

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE TASMANIAN FORESTS AGREEMENT BILL 2012 MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 13 FEBRUARY 2013.

Mr MICHAEL WOODS, FORESTER, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Harriss) - Michael, thank you very much for your written submission and your preparedness to be here. You would be aware that while appearing before a parliamentary committee you are protected by parliamentary privilege, but you are not afforded that protection outside these proceedings. We have had your written submission for a while so can you speak to that first of all, please.

Mr WOODS - I won't go into the detail in the first part of my submission because I am aware you have read it. My concern about the bill you are considering arises because, firstly, I don't think either government has a mandate for what's proposed in the bill. I think both governments went to the last election - the last time they faced the electorate was on a platform of support for the regional forest agreement. I do not think the process that has been followed over the last three years gives them a mandate to step away from that commitment they made before the voting population at that time. I don't think the process that has been followed has been sufficiently rigorous, transparent or inclusive. I think it is based on a couple of significant false premises that undermine the rationale for moving forward in this way. I am happy to answer questions about each of those but they are covered in my submission.

I would like to acknowledge that, notwithstanding those comments and with significant misgivings, I can see it is almost inevitable the bill will go forward in some shape or form, that there will be some significant change to the way the state's forests and its forest industry are regulated in the immediate future, just because the weight behind this seems to be so great. That said, I think it is very important we get a few things right that I would argue have not yet been addressed adequately. The most important of those is that the durability provisions, I think, are not sufficient to deliver the outcome that is sought. There is no doubt that the areas that are considered by the environmental movement to have high conservation values could readily be protected and reserved - I think that could happen too easily perhaps.

To my mind, the thing where the durability provisions are not sufficiently strong is what is it that's going to keep environmental groups accountable to the undertaking that's been made on their behalf by the ENGO signatories to this agreement about support for sustainable forest management in Tasmania in the future? If the reservation decisions are all made through the passage of this bill and shortly thereafter, what is going to stop the environmental movement from maintaining its anti-forestry campaigns in domestic, mainland and international markets in the future? When you look at the behaviour of that environmental movement over the last 30 years or so it has been a consistent campaign to destroy the forest industry. I can't see there's enough in terms of the durability provisions to prevent that from happening.

There is an undertaking from a few individuals who have signed the agreement who represent a subset of the ENGO community at large. There are already some quite provocative statements being made by some other ENGO groups about continuing their campaigns, continuing to campaign against Tasmanian timber producers in their markets and so on. If that is going to happen, and I have little doubt it will, the price the industry is paying by having this resource immediately reserved is too high. If that support for sustainable forest management in Tasmania could be sustained for the next couple of decades, I think there's something in this of benefit to the industry. If that can't be guaranteed, the industry is losing in one fell swoop another half a million hectares of resources and gets nothing much for it. There has to be something that makes the durability provisions stronger.

The second concern I have is that there are stakeholders whose legitimate concerns have not yet been adequately addressed in the forestry agreement or the TFA bill. These include the special timber users, traditional recreation users, private forest owners and indigenous communities. There are others but they can speak for themselves, and I am sure they have and will, but they have not had the opportunity to participate in this process and I don't think that is right.

The other aspect that I think has to be covered off is the question of degree. The bill sets up a further reduction in the scale of the forest industry in Tasmania by potentially reserving more than half a million hectares and by reducing the supply commitment that FT has, not just from 300 000 cubic metres of sawlog to the 163 000 that is represented by its current contracts and not just to 155 000, which is the quantity referred to in the Tasmanian Forests Intergovernmental Agreement, but now to 137 000 cubic metres. I do not get the rationale for the changes that have been made since the Tasmanian Forests Intergovernmental Agreement was signed. To me, it doesn't stack up. There has been no socioeconomic analysis conducted, at least not presented publicly, into the impact of those changes and I think that's a gross oversight in the process. I cannot see how we could make a decision of this magnitude affecting the future of Tasmania without having conducted a socioeconomic analysis of the impacts it is going to have.

CHAIR - Michael, in terms of context, can you provide your background for the record?

Mr WOODS - I am a professional forester. I trained at the Australian National University in Canberra. I have worked in Tasmania as a forester for my entire working life since university. I retired from that role last Wednesday. The roles I have had during my time with Forestry Tasmania have been quite varied. I spent the early part of my career in the forest management and inventory side of our business, basically calculating the numbers for sustainable yield and that sort of thing. I worked for two years on the Forests and Forest Industry Council - that is one of the processes that has preceded this one - running the numbers to see what the sustainable yield was under various reservation scenarios.

For the last 20 years of my career my role has been in negotiating commercial sales contracts with Forestry Tasmania's customers, in facilitating new business development in the timber industry in Tasmania and in providing overall strategic advice and participating in strategy development within Forestry Tasmania.

Mr WILKINSON - Michael, you say you believe the bill has the weight of some support to be passed but there should be amendments. Why are you saying that the bill has the weight to pass?

Mr WOODS - I have observed what has been happening over the last few months, particularly the way the federal government seems to have thrown itself behind the process, and I just see a huge momentum. I'd like to think otherwise, I'm not pretending -

Mr WILKINSON - That was going to be my next question. If you were sitting in our shoes, with the experience and knowledge you have, what would you do?

Mr WOODS - I am not at all convinced that the decisions embedded in the Tasmanian Forests Agreement Bill represent the best interests of the people of Tasmania, and I have said so in various forums over the last two years.

Mr WILKINSON - The evidence we have now from a number of people is that there is no real scientific basis behind the allocation of land, if they can call it that. All the experts we have had, foresters, have said that environmentally it is not the best way to go. That is my opinion of what they have said and it has been pretty strong and people have seemed to suggest that environmentally they don't agree. Therefore people are saying that because part of the industry and part of the environmental groups got together we should pass something in accordance with the bill - that is, 504 000 over two tranches. That is probably a summary of where we are. Therefore you say, 'If you don't pass it on scientific grounds, why do you pass it?' Can you help me with that?

Mr WOODS - I didn't hear these words spoken myself but I've been told that Tony Burke recently stated that this is not about nature conservation. I don't know if he went on to say what it was about -

Ms RATTRAY - A negotiated outcome.

Mr WOODS - Yes. So if it's not about nature conservation, I really question one of the fundamental bases that has taken us through this process. In my submission I refer to the fact that the Regional Forest Agreement was a rigorous process that applied scientific rigour to decisions about which areas of forest had conservation value, for whatever reason, and therefore ought to be reserved, it identified suitable areas and set them aside. That was the single, most thorough process that has been undertaken in this respect in the 28 years I have lived here. I think that is the benchmark. The process that has been followed in this case in terms of assessing conservation values has been a mere shadow of that process and I don't think it's anywhere near sufficient to justify the setting aside of half a million hectares of forest in new reserves.

Mr WILKINSON - The RFA was to be reviewed in 2016-17 -

Mr WOODS - Every five years.

Mr WILKINSON - So it was 2017?

Mr WOODS - Yes.

Mr WILKINSON - We heard some evidence yesterday that if the cubic metres of timber was 155 000 as opposed to 137 000 - the 155 000 of course in accordance with the agreement - you could still reserve in different forms 400 000 hectares and still have a forest industry. What do you say to that?

Mr WOODS - My understanding is that Forestry Tasmania has looked at scenarios that would support either the 163 000 cubic metres of each current sawlog contract or the 155 000 that is reflected in the Tasmanian Forests Intergovernmental Agreement and has provided the relevant information, but for whatever reason, the process that was followed over the last few months has plumped for 500 000 hectares of reserves and 137 000 cubic metres of sawlog and I honestly do not know what has happened that has taken us down that path.

Mr WILKINSON - It would seem that the figure of 500 000 was what the environmentalists said they wouldn't go below. Is that your knowledge as to what has taken place as well?

Mr WOODS - I haven't been directly involved in any of the negotiations, conversations or discussions but it's certainly the perception that that was a non-negotiable element and instead of a compromise being reached by the environmental groups accepting a reduced area of reserves relative to 500 000 hectares, the forest industry was forced to accept the reduced position from the 155 000 it had agreed to, to 137 000.

Mr WILKINSON - I am an optimist. With your knowledge of the industry, what would happen to the industry if nothing happened? Some would argue that there would be protests again with the groups that have said they were not going to protest even though others have said they would, and that being the case the industry would die. I know we had conversations, there was a Japanese fellow who had numerous emails, as you know, with a campaign that took place in relation to what would happen if they took Tasmanian wood or something along those lines. If nothing happened at all, what do you think would occur - with your knowledge of the industry?

Mr WOODS - I think a judgment that many people in the industry have made in terms of their qualified support for the TFA bill is that we do need a game-changer that delivers ENGO support for forest activities in Tasmania and for timber sold in markets, and at the moment this deal is presented as that game-changer that enables the industry to continue to operate and sell its products, albeit at significantly reduced levels, because there will be assurances given to the market that the quality of the management that sits behind the production.

Mr WILKINSON - But the industry still has to survive, hasn't it, and that is what I have a real concern about.

Mr WOODS - Yes. I have often talked about what I describe as the 'perfect storm' which is basically the circumstances that our timber industry has faced over the last three years. There has been a global financial crisis. There has been a very strong Australian dollar. There has been the step-up in the environmental movement's market campaigns. All those things have come together to create the worst conditions the timber industry in Tasmania has had to endure in my time, so it has been an extraordinarily difficult time.

Mr WILKINSON - What do you believe is an appropriate figure if the bill is to go into the committee stage for there to be this game-changer? You can't give everything away and play your fifths against your firsts and lose anyway, so what's the appropriate figure you believe would enable the industry not only to hopefully form a basis to improve but also to have enough resource to improve into the future, especially with all the new wood products that are being found out now by the so-called green but bright industries overseas?

Mr WOODS - I actually don't see any rationale for reducing the sawlog supply commitment that Forestry Tasmania has below its current contracts at 163 000. I think the trade-offs that have occurred from that number down have all been about trying to maximise the amount of land that can be committed to new reserves and I personally don't think the justification for any of those changes is sufficient.

The decision that Gunns made at the time and that the state government supported in terms of buying out its sawlog contracts created a significant opportunity to reserve forest areas that were at the time committed to production - several hundred thousand hectares but not 500 000 - and I think that was quite an adequate solution that met the different needs and requirements of the community in Tasmania, but we have gone beyond that.

Mr WILKINSON - How much land could be reserved to still return the 163 000 cubic metres of sawlog?

Mr WOODS - I have not been directly involved in the work that was done to evaluate that but I understand 300 000 hectares could have been made available for reservation under that scenario.

Mr WILKINSON - That is consistent with what John Hickey said yesterday. He did not say exactly that but he said 300 000 was the figure that Forestry Tasmania were first talking about. Thanks.

Mr GAFFNEY - Michael, in your introduction you said that the environmental movement's aim over 30 years has been to destroy the forest industry. There would be those within the conservation and environmental movement who say that it is their aim is to protect the forest and environment. Already, it is a conflict scenario. All signatories have stated that this agreement is not ideal. The timber industry reps have agreed to 137 000 hectares; the ENGOS have stated they would allow some forest harvesting in public native forests - so they have all given in a little bit.

Just to set the question - an agreement to protect the industry from international criticism and assist the market. Whilst you mentioned that the RFA was based on science and that it was a good, thorough process, over the last 10 years that agreement has not stabilised the industry. In fact, we have seen the opposite. We have seen the markets threatened; we have seen people exit the industry; we have seen it spiral. So that piece of paper, that agreement, has not delivered the stability that was hoped for, even though it was based on scientific underpinnings.

With the dollars of funding associated with this agreement, it will actually enable some people to exit the industry with financial support; it will provide funding for research and

development and other initiatives; it will stabilise industry, even though it might be smaller, and it will hopefully become a place where there is less angst in the community.

If the TFA fails and the signatories walk away from it, what is going to change? Ta Ann could leave; Gunns have already exited. There does not seem to be a drop in the Australian dollar for the next three or four years, it is predicted, so the environment is going to be the same.

Do you think this industry can survive three or four years in the downward spiral that is happening at the moment? Because, if this agreement fails, that is the position, I believe, that we are going to face in Tasmania. There is not going to be somebody to come in and take over if Ta Ann leaves because they will say that it is not stable.

I suppose after that long-winded introduction, the question is: if this does not get through, then the signatories walk away, the pressure is back on out there in the market - and we heard yesterday that is going to happen with some of the extreme groups anyway - and in three or four years, it is still going to be the same financial environment. What are we going to do in three or four years' time?

Mr WOODS - You could look at many different sectors of the Tasmanian economy over the state's entire history and you will see the same pattern. It is typified as a boom-and-bust scenario. If any other industry was going through a crisis, people would not survive. Businesses would shut, people would lose their jobs and that is a very unfortunate consequence of the sorts of things that can happen in any sector of our economy and certainly in forestry as well.

Often governments intervene and assist people through those types of difficult times. If it is a drought, or whatever it might be, governments have a role to play to help people get through those times so that the state does not lose that opportunity for generating wealth and for employing people.

What would happen in this scenario? I hate to think that this would happen because I am talking about people who have become good friends of mine over many years but people, and businesses, would not be able to survive. They would not be able to hold their breath long enough and businesses would cease to operate. People would lose their jobs and it would be a time of real hardship, as it has been for the last three years.

There has been a huge reduction in the number of people employed in this sector. But when conditions change in the future, the resource could still be there that enabled people to re-invest and new businesses to start up and take advantage of the opportunities that then present themselves.

What we are contemplating doing with this is basically like a ratchet that every time you take a bit out, you can't go back and so the opportunities that are available when conditions change in the future - and there might be new markets open up, the exchange rate might have changed, all sorts of things could change - but all of a sudden we have only got two-thirds of the resource to play with that we had previously because in the meantime we have given a lot away.

Imagine what would have happened to the orcharding industry, for example, if all the land that was under apple and pear orchards in the sixties was made national park when the apple and pear industry collapsed. There would be no ground on which the new emerging stone fruit and vineyard and all those agricultural enterprises have established themselves. I think it is actually quite a similar position. Many of those people who were orchardists during the sixties and seventies lost their livelihoods. They've gone on to other things or just had very difficult times. But now we have a new industry stepping into the same place using the same ground and being incredibly successful - and it could be very much the same with the forest industry.

Mr GAFFNEY - We heard this from the sheep farming fraternity as well about the sheep situation in the nineties, but in those two situations there was never, I don't think, any community angst against either the farmers involved or the orchardists in those cropping fields. It was never a case of, 'We don't want you to kill sheep; we don't want you to pick fruit'. That's the difference in this scenario. So while the financial conditions may be the same, the social and cultural conditions of the two are slightly different.

Couldn't you also say, if we did go to a smaller industry and if people do exit, that we've gone from 120 sawmills down to 27 and so we don't need as much product? We don't need as much resource. It is not locked away forever; the resource is still there, even though it's in reserve. But if it's downsized, the timber industry have said they can survive on 137 000 cubic metres. Whether we agree with it or not, I'm listening to that side of the coin saying that that is what we need. They have signed papers saying, 'We will support this'. The ENGOs have said, 'We will support this agreement'. So whilst there could be more opportunities over the next three or four years, they are saying, 'Yes, this is going to get smaller but we are not going to need that resource and this is what we can survive on'. To me, that is a fairly compelling argument because it is coming from that group. I just want your response to that.

Mr WOODS - I think it must be noted, and this is acknowledged in FIAT's written submission, that they have a divided camp. They do not have unanimous support amongst their membership for this agreement and the decision or the position that is representing their submission represents the majority position. There are elements within their membership that do not support the changes that are put forward. I think that is important. Okay, there is a piece of paper with the ENGOs' signatures on it, or some ENGO signatures. What does that actually mean in three years' time or five years' time? Is that a guarantee that those people will not continue to campaign against Tasmanian products produced from sustainably-managed forests in the future? I don't think it is. That goes to the heart of my concern about the durability provisions. I don't think they are strong enough. I don't think there is enough at stake for the environmental movement to keep them honest and to hold them in the agreement, if you like, for the long term and that is what the timber industry is going to need.

We have seen what has happened over the last 28 years on every equivalent occasion. Basically, you get two election cycles out of it. In the first election cycle after the agreement is made, people don't want to hear about forestry - 'We fixed that last time; go away'. By the second time, the noise has become loud enough and it has come to have enough pressure on the electoral system that the government starts wanting to tinker with forestry again and to change the rules, and add more areas to reserves and so on. That has happened consistently over the last 28 years.

Mr GAFFNEY - Over the last 28 years, I'm not aware that the ENGOs have actually signed on the dotted line that they support something such as this. They have said to us that over those last 28 years whilst there has been consultation, they haven't really signed on the dotted line that they will go around the world and tell people in the other markets that they are in support of the TFA because they have agreed to it as representatives of their environmental movement. I think there is a slight difference from the last 28 years in that they recognise this conflict shouldn't go on, if they can do anything in their power to stop it. They have also stated that you are going to have the Huon Valley Environmental Centre and you are going to have those fringe groups that are going to do whatever they have to do. But they are willing and they have shown in the last two or three weeks with their trips to Japan that they are willing to go and support the industry. Do you see that as a healing?

Mr WOODS - No, you described it as a slight difference and I think that is an accurate description, because it is true. As I said, I was involved closely in the forest and forest industry strategy in 1989/1991 and the environmental movement was involved in that process right up to the eleventh hour and stepped away from it. They would not back the RFA process, it is true, and some of them are represented amongst the signatories to this agreement and that is a change. It is a slight difference. How significant it is, time will tell, but in the meantime the industry is being asked to put aside half a million hectares into new reserves and take the risk that the environmental groups - those that signed and those that didn't - will do the right thing and give the market sustainability with products. I think that is a huge risk and there is not enough to hold them accountable to it.

Mr GAFFNEY - If they walked away - in five years time, if those same signatories walked away from that process - there should be something in there to say, 'Okay, the land can [inaudible] ?

Mr WOODS - That would be an example of a durability provision that carried some weight and that is the sort of thing I consider to be lacking in this process where everything is committed no more than two years hence. It would take legislative action to turn that around, rather than some process that is set aside.

CHAIR - Michael, when Bob Annells was appointed chairman of the FT board he made it very clear that commentary from FT would be coming from himself and management - my words, not his, or rather, my recollection of what was said. Notwithstanding that, we have had a number of professional people appear before this committee after having made submissions representing their professional body, who are currently employees of FT. From your experience, what has been the directive to staff as to participation in the public arena with regard to this particular debate?

Mr WOODS - There has been no explicit directive. People like me, at the time, have acted on our own initiative. The expectation I think the chairman has conveyed is that the sort of action that various people like myself have taken was not acceptable, but there has been no explicit statements prohibiting it, et cetera.

CHAIR - On the matter of your experience with regard to assessing sustainable yield and developing new business opportunities - and did you mention as part of that developing sales opportunities for the business?

Mr WOODS - Yes, negotiating contracts with customers.

CHAIR - In regard to sustainable yield, what is your best grab on where we are with that, in terms of a supply to the industry?

Mr WOODS - The reference, if you like, is the work that was done in 2007, which was the most recent statement of Forestry Tasmania's sustainable yield. Effectively it shows that over the period of the next 15 to 20 years the native forest production of saw logs gradually diminishes from the 300 000 figures, that is an historical and legislated figure, to about half that, and the difference is made up by plantation timber coming on stream. There is a review of that sustainable yield due now, and it has been held over because of the process that we have been going through. They felt it was not necessary to review those figures until we knew what the outcome of this process was going to be. It is possible that there would be a slight reduction relative to the previous review and that is because various things have changed in the interim with the Forest Practices Code, requiring larger percentages of each harvested area to be set aside, and so on.

CHAIR - With your participation in new business opportunities, what is the most significant emerging new business opportunity for our industry?

Mr WOODS - I think further downstream value adding associated with peeled veneer is a significant opportunity. It enables you to use timber of a lower grade than a sawlog grade. We're talking about products that are very useable. There are many opportunities, for instance multi-storey building construction using materials other than concrete and steel, with significant benefits in the carbon economy. There are a couple of buildings being built in Melbourne at the moment - 10-storey buildings being built out of laminated timber panels. The raw material for that is imported from Austria at the moment; it's not manufactured in Australia. My understanding is one of the companies building the Forte building in Melbourne has estimated that 30 per cent of their buildings could be constructed using this technique - using this material. That represents an enormous opportunity for Tasmania and for Australia because our eucalypts are very stiff and strong timbers and give tremendous advantage in those sorts of structural applications.

My answer to how government resources should be expended at a time of difficulty in an industry is to look at opportunities such as that, and help the industry to move into those opportunities and take full advantage of them, rather than take the opportunity to reduce the resource that is going to be available to the industry in the future.

CHAIR - You have mentioned that with the Forte building, there is the importation of the raw material from Austria. Are there opportunities for us to reverse that and export for the same purposes?

Mr WOODS - I would think so. A key thing for Australia is that having a strong domestic market is very important because you're not then exposed to the influence of the exchange rate. I'm inclined to think we should be looking at products that have a healthy market in Australia and then, if there's an export opportunity associated with that, it's a good thing. If we rely only on the export opportunity, and the domestic market is a bit of a side issue, I think we remain vulnerable to forces that are completely beyond our control such as exchange rates and other international trade factors.

Ms FORREST - You said you went to the Forests and Forest Industry Council (FFIC) and looked at volumes and sustainable yields - I think the report was released in 2009 -

Mr WOODS - The last sustainable yield report - I think it was conducted in 2007.

Ms FORREST - The report that was put out after that, I think it was 2008. As you said, it went from 300 000 of native timber down to 150 000, over time, with the plantation picking up the difference. The comments you made about other uses of timber - the Forte building and other potential uses. Do you see plantation timbers will be able to be used in that application?

Mr WOODS - They definitely could be. The plantation-grown timber tends to grow more quickly; it tends to have a lower density and tends to be somewhat less stiff and strong than the slower-grown timber from native forests, but it could certainly be used for the same products.

Ms FORREST - And the reconstituted wood products, as well, to structural timbers and things like that?

Mr WOODS - Yes, but native forest has advantages because it's stronger.

Ms FORREST - Requires less work, basically?

Mr WOODS - No, you can use a smaller amount of material to produce the same end product because it's stronger, more dense, and more stiff. You don't have to have the same quantity to produce the same engineering product.

Ms FORREST - But, the challenge is with the concerns raised by various groups about using native forests. They claim they want to see a transition to plantation timber, but even that is a bit questionable for some, I think. Is that perhaps a way of maintaining an industry, that avoids some of that conflict?

Mr WOODS - It would avoid some of that conflict, but then there are potentially other conflicts. Plantation management tends to use a lot more chemicals than native forest management. It tends to occupy land of higher productivity, so you have issues about whether or not grazing or cropping land should be converted. There is another suite of issues that arise when you start talking about plantations. I have always said, like any portfolio, you are best served by having a diverse range of assets and native forest has its advantages and plantations have their advantages. Having a portfolio that includes both of those, I think, is the most sensible strategy.

Ms FORREST - The 137 000 hectares has been made clear to us a number of times as a minimum, not a maximum.

Mr WOODS - Yes.

Ms FORREST - So potentially there could be more. A number of people have said - signatories particularly - that the only reason we have an agreement is because all parties basically had it clear when they walked away. As you suggest, I am sure there was quite

a significant amount of pressure from various governments - federal and state - to reach an agreement. The only way an agreement would have been reached and the only way we would be sitting here now is because the ENGOs gave a bit and the timber industry gave a bit and we ended up with 137 000 hectares and a range of other reserved areas. If that was not the case then there is no agreement and the downward slide, perhaps, of industry continues. Can you expand on that aspect because the only reason we are here is because there was another attempt at compromise that was successful where all parties - the ENGOs, industry and most of us - know it is not a perfect solution and it is not ideal.

Mr WOODS - Really, that is behind my conclusion, notwithstanding my personal interpretation of where we are at and what could happen. The reality is there is going to be some form of agreement, but that agreement does not include everybody that has a stake in the outcome, and I think that is right. Other equivalent processes in the past have gone to great lengths to include various different stakeholders in the outcome. That was not done with the Tasmanian Community Forest Agreement, for example, which was a modification of the Regional Forest Agreement and the people that were left out of that process were absolutely livid when it happened. There are people over the last few weeks who probably sat where I am sitting and who also have not really been engaged in this process. That is a key thing. If there is to be an agreement, it has to pick up the legitimate concerns of those other groups that have not been a part of it and it definitely has to strengthen the durability provisions, as I have already mentioned.

Ms FORREST - It has been made pretty clear that the agreements between the ENGOs - the signatories - and the timber industry involved in the public native forest and then again that comes to the difference with perhaps the apples and pears and other uses on private land. Apples and pears are mostly grown on private land as opposed to public land.

Mr WOODS - Entirely, I would think.

Ms FORREST - Yes, that is right, so there is a bit of a difference here.

Mr WOODS - But anything that happens in the public forest estate has implications for private forest owners in terms of scale of access to markets and the infrastructure that is involved in producing, transporting and exporting the wood. If you drop below a certain scale because of the changes to the public forest estate then all of a sudden private forest growers are disenfranchised because the facilities they need to be able to harvest and sell their products are no longer viable.

Ms FORREST - I accept that but the concern remains that if there is no agreement - if this bill is defeated - the industry continues to decline. Over the years with the RFA the industry has gone from bad to worse. Since 2007 certainly there has been a massive decline in the industry, which all people close to the industry say will continue without this handbrake being put on where at least you have a chance of stopping it a bit and then looking at how we can grow the industry and look at these other uses with it - with less heat in the forest, so to speak, less dissent and differing views.

If that is the case, will sawmillers still shut? They are going to go broke anyway. They are going to go out of business. They are going to get some financial support through this to help them to exit with dignity, hopefully - that is the idea. So if we do not have

this and those things do not happen then they still shut, they are still not here and then private foresters, for example, still have the same challenges, if not worse, because there will be even less, potentially.

Mr WOODS - You talk about the sawmillers. When it comes to their sawn timber product I think they are enjoying good markets. The sawn timber isn't really the issue. The Tasmanian sawn timber is sold largely for appearance-grade products. It's not subject to the same trends that are evident in the construction timber industry. The real issue is the residues that result from sawmilling and from forest harvesting and that has been the Achilles heel for the industry for two main reasons. It is a commodity and it is subject to all the factors that can affect Australian producers trying to export commodities to international markets, and also it has been an easy target for the environmental movement. It is very easy to make woodchipping and clear-felling look bad and it is very hard to explain why it could be acceptable and why it is a part of the industry.

I would argue that the federal government, for example, has spent almost nothing over the last decades to assist Tasmanian producers of woodchips and the industries that depend on them, like the sawmillers, to sell their products overseas, to help support promotional campaigns that satisfy the overseas customers about the sustainability of the forest management from which these products are produced. We have just let that go. We have just let ENGOS influence markets to believe that this is a bad practice, it's a bad product and we shouldn't buy it.

Ms FORREST - And the whole tree is being woodchipped.

Mr WOODS - All the things that are said in that respect, many of which aren't true and most of which are explainable if you put them in the context of the whole life of the forest. Some of you have probably seen this poster. It refers to a coupe in the Styx, coupe 10D, which was clear-felled, burnt and sown in 1963. It has now been nominated for the World Heritage area, which to me shows that the way Tasmanian forests are managed by people like myself is sustainable and reproduces a forest that can be judged to have World Heritage area status by the very people who are opposing our activity in the forests. It is bizarre and ironic but it is a fact that that coupe is now nominated for World Heritage. It was clear-felled, burnt and sown in 1963 and for two or three years it would have looked absolutely awful, like any clear-felled, burnt and sown coupe, but that is not the end of the story.

I do not think this industry has been very good at telling its story; I will acknowledge that. I don't think it has ever acquired the resources to enable it to tell the story effectively and it has had very little or no help to do so. If it was another industry maybe it would have done.

If this agreement doesn't go ahead and we find ourselves with ongoing attacks in the marketplace from ENGOS, that doesn't have to be the end of the game. There is a way of working with the industry to assist it to counter what is effectively market propaganda. Basically you have to tell your story really well and we have never done that well. It costs money and we haven't had the resources to do it.

Ms FORREST - A number of people criticise the amount of subsidies that the industry continues to get. There is an expectation that the industry will stand on its own two feet eventually, which again makes it difficult.

Mr WOODS - Like any other industry, ultimately you would hope that it would stand on its own two feet, but it goes through periods where it needs assistance, like the tourism industry.

Ms FORREST - Many witnesses have said that this is not just a cyclical change with forestry; it is a structural change. With a cyclical change things come back, but with a structural change things change structurally and that things aren't the same in the future. Does that have an impact on how we proceed with this?

Mr WOODS - I think in that respect a key factor has been the exchange rate. The other factors are all around the edge. They come up and you have strategies to deal with them and sometimes you are completely successful and sometimes only moderately successful. The thing that has really changed over the last three years that has had the greatest effect on the financial viability of the timber industry in Tasmania is the exchange rate.

Ms FORREST - That is only if you are exporting, though. If you had a domestic market, as you mentioned -

Mr WOODS - Indeed, but it relates to my point about residues and how access to a market for residues is critical for all of the rest of the industry and for the past that market has been the woodchip export market. Now it does not need to be, there are other alternatives like renewable energy but the native forest industry in Australia has been completely unsuccessful in getting political support for using those residues to produce renewable energy over the last five or six years.

Ms FORREST - You mentioned the lack of a social and economic impact study. I do not know if you heard or read Dr Schirmer's evidence.

Mr WOODS - Yes.

Ms FORREST - She was very strong in her evidence that this process should not be held up for want of a thorough and deep and meaningful social and economic impact assessment because in the last five years or more, there has been one going on, and we can see what is happening in our communities; it is pretty clear.

Mr WOODS - Yes.

Ms FORREST - The report highlights what is happening. What is your view on that?

Mr WOODS - I have read her report and I have also read her submission. Honestly I was perplexed. I understand what she has done and she basically looked at trends over three periods of time separated by two years and it is a time during which two paper mills in Tasmania shut and the MIS plantations schemes collapsed. That had a huge impact, I do not deny that, and that was very significant.

What has not been done, notwithstanding her comments, is a look at what is the further effect of the Tas Forests agreement bill on the socioeconomic position in Tasmania. She has tracked a certain amount of significant negative events, definitely, but that does not mean that the work that she has done describes or forecasts the impacts that might arise from this additional shock to the system, and I think that is key.

The independent verification group's report that basically acknowledged that they had built a model but had not produced any results I just think that was outrageous, to be honest - that this state would be asked to contemplate such significant change without any analysis of what the socioeconomic impacts of the change might be. That is an outstanding omission.

Mrs TAYLOR - Both you and Ruth have asked the question I was going to ask about opportunities for forest products apart from sawlogs in the future. In response to Paul you talked about peeler veneer and you just mentioned -

Mr WOODS - Renewable.

Mrs TAYLOR - Renewable, yes. Are those things doable? What kind of opportunities are doable and what is the time frame and what kind of investment is needed? I think that is a really important question. As you say, if we can use them domestically then -

Mr WOODS - The renewable energy side of things is significantly pitched at domestic markets because at the end of the day you are talking about electricity, although there are opportunities to produce pellets and export them elsewhere of course. I honestly think we should focus on the domestic.

Mrs TAYLOR - There is probably a pellet market in Australia as well. We are importing pellets as well, are we not?

Mr WOODS - We are but it is still relatively small. Basically, the pellet market has developed in the Northern Hemisphere where it is often used for heat as well as for electricity. Their needs for heat are much greater than ours just because of the climate. People would have to install pellet heaters in their homes or in their businesses to create that ongoing demand on any significant scale. That could happen but that is something that would have to change before the domestic market for pellets became larger. I think they are significant opportunities. The engineered wood products made from pure veneer I think is huge.

One of the main reasons I think these things have not progressed, it has been very early days for the engineered wood panel type products and they are competing with concrete and steel and concrete and steel are huge industries with huge resources at their disposal.

Timber has a lot of work to do to break into that market and establish its credentials but the carbon equation is changing all of that because the carbon benefits of using timber products in those applications compared to concrete, steel and aluminium are very very significant. I think this is the right time to be pursuing that particular opportunity.

Renewable energy has very much been held back by the government's unwillingness to support native forest residues as a source of biomass for renewable energy projects and

that has basically been a political issue again driven by the environmental movement's position on the harvesting of native forests. That has been the main barrier. We have been very close to having a wood-fired power station established in Tasmania and the key thing that was holding it back at the time was lack of certainty about whether or not the residues that would be used would qualify for renewable energy certificates and that uncertainty has now been removed in that the government has ruled clearly that they won't qualify. That could change if the government had a will to do it. They could just change the regulation and they would become acceptable.

Ms RATTRAY - The government might change.

Mrs TAYLOR - Yes, indeed. My other question was what sort of chance do you think we have to get FSC? That is one of the parts of the agreement that ENGOs will try to assist us to get.

Mr WOODS - It is not my field. John Hickey has been working closely with that and I would bend to his advice on that subject. Clearly it has been problematic in the past and something significant would have to change or have to have changed for Forestry Tasmania to be successful. Maybe we are on the cusp of that. If the ENGOs are sincere in the commitments that they have made through signing up to the agreement and if their influence is effective, their support is effective, then I would think a truly objective and rigorous process would have to accredit Forestry Tasmania because of the high standards that it has achieved. The thing that has held it back has always been do they have the support of local community groups for what they do and local community groups have been represented by the ENGOs who, up until now, have not been prepared to support logging by Forestry Tasmania.

Mrs TAYLOR - We have had one witness who said that because the workable forest now will be so reduced that the fact that there will be greater intensity will actually work against us.

Mr WOODS - Yes, and so it is an unknown at this stage.

Dr GOODWIN - I want to refer to your submission in a couple of places, Michael. The first one is in relation to the pulp mill premise. You talk about initially this process being all about trying to get ENGO support for the Gunns pulp mill and, of course, that fell off the radar along the way when it looked like funding was not going to be available to support that project. I think what you are saying is that had that proceeded there would have been some quid pro quo in terms of economic benefit for this proposed lock-up, that without that there is no quid pro quo.

Mr WOODS - That is definitely how I see it, and I know that that was the premise at the time. We can afford to sacrifice this proportion of our native forest production because in its place there will be a proper project that will generate huge economic benefits for the state. That was very clear that that was the strategy at the time.

I have always had misgivings about whether or not the pulp mill project was a real project, whether it would actually get over the line, but clearly when I was working at Forestry Tasmania we strongly supported that project. I think the likelihood that that project would get over the line is even less now. There are pulp mill projects proposed

all over the world at the moment, a couple of dozen at least, and they are all \$1 billion and \$2 billion projects. There are only so many people in the world with \$1 billion or \$2 billion to put into a pulp mill and they go for the projects that are most likely to succeed.

Every analysis I have seen over the last two or three years has put the Gunns pulp mill project at Bell Bay below the line as one of the least likely projects around the world. I still don't think that it is likely to proceed. I do have to say that I have had phone calls from people who have suggested that this is not an accurate description of the situation with respect to the pulp mill and they think it remains a viable prospect - well and good, it's just a judgment call. Yes, it was very much the scenario that was being painted at the time and I don't think it's a real scenario and therefore, we are basically looking at a decision which will result in a further contraction of the economic contribution of the forest industry to Tasmania's economy, and that in locking up half a million hectares we will also forego the opportunity to recover from the current position into the future to a significant extent.

Dr GOODWIN - The other matter I wanted to raise with you was the section around special timbers. You mentioned that a significant proportion of the area that the TFA proposes for the specialty and craft zone is unlikely to contain any appreciable quantity of special timbers. We heard yesterday from Forestry Tasmania that this is quite a significant issue, being able to get enough resource for the special timbers industry: first of all, identifying how much resource is needed, what the demand is, all of those things, where to find the special timbers. I wonder if you would like to make a further comment on that. I am a bit puzzled as to how the signatories could have come up with a specialty and craft zone that didn't have much of the special timbers in there and thought that that would be satisfactory in terms of servicing that industry. I don't know if you can elaborate.

Mr WOODS - That goes to one of my points about a lack of transparency, because none of us know what transpired in that room and how lines were drawn, what areas were put within certain boundaries and so on. My clear understanding is that at least half of the area that has been nominated for the specialty timber and craft zone contains relatively little, if any, special timbers. Why it has been nominated I do not know, but I think it creates significant issues for this particular group of stakeholders. We are talking about a flagship sector of the Tasmanian timber industry of course, and I think that's another gross oversight which has to be fixed.

The opportunity to fix it might be gone if the land that we are talking about immediately gets put into protection zones and is on a path to reservation. To say that the answer is that Forestry Tasmania would be given some money to do a review of its resource and come up with some new numbers isn't enough because the new numbers would just be smaller than the old numbers. What is really needed is something that delivers some certainty to that sector of our industry and community about the resource that they rely on. The thing that I would be very careful of and which may well not be sufficiently transparent, is that you may end up with an acceptable number for the quantity of special timbers that could be available and it will be composed almost entirely of blackwood and silver wattle. The risk that we face is that we make a decision that sounds like it has done the right thing by the specialty timbers community but includes almost no myrtle, sassafras, celery top pine and all the other species. I think that's a very real risk.

When I was with Forestry Tasmania in the mid-1990s we went through a project that I was responsible for to review all of the state forests and to select those that were most prospective for special species timbers, and we set those aside in special timber management areas. There were about 90 000 hectares of those and any areas that weren't put into those areas had relatively little special timbers if any. If they did it was largely blackwood and silver wattle - which is fine but they are only a part of it. Of the areas that have now been nominated, only half came from those originally identified as special timber areas and the remainder was previously assessed and judged not to contain sufficient special timbers for it to be set aside for special timber management. So that's where my concern arises from.

The person who did that work is a gentleman named Mike Peterson and I think it would profit this committee to speak to Mike about his assessment of the special timber resource that is available. I don't know whether he has already taken that opportunity or not but he is the person that I would recommend for advice on that subject.

Mr WILKINSON - Can I ask a supplemental to that? Am I butting in?

CHAIR - Yes, you are.

Dr GOODWIN - I have got another line.

Mr WILKINSON - On specialty timbers?

Dr GOODWIN - No.

Mr WILKINSON - We've got this World Heritage area as well, as you know, but it was 123 000 or 124 000 hectares and now it is 160 000 or close to 170 000 hectares. Is part of that area the area that was identified by Mike as being specialty timber areas and if so, how much of it?

Mr WOODS - I can't answer that question because I am not familiar with the boundary that has been proposed for World Heritage. I don't know to what extent it overlaps with special timber areas, but I think it is a very good question to which an answer should be sought.

Dr GOODWIN - In this special timber section in your submission, you also express some concerns that there might be some other sleepers in this agreement that haven't seen the light of day. You have cited a couple of examples there. There is the ongoing viability of cable harvesting and the 10 per cent headroom issue.

Mr WOODS - And there may be others. The point is that the role that Forestry Tasmania has played through this entire process has been to provide information in response to requests for information from the signatories. They would use that information to inform their decisions. Information that Forestry Tasmania had provided would have included various qualifications and caveats about the information and how it was to be interpreted and understood, but in then converting its deliberations and the information on which they are based into an outcome, some of that detail gets lost. You end up with a Tasmanian Forest Agreement with a certain number of clauses with various

commitments made, but what is not then explicit are the qualifications or caveats that would have been fed through initially.

People like yourselves now looking at the agreement and the bill that has resulted from it, might not appreciate how much of the 137 000 cubic metres, for example, will depend on ongoing access to cable-harvesting areas, which will require a higher cost structure than normal harvesting and which therefore arguably requires some assistance. It is not transparent.

The headroom issue is an important issue in that the actual estimates that Forestry Tasmania produced were greater than 137 000, but there was a 10 per cent allowance made for future changes in the forest practices code et cetera that you could be reasonably sure will have an impact which would otherwise make it difficult for you to meet that full supply. That is the headroom issue. If it turns out that the forest practices code continues to evolve, change and have greater and greater requirements that eat into the area that is available for harvesting, then 10 per cent won't be enough headroom. We will find ourselves trying to produce 137 000 cubic metres of sawlog each year from an area of forest that, once you have taken the forest practices code into account can only produce some other number - 120 000 or whatever it might be. Again, I don't think there is sufficient transparency and understanding about some of those qualifications that would have been behind the information provided to the signatories.

Mr HALL - Going back to the subject of durability again, I have some personal concerns with that, with all due respect to the ENGO signatories and the commitments they have made under the agreement. You have been around the traps a long time. It concerned me a bit, for example, that Peg Putt, to whom the committee has written and has had no response, sat here yesterday ostensibly in support of Huon Environment Centre. She is the CEO for Markets for Change. Bob Brown has written to us and declined to appear. He is a board member for Markets for Change. From where I sit they are the biggest players in the game. I would just like your comment as to where you think the dynamics of all that could sit in the future.

Mr WOODS - I think the fact that people of the calibre of Bob Brown and Peg Putt have taken those positions is an indication of what their intentions are. I am not optimistic. What we are basically being asked to do is take the risk that one group of ENGOs who happened to have signed the agreement will carry more weight in overseas markets than another group that includes Bob Brown and Peg Putt, for example, and I think that is a huge risk. I would be prepared to take the risk myself if there was 500 000 hectares at stake that if they didn't deliver the goods that 500 000 hectares would remain in wood production, but if that 500 000 hectares has already become reserves, there is no longer anything at stake for them and I don't think there is enough to hold them accountable, and that goes to the heart of my concern about durability.

I have sat in a room like this with executives of a Japanese coal company that wanted to diversify into renewable energy and supplement its coal - which it was buying from Australia, by the way - with a significant quantity of woodchips, 10-15 per cent of its production. It was looking into obtaining those woodchips from Tasmania and had taken one trial shipment. We presented to them about the sustainability of forest management in Tasmania, certification under the Australian Forestry Standards and all the credentials we have, and their response to us was that they were convinced we were responsible

forest managers, they had no question about whether or not we were doing the right thing by the environment and the forests that were accredited.

All of that was legitimate and completely acceptable to them, but nonetheless, if they were to buy woodchips from Tasmania to reduce their carbon emissions by substituting wood for coal, the environmental movements would target their main customers and basically criticise them and splash their name all over the world for using timber from Tasmania's forests.

Ms FORREST - Despite their using coal from Australia.

Mr WOODS - Exactly. It is just an example of the sorts of tactics. The customer to whom I refer, the end customer of the people we were talking to, was Toyota. Markets for Change would have walked through their door with pictures of clear-felled forests, dead possums and anything else they could find and said, 'The fact you're buying your electricity from this company that buys their wood from Tasmania means you're associating yourself with all these terrible things'. I have no doubt those games will continue to be played by the ENGOs and particularly those who are not signatories to the agreement.

Mr HALL - You would be aware of the so-called Canadian peace deal agreement whereby some nine ENGOs signed up to that. It was a similar situation to here with signatories and it would seem to be unravelling because Greenpeace has now stepped away from the process and is starting to attack it. I don't know whether you know any more about that.

Mr WOODS - No, I don't.

Mr DEAN - Michael, in your submission you have outlined the high conservation value of the areas that have been identified for reserve. There are 295 areas at this stage proposed for reserve. In your submission you say quite strongly it is a shameless fabrication and then go into the Tasmanian Forests Agreement et cetera. Have you had an opportunity to have a look at any of those proposed reserve areas?

Mr WOODS - I haven't inspected them myself. Other people at Forestry Tasmania are much more familiar with the areas that have been proposed.

Mr DEAN - In making that statement you are obviously of the view that there are areas identified, or some of the landscape, that doesn't meet the right criteria or -

Mr WOODS - We don't know what the criteria are, actually.

Mr DEAN - I think there are 10 criteria that make up the position in relation to whether or not they meet high-conservation-value areas. You are of the view that there hasn't been a proper scientific process given to that position.

Mr WOODS - Nothing of the equivalent of the Regional Forest Agreement, which was a process conducted over a two-year period. They had a panel of five independent experts, they had criteria and looked across all tenures and assessed the forests for their reservation requirements and made recommendations on that basis and those became the reserve set up in the RFA. The equivalent process in this case has been nowhere near as

thorough and various people have been highly critical of the assessment of conservation values in the independent verification group's report, and that remains the reference in terms of whether or not the areas proposed for reservation have high conservation value. The areas that are now proposed, of course, are different to the 572 000 hectares that was considered at that time and I don't think anyone has sat down and looked at whatever horse-trading has been going on with the original areas that were considered by the IVG and the areas that are now proposed.

I don't know what has been done to assess the conservation value of areas that were not included in the area referred to the IVG but which are now proposed for reservation.

Mr DEAN - I think it was made clear by the member for Nelson the position of [inaudible] wanting 500 000-plus hectares in reserve.

Mr WOODS - For what reason? What game is being played there?

Mr DEAN - That's right.

Mr WOODS - Preferences at the next federal election?

Mr WILKINSON - We note that - the elephant in the room.

Laughter.

Mr DEAN - I have one other question in relation to the market. The member for Mersey raised the issue that the remaining mills would be able to survive on what is provided and so on, but what we were told in fact was that most of the remaining mills would be closed as a result of not being able to get the product they need, et cetera, but they would be able to remain in a reasonable business. As I understand it there is a strong market out there for Tasmanian eucalypt at this present time -

Mr WOODS - Sawn timber.

Mr DEAN - and I am advised that all of the timber was in fact purchased from the Gunns site at Lindsay Street of which there was a large stockpile and was sold almost immediately after it was purchased from that premise straight to the market. Barber's sawmill at Launceston, for instance, say that the market has never been stronger.

Mr WOODS - As I said before, the issue is not whether or not the market for the sawn timber is strong. It is, and those mills are doing well in that perspective, but they also have to ship and have a market for their residues and that's what's choking them. With the changes being proposed no one sawmilling business will have its quantity reduced unless it is bought out as part of the buy-back scheme, so it's not like they are all being asked to live off 50 per cent or 30 per cent less timber. Their contract quantities would remain the same unless they chose to accept a sawlog buy-back package and exit the industry themselves. The residues is the big issue.

Mr VALENTINE - My question is on that particular issue. Are you aware that some of the country sawmillers are concerned that they don't get the variety of sawlog through the FT contracts that they need to increase their viability? They need a variety because they

have various demands for certain types of product. Can you comment on that at all when you have been writing your contracts?

Mr WOODS - I'm not sure what a country sawmiller is, to be perfectly honest.

Mr VALENTINE - I am talking about people like Ike Kelly and Mike Torenus - those sorts of people.

Mr WOODS - Each of those is a customer of Forestry Tasmania with a long-term sawlog supply agreement that has basically the same terms as the contract that any other large sawmill like McKays or Gunns would have had. The distinction between a country sawmiller and whatever the other type of sawmiller is isn't very meaningful to me, I'm sorry -

Mr VALENTINE - No, that's fine.

Mr WOODS - I'm not trying to have a go at you.

Mr VALENTINE - It's not me you're having a go at.

Mr WOODS - Many of the smaller regional sawmillers have contracts that are exactly the same as the contracts of the larger sawmillers that you would also be familiar with. There are others who don't have such contracts and basically the reason for that is Forestry Tasmania only has a certain amount of timber to sell and it has contracted with various parties over the years. What is done for those often smaller sawmillers is that Forestry Tasmania has an agreement with them whereby if from time to time there are sawlogs available over and above the amounts it requires its contractual commitments to other parties, these are the terms on which they would be supplied to that small sawmill.

Those people would have a concern that they do not have a reliable ongoing supplier because basically they have a contract that enables them to buy timber from time to time when it is available, otherwise they are relying on supply from private property.

Mr VALENTINE - I think it is the variety they are concerned about, that when they get their product it is not a variety of logs, it seems to be all of one thing or another and there is no mixing.

Mr WOODS - In my experience Forestry Tasmania does everything it can to meet the requirements of its individual customers for species, size, source, or whatever. The customers we are talking about -

Mr VALENTINE - Cat 1 and 3.

Mr WOODS - Yes. They really only have access to the wood that is available over and above the contracted quantities Forestry Tasmania has and that is really why they perhaps experience less variety because they only have access to the timber if it is not required elsewhere.

CHAIR - Thanks very much, Michael. We appreciate your time and your submission.

Mr WOODS - Thanks everybody.

THE WITNESS WITHDREW

Mr BARRY JARVIS, MAYOR DORSET, **Mr TONY BISDEE**, MAYOR SOUTHERN MIDLANDS, **Mr MARTYN EVANS**, MAYOR DERWENT VALLEY, **Mr DARYL QUILLIAM**, MAYOR CIRCULAR HEAD, **Mr ROBERT ARMSTRONG**, MAYOR HUON VALLEY, AND **Ms DEIDRE FLINT**, MAYOR CENTRAL HIGHLANDS, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - We do have your submission and we appreciate that. Barry, are you going to provide the opening presentation?

Mr JARVIS - Certainly, and certainly on behalf of the regional councils. First of all, I would like to apologise for Jan Barwick. She has had the workplace safety visit in the Tasman today so she is an apology. Bertram is playing host to about 650 cyclists for the rest day in Bicheno, in the French way that he can -

Laughter.

Mr JARVIS - and Sarah Schmerl from Break O'Day is also unavailable to attend.

If it is okay with you, Mr Chair, Jan sent through an email to Tony Harrison last night with her thoughts on it. Could we table that, and then you pass that around to your members?

CHAIR - That is fine. We can take that as a tabled document.

Mr JARVIS - Thank you very much, so Jan gets her view heard. I will go through some of the key points, as we see them, from our regional councils' group. I will just read through them and then obviously individual councils would like to take questions, or certainly I can as the representative of Dorset.

On the regional basis some of the key points are - and I will read through these - the Huon Valley Environment Centre acknowledges that it represents around 100 members, regional councils are representing close to 100 000 people.

Councils recognise the need for the forest industry to change but cannot accept that a further 500 000 hectares of land can be locked up without any independent social economic study of its impact. Further to that, you had Jacqui Schirmer give a presentation, too, and Jacqui is probably the most appropriate person in Tasmania, in the last seven or eight years, to provide an understanding of what has not been done by way of an independent socioeconomic study. We believe that everyone talks about flow-on effects, but no one is talking about negative impacts of this industry.

We have the hard numbers, but unless a socioeconomic study is done we will not know the negative flow-on effects to other businesses in Tasmania. We know nothing of the study being undertaken by the commonwealth - its independence, terms of reference et cetera. We believe that the compensation funding is paltry, when you consider the multi-billion industry that is being sacrificed.

But where is the compensation funding being spent? Tasmanians do not know. It is fair that participants who are being forced out of work are compensated, but what of other supportive businesses in communities that have been impacted? We believe the

Legislative Council must demand details and demand more appropriate funding. We need a development strategy for regional communities that are being impacted the hardest. I will refer to the government's document for the first \$20 million, which you all have. You can see some of the most severely impacted communities received not one cent. I know a couple of my fellow mayors are very happy with the funding model because it went to Circular Head and the Huon Valley, but the rest of us have been left out to dry a little bit. They probably won't comment on the funding part of it.

We need a development strategy for regional communities that are being impacted the hardest. Tasmanians want to know what the future forest industry will look like. All we are being told is that it has to change, but change to what? The commonwealth and state governments must be required to outline their vision for the future. Most importantly, Tasmania must receive a solid guarantee, backed by legislative enforcement, that this will end conflict in our forests. What is the value in this legislation if this represents just the next land grab by environmentalists and another, and another, and another will follow?

They are the key points, as we see them, from our regional submission and we are at your mercy, if that's the right word.

Laughter.

CHAIR - That will do for a start.

Dr GOODWIN - I was going to go straight to your submission, if that is all right, and just ask a question about it. It is interesting to read through both your executive summary and your recommendations. There is a fair amount of overlap, but most of the points that you make involve either the Tasmanian or the commonwealth governments, or both, doing something. My observation about this process is that the signatories have been driving it and making the decisions, and what we are being told, as a Legislative Council, is any amendments had better be run past the signatories first, because if they are not happy with them it will all fall apart.

Given the fact that your recommendations are directed towards governments, I am interested in your observations about how this process is being driven, and what you think of the fact that there seems to have been a hands off approach from the state and commonwealth governments. How do you think we will be able to get them back at the wheel?

Mr JARVIS - From my conversation with a minister last week, I doubt very much whether they want to be at the forefront of this discussion. I think the process has gone on for nearly three years and we representatives of communities have just fallen by the wayside because there has been no real forceful - and I think I've said this before. I met with minister Burke also. They are providing the carrot and allowing other people to flounder with a public resource. To me, as elected representatives of our communities, if we did that locally we would not last an election. We would not hand over public assets to somebody else, or to a small interest group in the community, to divide or use for their pleasure in response to their own particular interest. That goes right across the board. It is not only the environmentalists. There are certainly the contractors out there who are

more interested in what happens in their back pocket rather than what happens to the communities they come from.

The saddest thing that I have seen is plight of some of the workers involved. Some of the stories are horrific - about marriage breakdowns, guys flying in, and flying out. It breaks your heart to see guys who have been the breadwinner, and who cannot handle the emotional fallout at home caused by them leaving. Guys with small children. My local doctor is telling me of some of the medication that he is prescribing. The government should take responsibility - it is a public asset. At the end of the day we elected them to make decisions. If we don't like the decision, we have a chance at the ballot. With signatories we have no chance to ever make a mark on what they decide to do. That is the saddest part. The population of Tasmania cannot challenge a politician on what comes out of this.

When we put our hands up to be elected, we are elected to make decisions - good, bad or indifferent - but the populace have the chance to have a say on that. We have no chance to have a say on the people around that table.

Dr GOODWIN - I think another strong theme coming through your recommendations is the lack of an opportunity, so far, for community involvement, and community consultation. I don't know if you would like to elaborate on that in terms of your recommendations as well.

Mr JARVIS - It is interesting. Probably a couple of the most available public meetings I have been to were called by the Liberal Party. Minister Green did go to the one at Brighton. Will Hodgman then did present at Scottsdale and I think they went down to Circular Head. I don't know whether they went to you with a public meeting. We have never had 200 people come to a meeting on an issue. The forest industry drags them out. They were angry because they had not had an opportunity to voice their opinion on what they saw about where the industry goes. The roll-outs for those around the state were big turn-outs for a public meeting. They were angry because they had not had a chance to have a say. The only chances they have had to go to public meetings were when there was a big one at Smithton prior to that one. There were over 1 500 to 2 000 people at that one which Robert and I did drive down to. So the anger is there of not being represented around the table or the community being angry about the process. That is the only chance they have had to demonstrate that they felt they had been left out.

Dr GOODWIN - Would you agree that what can happen in suburban areas is the lack of appreciation about the broader impact of locking up more forests and downsizing the industry on regional communities? So these are not necessarily the direct forest industry jobs but the indirect jobs. So for all the businesses, the small businesses, that feed off the forest industry, there is a lack of appreciation, I believe, amongst some sections of the community about how wide this impact is going to be. Would you agree with that? You have direct knowledge of the impact on your communities from this already.

Mr JARVIS - Yes, certainly from the feedback that I am getting. That is why a full socio-economic study would show the flow-on affect. I know when I look round Launceston, this being my major metropolitan area, that there are cases that could provide for them 18 months or two years ago. But now the small, niche market retailer is finding it very

difficult. I think that is not all due to the forest industry downturn but certainly in part it is due to the lack of funds flowing through communities.

In our major centres, it's the mechanics and machinery salesmen. The same thing would be happening around Hobart. Certainly, I notice in Launceston that there are a lot of people associated at third or fourth level to the forest industry who have retrenched workers. That is not being appreciated in the central business districts probably of Hobart or Launceston.

Dr GOODWIN - I guess a final issue would be around rates and the lost revenue that the councils will face as a result of this,

Mr JARVIS - Some of the mayors have done their own work, but certainly our Deputy Mayor did go through some of the areas that have been locked up and we have worked out probably roughly \$100 000, which will be 2 per cent. The issue that we have is that we have a declining population. We are looking at trying to trim half a million dollars out of a \$12 million budget next year purely to compensate for a downturn in the industry and a downturn in the rates directly from these reserves which, as the former minister for forestry did say, there has been no real hard scientific evidence of why they have locked up but they will be locked up and we will lose that asset not only for ratepayers but for value-adding. It is the value-add that is the crying shame because you create jobs; you don't need to rely on handouts from the government, or whatever. We are taking that part away with no real compensation and no real understanding of what is going to replace it.

Mr ARMSTRONG - Touching on that with the rates, we get a rate base now of over \$400 000 from Forestry, which is probably 5 per cent of our rates. We have done a rough estimate of what we could lose out of that plan. We are looking well over \$100 000, probably 2 per cent of our rates. We have already looked at our service review of what we are doing in council. We will be taking services away from the community because there is no way we can put another 2 per cent on top of our rates as we fully cash fund our depreciation on our assets now, so we cannot put another 2-3 per cent on top of our rates. The community will be losing services.

Touching on the other thing where you said about -

Mr WILKINSON - Can I ask then what types of services are going to be lost?

Mr ARMSTRONG - I cannot really say yet, Jim, because we are going through that process but a lot of them could be township committees where we run in each of the five major towns. They are there so we can liaise with the towns and find out what they need doing and things like that; so that is probably one of the things. Consultation - some of that consultation could come in. There is another one - NRM is what we are looking at, whether we can afford to continue running our NRM services. That is about \$130 000 a year. Children's' services we are also looking at. So they are major programs that we are running and we are considering whether we will be able to continue running them.

Mr VALENTINE - That has been confirmed that you are going to lose that rate?

Mr ARMSTRONG - We do not have a real defined plan but from what we have looked at there, we are going to lose well over \$100 000.

Mr VALENTINE - It has been confirmed by government that you are not going to get that.

Mr ARMSTRONG - Yes.

Mr VALENTINE - - or the division that you are not going to get that.

Mr ARMSTRONG - We do not know the exact areas, that is just a rough -

Mr VALENTINE - No, I understand that.

Mrs TAYLOR - I think Rob is asking that you do not get rates on reserved land.

Mr ARMSTRONG - No, that is right. Touching on the other thing about the issues where you referred to businesses being lost to the community, what we are forgetting are our volunteers. A lot of these people who work in the forest industry are volunteers - the parents, the wives through the schools and everything - and just in Geeveston last week another whole family packed up and left the town to go to West Australia for work. The wife, she is probably a volunteer at the school. So it is not just the businesses, you are also losing all the volunteers out of the community.

Mr EVANS - Just adding onto mayor Armstrong and mayor Jarvis about loss of income for the area. Some of the key points we find in the Derwent Valley is that in the initial stages the Derwent Valley was rated as one or two of the most affected by the downturn in the industry and anything that would happen in the industry would have a severe effect.

The report came out. The Florentine and the Styx, to our knowledge, was actually placed in the Huon area so it has made us not that much in need, actually. That is true as it states, so we dropped from number one or two down to six or seven in most need within the state. We conveyed that and then we went through the first tranche.

We got a very late hearing with Tony Burke on what we would like to see and we received \$300 000 for the Berry chop, which is a great asset, but it needs to go to communities of need and that is one of our areas. Our rating, talking to the rating issue, 2.9 per cent which is equivalent to \$150 000 and that is actually on the forestry land. If you look at the map and with the overlays, it does not understand at the moment where it takes into account the Norske Skogg land or private other land that may be captured in that, so it could be as \$200 000 or \$250 000.

It is an amazing impact; it is 5 per cent. If it gets to that sort of level, small regional communities cannot fund that. It is not only that, it is also about housing prices. When you lose employment from areas, housing prices will drop and services will leave with those. On the AAV rating model we have, it means you are deriving lower rates from those areas as it is because the house prices are not as high. So our concerns in that area are monumental on what it impacts.

Mr QUILLIAM - When we talk about what we are going to lose, one of the things that concerns me a fair bit is a hot topic at this point of time - what we are going to lose in the forest as far as fire fighting goes.

Fire fighting is a major problem when we have got a lot of bush and Tasmania has a lot of bush - we have seen that over the last month or two, which is pretty unfortunate. A lot of this started happening even before the IGA was started because the forest industry has been shrinking and unfortunately that has been going for some time. With fire fighting, with the amount of machinery that is not in the area now and some of this machinery has gone to the mainland because there is no work here at all, so the more we lock up we have got to consider that there are going to be bigger issues as far as fire fighting and looking after our places are concerned. As my colleague just mentioned, the number of volunteers who are actually leaving is unfortunate as well.

We have just noticed the downturn in the number of people available to fight fires. If we get a wrong fire on the wrong day - which we have had this year - then it could be far worse than it was this year; so that needs to be taken into consideration.

Ms FLINT - The financial implications to my area, which is the Central Highlands Council, are that over the last 12 months there has been a downturn of \$10 million. This is covered from small business people, people with log trucks who pull in to have a Coke and a sandwich. It has been an absolute disaster for us. We haven't had a penny out of that \$20 million. The medical profession have told us about depression, families breaking up, fathers and sons going to the mainland to try to get jobs. We have had 17 on suicide watch and three suicides. When you go to the break-ups at the school it is horrendous when you ask, 'What class are you in next year?' and these children say, 'I'm sorry, Mrs Flint, daddy doesn't have a job anymore and the house we live in is owned by the forest companies and we don't know where we are'.

I wish people would go to the schools at break-up time. I dreaded going this year. People are moving on. The school recently closed. We had a meeting, organised by Michael Polley, with Bryan Green, who said he would give us a stimulus package of around \$300 000 for us to brand the area. The next day I got a phone call to say that was off, 'You can't have branding in the area because you don't have the Highland Lakes road sealed, therefore you can't bring people into the area'. We did ask for the Highland Lakes road to be sealed but we were told there was no infrastructure along there. We feel as though we are hard done by. We have tried to do all we can. I don't have the exact figures of what our rates are down, but it has been tremendous.

When I asked Bryan Green a question he said that forestry was going to pick up in 2017. I asked him, 'Why are we then locking up the forest if there's supposed to be an increase?'. We feel as though we have been hard done by. Unlike some of the other councils that have received some money, we haven't had a penny.

Mr BISDEE - I'd like to revisit the issue of potential loss in rates. The figures I had were provided by Forestry Tasmania for Tasmania. In the year 2010-11, Forestry Tasmania paid \$2 990 856 to local government by way of direct rating. I believe we are going to lose most of that, not all but probably \$1 million of it, so that will leave a shortfall for local government to try to fund a \$2 million hole. At the moment we are under extreme pressure, like a lot of governments are, because the cost-of-living pressures with energy and water and sewerage are increasing dramatically. The potential for local government to increase rates to make up that shortfall is very limited. I think it gets back to what mayor Armstrong said: if councils can't bridge that gap through rating, they will have to look at cutting services. The community and local government don't like to be cutting

services that are already established. They are very pertinent figures that have been provided by Forestry Tasmania, that we are going to lose at least \$2 million with the transfer over to Parks because Parks do not pay rates.

Ms FORREST - I understand there are a lot of challenges for families out there, and certainly the Circular Head and Waratah-Wynyard areas are no strangers to that challenge. This has resulted from the decline of the industry, particularly since 2007, as Jacki Schirmer's reports have indicated, to a number of major events, such as the closure of paper mills, the MIS scheme collapse and a range of other factors. She was of a view that we should not delay this agreement, that we should get on with it and continue to do, not just now but ongoing, a social impact assessment so we can see the impact out there as Ms Flint described with her community.

Ms RATTRAY - She actually said 'make a decision'. She didn't support the agreement or not.

Ms FORREST - Yes, make a decision. We need to move on with it either way, but not wait for the outcome of the social impact assessment being done at the moment because we haven't seen it. There is a lot of concern that without this agreement being supported the funding that will flow to sawmillers and contractors and that sort of thing is going to be even tougher. These people will still go broke but will do so without that support and the funding for regional economic development - except that some areas haven't got any of that yet - and the funding to support innovation and other practices will not flow. What will happen then?

Mr JARVIS - I think it is a sad reflection that I heard on the news yesterday that Forestry Tasmania is doing their only modelling on 'what if'. For three years this so-called unelected group has been deciding what will happen with the hardwood forest industry. I believe it is the government's responsibility and they should have been looking at innovation three years ago. If they were going to formulate this group, which came together with the government's tick of approval, surely they should have been working out where to take this industry and make it the best value for Tasmania. The chairman of Forestry Tasmania was reported on the news yesterday saying that Forestry Tasmania is just starting to do some analogy on where to if this falls over. Surely that should have been done as a government for this state, and the returns they have been getting out of the timber industry for over 100 years, to have started that three years ago when they brought this group together.

Ms FORREST - I hear what you are saying but if there is no agreement and funding doesn't flow, then what for the communities?

Mr JARVIS - No worse than what it is today.

Mr QUILLIAM - Our councils talked about this because it is a difficult one to deal with. We believe that the agreement ought to be signed but before it is signed we need to make sure that all the legislation that needs to be passed - and having said that I know that not all my colleagues agree with me on this - is done properly and is watertight because if it is not watertight we are going to be in a far worse situation than we are now. We believe enough of Tasmania's forests are locked up already. There is already 52 per cent, or whatever the figure is, locked up and so we really do not want any more locked up. But

if we can have an agreement that is going to protect places like Ta Ann, because Ta Ann is obviously important for us, and is also going to stop the environmental movement from trying to stop markets overseas, which is a major problem, then we have to have that and we have to make sure that is watertight because if that doesn't happen then we are going to far worse.

I agree with mayor Jarvis that things like biofuels ought to have been looked at as part of this agreement because we all know that woodchips are not mined and do not return money to the state to the extent they ought to, and so we need to look at other options for the waste wood that we have in our areas. This is where I get a little annoyed that our communities and their councils have not been consulted far enough. I think that if we were able to help governments and industry with that we would have been in a better situation than we are now.

Ms FORREST - Obviously the workers at Ta Ann are quite anxious about this, and you would be hearing from them the same as I am. Not only is it the workers at Ta Ann but when the bill was presented last year and debated, about 50 businesses wrote to us because a lot of their business is reliant on Ta Ann staying in the state. If this agreement falls over and they withdraw, then you are going to have 50 businesses, potentially, and some of them made it very clear that they wouldn't be able to stay in business and they are in our region.

Mr QUILLIAM - Ta Ann is obviously extremely important. We were unfortunate to lose Gunns. We were also fortunate on the other side to have a dairy factory built on the Gunns site which basically employs around the same number of people as those we lost so that was a balanced impact because of what we had there. But if we lost Ta Ann as well that would be a huge loss to Circular Head and down south as well. We've got to make sure, should this agreement go ahead and we do keep Ta Ann as well, and they have stated that they will and I just hope that they keep their word for that to happen because we certainly wouldn't want to lose Ta Ann as well.

Ms FORREST - What about those flow-on impacts, Daryl? How do you see that?

Mr QUILLIAM - When any businesses like Ta Ann close down - we only have to see what happened when Gunns closed down, the number of people who were unemployed within the service industry - and I'm talking about people with trucks and heavy machinery - some of those left the area and went to the mainland and this is what I am saying about the machinery that's not in the forests to fight fires. A lot of this machinery has already been lost - excavators, loaders and whatever and, again, if Ta Ann went out then we are going to lose more of these people.

Ms FORREST - What about the impact on those others - hospitality and the general retailers in town and that sort of thing?

Mr QUILLIAM - It's a bit like what other mayors have talked about with rates. Every time you lose a family out of an area, not only are you losing a family but you are also losing rates as well. Everybody pays rates and if you lose a home - there are homes that have been emptied and they are not filled - and there are a lot of people on the mainland now who own a house in Smithton and there is nobody in there. That's not good for our area.

Ms FORREST - They will still pay rates, though, won't they?

Mr QUILLIAM - They do pay rates but they don't have other services. Obviously if there is nobody in the house they are not going down the street buying stuff and whatever as well. It does have a negative impact and what happens is, because they are empty, the price of rentals and the price of houses go down as well and we have already seen that. We have been fortunate in that we have a mine about to come into our area that is going to take some of the slack -

Ms FORREST - You hope.

Mr QUILLIAM - I expect that they will but we can't guarantee it, but if we lose 70 or 80 people who are in Ta Ann and the service as well, we are obviously going to lose other employment in other areas, and small business that has already been mentioned is already struggling. It's not only in our area but it's right throughout the state and I might say in some areas on the mainland some businesses are struggling as well, so it's not all to do with the forest industry, as mayor Jarvis said, but that's just another nail in the coffin, if you like.

Ms FORREST - Just going back to a point of mayor Jarvis earlier, he talked about some concerns about the process, about the government taking a hands-off approach, which I think has been a criticism not just from you but also from others. When it was set up I understood they expected not to take as long as they did but how long is a piece of string?

Mr VALENTINE? - We know the answer to that.

Laughter.

Ms FORREST - You get to a point where they did reach an agreement which is a compromise position that no-one is happy with and that includes, I think, all the people around the table here probably as well. There is a position which the government then adopted as their policy and put into legislation and you can't challenge a politician on this but it now sits with us. The lower House has dealt with it and it may be amended or whatever - we could end up with a defeated bill or we could end up with an amended bill but, either way, we are the ones who have to sit around and make a decision on this. There is accountability there, wouldn't you agree, and that's one question.

Mr JARVIS - It's not of your making. We couldn't hold you accountable for the outcomes of this, all you are doing is reviewing it and trying to take as much evidence as possible. Our concern is that this evidence should have been taken at the lower House and I feel sorry that you people have been lumbered with trying to understand the complexities of a thing that has taken three years and you initially were given a couple of days to sign off on it. I know you are accountable and the three people who come up for election this year, if someone was going to target them and had an angst about this - and I presume there are other social issues that will probably be raised that members might be targeted on, and not the forestry - but I don't think anyone I have spoken to around my community would hold the upper House responsible for the outcome of whatever happens with this legislation.

Ms FORREST - The issue is that we get legislation. Unless we have a private member's bill that we introduce, we don't ever formulate that legislation. Whatever it is, it comes to us and we deal with it; this is our job. Ultimately, there is a process where the agreement that was reached, like it or hate it, falling into legislation and we are now dealing with it so there is a degree of scrutiny around that. We can reject it, support it, amend it, whatever, but at the end of the day there is a process whereby we're trying to make the best decision on behalf of the state, and that is our job. As far as the engagement goes - I know people feel they perhaps haven't had input, but do you feel that now when these things are raised they're more likely to be heard and be taken on board?

Mr JARVIS - In my community the discussion is going on. People are very happy that the Legislative Council is having a look in depth at the bill. The frustration would be in retail. It would be the same as me walking out 20 years ago, throwing the keys to someone up the street saying, 'I own that. You can do what you like with it'. That's what they have done with the signatories. All I said to a couple of ministers was that being part of the process they should have had a head at the table to talk and control the people around the table. They couldn't come to an agreement two years ago. It would have been better off falling over two years ago and knowing what was left of the industry. What has happened is it's exacerbated because the unknown has nearly killed the industry.

Ms FORREST - By the length of time, you're talking about?

Mr JARVIS - Yes, by length of time. Having a direction from a politician who is accountable to the people, as the chair of that committee - I have a no issue with taking a wider range of people on board and not all politicians - it's a public asset, it should be controlled by someone elected from the people, by the politicians sitting in the background, hasn't directed the outcome very well. I think it is about 32 months since this started and that's a disgrace. The lower House brought it on, you didn't bring it on. It's their legislation, they should have sat at the head of the table to control the signatories, or been part of the discussion and a face to the discussion so you knew where to go.

Ms FORREST - The problem has been that even in the RFA, Helsham and all the other inquiries we've had, one of the points that has been made is that the agreements or the outcomes have been imposed by governments on industry and the community broadly without buy-in from the ENGOS. This is the one time we've had buy-in, so do you think that makes a difference?

Mr JARVIS - I have no issue with that. I have always said that one politician representing the parliament - people in power - should sit at the head of that group. You can keep the representation the same as it is, but there is no face of an elected politician around this legislation.

Ms FORREST - Do you think this has a better chance of working because of the -

Mr JARVIS - The angst in the community doesn't say this is going to be any better an outcome than any other legislation there has ever been about forestry. If you think this is going to be a better outcome and see into a crystal ball, in my 58 years in this state and on this planet I don't believe so; I really can't see it.

Ms FORREST - In spite of the fact that the ENGOs have signed onto this, you don't think it's any different?

Mr JARVIS - I can appreciate that and I've got no issue with it, they should have a say in it, but if you think this is will stop the angst in the community by doing that, if the people in power thought this was going to take the heat out of the debate, that's why we are still here 32 months later and it's left with you to either make amendments or put it back downstairs. It hasn't taken the heat out of the debate. It doesn't look like anyone is happy with the situation. As Daryl said, the problem is if it's not watertight and our markets still get attacked overseas by the fringe environmentalists, we haven't achieved anything because they will still be attacked, they still get a lot of press outside their ability to the number of people they represent and that will cruel our industry. It's a good industry. It's the same as agriculture; maybe it could work better. But if you think this process has made it better, I don't see it on the ground.

Ms FORREST - The fact the Wilderness Society and others went to Japan with Ta Ann recently, that was a sign of goodwill on their part to do that, and to try to secure some -

Mr JARVIS - I understand that, but you asked me whether I thought the process was better. I believe the ENGOs should be involved in a discussion around it but what am I saying is will it deliver anything better than it has done before? I don't believe so.

Ms FORREST - The ENGOs have signed up to something this time and the other times they haven't.

Mr JARVIS - I understand that, some of them have, but there is still a party that presented yesterday and some others. Daryl said the hope is that they will sign up and that the bigger bodies will be strong enough to control them and give the word out that they are happy with the way the industry is run.

Mr VALENTINE - You will never get them all.

Mr JARVIS - I understand that. I don't believe we will get a better outcome than we have all the other times. Five years down the track we will be doing the same thing; that is my worry. As Daryl said, if it was watertight, they all stayed on board and they supported the industry as is if it does get signed, that would be a good outcome.

Mr ARMSTRONG - You have Brown and Putt and co who are still over there or have been there trying to sabotage the markets, so you are not getting everybody signing on. They do carry a lot of weight over there. Those people will be sabotaging the industry even if these other people do sign it.

Mrs TAYLOR - I have a supplementary question to mayor Quilliam. What could you do to make this agreement watertight? That is what you are saying really, 'If this agreement could be watertight and we knew that everybody would stick to it', is there anything that you can suggest to us that would make this agreement watertight?

Mr QUILLIAM - I only wish I had a positive answer to that. I haven't seen the legislation, but if we had legislation that is absolutely watertight so that we weren't going to have

environmental people knocking our industries across the water - obviously the issue we've had with that is that we had investors with money that -

Mrs TAYLOR - Nobody can guarantee that. We can't write that into this legislation.

Mr QUILLIAM - If only we could get something so that we knew the environmentalists weren't going to knock our industry. Tasmania is an island that relies on people working, and that has worked very well in the past, and it is still working generally well now, other than with a few minority groups, and that is unfortunate. If only we could get that watertight, get that right and get an agreement with the - as I understand it - people in the sawmills. They are not totally happy with the agreement, but they can live with it and they believe there is going to be enough timber for the foreseeable future if we have the amount of tonnage required every year, guaranteed by this agreement. If we could get that well then I think we should live fairly happily ever after, but I'm not sure what else we could do to give us a guarantee. I would love to have the answer for that.

Mrs TAYLOR - So would we.

Mr QUILLIAM - Yes, and that is probably the issue that I have. I agree the agreement ought to be signed, but we would have to be given a guarantee.

Mrs TAYLOR - We clearly had the Huon Environment Centre here yesterday saying that they would not be satisfied until no native trees were being cut, and Ta Ann is particularly in their guns.

Mr QUILLIAM - I agree with mayor Jarvis; to say that we are going to stop all environmental people knocking our industry is probably not going to happen. If we can have the major ones -

Mrs TAYLOR - The major ones have signed up.

Mr QUILLIAM - Well, then that would be a good outcome.

Mr BISDEE - If I can just add on that point. You are saying a minority group of 100 people can dictate to the rest of us that they will not comply with any legislation whatever. Do you support that premise?

Mrs TAYLOR - I am saying that the group is saying to us that they have the right and the freedom to protest against native forest harvesting, and wherever they want to do that they can do that.

Mr BISDEE - Of course they can, but why should such a vibrant industry be penalised because of a dissension from a very, very small minority? I think Rob raised the point that you will never get those people on board, never, but why should the legislation try to encompass those people?

Mrs TAYLOR - The legislation can't encompass anybody.

Mr BISDEE - Exactly.

Mrs TAYLOR - But they have the democratic freedom to do what they want to do.

Mr BISDEE - Of course, as we all have if we dissent.

Mrs TAYLOR - It is how much influence they have that will make the difference.

Mr BISDEE - But surely it is the stakeholders that should be signatories and should be on board with this.

Ms FORREST - They are.

Mr BISDEE - Most of them are and to take consideration of such a small minority there is no way you can appease those people. It is having too great an influence over the potential outcomes of this process by trying to encompass everyone and I do not believe that is achievable.

Mrs TAYLOR - I guess it is not just us who are trying to encompass them, it is that they are saying they will still go to the markets. It is the markets that they talk to, not us or you.

Mr BISDEE - Yes, I understand.

Mr VALENTINE - There is no concession being given in this.

Mr BISDEE - No.

Mr VALENTINE - It is simply the fact that they have the right to go and protest wherever they wish.

Mrs TAYLOR - I suppose by this legislation we are hoping that because the major environment groups are supporting this agreement the influence of the smaller groups will be less.

Mr BISDEE - Yes, I believe the Wilderness Society supports the agreement.

Mr VALENTINE - Australia-wide.

Mr BISDEE - Australia-wide - so at least that is a start. It is not only a start, it is a major component of it.

Mr VALENTINE - The Australian Conservation Foundation, Environment Tasmania.

Mr BISDEE - The Australian Conservation Foundation are on board, are they not?

Mr VALENTINE - Yes, they are.

Mr BISDEE - They are the two main players, as I see it.

Mr VALENTINE - Environment Tasmania with 24.

Mr HALL - No, Markets for Change.

Mr BISDEE - Well, Markets for Change, yes.

Mr HALL - You have Dr Brown, and also Peg Putt as the CEO.

Mr DEAN - They are all minority groups.

Ms RATTRAY - Daryl, can I take it that your position for supporting this agreement is based on Ta Ann staying in your community? Is that predominantly your position?

Mr QUILLIAM - Ta Ann staying and legislation being watertight, I guess. If it is not watertight and we do not get an outcome there is no stopping people trying to stop companies from buying here as well. That is all part of it as well because there is no point in having Ta Ann if the environmental groups are still going to try to stop these businesses buying our timber. That will mean that Ta Ann will not stay here for very long at all. Having not seen the legislation or understood whether or not it is acceptable - I would like to but I am not a solicitor.

Ms RATTRAY - Neither am I, Daryl.

Mr QUILLIAM - And that is the unfortunate part. We really do not want to lose any more businesses than we have at this point in time. Because we have lost Gunns, Ta Ann is probably one of the next bigger employers of people in forests and we certainly do not want to lose those.

Our area certainly would be devastated to see Ta Ann leave. We do not want to have it signed and then find that Ta Ann will only stay here for a short term. Also, legislation should protect the workplace areas. Forestry should not be able to be sabotaged by some of these people because it has such a major effect.

There is a lot of legislation that will need to be put in place before we would be happy to see it signed.

Ms RATTRAY - So your council, on behalf your community, is looking for a guarantee that Ta Ann stay in Tasmania? So that would need to have a length of time around it?

Mr QUILLIAM - A guarantee in the present business.

Ms RATTRAY - That is what you are looking for and you are also looking for some stronger legislation around protesters or people who disrupt legal work environments.

Mr QUILLIAM - Legal working environments and the protesting against businesses buying in Tasmania, which is a fairly tall ask, I know.

Ms RATTRAY - I would say it is. Thank you for that. I think if you heard the contribution yesterday from the representative from the Huon Environment Centre you would not be feeling very comfortable today.

Mr QUILLIAM - I am still not feeling very comfortable.

Ms RATTRAY - There was an indication that Ta Ann was on their radar and there was going to be no pulling back. In the submission we had from Forestry Tasmania it has been indicated that they look after or they have 13 000 kilometres of roading. I think it would be useful for the committee to have some idea of the impact of Forestry Tasmania's not having the ability to access that 13 000 kilometres and what that would do to some of the rural communities. I do not mind who answers it.

Mr ARMSTRONG - I can only speak on behalf of the Huon Valley. Forestry Tasmania maintains some of the road going to Cockle Creek which is a major tourism road, so it would have a big impact if Forestry is not there to look after that. Either the state government or the council would have to maintain that road because it is a major tourism road to Cockle Creek and the southernmost area of Tasmania, the walking track into South-East Cape and Port Davey.

Then there are the beekeepers who access our southern forests and use all the Forestry roads, so that is another big issue there - who would maintain those roads and bridges? Firefighting is another issue particularly in our valley and I would imagine throughout the rest of Tasmania. They are just three of the issues we would have as far as Forestry roads are concerned.

Mr EVANS - Following on from that, the funding model around sustainable areas in Parks and through Forestry areas if they do become Parks, inequity of the like. At the moment National Park is the third most visited park in the state. Funding schemes means it is the seventh most funded in the state. If that balance still was to go ahead, at the moment we are seeing places like Junee Caves, which is the deepest cave system in the southern hemisphere, being locked out, Growling Swallet, Creepy Crawly, the Mount Ann track and the roads out there maintained by Forestry at the moment, which are great natural attractors for the area and we don't want them to fall into rack and ruin.

We just want equity in funding for the regional areas and that is going to be one of my issues we speak on as a council with the funding model - where it goes, and whether it props up, I don't like use names, but Saffire and Cradle Mountain in national parks and get left off the side of the areas in the regional communities that need these natural attractors and to draw people into the state into tourism.

We found with the fires of late out through the Derwent Valley, through the Central Highlands area, most of those roads are Forestry-Norske Skog roads and are maintained to a standard of a log truck passing at 80 kilometres an hour. If the industry moves out of those areas there we may have - and I hope we never ever see it - another 1967 bushfire. We looked through the air the other day from a helicopter at where the 1967 fires started and it hasn't had a fire in there since then but some of the areas out the back in the Forestry area there are as hospitable as that, so if the roads aren't maintained the access for firefighters and the safety of communities, not only our regional communities but also the metropolitan areas, are in danger. We looked at the fire fronts on the weekend and could see what sort of impact it would have on those.

They are some of our major concerns and they are in our submission as well. I think it is the equity in the funding model is what we need to see and be conveyed to the regional communities that it is going into those areas of need and how it stimulates those areas.

As to the anti-competitive legislation of national parks, in 2003 it was enacted that if you have a business within a national park, council cannot derive rates from it. If we are talking about putting assets and businesses within national parks, and we are talking a substantial area in my municipality, and probably also the Huon and Central Highlands areas, we will not be able to achieve rates from those either. The 2003 legislation is very much anti-competitive and we as a council also stated that as well.

Ms FORREST - There is a similar issue with the rating of Hydro assets.

Mr EVANS - Would you like me to start on rating Hydro assets?

Laughter.

CHAIR - Not today, Martyn.

Mr EVANS - Okay. I can come back another time, because I am quite happy to talk on that for a day if you like.

Laughter.

Mr QUILLIAM - Obviously the roading in the forests is going to be a problem for us. We are fortunate that with the Tarkine drive DIER is taking that road over because if they hadn't it would have been a bigger problem. It always is a problem and firefighting, as I said before, is probably going to be a bigger problem than roads but it will be a problem as well. What makes it an even bigger problem is that councils need to help take some of these roads over and if we've already got a low rate base that makes it more difficult. What we don't know, and none of us know, is that if we don't have an agreement, what is going to happen anyway? Is it going to be worse or better? If we don't have an agreement it could be worse, so we have to take that into consideration as well. Without an agreement we really don't know what is going to happen to the forest industry at all so it may not be any different with an agreement or without.

Ms FLINT - I would like to say it is not only the roads, it is the bridges. At the same time we had that big fire in the Ellendale area, we had a fire up at the Steppes-Interlaken area and one of the councillors took three days to build a bridge to get the equipment into the fire. This is all caused with the roads not being used because of Forestry. We certainly are devastated not having access; even the roads are starting to deteriorate now without Forestry people going in, so it is a major concern.

Mr VALENTINE - That has been an issue for the Central Highlands for a long time, hasn't it - the attention of the state government on roads?

Ms FORREST - Without the agreement that problem will persist and probably could get worse too.

Ms FLINT - I am not in favour of the agreement, I have to say. I think the agreement should be signed when you don't have Markets for Change on board. When you have Bob Brown and Peg Putt out there, what is the agreement worth?

Ms FORREST - If the bill was voted down and Ta Ann leaves the state and the market is reduced FT is not going to be going into those coupes to log them because they have no market, no customers, and they can't afford to maintain the roads because their stumpage doesn't cover the cost of that. The end result could be just the same, if not worse.

Ms FLINT - At the moment if any of the Forestry roads are used, we believe there is a duty of care and have been looking after them.

Ms RATTRAY - I am interested to know out of the councils that are represented, has Bob Smith undertaken a socioeconomic review in your communities and spoken with local government? Have they seen Bob Smith or any of his team that is undertaking that study?

Ms FLINT - The only socioeconomic study is the one we've done ourselves.

Ms RATTRAY - As I expected, Chair.

Mr DEAN - Could it have happened unbeknownst to you people that they have been in and around the community?

Laughter.

Mr DEAN - That is what they're going to say.

Mr VALENTINE - Deidre, with respect to your having done your own socioeconomic study, have you had a bit of a look at the numbers of contractors that might be in your area as opposed to workers, et cetera? Have you got an understanding of that, just out of interest?

Ms FLINT - We have them here, yes. A lot of them are small businesses where the husband and the wife are involved and they've had income coming in where they've been able to bring someone in to relieve them if they needed to go away for a wedding, for example. What we are finding now is that there is no break for these small businesses. They have to work full time and in some cases one of the partners had to go out and work to bring money in.

I would like to answer your question. Because we are so involved with forestry, all the communities and people that aren't employed in the businesses - if they'd had someone else asking a question, I know at least one of those people would have rung me and said there was someone else making inquiries, but there has never been anyone else.

Mr DEAN - I have no doubt that's probably what will be said to us at the end of the day and I wanted to make sure we cut it off. They would make inquiries other ways as well. They can do it by technology and all those other things, so I just wanted to make sure it was covered.

Mr BISDEE - Chair, I have a matter I would like to raise. As part of the intergovernmental agreement, contractors' voluntary exit grants are available and I would like to point out that one of my constituents is in a very desperate situation. This family company lost its contracts with Gunns when they existed native forestry. They applied for an exit grant.

One of the criteria is that in any one of the last four years you have to have obtained or harvested 50 per cent from public forest. Their average in one particular year was 44 per cent, but they failed, purely on that criterion. I think it's very discriminatory to say to someone who has achieved 50 per cent or 50.5 per cent that they are eligible for an exit grant of whatever amount of money, and the one who gets to 49.9 per cent fails and does not get one dollar. To me, that is not equitable.

Perhaps it should be on a sliding scale, that those people who have achieved near 50 per cent would qualify, but perhaps at a bit lesser rate of the grant. To just cut it off at 50 per cent, I think is wrong. These people have been genuine foresters. They had an excellent reputation, until they lost their contracts. This family has young children and the husband has had to get farm work, which doesn't make up for the lost income, and the wife has also had to get external work to make ends meet. They met every other criteria; it is just failing the one criterion, at 50 per cent. They got to 44 per cent in one year and they needed to get to 50 per cent. I think it is wrong that those at 50 per cent get everything and the ones on 49.9 per cent get nothing.

Mr ARMSTRONG - While we recognise that Ta Ann is a very important part of this agreement and we need to do what we can to keep Ta Ann in this state, we also have our local sawmillers who need to have a supply of wood. This agreement cuts their supply back to 137 000 cubic metres, from 300 000 cubic metres that was allocated before when Gunns was in the picture. We have heard here today the supply for timber is growing day by day. Every sawmill that has got timber, it's gone - sold out - so I don't see why we should be locking up that 160 000-odd cubic metres. We should still be making the 300 000 cubic metres available for the sawlogs. It's another area where it is a growing industry, so we should make sure that timber is available for the sawmillers and the craft supplies. I have heard George Harris say they won't be able to get their supply of timber so we need to make sure, if this agreement goes forward, there is a supply of craftwood available for those people.

Mr HALL - I might address this to you, mayor Jarvis. We have already heard about some of the issues with regard to community consultation, or the total lack thereof. As we know, there are a lot of people out there who are feeling very marginalised at the moment and there are a lot of people on this side of the table who have been involved in local government, and, as we said before, if you don't get your community consultation right then you get scorched, as probably some of us have been scorched in the past.

Mr JARVIS - And will in the future.

Laughter.

Mr HALL - Quite right. This was rushed through the House of Assembly in two days, and we have what we have. It is the government's legislation - it is their agenda - and I know from where I sit in my electorate of the Great Western Tiers, for example, we now have 100 kilometres suddenly with a huge interface with national park or World Heritage area, with huge implications. No consultation has been done whatsoever. The questions to you are: Do you think that the government, with all its resources, should be out there having community meetings and going around and explaining to people exactly what this is about and what the implications are? It shouldn't be up to us, as individual MLCs, to get out there

Secondly, because it seems to be such a moving feast - a bugger's muddle, if you like - should we send it back to the government and say, 'Tidy this up and sort it all out and then bring it back to us'? I am being the devil's advocate there.

Mr JARVIS - I don't think they want to. In the sense of consultation, I agree with what Jacqui Schirmer is saying - we can't hold off a decision to do a full socio-economic impact, but I reckon that's one of the flaws of the process. To me there has been no governmental process. The community - and you know by your representations how many people have an interest in this subject. I still believe if the government had driven it three years ago and had taken on board submissions for the first 12 months, it would have been done and dusted. Whether we liked it or not is irrelevant in the sense that the community would have had their say, it would have been legislated and next year in March we get a chance to vote whether we agreed with it or not. They haven't done that. To start that now would add three years.

I talked to a guy who has a nursery - Tania would know the guy.

Ms RATTRAY - Some of the council have visited there.

Mr JARVIS - He said, 'I don't care what they want me to do. I don't care if they want me to grow trees sideways, I don't care if they are upside down, or they want me to grow them in water, but we need a decision.' He hasn't been involved in the process. He had 25 workers there two and a half years ago. I think he has two now. He is in Darwin trying to make a quid. He was a big supplier to the industry. When the MIS schemes fell over, he was left with the lot, and litigation, and so forth.

That indecision and the process - that non-consultation - have hurt the wider community. I understand the signatories have vested interests and that is fine - they are representing the people they represent. I have no issue with that, but no one is representing us communities. I said to a couple of ministers that is what we vote for them for, to look after the public interest. There should have been a politician at the head of the table as a chair. Have the ENGOs, have those people on board, talk to the communities, but it should have been done two years ago.

If we went back to the community now - if you sent it back and said, 'Look we want to do more consultation' - I think it is too late. Three years has nearly bugged everybody. Most people are over it whether good, bad or indifferent, but there is an opportunity in this next climate. Because the tentacles spread so far for the forest industry, in every corner of Tasmania there is something happening, the consultation should have been done by the House of Assembly from day one. With their resources they should have pulled it in. Give this information to the signatories, plus their vested interests, but a politician should be there for the public interest. That is who we voted in. Not the vested interests, or you hope it is not vested interests. The wider community interest should have been taken on board, but no one represented the wider community among those signatories.

Mr QUILLIAM - We would all agree with that.

Mr HALL - Basically, you are saying, Barry, it's too late to do that?

Mr JARVIS - My belief is that to stretch it out is only going to almost kill the cat. The unknown has destroyed what we knew of the industry. Always an issue is the vision and the direction to see what is out there. We have talked about the waste; there should have been stuff done three years ago on what we were going to do. With the chip industry the biggest player in the market made a lot of money over 35 years and did not want to change their model. There was no other interest or innovation done into the industry or what we do. There are other products out there that we can use waste wood for. It does not have to be chipped.

Ms FORREST - A lot of people were hanging their hat on the pulp mill, though.

Mr JARVIS - That is why they have a lot of hardwood plantation out there that is no good for anything other than pulp, because 15 years ago they decided that pulp was going to be the baby and we have hardwood that is no good for anything but chipping. They can't do anything with it. They spent millions of dollars on it. The federal government put a heap of money in at Bell Bay to try to find out what to do with timber that was sawed and it went at right angles. They wanted to learn how to straighten it because it is no good for anything else. That is the sad reflection of a big player that was in the market, that had a pulp mill at the end of their game, trees were planted for that reason and now we have ship loads of hardwood plantation out there that are not good for anything but chip or pulp.

Mr VALENTINE - They are doing some research in using part of that as Hardlam.

Mr JARVIS - They have tried to do a lot of things with that timber over the years. I drove out to Musselroe the other day and it is sad to see the neglect of our plantations and that is probably what the follow-through of this will be. My understanding is that unless we get a player in the market we will never ever compete on the chip market when they start growing them over seven or eight years through the tropics. The first rotation of plantation, because this industry has been in a hiatus for three years, we may lose the lot to a certain degree. The softwood will be there but the hardwood plantations, after one rotation, who is going to put them back into the ground if there is no value in Tasmania? No-one is going to put them back in the ground. There is no money in it.

Ms FORREST - Perhaps the MIS scheme is partly responsible for that.

Mr JARVIS - You get accountants and some federal politicians who thought it was a good idea at the time.

Mr VALENTINE - Mind you, they might plant different varieties.

Mr JARVIS - But that is a 40 or 50-year return.

Mr VALENTINE - It is.

Mr JARVIS - Who would today commit millions of dollars on the unknown? You need incomes and income streams.

Mr VALENTINE - That is right.

Mr WILKINSON - So you get to the situation in our hands. One, do we agree with the legislation, the 137 000 cubic metres which they say is going to be tight and doesn't leave any extra for the future of the timber industry when it bounces back? Do you go to 155 000 cubic metres, which is what the IGA agreement stated in the first place, or do you go to 163 000 cubic metres, as Forestry said they could cope with now with Gunns exiting the industry? I am just putting a scenario to you. If you go to 155 000 cubic metres of sawlog, you have approximately 400 000 hectares tied up, as opposed to the 500 000; if you go to 163 000 cubic metres you have approximately 300 000 hectares of land extra. I am not too concerned about what the people are saying to us. I want to try to make the best decision on the evidence that I have. As far as what the Greens or environmentalists are saying or the Liberal Party or the Labor Party are saying, I am not really concerned with that. I want to try to get an industry on a level pegging in order to be able to hopefully bounce back at some later stage.

With those scenarios, which one do you believe is the most appropriate or do you say we have not heard all the evidence, though there has been nearly a hundred-odd hours of it, so we cannot say.

Mr JARVIS - Probably the frustration in part is even with the IGA process. The goal posts changed regularly. The industry impact on small communities, thereby being small players, I think have got to be covered because that is the reach. In the past the big players have looked after themselves - and bugger the small players. I think the supply for smaller operators has to be in the mix, it has got to be guaranteed. At the end of it they need to get quality sawlogs.

I have a local sawmiller who decries the fact that he pays about three times as much as what Gunns ever paid for a sawlog. It has never been on a level playing field and he is still paying over and above what the medium-size and the bigger players pay. From an outsider, the whole industry needed to be looked at with an impartial view. He does not mind paying a bit more because he is not getting as much and quite a few players I have spoken to in the last three years have not been able to get the quality timber for sawlogs as other players have.

The smaller players and your speciality timber people I think were reasonably happy with the initial IGA. They were not over the moon but they are very concerned at the way it has been chopped back now. If those players could be reasonably happy with the quality and quantity of timber they were going to get, I would say that is about where it should be. Most small players have to be understood for what their needs are; don't always look at the big end of town.

Mr QUILLIAM - We have obviously got Britton Bros in Smithton and Glenn Britton has been involved in this right from the beginning. He is of the opinion that it will be tight at the 137 000; he can live with it but it would be tight. If you had the choice you would go in the middle to give a little bit more there so that if the industry does pick up we have a little bit of spare there rather than cut it down to -

Ms FORREST - That is a minimum; 137 000 is the minimum.

Mr QUILLIAM - A minimum, yes. I think the tonnage is more important than how many hectares you are going to lock up or not lock up. I would much rather see the tonnage there and leave the hectares right out of it, so leave it to the forestry who run our forests to actually tell us how many hectares they need because while the hectares they are talking about having to lock up might be okay now, if we had a fire through some of our forests we are obviously going to need more hectares. If I was in your shoes I would be going for the tonnage rather than the hectares, so we keep the hectares right out of it and just go for surety of tonnage because of the possibility, God forbid, that there are fires in some of our forests and we lost some of our forests so that we may not be able to get that tonnage at all.

I would be in the middle, but I would not have the hectares in. I would just have the tonnage of timber, which should equate to the same but it does give us more surety.

Ms FLINT - I would like to go for the 163 000.

Mr WILKINSON - That is what Forestry looked at a while ago, which was about 300 000 hectares.

In an ideal world you do not need any legislation. If your Forestry Tasmania, through the government, wish to say this is the cubic metres we are going to cut, they have got every right to do that. We talk about legislation for certainty, but really in an ideal world you do not need any legislation. The government and Forestry Tasmania can say each year how much they can or they cannot cut.

Mr GAFFNEY - We had a presentation from Jim Adams who was involved with the RFA in 1997 and said that that was a much sounder, a more scientific approach to the whole forest agreement and that has been acknowledged. The unfortunate thing about that is in the last 10, 12 or 14 years we have seen the demise of the timber industry. That has probably been brought about by a very good marketing campaign from environmental groups, some of those who are signatories of this agreement.

If the TFA is not signed and those three major signatories walk away - the Wilderness Society, Environment Tasmania and the ACF - and they ramp up their activity in international markets, they do not follow the Markets for Change around saying no, the agreement is the right thing. They follow them around saying supporting the premise that Tasmania does not look after its forests. I am not sure if Tasmania is a big enough player to be able negate or buffer against those comments being made by those groups.

If that is the case, I suppose the federal funding, which is somewhere around \$227 million on their website at the moment, also changes pending on the pressure. If they withdraw that, Ta Ann know and have been told. We were told yesterday that they are going to continue to be marketed by the Huon Valley Environment Centre, but now they only market it. The other signatories are not going to be there saying: no, hang on Tasmania is doing the right thing. The signatories will say they tried, they have walked away, too. It will be open slather for that group to go worldwide without any counterbalancing. We say no, there is no pulp anymore, Gunns have walked away, Ta Ann leave and other businesses are not going to come into Tasmania because of the uncertainty, and what future do you see for the timber industry knowing that the dollar will probably stay strong for the next three or four years?

One of my concerns is, if we say no, that's it, we are \$227 million worse off in this state which would help some of the very families that you have been talking about because we said no on principle, we don't think we should sign this forestry agreement. That is the position we find ourselves in. We could be in a much worse position in three or four weeks' time when this falls over, if it falls over, and we have \$227 million less to put into some of those innovations, research and development, all those things, helping families and timber mills exit the community. That's the gamble or that is the position we find ourselves in. I would like your comments on that scenario. I might not have painted that correctly. Others might have a different idea but that's how I see it. Deidre?

Ms FLINT - Don't you think that's blackmail? Don't you think once they have won that round then they go on to our mining? Don't you think they are going to go to other areas? The scenario that you gave me is just pure blackmail. Would we give in to other groups who did this sort of thing, only because they are environmentalists? That's just my comment.

Mr GAFFNEY - I think on that, the three signatories, and they've sat across from us - Phill Pullinger, Vica Bayley and [Lyndon] Schneiders from the ACF - said that they will follow those groups around and say - because that's part of what they are signing up for. They would follow and support the signatories and the agreement because that's what they have signed for, and I believe that. I believe that because they have known that throughout their membership that if they sign this piece of paper they are saying as representatives of this environmental group, 'We support this agreement'. I take their word for that. I know that we think in regional Tasmania everyone is 100 per cent supportive of forestry and the timber, but you have a lot of these groups, environmental and Landcare groups and that within your communities as well. We can't just say that that group is not important because it -

Ms FLINT - They are important but I ask the question: does Markets for Change cover the -

Mr GAFFNEY - No, they are not one of the signatories.

Ms FLINT - I would say they are more powerful than all the others put together.

Mr GAFFNEY - No, I think Markets for Change when they presented they either had 65 members signed up with a maximum of 200 and a lot of their funding comes from philanthropical organisations and people. The ACF, the Wilderness Society and Environment Tasmania said they will target those organisations supporting Markets for Change and say no, the TFA is an agreed position that we've all signed as a balancing act. You don't hear those conversations we have, and that's what they are saying.

Mr ARMSTRONG - So it's minority control and not majority.

Mr GAFFNEY - That's fine -

Mr ARMSTRONG - It's not fine.

Mr GAFFNEY - No, but at the end of the day, in reality the decision will be, if that's the case, that money has gone, the industry is still left in turmoil and you have Ta Ann

saying it will walk. I am happy for that to happen but is that going to make your plight and our plight as a state any better?

Mr QUILLIAM - I suppose that's the reason we in Circular Head are saying it ought to be signed because we're not exactly sure what's going to happen if it's not signed. We would lose Ta Ann most likely, but we also don't know what the whole industry is going to be like. While we talk about a lot of things if it's not signed, we really don't know what it's going to be like because we don't know what the future is going to hold for the forest industries without it. I know we're not going to know that with it either. Do I trust the environmental people? No, but with the signatories it probably gives us a bit more surety than without it. Because of that, I would have to say reluctantly - I struggle to support the environmental groups at all because we've seen what has happened in the past - I think we have a bit more surety for the time being. The only issue I have is I'm not sure how long for.

Mr JARVIS - The state recoups a lot of financial benefit out of the forest industry. I didn't see many people come out in the government backing Ta Ann when they lost that contract to the Olympics in London. Surely the money we get as an industry and as a state, if our politicians believe a GBE is aboveboard and our practices are good, we would be out saying, 'This is a best-practice industry'. As a government we haven't supported our industry players very well the last two or three years. Private enterprise has to flourish and we put a lot of public money into forests. We are growing a lot of plantations. Obviously we have Forestry Tasmania. When that came about with the Olympics, surely we should have been on the plane and saying, 'This is best practice. The forestry industry in Tasmania is a good industry'.

I can understand your sentiments about surety and giving it a chance but I think the forestry industry has been left out to hang and dry a bit in the last couple of years while this process is on. I think it's sad that that department - there is a lot of public money involved in Forestry Tasmania, so surely we should be on the front foot saying, 'We don't rape and pillage'. There are a lot of areas in the world that absolutely slaughter their trees. We have moved on from that and we may need to get better but we should be saying this is a good industry for Tasmania.

Mr GAFFNEY - We have heard from representatives from forestry that they haven't marketed themselves very well, so you are spot-on. We are also hearing from a group later this afternoon, GetUp!. You are all aware of GetUp! and where they go Australia-wide. GetUp! has said here that they will also support the forest agreement if it's solid and they will tell their members - and we had a discussion as to whether they are actually members or whether they just tag into the database - they also send those messages Australia-wide. I am not sure what their response will be if this agreement is squashed.

In that \$227 million there were pockets of money identified for research and development, people exiting the community, future innovative products and all these different aspects of the timber industry. On one hand I have similar feelings to you guys. On the other hand I can see beyond that, that if we don't support this we could be throwing out the baby with the bathwater and not have an industry and still be in an even worse position than we are now.

Mr QUILLIAM - We want jobs, we don't want compensation.

Mr GAFFNEY - That is part of the growing the industry - speciality timbers and all that sort of stuff.

Mr BISDEE - Following on from that, Mike, with that \$227 million who is going to make the decisions about where those funds are spent or invested, if you like, and what process is going to take place to access that money?

Mr GAFFNEY - I will give it a stab but I may not be correct. As far as I can understand, out of the signatories group there is a section in the legislation about a special council that will have more people involved in seeing it go forward. I suppose a lot of that will come down to the government working with the federal government and the industry to ensure that money is put out.

I will just give you a breakdown and this is on the website - of the \$227 000 million including \$15.5 million from the Tasmanian government, \$85 million to support forest workers, contractors and their families affected by the downturn in the industry and in particular Gunns Limited's decision to exit native forest harvesting; \$43 million to facilitate the implementation of the agreement; \$120 million over 15 years including an initial payment of \$20 million to identify and fund appropriate regional development projects; \$7 million per annum - but I think that has gone up now to \$9 million after we met with the Legislative Council - per annum to manage the new reserves and \$1 million for mental health counselling and community wellbeing. That is the package.

Mr ARMSTRONG - Administered by a council?

Mr GAFFNEY - 'An independent verification group has been established to provide advice to' - no, it doesn't really say but that is what is on the table.

Mr ARMSTRONG - Is that \$9 million to manage the new reserves?

Mr GAFFNEY - Yes.

Mr ARMSTRONG - But what happens after that is spent, who is going to manage them then?

Mr GAFFNEY - It is per annum. It was \$7 million per annum and Parks and Wildlife will take over that responsibility. That is the package that has been relayed to us.

CHAIR - Can I just be a little cautious here in terms of the dialogue we are having because we need to be accurate and we probably should be doing our own research as to just what the flow of the fund is going to be. I am a bit cautious about having too much more dialogue back and forth about that because it is an opportunity for this committee to question you people as to your position with regard to this to inform us about where you are. Mr Evans.

Mr EVANS - Thank you, Chair. Mike, just leading on from where you were with RDA funding. RDA funding is dollar for dollar. It puts the smaller councils - Tasman, Central Highlands and ourselves even - in that category of not being able to match and create and stimulate like some of the more financial councils so it actually puts smaller ones at a

greater disadvantage and most of the time they are in more need. If you look at some of the stats of suicide rates in the Central Highland, Derwent Valley and Huon districts, it needs to be worked out at a better ratio than RDA dollar for dollar.

With the TGIIF grants that you are talking about, the following businesses are not eligible for funding - organisations where primary focus is retail, wholesale, importing, accommodation, hospitality, property development, leasing or non-value adding primary production. These are all the third party industries or businesses that are actually out within the regional communities and they can't apply so it is the tyre repair place that services industry plus the local communities in that area. It is also the takeaway that wants to adapt and go into another area that has already downsized from eight staff to three staff and they are not eligible to apply for these things.

I am just wondering if that is a consideration as well, when you do this debate, of how the funding is delivered and who is able to apply for it within those regional areas and if I look across all our mayors in this area these are the ones that are affected. I know we have the core business areas that are affected dramatically but these little independent ones are the ones that are actually affected and the most affected in the regional communities. Those guidelines there are hard for us to accept and that is one of the points we have spoken on as well.

Mrs ARMITAGE - Most of the issues have been covered, but I will just go to Mayor Jarvis if I can. You were saying that in Launceston there are stores that look as if they are closing and other things also are happening. You would have to accept, though, wouldn't you, that this isn't all relating to forestry?

Mr JARVIS - Most certainly. I have no issue with that. The economy is tight and there are other issues in the market, but in Tasmania, regional areas with a flow-on effect back to metropolitan areas, are greatly affected by forestry. Most of our agriculture is still going reasonably well. Even though not making huge profits, they are still doing okay in our area with our vegetables and so forth. There are flow-on effects to businesses, and if it is directly in our area it has to flow on. I know the people of the north-east like to spend a weekend or whatever over at the footy and whatever else. It used to be a movie and a meal, but they don't happen anymore. We have directly about 12 and another two businesses will shut this week.

Some of it is affected by forestry but not all of it. I don't have my head in the sand with regard to worldwide economics. There are a lot of players in the market, and this is just another thing that has tipped people over the edge of that discretionary spend. There is also relocating out of our area. If they relocate out of area and for their social and restaurant experience, the movie experience, it has to be Launceston. But they are not going in there.

Mrs ARMITAGE - This is prior to the agreement. I do not know if any of the mayors have seen the industry for employment by place of work data where it shows for 2006 to 2011 that the Launceston Council area gained 2 100 jobs whereas we lost 2 500, so we actually lost 461 jobs in that period, but it can't all be related to forestry. We are here talking about the bill today; this has already happened. Do you put that down to the close to three years of negotiation, the uncertainty that is going on with forestry or to the

exit of Gunns, to the fact that Gunns didn't have a social licence for their pulp mill, they didn't do any community consultation before they said they were going to do it?

Mr JARVIS - They had a good PR man.

Mrs ARMITAGE - Obviously they didn't, so the pulp mill is not built. Irrespective of that, what are you putting this down to? We are here talking about this agreement and whether it goes ahead or not, but would you confirm that the agreement or the lack of it at this stage hasn't caused the situation we are all in or do you believe the negotiations that have been going on and the uncertainty with the agreement are the cause of it?

Mr JARVIS - I take your point; it is certainly not the agreement. The agreement is not there yet. The indecision and the unknown in the industry have hurt the industry. Gunns' decision to exit the native timber industry so quickly hurt regional communities bigger than anything else that has happened in the last -

Mrs ARMITAGE - Their arrogance.

Mr JARVIS - In my time in local government, which is five years, the biggest impact to us was Gunns' immediate exit basically of native timber. They kept people on for about four months. That had a huge impact in Dorset and probably the wider contracting business around the state, and what they did to the people they still had on their books was a disgrace - not honouring contracts, honouring 1 per cent of them so they didn't have to pay them out; those sorts of things weren't very good. The agreement, I agree, but the uncertainty around the discussions that has been allowed to go on under the government, and the federal government has created a lot of angst and a lot of people have left the industry because of the unknown. Gunns is the single major factor that has hurt Dorset more than anything else in the last five years.

Mrs ARMITAGE - Would you agree, then, that if the agreement was to go through and if the bill reflected the agreement more and there was at least some certainty that that would have to have a positive in the forest industry?

Mr JARVIS - I think an unknown will kill the industry completely. My council is fairly strong and don't agree with the agreement, but there are a lot of people out there who are involved in the industry and who want certainty. They want to know where they stand today and what their future will be. At the moment they have no idea.

Mrs ARMITAGE - You said your council opposes the agreement. What does your council think will happen if the agreement doesn't go through? Do they think there will be a great panacea that will come? What are they expecting?

Mr JARVIS - The industry has to be the same as any other industry: you have to look at the smart end of the industry. It is the same as we have to do with our vegetable producing. We have to value-add in Tasmania. Trees are no different; we have to get a better return for what we do. That is part of government's role. Government has abrogated its responsibility by allowing this agreement to wander on for almost 32 months and we still don't know whether there is going to be an outcome.

My issue there is that we will go on for another two or three years of uncertainty if there is no agreement. There will be players who will come, hopefully, for some direction from the government around where we innovate and take the industry to. That won't happen overnight, I agree with you, and the agreement has nothing to do with that, but getting to the point of the agreement has cruelled the industry because the uncertainty, the length of time and the lack of input from what has happened around it has really made the industry struggle. The agreement hasn't caused the economic outcomes but there are other factors because of the agreement, and Gunns' decision was part of this process.

Mrs ARMITAGE - I have heard the mayors here mention that a lot of the sawmillers would like to be up and running more, but I've heard quite the opposite. I met with the sawmillers' association and have had calls from one particular sawmiller who pretty well said he felt like committing suicide, just waiting for an agreement. They were saying they would like to restructure, they need to restructure, but they have no surety of wood supply. They might get some one week but not the next week and they can't operate like that. They feel there needs to be a restructure so there are less sawmills operating in a viable manner. What do you say about the sawmillers, particularly in your area? Is there enough for them all to operate?

Mr JARVIS - No. We have one single sawmiller. I have met with quite a few from Longford and the Meander Valley area and most of them are fairly disappointed with their quantity and quality of sawlogs. That is systemic in the industry. Some of the big players have been looked after to the detriment of the small players and that has happened for years and years. Those sorts of things are not under the legislation but that is the look at the industry that the industry needs. Some of these smaller players need to be able to expand. If they are an employer of around 15-20 in the local community they are a big contributor to that community. Why should they be left out on a handrail and not supplied with quality timber at a regular rate and when they need it? It is not only this agreement, it's the structure of the industry that has cruelled some of those small regional areas and I think that's a disgrace. The arrogance of one of the bigger players in the market before was such that it wanted to eliminate a lot of those people.

Mrs ARMITAGE - Hopefully, if an agreement goes through and there's a restructure, there may be some surety for some of the sawmillers who are left. We hear from everyone that people are leaving the state - the fly-in, fly-outs - but you would have to admit they are not all from forestry. I have three sons who are fly-in, fly-outs but they didn't leave because of the forestry industry. They left because they can make more money in mining than they could in retail or elsewhere. I think we have to be careful, and I hope you would agree, that we don't blame everything on forestry. I accept that rates are a real issue and that is the issue I see for all of you: the amount of rates you will lose from the reserves.

Mr DEAN - In your submission you have identified six recommendations that we as a council should consider before we tick off on this agreement. A number of them very clearly won't happen, in my opinion, and are never likely to happen. What you're saying very clearly to us is that unless these recommendations can be met we should not be supporting this agreement and/or demanding certain amendments to it that would satisfy your concerns and issues. Am I reading that right?

Mr JARVIS - Yes. I understand Ruth's comments earlier and agree that a full socioeconomic impact study would take too long and would draw it out, but it shouldn't be pushed to the back. Too often we make decisions and don't know what the flow-on effect will be. We have to understand the decisions we make and what the ramifications are. I think that is important. If there is an agreement, an understanding of all that, when we make a structural change, which has happened, it is huge. If this decision goes through they really don't know what the end game will be. I can also appreciate what will be there if we don't make an agreement or if you don't make an agreement, but we still have to follow it through.

The government should be forced to understand that the decision made is to follow it through, not do a desktop study and extrapolate what is being done by Jacki Schirmer and her people a few years ago - and they will add the numbers to that - but the full impact of what happens to communities, the rates, the roads, the bridges, all this sort of stuff is an issue for local government. Where do we stand? I know there are some bigger places around and they can gobble a few of us smaller ones up - and no-one has mentioned Dorset so I have no issue there - but we really struggle to survive and supply services and, as you know, there has been a lot of stuff move off from state government onto local government so there are a lot of things local government picks up now that it didn't 10 or 15 years ago. The state won't pick up it back up - the cost-shifting of it - and those services will not be delivered if local government does not do it and if we lose those rates, which it looks like we will, we will not be delivering the services our community are used to and therefore there will be angst in the community.

Mr VALENTINE - Pointed at you.

Mr JARVIS - Pointed at us.

Mr DEAN - Barry, since these discussions this year and since all of this has come out, and when you presented to us previously you brought some of these issues out there, has anybody from the government anywhere come to any of you and spoken about your issues and your concerns about your rates and your losses of funds and so on - has anybody spoken to you about that?

Mr JARVIS - There has been no communication about it with local government as far as I know, certainly not through LGAT or the regional councils.

Mr DEAN - That was my next question, do you know whether or not LGAT has been approached or had any briefings in relation to it?

Mr JARVIS - No, Deidre raised it a couple of times. I don't really get an opportunity to speak because we do argue.

Laughter.

Mr JARVIS - No-one has discussed from a state level with local government as far as I know, either through the GMC, the Premier's Local Government Council or councils individually, but I cannot speak for the other mayors here. Certainly in Dorset no one has approached us from the state to understand what we believe the ramifications are for our community, one way or the other, whether the agreement is signed or not, or what is

actually happening on the ground at the moment. We have had no representation for over 12 months.

Mr DEAN - You are a main player and one would have thought that they would have at least gone to you and the other areas. Deidre, can I ask you when you had that conversation with Bryan Green?

Ms FLINT - I was just going to raise that. It would have been just before Christmas. We went to him and laid down about how our area was disadvantaged and because we hadn't got any of the \$20 million payout we were asking the state government to give us \$300 000 to get a couple of projects up and running and add stimulus to the area, but we were firmly refused.

Mr DEAN - Right, and that is the time when Bryan Green made the statement to you that the forestry industry would pick up in 2017.

Ms FLINT - Yes, he did, and then it was the very next day that I raised it - when all of the mayors came together - when we met with the Premier and the Deputy Premier again and I asked him to clarify what he had said to me, and he acknowledged it there at that meeting.

Mr DEAN - Did he say how it would pick up?

Ms FLINT - No.

CHAIR - We have time for one more question so that we can finish on time. Mr Hall is always keen to have lunch.

Laughter.

Mr HALL - I am indeed. I will be brief. A question to probably Barry, a devil's advocate question, about the \$120 million assistance package over the next 15 years: would you agree that under normal circumstances this should be provided by federal regional assistance packages anyway outside this agreement?

Mr JARVIS - Yes, because the compensation factor does not really value the industry. I don't believe \$7 million a year or \$.75 million a year -

Mr HALL - That is about what it comes down to, yes.

Mr JARVIS - values the industry in any way. I understand that's the package on the table but it doesn't value the industry or the loss of the industry. I was in private enterprise for 30 years, I understand markets do change and you go through times where you don't make a cracker, but to be able to say you're going to restructure and change the industry in conjunction with what Gunns wanted to do and value it at \$6.75 million a year to the state is laughable.

Mr HALL - It is pitiful. The other matter, once again, being devil's advocate, there has been a lot of anecdotal evidence and I think *The Australian* newspaper did quite an expose recently on regional funding packages put out by the federal government which found

that really they have, over a long time with rare exceptions, reduced very little. It has all gone up against the wall and you end up, could I say, with very little to show for it. On the other side of the ledger, here we are potentially trading off 500 000-odd hectares or forgoing potentially a lot of revenue for the state.

Mr JARVIS - It hit home to me a couple of years ago and I think some of the mayors in the sense of the structure around where it goes to so it is not used as an election promise or whatever, if this is the end game and this is what we get. I had a representative from a minister's department out of Canberra come to us and say, 'What is your strength, what do you want to do?' I said, 'There are two strengths we've got. We've got very good red soils, we're very good at agriculture and we grow a lot of trees.'. He said, 'You can't have anything to do with forestry, you cannot spend any reasonable development money on forestry whether it is in the plantation industry or whatever.'. I said, 'Well, there's a couple of dairies on the drawing board.'. 'Don't do dairy, they do that very well in Circular Head.' She said, 'Have you ever thought of aquaculture?', and I thought, 'Well, that would be very good off Banks Strait and all the things they grow whatever they are going to grow in them finished up in New Zealand because it is the second-most moveable water in the world.' Her reply to us was, 'Think outside the square'.

My answer to that is wouldn't you play to your strengths, where you've got consistent rainfall, very good soils, a temperate climate, a lot of plantation trees and softwood and hardwood? We weren't allowed to go into any of those areas. We weren't allowed to look at dairy because they do it very well in Circular Head. If that's the mentality coming out of Canberra, God help us.

CHAIR - Thanks very much to each of you for being here.

Mr JARVIS - As I said before, I don't envy your job, I really don't. I think you've been left with the proverbial sandwich -

Ms FORREST - We have.

Mr JARVIS - but I do thank you for the time and effort you're putting in to understand the complexities around Tassie and on behalf of the regional councils I thank you very much for taking our submission.

CHAIR - Thanks very much.

THE WITNESSES WITHDREW.