to be able to sell the product that comes from them anyway if there is ongoing conflict around the access to those areas?

Mr HALL - As you say, you have been around the industry for a long time. Would you see a focus from environmental groups, presuming this went through, on protest movement from native forest onto plantation resource which is now being extolled as our saviour?

Mr ADAMS - All I can say about that is that if you do then it will certainly not be considered to be a durable outcome to this process; it will result in a failure of the durability test -

Mr HALL - If that happened with the plantation, is that what you are saying?

Mr ADAMS - Absolutely, because as signatory to this agreement I have committed to impart a future that relies on growing the plantation at this stage.

I was interested in some of the questions earlier also around that. It is quite clear in my mind that if some of those issues around support for FSC certification and a mix, et cetera, are not delivered, they are in clause 42 as part of what needs to be reported on in a durability report. If the report is no, that support has not been forthcoming, then the durability report is a negative report.

Mr HALL - Thank you, that has clarified that.

Dr GOODWIN - I want to ask about support within your organisation within Tasmania for this agreement. You have alluded to that a minute ago when you said something about many TCA members are opposed to the agreement. Do you have a sense of how many or what proportion of your membership that is?

Mr ADAMS - No, not directly. All I can do is explain to you the process that we went through during the course of this process over the three-year period. We held a number of state conferences of the members to discuss this issue and our involvement in it, and what that involvement should look like. We have also held a number of community forums. The state conferences is everybody; the community forums tend to be north and south on following days; and then we also have a grouping of the state presidents within this process. At those forums we discussed the organisation's involvement in the process, we discussed the terms on which the organisation would or would not be involved, and I have outlined some of those issues to you.

At every one of those forums it was a vote of the membership that the TCA should be involved -

Dr GOODWIN - The majority vote do you mean?

Mr ADAMS - Yes, they were majority votes at those forums. I think at Launceston for the first one in 2010 there was one vote against. In most of the meetings I do not think we recorded the number of votes for or against, but they came away from the meetings with a mandate to continue TCA's involvement in the process and to continue on the basis of a number of resolutions around the verification of forest to be proposed as reserved as high conservation before it could be reserved. Support for the pulp mill was one, which became redundant along the way once the potential investor in that project disappeared. There were a number of others. Support for the industry, the industry position and Forestry Tasmania were all among the resolutions of the TCA membership in that process.

There was discussion along the way also about whether an outcome was ultimately likely to be arrived at. I think there was a view for a long time that probably there might not be an agreement, ultimately, come out of that. As it became obvious that agreement was possible - I recall one particular meeting where one of the state representatives, who happens to be in the room at the moment, said to me, 'So you still think there'll be no agreement, Jim?', and I said, 'No, on the contrary, I've called this meeting today to discuss this with you because I think there will be an agreement at this point in time'.

Dr GOODWIN - So at one point you thought there was not going to be an agreement?

Mr ADAMS - For a long time many of us thought there was never going to be an agreement. There were many obstacles - the fundamental incompatibility of the reservation proposal and the resource requirements as they would be presented - for a long time through the process and many of us believed it was unlikely there could be an agreement if those positions were maintained. That is the nature of a negotiation of course; you start with those positions that are incompatible and try to arrive at a position that is compatible. It did not look as though that was going to happen for a long time.

Dr GOODWIN - At the most recent series of meetings - there was one in the north and one in the south - the vote was not in support of continuing?

Mr ADAMS - It was explained to the membership that there would be votes taken and those votes would go back and the board would make an ultimate decision. At both of those meetings the vote of the membership against the finding of the agreement was 4:1 - 75 per cent against and 25 per cent in favour.

Dr GOODWIN - What made the board decide? Is the board made up of local people or are they from the mainland?

Mr ADAMS - TCA is a national organisation and is made up of a board member from each state, two industry representatives [inaudible] on the board - Brett McKay attended with me in front of this Chamber on the last occasion we met. He is our Tasmanian board member. Essentially, the board's view in considering whether to sign the agreement was very mindful of the views of the membership. It did not make the decision lightly; a

simple yes-no decision took an hour and a half to make. You may be aware the board reviewed that decision a couple of days later. The board's ultimate reason for making that decision was it believed TCA's role is to support industry and the industry position. TCA needed to be in support of the industry position on this matter. It also believed, however, and I think it was slightly unfairly suggested, the board had only voted yes to maintain some position, but that is not the case. The TCA board genuinely believed if at some point this goes through in an amended or unamended form TCA will be better positioned to have been a signatory than not to have been a signatory because they felt it could more effectively represent the views of its members from that position going forward.

Dr GOODWIN - Can I clarify something you said earlier in relation to the pulp mill? I think you said something about it coming off the table because of the loss of the investor.

Mr ADAMS - That is what I said.

Dr GOODWIN - So that is why it came off the table? Originally it seemed to have been quite a central part of this whole process, the idea there would be a pulp mill, and then it seems to have dropped off the radar. Is that the reason, because of the loss of the investor?

Mr ADAMS - Yes, from my point of view it is. This agreement is, in part, about looking for new opportunities and for new investment opportunities and the pulp mill was very much one of those opportunities right up until it became no longer possible, as far as we were concerned.

Dr GOODWIN - I will slightly veer off there onto the special council and when that idea came on the table, because it was not in the original version of the -

Mr ADAMS - You are testing my memory now. It has always been our intention, or our expectation, that if we were able to pull something together and the government were able to support it that we would have to own it and that we would have to see it through. In fact, we wanted to do that. We do not want to do something like this and then hand it over to government and say, 'Okay, there you go, it's all yours from here on'. The reason we have had these discussions and the reason we sat in the room for three years is that we are committed to trying to seek a solution and an outcome. We all wanted that outcome and we wanted to continue, from TCA's point of view, and are very committed to TCA being there - whether it is me or somebody else - to ensure that when the durability reports are there our voice is being heard as to whether durability is being achieved or not.

Dr GOODWIN - In terms of the funding for the special council, do you know who costed that?

Mr ADAMS - No, I don't.

Dr GOODWIN - Do you know what the level of remuneration is likely to be for the people on it or any of those details?

Mr ADAMS - No, I certainly do not know any of those things. I think a number was estimated. If you are going to have a council, from past experience, people who had experience in those things, not including myself, to run something like that you are going to need \$x. I confess I do not even know what that number is at this stage.

CHAIR - I hear what you say about the industry-driven approach, rather than a government-imposed approach. You would be aware that there has been some criticism that that group of people, self-appointed with self-interest, has sought to carve up the land which is owned by the Tasmanian people and that in so doing, or any proposal to so propose reserves of Tasmanian land, ought to come from the people's representatives. That is, the government/parliament. What do you say to that? I understand all that you have said.

At an earlier time you and I have discussed the genesis for where this group finally arrived and there are some views about that and who played what role - the former premier David Bartlett's role prior to the 2010 election where he said he would establish a round table and then people understand that the CFMEU quashed that proposition, that it would not be government-driven and so forth and if the government's proposal was to unfold that the CFMEU would personally destroy the process. The question clearly then is: what is your reaction to that comment from many more people than me?

Mr ADAMS - Yes, sure and I am very mindful of those comments. The response to that would be that it seems to me the government forms policies that come before parliaments by many different means. Sometimes they have bureaucrats put together policy positions. Sometimes they go out and do public consultation processes and in our sector, in the past, they have run various processes of consultation with groups to try to come up with solutions and proposals.

On this occasion, a group of stakeholders who felt that they had something to contribute in terms of trying to come up with a solution to these issues approached the government after the government had committed to having the round table. You would also recall that you were in an election in early 2010 and environmental groups had formed a group called Common Ground, which they had proposed should be in a forum and I think the round table proposal probably arose out of the formation of Common Ground. What you probably do not know is that TCA actually said they did not want to engage with Common Ground at the time because we saw it as just another one of these series of negotiations where you have to be reasonable so you have to compromise and so forth. So, when this opportunity arose - and, as you alluded to there are a number of different angles that came together to form this process - TCA was not invited to be involved but we were aware that there were a number of discussions going on. We wanted to be part of those discussions because we wanted to ensure that our members' views were heard and represented within those discussions.

Yes, that group then did approach then Premier Bartlett and said, yes, there are a number of us who would form participants in the round table if you were to proceed with it, who were really having a discussion about some of these issues and how do you want to cope with that. As I say, he agreed at that time to endorse this group to go on and continue with discussions to see where they would get to. However, he did also say at that time, certainly to the industry side of it, only on the condition that you engage more fully with people in the industry side.

To that extent, we held a very extensive meeting of industry people. Many of the people who were at that initial meeting never came to any further meetings but an industry reference group was formed at that meeting and also agreed to participate in the process. The initial question of that meeting was, as I understand and recall, first, do you see a need for this process at all, do you want to be involved and, if so, who should be representatives? The answer was yes and an industry reference group was established at that time to participate in the process.

CHAIR - Thanks, Jim. Much has been said about the durability process which we have in front of us, potentially. What do you say to the suggestion or, in fact, criticism that, with almost 400 000 hectares handed over as a formality, if you like, with only about 100 000 at risk, how is that a really strong durability when it is an unbalanced equation, in terms of people proving they are bona fide as to peace in the forests?

Mr ADAMS - There are a number of responses to that. First, if you measure or you put onto your scales only those two issues then, yes, you can say that it is unbalanced but if you also put onto your scales the fact that in agreeing to and signing up to this agreement, the environmental groups in Australia, for the first time, have agreed to actually endorse native forest logging. That is very significant; it is a very big counter-balance to put on the other side of the scale. Both the ACF and the Wilderness Society, which in Australia up to this point in time have maintained policies that do not support native forest logging, are now signing up to an agreement that endorses native forest logging going forward in Tasmania. They are also signing up to support the FSC certification of that activity. I think those two things balance the scales a bit.

In terms of that outcome, we sought a different outcome. We fought long and hard for a different outcome but, as is the nature of a negotiation, you do not always get what you want. We were not able to maintain, in the face of the vision put by the environmental groups that they could not carry their constituency if there was not a significant upfront reservation, then we were not able to maintain an argument against that on the basis that it was also being balanced by some of these other very significant issues.

Mrs TAYLOR - It is really good to hear you being so positive about it expecting, Jim, that this is going to happen. I am a little concerned about worst-case scenario. What if the durability does not hold? Then what?

Mr ADAMS - Thanks for that supplementary because I forgot to give part of my answer to the previous member.

Mrs TAYLOR - Because it will be in reserves then.

Mr ADAMS - Yes, and it goes to some of the stuff that we put on the table this morning, which is of concern to us because the one opportunity that we do have is that very initial durability test. We cannot see something go through that compromises that first durability test, but it also makes that first durability test so very important because if we do not get the opportunity to do it or present it then you are right, then it is in the process of going into reserve at that point in time.

Mrs TAYLOR - What happens in six months' time if the durability after this agreement, after the bill is signed in case it happens? Worst-case scenario - what if in 12 months' time you come back to us and say, 'Well the durability is breached'?

Mr ADAMS - Then the process stops right where it is and every hectare that has not yet gone into reserve does not continue to go into reserve. That might be only the 100 000 hectares that still remains and I suppose that is the balance or the point that you get to in a negotiated agreement where you either commit and you go ahead or you don't.

Mrs TAYLOR - Normally in that sort of an agreement, though, you would say if this happens then that will happen, if this doesn't happen then that will happen, but there is no counterbalance to that.

Mr ADAMS - There is not as much counterbalance as we and our membership would have liked. As I say, that is where the negotiations ended.

Ms FORREST - In relation to Paul's question, you said that you would only support a mechanism that assured durability of agreement and you have described those aspects that you see as the durability aspects. You also heard this morning that we can unreserve areas. Was that a matter of discussion from your point of view as to if things all go rather badly and the children stopped playing nicely in the backyard, that mum could bring in the means to reinstate the current status?

Mr ADAMS - Can I get some clarification? Are you talking about the whole-of-government submission that came up this morning? I wasn't here this morning and I am afraid I didn't get instructions.

Ms FORREST - Sorry, recently parliament passed a revocation of a permanent reserve status on The Nut State Reserve and there was another area as well. They were permanent reserves, but it was deemed that they no longer needed to be that reserve status and they could be sold off as private land. It had to be revoked from the Nature Conservation Act through that process. That process still exists. It would be a big job, there are no two ways about that, but was that consideration given during your considerations that if things went badly with the durability that that was an option that was available?

Mr ADAMS - We have always known that it is possible, but we considered that it was unlikely. We tried to construct the agreement to the extent that we can on the assumption that that it wouldn't happen.

Ms FORREST - You need that sort of assurance, you would agree wouldn't you, otherwise it has no durability for either side?

Mr ADAMS - Yes.

Ms FORREST - It could change on a whim.

Mr ADAMS - Yes. Obviously a government process to change [inaudible] a significant process and wouldn't be likely -

Mrs TAYLOR - And would have to go through both Houses.

Mr ADAMS - It would have to go through both Houses. It wasn't negotiated as part of the agreement because it was considered by us to be possible but unlikely.

Ms FORREST - As far as the package that was provided by the government late yesterday afternoon/evening to us and then again to other signatories this morning, have you seen it?

Mr ADAMS - I have this morning.

Ms FORREST - You had not seen it beforehand?

Mr ADAMS - Hadn't seen it before.

Ms FORREST - You have had no briefing or anything like that?

Mr ADAMS - No, I have had no briefing on it. Most of us have been on holidays and came back last Tuesday, had a brief meeting of the signatories group last Tuesday and discussed a range of issues. We knew that Forestry Tasmania was working on putting what I thought was going to be a Forestry Tasmania submission together - I am still not sure whether that is the Forestry Tasmania submission or if it is something else -

Ms FORREST - It is the whole-of-government submission.

Mr ADAMS - or whether Forestry Tasmania are a part of that as whole of government. That is the extent of my knowledge of that document. I scanned it very quickly this morning and the changes to the protection order that have jumped out at us and then brief discussions with some of my colleagues. We are intending to look more closely at that and consider our views about what that means.

Ms FORREST - So you need to come back and give us information about where that sits with your members.

Mr ADAMS - Yes, I do. I need to give you information as to where it sits with our members and where it sits in the context of the agreement itself as well because the two will be different, I suspect.

Ms FORREST - With regard to special timbers - and I know a lot of your members are involved in that area - the agreement clearly makes reference to that meaning more work. How do you see that progressing? It seems that there needs to be more attention given to where those timbers are to ensure that there is access to those? It is part of the iconic nature of Tasmanian industry.

Mr ADAMS - Yes, absolutely. The reference I made to you earlier when I said you are possibly surprised at the number of times we sat in that room and said, 'We have to get this right or it will never go through the upper House', and 90 per cent of those references were in relation to specialty timbers. We have recognised that this is something that has to be fixed and made right from day one and we struggled to get that position because, fundamentally, some of those species come out of what is effectively classed as rain

forest, and these are rain forests that are obviously the highest on the agenda for regulation.

Nonetheless there is a recognition amongst the signatories that if we do not fix this issue it will not get through this House and so it has to be fixed. We have done two bits of work in the interim, one is being commenced now or has been asked to be commenced, and that is for Forestry Tasmania to provide the signatories with an expanded rescheduling coupes list which includes a sufficient number of coupes to supply the required volume of specialty timbers for the next three years. That is to give us time for the clause 9 process to be invoked and delivered.

The second piece of work that is required to be done now as well is for the areas of specialty timber and craft zone, the subject of clause 9, to be reviewed to ensure that it covers sufficient area to provide a solution to the clause 9 process. There is no point having an area allocated to clause 9 that potentially cannot provide a solution anyway.

Ms FORREST - Would that also include consideration of alternative methods of extraction?

Mr ADAMS - Yes, that is part of clause 9's work.

Ms FORREST - That will be in clause 9 so in the interim you are looking at a three-year time frame to enable areas you have set aside to enable it to be no less than what the industry is getting at the moment.

Mr ADAMS - That is correct. There is what is called a rescheduling exercise which basically, in relation to the eucalypt forest, is a list of compartments or coupes that are currently scheduled within the proposed reservation area which cannot be rescheduled. It would need to continue to be harvested and excluded from the reservation area.

Ms FORREST - Who is determining where they are?

Mr ADAMS - Forestry Tasmania. We have Forestry Tasmania to work on that with us and to consult with Specialty Timbers to help ensure those areas are appropriate.

Ms FORREST - I am sure you are aware that since debating the bill last year there has been a specialty timbers interest or representative group of some sort formed so is that who you are talking about dealing with?

Mr ADAMS - I think Forestry Tasmania are working with that group. They are certainly working with members of that group in that work and there is some independent work being done by that group or a consultant working for that group through Forestry Tasmania. I understand that that group will have access too as well.

Ms FORREST - Thank you, Mr Chairman.

Mr WILKINSON - As you are aware, Mike Peterson, who has been probably one of the foremost experts in relation to where the speciality timbers are within Tasmania, forwarded a letter during the debate and are you saying that what was stated in that letter had some real substance too?

Mr ADAMS - I believe so. The guy is the expert and Forestry Tasmania acknowledge that he is. He is actually employed and he has the information. He has been engaged and he is now conducting this work that they want.

Mr WILKINSON - He has been engaged, has he, to -

Mr ADAMS - I am not sure who he has been engaged by but I know he is doing some work in there. He is accessing some of their data to shore up that work. It will be available to Forestry Tasmania to contribute to what the signatories have asked for.

Mr WILKINSON - Are you aware whether he has all the maps because I know a couple of weeks ago he did not have all the maps?

Mr ADAMS - No, I am not. I have not had any contact with him personally but I would be surprised at this point if he has not been able to access them.

Mr WILKINSON - Okay, no problem.

CHAIR - To retain you for the last question, recognising that Ivan and Tony were both queued but we are going to be having Jim back, hopefully, next week. We will coordinate that with you before you go because we want to go with FSC as well as getting your reaction to the other. Tania - the last question for the day.

Ms RATTRAY - Thanks, Chair. Jim, I wrote down that you said that your organisation would consider amendments to better reflect the agreement. What are those amendments that you would consider?

Mr ADAMS - I think the ones that we spoke about last time were the ones around sovereign risk specifically - and now my memory has gone blank. There was one I read on the top of the agreement that was not originally picked up very well in the bill that we spoke about last time we were here.

Ms RATTRAY - Aside of speciality timbers and their access?

Mr ADAMS - Yes, I think so; outside of that. I am sorry. I would have to come back because I have gone blank. I am sorry.

Ms RATTRAY - Can you come back?

Mr ADAMS - Yes, I can. There were two key ones, the sovereign risk one -

Dr GOODWIN - Wasn't it forest practices?

Mr ADAMS - It was the forest practices one; yes, that is correct. That was the one around the considerations of that meeting and their deliberations to include the socioeconomic impacts as well.

Ms RATTRAY - Thank you.

CHAIR - We will conclude this session there, Jim. We have one more presentation which was scheduled for five o'clock so we are not far away from being back on track. Ivan and Tony, if you could have your questions ready for next time.

Mr ADAMS - Just on that issue around forest stewardship certification, if Council could perhaps calculate what they would like to know, I can help there.

CHAIR - That would be productive. We will get something to you on that, Jim. Thanks very much.

Mr ADAMS - Thank you very much.

THE WITNESS WITHDREW.

Mr SHANE RICE, Mr STUART RALPH AND Mr FRED RALPH, TASMANIAN SAWMILLERS ASSOCIATION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Thank you very much, Shane. I see you have some notes in front of you but before you proceed I need to let you know that you are protected by parliamentary privilege while before this committee, which is not the case outside the committee. If you choose to make comment to the media, you need to be cautious about that in terms of evidence which you give to this committee which would not be privileged and would be susceptible to legal challenge if somebody wanted to proceed down that path.

Mr RICE – As you are well aware, the agreement was signed by all signatories after participating in two and half years of negotiation. The TFA represents the best agreement possible and provides framework for the restructure of the Tasmanian forest industries and for there to be an acceptable conservation outcome that would enable the end of the forest wars.

The TSA's position and contribution aims for the outcome in the best interests of the state. In the circumstances, the TFA is the best agreement which could be achieved. It is not, however, necessarily in the best interests of the regional mills. Creative thinking was in the confines of the TFA would result in a better outcome for the regional sawmills. The TFA was signed by the Sawmillers Association with the understanding that the agreement would be transacted into legislation. To quote the words of minister Burke, 'the TFA is to be implemented with no cherry-picking' and it is critical for the bill to reflect the TFA.

Before we go onto areas that are quite important to us - and we have three particular areas - I would like you to bear in mind that the TSA does not have funded employees to be part of this. Therefore, we have to be very selective on the areas that we went further into. There will be some areas that we left to those who are in a far better position to judge, such as special species timbers, reserve areas and those kinds of things. We felt there were others within the signatories who had a greater command on that and because of our limited resources, we chose to focus more on the areas that were most relevant to us.

Before we dwell on those areas that are very significant to us, we would like to present a vision of what we could see is possible for the state if the agreement, then consequently the bill, is implemented. Where we first became involved within this agreement was to see a critically-needed restructure of the industry, rather than a shuffle of the cards while still playing the same deck. As part of the vision for the future, the TSA provides for the preservation of the current strengths of the regional sawmills whilst positioning the sector to adapt to new technologies and design opportunities.

Regional mills provide a skill resource to the state in the efficient conversion of both high quality and low quality sawlogs through the achievement of a high recovery rate from the log resource. Our niche area is our ability to maximise the recovery from every log that is available, and that is what we pride ourselves on in the sector.

The concept of the regional mills is to continue to do what they do best, and that is essentially to supply green timber. The vision we have is to supply this green timber product into a value-adding, cooperative hub-style proposition with kilns, planing and moulding equipment, so those sawmills that are left in the industry can come together to value-add our product more in a niche market which overcomes the problem that every industry in Tasmania has of transport out of the state. By value-adding the product here we can to a large degree overcome those problems. A lot of the problems we have are no different to other particularly land-locked countries throughout the world. They have value-added their product to overcome that. We see that as part of our opportunities - given the chance to go ahead.

This hub is [inaudible] to need the critical mass sufficiently to attract designers to it. Who the designers are remains to be seen; we do not have a fixed vision of that. Design comes from a lot of different areas and we will be surprised, I think, what could and should be possible, given the opportunities.

TSA has engaged the international firm Forey, a forest consultant firm, on a pre-feasibility study into the use of particularly plantation and low-grade native forest timber, most likely cross-laminated timber but generally looking at engineered timber products from the lower quality plantation - the unpruned, unthinned nitens - and we are aware that there is a large estate available out there. Looking at future possibilities, that is the area we have taken a keen interest in. This vision is based on a resource from both public and private land, including plantations.

It is something that has come to our attention as we have progressed down this track, but it is a similar vision to, I think, Bombala in southern New South Wales. It is a timber precinct involving the cooperation of a number of wood processors. It has attracted federal funding and this district could create an integrated timber industry with strong value-adding components aligned with training in industry and business investment opportunities to advance industry and training partnerships with schools, TAFE and university to design and provide courses for the timber industry to train for skilled and highly skilled trade jobs. That in a snapshot is the vision we hold and think could be achieved through the implementation of this agreement, and consequently the bill, so whilst we are about to go on to some very significant issues we have at present, we hold a firm vision for the future and think, given the opportunities, we can grow and go ahead with that.

The TSA's involvement in the forest peace talks basically stem from when the industry belatedly acknowledged in early 2010 that it was in trouble and really needed an overall and major restructure. That was the main reason we became involved. We felt, through the common businesses, that the industry was in such a decline we could not see viable alternatives and when this opportunity arose we grabbed it with both hands. In the past, for example, the regional or what were the country sawmillers then were not very often given the opportunity to have much input into past agreements, and consequently since the RFA program has been in place, over 60 regional sawmills have gone by the wayside. We have always been the expendables in the industry so whenever there was a new agreement implemented it was easy to get rid of a few country sawmills because generally we were uncontracted and taking the oversupply of logs. Consequently, when this agreement came along through the work of one of our other directors, Robert

Torenius, he enabled us to have a seat at this table so we grabbed it with both hands with the view that if there was going to be an industry restructure we wanted to be part of it.

Once again, we thought the TFA provided - and hope it still does - the opportunity for a restructure with the aid of considerable government funding that is needed within the industry to evolve into whatever is going forward. The TSA holds the view that the restructure has to be the best outcome for the state, not necessarily a particular segment of the industry, not the environmental movement, not one business, but the state. We came into it with the view that it needed to be for the state and we still hold that view and think that the agreement, if implemented, goes towards that.

If it is decided that the regional sawmills need to become casualties to achieve this agreement for the benefit of the state so be it, but we need to know that is where we stand. In the past it has just been accepted that, as I have said, we will go by the wayside quietly. This time we need to know where we stand - if it is to be part of it so be it, but we need to know that. Nevertheless, TSA holds the view that the regional mills do have an important place in the economy and social future of Tasmania. If this is also the position of the government then continued government passivity of the past towards the regional sawmills will not achieve this desired outcome. We need to be acknowledged that we are an integral part of this industry.

The TFA and, subsequently, the bill being considered provides opportunity for legislative support to a section of the industry which has characteristically silently borne the brunt of negative effects of previous reductions in the resource availability. TSA's involvement in the talks has been to the fullest within the limitations of our financial and human resources. From the outset in 2010 TSA has sought to contribute to the benefit of all regional wood processors, not only its members, and consequently we called a meeting on Friday just gone and invited all regional sawmillers to participate. We probably had a larger number of non-members turn up than members, so we think we are providing an opportunity for all regional sawmills, not just confining it to our membership. That is the role we have taken on and being unfunded, unpaid staff, I do not think we gain or detract anything from having everybody involved. It is something we feel was necessary to get the perspective from everybody in this sector.

In coming to that with our issues of being unfunded, as I have said, we needed to focus on specific points rather than trying to be across the whole agreement. I suppose when we started one of our significant points was peace in the forests. That, as you well know, has evolved into 'durability' effectively, and in that context the durability reports are the safeguard to the implementation of this agreement. Several of our critical areas, our last backstop, are the durability reports. The durability reports are the keystone to this agreement, we feel, for all signatories, not just ourselves, and we have heard reports coming through that the whole-of-government report that came out this morning may detract from that. That has given us great cause for concern but we're not across it yet because it's only just come out, but to us the durability reports are our final safeguard. We need to know that all our issues are covered by the time we get to this and without those durability reports we are deeply concerned.

As to guaranteed wood supply, we are talking about long-term contracts in the category 13 area particularly. We have historically used cat 13s with the lower-grade logs supplementing the cat 13s we've had available to give sufficient volume for

sawmills to be a viable-sized operation. Access to cat 13 tree logs is critical to us. Another point is adequate compensable exit, and another is the environmental outcome, as we are all aware of.

Some of the clauses through the agreement that relate to the regional sawmills include clause 5, the prescription of category 2 and category 8 low-quality sawlogs in legislation defined by log type and not necessarily log volume. As you are no doubt aware, the low-quality sawlogs are arising from the harvest of high-quality sawlogs so therefore we cannot put a volume to that because the volume is unknown depending on the quality of the coupe harvested, but we are asking for the category to be legislated so that those logs will be segregated from the other products that come from an arising - peelers, pulpwood and the like.

Ms FORREST - So you are saying a definition of a category, not a volume?

Mr RICE - Yes. We cannot put on a volume on it. Ideally a volume would be the way to go but it is not practical.

Clause 5 refers to Forestry Tasmania immediately assessing the volume of cat 2 and cat 8 low-quality sawlogs. That goes towards contracts, identifying what they expect the volume to be within the new industry size, determining what the volume could and should be, and that will give us direction on what sawmills could remain in the industry once the log volume is determined. That does not need to be in the legislation; that is what we need to happen at an operations level on the ground.

Ms FORREST - Shane, you are saying that you need to have a degree of certainty around the category 13 sawlog volume because that will give you an indication of the categories 2 and 8 that will be available potentially to the regional sawmillers?

Mr RICE - Yes. There should be historic data that gives you a percentage of cats 2 and 8 arising from the harvest of cat 13s. We do not have access to that. We have asked for it on a couple of occasions but it has not been provided to us. The general answer is that it varies from forest type to forest type and coupe to coupe so they cannot give us an answer. Because we have been in operations for so long we feel there would be a percentage to give us at least a ballpark figure. We realise you could not contract it up to the maximum of what that percentage would be, you would need headroom in this area.

Ms FORREST - In the definition you are talking about defining what the arisings are from the cat 13s and the cats 2 and 8. Are you also looking for an indication of percentage in that in legislation?

Mr RICE - No, not in legislation; I think that would be too difficult and unfair to tie them to that. We are concerned about leakage going into other products - export peelers and the like - so we are after the cat 2 and 8 specifications as Forestry Tasmania's specifications of 24 October 2012, which from my understanding are still the current specifications. We need those specifications in legislation so if we identify logs going into other lower-grade products, once again the sawlog, even the low-quality sawlog, the stumpage would give the state a higher return than export peel log, for argument's sake, or a pulp log. So, it comes back to our view that it should be in the state's interest. Obviously it is in our interest that all these logs are identified rather than going to a lower-grade product.

Ms FORREST - Thank you.

Mr RICE - At clause 6 within the agreement it goes to the long-term contracts which, to operate our businesses viably, we need the assurity, the same as any other sawmill, that current long-term contract holders have. We need that assurity to gain finance - all of the business issues that any other business would face. Our resource needs to be on a long-term contract. We need to be able to get away from the privileged and the non-privileged, to use a term that's been about. We feel as though we have invested in very similar equipment on the whole; a significant investment for the size of the sawmills in a lot of cases, and we can't see, when we're cutting the same product and our end product is the same and our resource comes from the same place, why we can't all be treated the same. That is where we need long-term contracts for assurity.

The sovereign risk is across the board, not just for us but all sawmills and businesses trying to operate within the industry.

Mrs TAYLOR - Clause 6 does that for you, doesn't it?

Mr RICE - It does, yes. I am picking up on some of the clauses that are particularly of interest to us.

CHAIR - Before you go off 6, Shane, it talks about volumes.

Mr RICE - Yes.

CHAIR - When you are talking about that surety, what is an indication of your sector's need of volume?

Mr RICE - Historically, we have had the use of 20 per cent of the cat 1s, 80 per cent of the cat 2s, and 100 per cent of the cat 8s. What we had looked at is a minimum at least of 20 000 cat 1/3s, it would be still about 25 000 cat 2s and 100 per cent of the cat 1s, whatever that arising comes to - about an additional 20. Bear in mind that we do not have access to these percentage figures but that gives us around what we envisage the size of industry will come down to, which we will cover in due course in the restructure of the industry. That gives you somewhere around the volumes that we need in the regional area.

Ms FORREST - On clause 6, the amendments that are in my name relating to the sovereign risk clause with some ongoing discussion with FIAT that I am having at the moment are really just minor changes.

Mr RICE - Yes.

Ms FORREST - In essence, are you happy that they meet the requirements that you also have?

Mr RICE - I believe so, with the sovereign risk. We will bow to experience and I believe if FIAT's issues are covered within the sovereign risk, that would well and truly cover our issues with it.

Mr WILKINSON - Are you up to clause 14, Shane?

Mr RICE - Yes. In the high-quality sawlog contract by that program, that is critical to us in the fact that, throughout the negotiations, our requirements were always above the minimum 155 requirement; the actual contracted level was above that and ours were additional to that volume. Throughout the negotiations, it was indicated to us that the requirement of 265 000 cubic metres of peelers for Ta Ann would throw up approximately 30 000 cubic metres of category 1/3 high-quality sawlogs in addition to what was already contracted so we were satisfied that there was an area for a supply of logs within that. Consequently, bringing it down to the 137 000 cubic metres and reducing the peeler intake to 165 000 has reduced the ability of our sector to be supplied from the arisings in obtaining the peeler logs.

Through the negotiations we were of the understanding that there was sufficient contracted log volume offered back in the vicinity of 59 000 cubic metres below the 137 000 cubic metres required to the extent that there should be 28 000 cubic metres available to reissue back to the regional sawmillers or sawmills in general. That is where clause 16 is in direct relation to that where it states, 'Reallocation of log volumes'. That was our expectation that that would mean the area that the regional sawmillers fit within the restructured industry and still achieve the 137 000. Since then we have become aware that the government only intended to buy down to the 137 000 and not anything in addition. So that has put us in a precarious situation where we find ourselves at the moment with no category 1/3 log resource. That is where clauses 14 and 15 are quite important to us in that we need to be very closely involved in how that is implemented to ensure that there is adequate volume available for the reallocation reissued to the regional sawmills.

Initially, we did not want to go down the path of resource being allocated to specific mills. We did not think that was in a competitive and open market, which is what we would prefer and have normally operated in and not a restricted one. The intent was that this 28 000 additional cubic metres, well back from the stream one context, would be on an open competitive market assessed on the triple bottom-line criteria, that giving the regional sawmills the opportunity to get on an even footing where we probably do not have the biggest cheque book, for argument's sake, to satisfy the economic leg of the triple bottom line.

The environmental leg of it should be covered by every mill so we are all on an equal footing there to give the regional sawmills an opportunity as the third leg in the triple bottom line being the community. We feel that we satisfy that more so than others. That would spread throughout the majority of the communities in Tasmania, so that was what we were aiming at in that context. But as things have evolved into the bill it looks as though to give us the opportunity to access category 1/3 resource we will have to come up with a mechanism to buy extra resource. If we can only buy, for argument's sake, 20 000 cubic metres, although we cannot name particular sawmills it would need to be reallocated to regional sawmills and not on the open contestable market. That goes away from what we proposed in the bill but things have changed from what we thought we were agreeing to in that area anyway.

To move on to clause 15 of the sawmillers' exit assistance, obviously that is crucial to us to ensure there are sufficient funds in the restructuring of the industry. We know that some sawmills will have to exit the industry. There is an over-capacity of production within the state at the moment. Prior to the agreement the sawmillers currently cannot get sufficient logs to operate viable businesses at the level of what we could be and whether we like it or not some mills will have to go and we would prefer that to be on a voluntary basis with a compensable exit funding.

Mr MULDER - Is that as a result of a lack of resource or a lack of market?

Mr RICE - We feel that with Gunns exiting the market, while the overall market is softer with Gunns out of it we can catch a sufficient market to keep us operating quite efficiently and effectively, so the market is taken care of. When you consider that the majority of the resource is your arisings, your low-quality logs, that are the majority of the volume, the fact that the harvesting for the high-quality saw logs has already been reduced with Gunns exiting, FT are no longer required to harvest to the full extent of the 300 000 legislated requirement now, so that is automatically halved, the availability of the resource. The fact that woodchipping is now not going on to the full extent as it was has reduced our arisings, the cat 2s, so all these reductions were copping it significantly and then to bring the industry down to an at least 137 requirement for high quality saw logs, once again, reduces that.

Mr MULDER - So these volumes, which would have a high-quality saw log involvement, the 137 and the bit of that that is high-quality saw logs, is an insufficient supply to maintain, let alone grow the sawmilling industry?

Mr RICE - It is insufficient. Before we go down to the 137, the current volumes are insufficient to maintain the industry as it is. For more than 12 months, sawmills have been inadequately supplied logs to be viable businesses. It is anecdotal, but the majority of our members and non-members that we met the other day all assure us that markets are acceptable; they are a little bit soft, but not too bad considering. The markets are part of business cycles and we can all wear those.

Mr MULDER - Aside from that I am just trying to get my hands around the fact that under this agreement there will have to be a reduction in the number of sawmills, despite the fact that there is a market for the product.

Mr RICE - What we are concerned about is without the agreement it is uncontrolled; the reduction in sawmills will still happen. There are a lot of sawmills out there waiting to see the outcome of this agreement, simply to see in their own best interests if there is anything they can do: either get an adequate log supply or some compensation to exit the industry. Those mills are there. If it was decided today that there will be no agreement, no funding or anything, those mills will close. The finance companies in most cases -

Mr MULDER - I am just getting the picture. Didn't we have a deal that was supposed to mean a long-term future for the industry, particularly your industry because that is seen as the future of the industry and yet the terms of this agreement actually reduce that industry, despite there being a potential market out there for the product?

Mr RICE - It reduces it to a sustainable level, something where we can stop the current backslide of the industry. This is our view of what it achieves: it stabilises the industry, gets us back on a solid, viable footing in the native forest to essentially stop the backslide for future growth as in the plantation area, more productive use of the residues within Tasmania, the lower quality getting into the pulp wood and that sort of thing, that is an area that we can grow the industry. As I have commented before, we need to get it to more of a niche level to overcome our business costs of getting it out of the state. We need to extract the highest value per log, not just the timber and that sort of thing. We need to stabilise where we are. At the moment we are sliding backwards.

Mr MULDER - So the future for the industry is a much smaller industry, despite the fact there is a potential market out there that will not be met.

Mr RICE - It gives the businesses more consistent income rather than riding the rollercoaster of the market.

Mr MULDER - I am talking about future growth, but we have made that point.

Mr RICE - The future growth is in the plantation area.

Mr MULDER - That is in the non-saw log area.

Mr RICE - Well, within our feasibility study we have identified an opportunity for solid wood coming out of the plantations, so it does not all need to be peeled.

Mr DEAN - You have continually spoken about growing the industry and Tony makes the point, how can you grow the industry if a lot of these mills must close as a result of not being able to get key resource. So you are clear in that you want to at least stabilise a much smaller sawmill operation?

Mr RICE - At the moment the majority of the sawmills are running at less than 50 per cent capacity and it can't go on like that. While the markets are acceptable at the moment it is generally because Gunns have exited the industry and it has given us a bigger market share at an individual level. That is what is keeping us going. We still have the costs of getting it out of the state, which is still as big an issue for us as it for the agricultural industry and for all businesses. We still have some significant issues that a higher-value product will overcome to a degree.

Mr DEAN - Where is the demand for that market?

Mr RICE - Mostly within Victoria, the south-eastern Australian sector and more so the international markets. It would be a very small portion of our product that is consumed within Tasmania.

Mr DEAN - Where will that additional product be sourced from when many of the mills in Tasmania will close because of inadequate supplies of timber?

Mr RICE - That product will still come from Tasmanian sawmills but instead of being a little bit from this one and a little bit from that one, those mills that stay in it will be supplying and they will still use those and not necessarily needing to put in infrastructure

because it is there. The capacity is there. What it does, instead of the peaks business being unviable in small volumes, in this context, that allows that volume of [inaudible] that your logs are just going into fewer mills. The volume of product will still be there; it will be consolidated into fewer businesses and make those businesses viable.

Mr DEAN - Thank you, Shane.

Mr GAFFNEY - You mentioned a recent meeting of the sawmillers on Friday somewhere. We have heard of 27 sawmills -

Mr RICE - Yes.

Mr GAFFNEY - Of the 27 sawmills, how many representatives did you get at the meeting on Friday? My question would be, within all the industry groups that have spoken to us, there has always been some disagreement or whatever. Of those present, what was the -

Mr Fred RALPH - Twenty-four was the total number of representatives -

Mr GAFFNEY - What was the outcome of the numbers still supporting the TFA to that who opposed it?

Mr Fred RALPH - Nine to 15.

Mr GAFFNEY - I hear that, of the nine, there were a couple that might not have been representative with some having two votes or something. There was a question.

Mr RICE - There was a couple there representing the one mill but we took that into account.

Mr GAFFNEY - Of the ones there, 15 to 9 were in support of the agreement?

Mr Fred RALPH - Yes.

Mr GAFFNEY - Thank you.

Ms FORREST - You have covered most of it in the question already, but what you are saying is that because of Gunns' withdrawal from this area, there is some redundant capacity. But regardless of whether this agreement is supported through the bill or not, will there be sawmills that will have to close, they will go bankrupt?

Mr RICE - Yes, essentially.

Ms FORREST - What you are asking for is, through the support of this process, that they will get financial support to exit with a bit of dignity and the ones that remain would be more profitable, is that the expectation?

Mr RICE - What we are trying to achieve is to keep those sawmills in business that are innovative and have a vision for the future, and are looking to stay within it and build on their business. By doing it this way, with a compensable exit program, it can be done in a controlled way. Those who don't have that vision, will or ability to keep going can exit with dignity and allow those with the vision and desire to stay and keep going within the

industry. It gives them the opportunity because the resource that at the moment is spread around numerous mills can be consolidated in what the number is. We don't know what the number is at the moment, but it can be consolidated within those mills that have a vision and desire to stay. Hopefully, they become viable businesses and can work towards whatever the future is.

Ms FORREST - A vision that will include managing the native forest that is available and also plantation? That would be an expectation, I would assume.

Mr RICE - Yes, the expectation is to move to plantation. We know now there will be continuing a native forest sector, but the big opportunities appear to be in the plantation area for the next sector of the industry to grow. We are all well aware that the current plantation isn't a replacement for Tas Oak, and it never will be. That is in essence another sector of the industry rather than an evolution of the native forest and that is where we can see a lot of potential.

Ms FORREST - We asked Terry Edwards to provide some information around their funding schedule. The section that relates to the support for sawmillers - the exit packages - in your view is that adequate to achieve? The commonwealth government has made some commitments around that.

Mr RICE - After our meeting on Friday we still have the information to go through. At the moment, it does not appear to be enough. The federal government assures us that within the \$10 million offered to the regional sawmillers, it can work. We are waiting on information to come back from them to see how they propose that to happen, but at face value at the moment it will be very difficult.

Ms FORREST - When do you expect that further clarification from the commonwealth?

Mr RICE - Soon.

Ms FORREST - That's a good word. We often hear that in our House. It can mean anything from a day to a year.

Mr Stuart RALPH - I spoke to Mr Shaun House today and he said in principle he supports us trying to find a way for us to use that \$10 million to the best outcome and work with Forestry Tasmania and the state government to work out a mechanism where supply and exit assistance can be achieved. As far as the major movements that will achieve that, we don't know yet because it's going to take some discussion with people such as DIER and Forestry Tasmania to work out how that is achieved. I want to put on notice that as it stands, prima facie \$10 million does not seem to be enough, but we do not know the granular detail to be able to tell you what is required or how we can best set up a mechanism where supply can be sought from Forestry Tasmania and exit assistance can be paid and all made available out of that \$10 million.

Ms FORREST - When is it likely you will have that level of detail? I think that is important for us to have; so you either come back or provide something in writing to us. Are we looking at next week, or later?

Mr RICE - We are pushing for that information as soon as possible because it is relevant to what we take to the regional sector. We will be requesting another opportunity -

Mr Stuart RALPH - I guess what you are asking is whether we can come back to you with a time line.

Ms FORREST - Ideally. We have scheduled meetings for next week but there are other scheduled times as well. So, it is trying to figure out when is the best time to get you back.

Mr RICE - I will come back to you on that.

Dr GOODWIN - My understanding of what the governments have agreed to provide is up to \$10 million, but in the ask that the signatories came up with, it was - in clause 15, 'Tasmanian forest regional sawmiller exit assistance grants program' - the funding sought was \$12 million to \$18 million. So potentially there is quite a significant gap there -

Mr RICE - And coming from the information we had received on Friday from a questionnaire we put out to the regional sawmills, our initial figures were more reflective of the requirement. Bear in mind that \$10 million also is proposed to buy access to Cat 1. So the \$10 million is not enough to exit, prima facie, but it is also expected to be used to purchase access to other logs for other resource, which compounds the issue.

Dr GOODWIN - There is a high quality sawlog buy-back of up to \$15 million.

Mr RICE - Yes, Stream one - that is to achieve the 137.

Dr GOODWIN - So that original \$12 million to \$18 million that you came up with was based on a survey of -

Mr RICE - Initially, that was on information we had just gathered. It was an estimate at the time of what we felt was appropriate, without knowing which sawmills were really looking at an exit. We were hoping to be in a position at some stage to be able to offer the sawmills a defined resource or a compensable exit and that they would get the opportunity to make a voluntary choice on which way they wanted to go.

Consequently, that is why there is such a large gap between the \$12 million to \$18 million, as there is a big unknown in that area. But since the Friday of last week's meeting, we can narrow that down to a more precise figure. It is in the vicinity of around \$16 million for those who have shown that they would exit the industry with adequate and fair compensation.

Ms FORREST - So how many sawmills will that leave?

Mr RICE - The best guess at the moment is about somewhere around eight within the regional sector, excluding -

Ms FORREST - Excluding?

Mr RICE - the current long-term contract holders. So, excluding those, it would leave an additional eight of what we term as regional sawmills without current long-term contracts, unless they would be viable.

Mr Stuart RALPH - If they can get the supply.

Mr RICE - If there is no adequate supply in those eight, that would be it, I would suggest. If you cannot get logs why -

Ms FORREST - It is a bit of a given. If cows are not producing milk, there is not much viability there, either.

Mr RICE - No.

CHAIR - Before we go to Greg, you probably have not finished your presentation yet, Shane.

Mr RICE - We are flexible.

CHAIR - But on a matter that you raised a moment ago, you indicated that with Gunns exiting - I think you said something like this - you have more resource.

Mr RICE - No, for the regional sawmills with Gunns exiting there is less resource arising from your low quality sawlogs because Forestry Tasmania do not have to harvest high quality to satisfy the Gunns requirements. So consequently those arisings are not rising - not coming from that - so with Gunns exiting, the regional sawmills have less resource.

CHAIR - Thanks.

Mr Fred RALPH - Where we gain is in the market.

Mr RICE - Yes, the market area is where we gain with Gunns going out. One does not actually balance the other. We have gained the market as identified but we do not have the logs to satisfy it.

CHAIR - Thank you.

Mr HALL - Shane, the whole-of-government submission dropped off the policy from a great height this morning.

Mr RICE - Apparently so.

Mr HALL - You said you have not had time to peruse it yet.

Mr RICE - No.

Mr HALL - When you do so and you find that the maps might be under [inaudible] there, will you have to contact the rest of your members? How will you do that process?

Mr RICE - I suppose it depends on what the issues are and how we see them being resolved but there is a possibility when we do get -

Mr HALL - You flagged that durability with them before?

Mr RICE - Yes.

Mr HALL - That is certainly a concern.

Mr RICE - Absolutely. But as we said, that is our safeguard, particularly if the low quality size of Cat twos and eights - it was suggested to us before that they may be put in regulations rather than legislation. If they go into regulations, that was a concern to us because our only backstop was if the bill was passed and then the regulations did not reflect our requirements the durability report was our safeguard, our fall-back position. I do not know if that has changed with this whole-of-government document; I cannot pre-empt that because I haven't seen it.

Mr HALL - Fair enough, I understand that. How many members of your organisation do you expect to receive benefits if the legislation is passed?

Mr RICE - By benefits you mean expected packages?

Mr HALL - Yes.

Mr RICE - Do we differentiate between our members and the -

Mr Fred RALPH - Not particularly, but I would estimate probably eight and then the balance, which would be at least another eight, would be people who are not our members.

Mr RICE - Some of our members currently have long term contracts and so forth.

Mr HALL - Following on from that response you gave to Ruth, how many regional mills do you expect to remain in business if this -

Mr Fred RALPH - Including those with 13s I would suggest 10. It might have been 11 but one burned down.

Mr RICE - Yes, that includes current long-term contract holders.

Mr HALL - Are you prepared to put on record where those mills might be at this stage, Fred?

Mr RICE - I would need to go through a list. Generally they would be spread over most of the state.

Mr Fred RALPH - But mostly in the north.

Mr RICE - Yes, north and north-east. Very few would be in the north-west.

Ms FORREST - We have lost most of ours up there.

Mr RICE - That is right. They were already gone.

Mr DEAN - What is the likely outcome of that? If you have these mills operating in these areas and regions and they close down and there is also a demand for local timber, does that mean you will probably see portable mills mushrooming up in some of these areas with access to private forest areas?

Mr RICE - If there are opportunities people take advantage of them so I would expect yes. If they have less investment coming in they do not need to be operating at the levels the majority of our members need to so they could come in and operate private logs. At the moment private logs are discretionary so they are a very difficult resource to base a business around. They are a very good addition to the sawmilling business. The way we see an ideal set-up for a sawmill is to have a core base of cat 13s that is the basis for your business model with an addition to give you volume in cat 2s. Then to bring you up to full sawing capacity you would take in private logs but that would fluctuate with the discretion of the landowner. Generally the regional mills have the opportunity to take up the private log resource as well and that is what we have done historically so it's nothing new.

Mr DEAN - I think Ta Ann have said the same thing, that they will be processing private logs.

Mr RICE - I suppose that will come down to the market, the best return for the landowner, the forest owner. If peeler logs are the best return for them so be it. If sawlogs are, which historically has been the indication, so be it, but things change and market forces dictate. We are comfortable with that. We can operate within that.

Mr HALL - How many job losses do you estimate will occur in the industry if this goes through? Have you done an estimation of that?

Mr Fred RALPH - About 94, I think.

Mrs TAYLOR - That is direct?

Mr Fred RALPH - Yes.

Mr HALL - You talked also about the future for plantations. Being devil's advocate, is that pie in the sky? We talked about nitens, but what can be actually done with nitens?

Mr RICE - Generally it is an engineered product.

Mr VALENTINE - Laminated?

Mr RICE - Essentially, yes. You would be familiar with EcoAsh from FEA. Whilst that product, coming from a builder's perspective I have spoken to, was not particularly ideal for that product being a stand-alone one piece of timber-type situation, it did show that you can cut solid timber out of unpruned, unthinned nitens. To overcome the deficiencies of that one piece of timber-type product you engineer to glue them. As we have mentioned before, we have a pre-feasibility study undergoing with cross-laminated

timber. I believe you are already across what type of product that is from other submissions.

Mrs TAYLOR - The submission on hard land products from Forestry.

Mr RICE - The hard land is a different thing because that starts out with peeled products so that takes it right out of the sawmilling context. That is an LBL-type product, from my understanding, whereas what we are proposing with the cross-laminated timber or laminated beams they still go through the sawing process which is where our expertise is, although to go to plantation it needs sawmillers rekitting different equipment. It is considerably different but it is still a sawn product and that is why we consider that is a different sector of the industry rather than an evolution of our current regional sawmills. It is not to say that the current businesses wouldn't go down that path but you can't simply start putting the current plantation wood through our existing equipment and expect to be a viable business. You can do it and it's quite effective on a trial basis but you can't get viable production levels to achieve it through that.

Mr VALENTINE - You would not suggest continuing to grow nitens into the future, though, to continue that process?

Mr RICE - That is our dilemma. If we work out what can be done with them and then build an industry around not having a second rotation it is about how to encourage that, so that produces a dilemma in its own right.

Mr GAFFNEY - Greg asked how many jobs will be lost if this goes through and I think the answer was 94. If this does not go through I would want to know how many jobs have been lost from your organisation, say, in the last five years. You can provide this later if you cannot do it now, and if it does not go through, how many jobs will be lost anyway because of this?

Mr Fred RALPH - We did a survey in 1990 and in 2005 a Dr Bruce Greaves repeated that survey which showed that there were 46 regional sawmills at that time. Then between 2005 and probably I reckon 2011 - Shane, do you know of any that have gone in the last year?

Mr RICE - No.

Mr Fred RALPH - Essentially since that time we know we have lost 20 sawmills. I think we could say that on average those sawmills would have employed five people so we have lost 100 in employment positions in that five-year period from 2005 through to 2010 or something in that block. That part of the question I can answer but could you give me your other part of the question?

Mr GAFFNEY - You said if it goes through you will lose 94 positions. Does that mean the eight sawmills would not employ any more people but would just work more at capacity?

Mr RICE - They would employ more because the questionnaire showed most mills had laid off a number of employees because they were at such a low level of production, so if they were able to access the sawlog resource those employees would be needed again. That is per given cubic metre. A regional sawmill is relatively labour intensive compared to a

higher production sawmill, so to increase your production you would need to put employees back on.

Mr GAFFNEY - If this does not go through will you still have some of those sawmills closing anyway?

Mr RICE - The indication is the majority of sawmills will close anyway.

Mr GAFFNEY - Without any funding or exit strategy there?

Mr RICE - That is correct, and that is our dilemma. What we are aiming for within the agreement is a controlled restructure, not an uncontrolled one. The TSA in conjunction with DIER have developed a formula to what we feel provides a fair and equitable compensable exit figure and that takes into account the statutory requirements of the employees, tax obligations within our figure. If it is controlled, all those issues can be met, whereas if it just left to the survival of the fittest, there will be a number of businesses that will go under without the ability to meet those obligations. That is why we would prefer to do it in a controlled method.

Mr HALL - Shane, you talked about the market being soft, but still viable for Tasmanian native sawn timbers at the moment.

Mr RICE - Yes.

Mr HALL - What percentage is consumed here in Tasmania? You talked about Victoria being one of the main markets and perhaps Asia.

Mr RICE - It varies from region to region, we've found in discussion with our members, but I would suggest about 20 per cent of our product would be used within Tasmania. You need to consider that only a very limited amount is used in structural products anymore within the native forest sector, most of it is for flooring and architraves and that sort of thing, so very small amounts are used per house.

Mr HALL - And in competition there is quite a bit of imported replacement?

Mr RICE - Yes.

Mr HALL - Where is it coming from?

Mr RICE - American oak is a big competitor and Victorian ash is another significant within the Tasmanian context. The issue we face is if the Tasmanian sawmilling sector went by the wayside, who would miss us?

Mrs TAYLOR - Your communities.

Mr RICE - The communities and the agricultural sector because our product is generally a green one and the farmers like the lower cost of a green product with the additional strength over pine, so that would be a sector that would miss us, I would like to think. In your general building areas pine is your framework, that is a given. There is still an amount used as structural, but you could not base your business around your structural

components, so therefore it comes down to the home owner's preference for a blonde timber flooring. You can you get that from a lot of places throughout the world, so while it might be a feel-good exercise for the Tas oak it is not essential in that area. That is why we feel it needs to become a niche product where those who really want Tas oak have the opportunity to get it and pay a premium for it. In the past we have viewed it as a commodity to a fair degree but we can no longer afford to look at it in that way.

Mr Fred RALPH - I think there are two main points in terms of what Shane has presented. First, the hardwood market in Australia is declining but it may not have that appearance at the moment because of the exit of Gunns. What appears to be a good market, although going slightly soft at the moment, in the longer term I think is going to be declining and will certainly come under pressure from imports. The second point I would like to make around that to give emphasis to what Shane mentioned is that within our particular vision, if we can have a value-adding hub sufficient to attract a designer then we are then not going to be in the business of selling timber, we are going to be in the business of selling whatever timber is made into. Whether that is cross-laminated timber product - in which event we are not selling timber, we are selling houses - or whether it is some other object, that is part of what we would see for the future.

CHAIR - Members, we have gone past the hour which was allocated and Shane has indicated that they want to come back anyway. It has been a very extensive session today.

Mr RICE - We have a meeting with Forestry Tasmania tomorrow to go through some of our issues that we need answers to, so to have the opportunity to come back is essentially vital to us and we will have answers to those questions.

CHAIR - We are scheduling a range of hearings for next week and it may be that we can continue this some time next week. For now, gentlemen, we thank you for your contribution.

THE WITNESSES WITHDREW