

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON SCOTTSDALE SAWMILLS MET IN THE COUNCIL CHAMBERS, SCOTTSDALE, ON FRIDAY 25 MARCH 2011.

Cr BARRY JARVIS, MAYOR, DORSET COUNCIL, **Mr GUY JETSON**, ACTING GENERAL MANAGER, DORSET COUNCIL, AND **Cr PETER PARTRIDGE**, COUNCILLOR, DORSET COUNCIL WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Booth) - Welcome, everyone. Would anyone like to make an opening statement? Members of the committee will no doubt wish to ask questions.

Mr JETSON - Thank you for the opportunity, Mr Chairman. Would you like us to read through parts of our submission?

CHAIR - It may be helpful for people who haven't looked at your submission to understand where you are coming from.

Mr JETSON - We would appreciate that opportunity, too. We are referring to the Dorset Council submission to the select committee on the Scottsdale sawmills. The submission is about moving on from 2007. In 2007 we told you what would happen and today we will tell you again what has happened. We will also talk about the future of Dorset and that the State Government has a clear responsibility for the future of this region.

Referring to the submission, we have provided extensive information in accordance with the terms of reference, and that is due to the serious consequences and effects the closure of the two Scottsdale sawmills, together with the associated negative flow-on effects this is having on the entire Dorset community. Whilst the negative consequences of the mill closures are severe, council is also interested in looking to future mitigation measures that may be undertaken by the Government to positively influence the economic and social future of the north-east. From the information provided in the submission it is clear that more than 600-plus direct jobs have been lost in the forest industry in Dorset, with a multiplier effect of 600 to 1 200 conservatively. This will potentially equate to approximately 1 200-1 800 jobs lost in Dorset over the past three years and in the next 6-12 months. With a total population of just over 7 200 this is massive, with potentially disastrous socioeconomic effects on the Dorset community. Council considers the current efforts and directions by council with the north-east working group, supported by both the State and Australian governments, with the Dorset community are essential for the future of Dorset. Short-, medium- and long-term outcomes are required through government infrastructure, investment, private business, industry and community opportunities to sustain this area for now and into the future.

The answers provided to the select committee on this issue, the subsequent demise of both sawmills, the liquidation of FEA, the current downturn in the forest industry generally and other consequential negative employment and socioeconomic information all point to severe consequences for the Dorset community. While council is hopeful in the inquiry providing some answers to the questions being asked, we are particularly interested in measures that can be undertaken now and into the long term for a more

sustainable future for the Dorset and north-east region of Tasmania. As part of this submission, council has provided recent correspondence and material in this regard.

I will now specifically address the terms of reference that have been provided to us. Councillor Partridge, Mayor Jarvis and I will all address sections of this. Part A is the circumstances surrounding the withdrawal of the joint venture softwood log supply from the two Scottsdale softwood mills and its transfer to Forest Enterprises Australia at Bell Bay. We refer to a report by Geoff Law in 2010 on the closure of the Auspine Scottsdale mill. It is attached as appendix A to this submission. This report by Mr Law outlines considerable substantiated analysis and comment on processes, decision-making and outcomes of the recent demise of the softwood manufacturing timber mills, Tonganah and Ling Siding. The report raises serious questions of the State Government, Forestry Tasmania and subsidiaries and their involvement in this whole saga which has led, in Dorset Council's opinion, to disastrous socioeconomic consequences for the whole north-east region of Tasmania. The Dorset Council, and many others, made serious representations to the State Government prior to the initial decision being taken in January 2007 to award a contract for 290 000 cubic metres of softwood logs for 10 years to Forest Enterprises Australia, a company with no mill, no employees, little experience and a questionable financial business case. In representations made to the Tasmanian Parliamentary Standing Committee examining the joint ventures log supply deal, council outlines its concerns, particularly on the potential disastrous effects of employment and socioeconomic consequences that could arise from such a decision. Obviously this is what has happened.

As history has shown, Scottsdale will shortly have no major softwood mills with little experience, major losses in employment, negative flow-on employment effects and serious socioeconomic consequences for the region. Added to this crisis scenario is the recent major forest industry downturn in the native forest announcements by Gunns, the forestry principle discussions creating further investment and employment uncertainty and the huge loss of jobs and associated contracting in the north-east. As outlined in this submission, Dorset Council conservatively estimates there will be a loss of more than 600 direct jobs and 1 200 indirect jobs, a total of up to 1 800 jobs in Dorset. The consequences are potentially disastrous for a region that has historically had a huge involvement and investment in a sustainable timber industry. This need not have happened. Therefore the analysis, questions and recommendations raised by Mr Law require serious consideration by the select committee. The Dorset Council therefore asks the select committee to consider these matters.

Mr GUTWEIN - I have read Mr Law's submission and, to be frank, I agree with him on a lot of it and he makes some very compelling arguments. In fact, a lot of it summarises the evidence that was provided to the previous committee that looked at this matter. What is the view of council as to how those matters should be progressed? There is no doubt that you feel comfortable with the arguments that Mr Law makes so what would you like to see occur?

Mr JARVIS - I think I heard somewhere in the hallway this morning, Councillor Partridge, that you had expressed an opinion and I concur with that, so go ahead and say what you believe.

Mr PARTRIDGE - My opinion is that this should go to an entirely independent arbitrator to get a decision - to get an outcome of the decision that was made by, I believe they were called Taswood Growers at that time, the consortium between GMO resources, Rayonier and Forestry Tasmania. That decision has been absolutely disastrous for Dorset. It just does not make any logical sense at all - it does not add up. We were told it was commercial-in-confidence and no further information was available. We had an operator out here, Auspine, that had been working in this sawmill industry in Tasmania for some 35 years. We had a new player come in who did not have a mill but apparently, according to the information we got, had a better business plan. Well, you know the result of that now. It has just been an absolute disaster and I think it should go before a truly independent arbitrator - nothing to do with government - so that we get the answer. As a result of that, I believe that the Government of Tasmania at this time owes the north-east of Tasmania a huge compensation package.

There are projects. There have been members of the committee and members of parliament who have all had copies of the projects of importance that the Dorset Council have produced over the years. For instance, the Scottsdale-Lilydale Road has been on the top of that list for some 10 or 12 years but the message does not get through. It is my opinion, and probably only my opinion, that unfortunately we do not have voting power. We do not have the numbers up here to have a big influence but in this case it has been an absolute disaster for this area and I think we deserve full compensation.

Mr JARVIS - In the inquiry that I think a couple of you gentlemen were on - the initial inquiry - there is a quote here from Mr Ian Jolly on behalf of Taswood Growers outlining the tender assessment process for the joint venture log supply deal. It is obviously in the copy that has been presented as the final wind-up to your inquiry before. Mr Jolly said:

'We assessed and we were assisted in that assessment by consultants as to which was a business plan that looked sustainable into the future and it was our assessment that FEA's business plan was more sustainable. Labour is a component of that. Technology is a component of that. Location is a component of it. There is also a raft of factors involved in that, but our assessment at the end of the day was that not only was FEA a better deal for us' -

us being the Taswood Growers, of which obviously FT are a component, and which are supposed to be looking after the public -

'but a better deal for the softwood sector here because we could see it being competitive into the future.'

I have tried to use the Internet to see whether Mr Jolly is still a director of Taswood Growers. I presume if he is still in that position he should not be paid for it. The FEA's receiver on 4 May indicated company's business model was 'unable to fund its existing cost base.' Three years later a receiver is called in to something that a Taswood Growers director said was the best model for softwood in Tasmania. Three years later the receiver said that FEA's business model would not stand up. So those consultants that was used for both, obviously Taswood Growers, which has FT as a component, should resign because it has been proved that their knowledge of the industry was incompetent. FT and Taswood Growers should dissolve themselves because they cannot run the softwood sector..

Mr GUTWEIN - Can I come back to Mr Partridge's comments about an independent arbitrator. What type of process do you think should occur there? Obviously at a State level there is a commission of inquiry process, which can appoint independent people to inquire and which is effectively a royal commission model. Are you suggesting that that sort of model -

Mr PARTRIDGE - I am suggesting that that is the level it should go to, yes.

CHAIR - So that would be inquired into. Usually a judge or a retired judge heads up those sorts of things and has extensive powers.

Mr PARTRIDGE - There are just so many unanswered questions and the fact that Forestry Tasmania, under the Forestry Act, has an obligation to take employment into account when dealing out these resources. But because their manager said that they were in a joint venture, they did not have to apply that to this decision. That is just a ridiculous situation. Forestry Tasmania is a 50 per cent owner - or I think the people of Tasmania really own the softwood forests around here; but we were sold out to Rayonier and GMO and Forestry Tasmania retained 50 per cent. I refer to a statement by the senior lecturer in law at the University of Tasmania, Mr Michael Stokes, who also believed that they had an obligation there. Auspine took this matter to the court but, just by coincidence, another firm by the name of Gunns came along and purchased Auspine and they did not want to proceed with it anymore so it that did not go anywhere at all. These are the things that are just not good enough, there are no answers.

CHAIR - Do you have any comment on why you think Gunns might have pulled that court case?

Mr PARTRIDGE - I would rather not speculate on that. I have some ideas in my own mind but perhaps they are not for print, thank you.

Mr FERGUSON - You mentioned Ian Jolly's evidence that was given in the earlier inquiry that was held by the Joint Standing Committee and you have referred to evidence he gave where he talked about the role of consultants in their assessment process.

Mr JARVIS - The consultants and obviously the Taswood Growers' direction of where they saw the future of the softwood sector, yes.

Mr FERGUSON - Do you know, or does anybody at the committee perhaps reflect on this, who those consultants were and I wonder if we could approach them for some evidence?

Mr JARVIS - This is my reflection - I am not sure who they are and I do not think they were named. I have no indication on the list there but certainly my reading of the decisions of the parliamentary inquiry in 2007 obviously would have taken note whether that was in confidence or whether Mr Jolly, as a director of Taswood Growers, was not forthcoming. I am not sure of that. He certainly refers to it and it is quoted through this parliamentary submission or the report that was issued back to Parliament from the inquiry.

Mr FERGUSON - A question to Councillor Partridge, Chair. Councillor Partridge, is there a concern that, for example, this committee and this inquiry with the powers and terms of reference it has been given, will not be in a position to get to the nub of the questions that you are feeling dissatisfied about?

Mr PARTRIDGE - My feeling is that this committee is made up of members of government who are responsible and therefore they have an interest in this matter, which is not in the best interests of the Dorset area. I think it should go completely independent because some of the people involved, the Manager of FT et cetera, work for the Government. I think we should go right outside that and that someone entirely independent should look at all sides of this system so that we get what I believe is a result which is entirely different to the one we have.

Mr FERGUSON - My final comment and question would be to you, Councillor Partridge and mayor, I think it would be appropriate for the Chair of the committee to respond to your concern about whether or not the committee is in a position to robustly interrogate the matters that you have raised. But a suggestion to you might be that after today you might furnish the committee with an additional submission indicating those areas that you feel we cannot get to and with the key questions made quite clear as to the areas that you want answers to.

Mr PARTRIDGE - My idea is that this committee would recommend to the Government that an independent inquiry be held. I would have thought that was the role of this committee to make recommendations to the Government.

Mr JETSON - I might just add there, the crux of the thing is that there was a committee three years ago and we are still sitting here today with exactly the same questions.

CHAIR - The reason we have this committee happening today is kind of self-evident - that at least the Parliament were not satisfied that the issues had been dealt with. So we are here now as a select committee of the House of Assembly and the previous one was a joint House select committee. I was a member of that and personally I felt that we were not able to get to the bottom of a lot of matters. I felt there was a lot of obstruction from the minister, the Government and Forestry Tasmania and we could not get through the firewall, but this committee is a different committee. It is a new parliament, it is a select committee of the lower House, and we do have all of the powers necessary to get to the bottom of this, other than some additional things that commissions of inquiries might have - they might be given phone-tapping powers and things like that. We do have quite extraordinary powers, which are there obviously to be used properly and responsibly and that is what we would do, so if there are areas that we should be looking into you can talk about them now if you want to or you can give it to us a further submission.

We are determined to try to get to the bottom of it. The terms of reference are very clear and I think every member of this committee will look at this without fear or favour. It is a committee made up of two members of the Government, yes that is correct, but we also have three other members who are not members of the Government. Without wishing to pre-empt anything that Mr Wightman might like to say, with committees we do take off our political hats and it is my determination as the Chair not to allow party politics to fetter this committee in any way. That is certainly my hope anyway.

Mr WIGHTMAN - You take particular issue with our being on this committee?

Mr PARTRIDGE - No, I don't have an issue with your being on this committee but I am saying that your committee should recommend to your Government that an independent inquiry be held. I don't think that members of the Government should start investigating government decisions. I think it has to go outside government. It is a bit like local councils; if we had wanted to investigate ourselves we would not have appointed a number of members of council to investigate a decision we made. We would like someone independent to do that.

CHAIR - Just a clarification, Peter, this is actually a parliamentary committee and not a government committee to that degree. I am not trying to detract from anything you are saying.

Mr PARTRIDGE - I understand everything you are saying but it does not change my opinion.

CHAIR - That is fair enough.

Mr JARVIS - Councillor Partridge's concerns are very well-founded concerns and my frustration does boil over at times and I will try to keep that in check. The recommendation that came forward in 2007 has never been brought back to Parliament. For a year now we have had a parliament with a very different mix of parliamentarians. The first step that I would say would be to revisit your recommendation from 2007 to make a GBE taking the socioeconomic concerns of the community it serves at the forefront. That was a recommendation that came out of quite intensive hearings before and surely that would be your first step - to rectify where a GBE goes. To my way of thinking the joint venture has not worked for the people of Tasmania. It may have worked for the partners. My information is that the financial returns to the people involved in that have certainly gone to the joint venture partners rather than back to the community whose land the resource has grown on. A recommendation in 2007 was that section 12A of the Forestry Act 1920 be amended to clarify the definition of 'consideration' and how it should be demonstrated. Secondly, in future communities be kept fully informed regarding consideration given to employment and other impacts when similar projects are undertaken. It beggars belief in the statement of principles that no general community member has been involved in the statement of principles into the native timber, so we are going through the same process now with the people on the ground having no input at any level to influence the outcomes, so in the end some communities will be in the same situation from the statement of principles because communities have not been involved. Communities will be hurt, there will be dislocation of workers and rural and rural and regional areas will pay the price.

To add weight to Councillor Partridge, that recommendation in 2007 should be brought back to Parliament to see where the ground lies now, a simple process to see whether we can make some of our GBEs be responsible. I come from a private business background but I am a great believer that a lot of assets should be publicly owned but that is for the greater good of the community. In this case I don't believe the greater good of the community has been at the forefront of the venture, and never has been. It was not their intention and I believe they are missing the point because of that reason.

CHAIR - So that is getting back to the inception of Timberlands, like the Taswood Growers joint venture?

Mr JARVIS - Yes. From my deliberations and from people who are coming to me, some of it in confidence, I still cannot see where we have a benefit as a community out of the joint-venture partnerships that FT have been involved in.

CHAIR - If you have people who have evidence or want to give that evidence -

Mr JARVIS - Some of it is commercial-in-confidence and some of them are working in the industry now. Some of the pressure applied by some of the people with resource allocation makes their position very, very difficult.

CHAIR - Without mentioning any names there, do you want to detail to the committee the source of commercial pressures that are brought to bear on people who might have an adverse view to -

Mr JARVIS - Not a lot of mills are any good without a resource. If you have a particular joint venture or a government body holding the resource, then if you have no resource your mills are worth zack. That is the type of pressure that some people have been put under in the past. To my understanding, some of those issues are still going on up until yesterday at 5 o'clock.

Mr GUTWEIN - I have heard from a number of sources now that the second shift at the Gunns mill at the old FEA site may be in doubt as a result of the fact that the resource that was coming to Scottsdale may not be going to the Gunns mill at George Town and as a result the timber that was being milled in Scottsdale - as I have heard now from a couple of sources - is being considered for sale as whole logs overseas. Have you heard anything like that in this region?

CHAIR - You are talking about the Strahan logs that have been going out?

Mr GUTWEIN - The wood supply that has been coming to this mill, which I understand is around 100 000 to 150 000 cubic metres. I can recall Greg L'Estrange saying on a number of occasions that he was hoping to have a resource of around 450 000 cubic metres through that mill at George Town. Close to 300 000 is the original contract but I have heard that the extra resource is now at risk. Have you heard that as well?

Mr JARVIS - Can I backtrack a little bit because it comes back to the pressure put on Auspine and Frenchpine initially. With the logs that are of a quality to be milled in Tasmania, the joint-venture partners did push a lot out for a cash return, so they were cut and exported as a cash cow. We as a community heard for three or four years that both those mills could not sustain themselves because the resource was going to take a dip. Part of that reason was that the joint venture partner did quite knowingly cut a resource that was coming off crown land, which as the community's land is resource to be milled here to create jobs here. It was cut down and sent off as log form. That practice was going on and it put pressure on our two mills seven or eight years ago from the joint-venture partner. This is where this community consideration - the recommendation that came from the first inquiry - is very important to get through because that consideration is very important to jobs on the ground in mills in Tasmania. If we are exporting logs of

a quality that can be milled and obviously there is a varying quality - and, Mr Booth, you are probably in a better position than any of us, being an ex-sawmiller, to know that there are quite a lot of cuts and so forth - and as an outsider I am only saying what has been told to me. I have no idea of the sawmill industry as such. But if we have a log that is capable of being milled in Tasmania, surely a government business enterprise should have that ability to create downstream jobs. Why export the log in whole, whether it is to India, China or Japan and take jobs outside our community and put stress on our community? My understanding is that consideration is now back on the table and I do not know the resources at Strahan and King Island are owned by a joint venture partner or it is an FT -

CHAIR - It is not part of the joint venture

Mr JARVIS - So it is purely a FT consideration?

CHAIR - Yes.

Mr GUTWEIN - Also a third party as well.

Mr JARVIS - There is a third party?

CHAIR - On King Island.

Mr JARVIS - My understanding is that is correct. That resource is being thrown into the mix of possibly being exported which puts into jeopardy the quantities of what can go through the Gunns complex at Bell Bay, which obviously has a lot of community involvement. If it fell over tomorrow, nobody would know because Bell Bay is an industrial site; it has no community attachment at all. George Town - very little to Bell Bay, but that is an aside. If they do not get the required quantity of that resource, that then obviously puts in jeopardy the number of positions that can be open to Scottsdale workers to run a second shift. That is what I have heard.

Mr GUTWEIN - So you have heard that the second shift at George Town is under threat and that a quantity of the timber is being looked at for export sales as opposed to being milled through that facility?

Mr JARVIS - Yes. I am in the process of trying to go down there next week to find out exactly what the story is but that is what I have heard so I have made contact with Gunns to go to Bell Bay to find out whether that is the company's understanding. But that is what I am hearing, yes.

CHAIR - Can you confirm that the contractor who is guarding that stuff has been told that he is no longer needed for it?

Mr JARVIS - My information is that there is no work going and that the logs that have been cut are on the side of the road - they did not even come back into Scottsdale. As to tonnage and lengths and all that stuff, I think it is 700 000 tonnes, I do not know, but there is a quantity of logs that could be milled that are sitting on the side of the road that may rot and no-one will get the use of them.

CHAIR - The contractor has been told to knock off?

Mr JARVIS - Mr Morgan has been stood down. That goes over a lot of issues outside where we were going with Peter's reply about the Integrity Commission. But certainly that, to me, ties in with your recommendation back in 2007. If that consideration was there, communities would be taken into account in the use of any public resource. I do not believe the joint venture partners ever looked at a public response. At least two fine citizens here, were not part of the Parliament back then when those decisions were made, but I just believe politicians who are elected by the people should have a stronger handle on what GBEs do. I do not believe that you send them out there and they just wander their way around the world; they have to take the public into consideration.

If it is a public ownership or on crown land, community benefit must be taken into account in any business decision. At the end of the day, if they survive and they create 200 or 300 jobs or 1 000 jobs, they are doing a benefit for the community.

CHAIR - Would it be fair to say that you are strongly of the view that section 12A of the Forestry Act was not complied with in regard to consideration of local employment with the joint ventures?

Mr PARTRIDGE - Absolutely, not taken into consideration at all.

Mr FERGUSON - I think Mr Booth is asking, is that is your opinion when the joint venture was formed, am I right?

CHAIR - No, when the decision to re-allocate the logs to take them away from Scottsdale, basically.

Mr PARTRIDGE - It was fairly obvious, wasn't it? You are looking at 300 direct jobs here compared to, maybe if a mill was built at Bell Bay, a possible 100 jobs. There is a significant difference in employment opportunity.

CHAIR - Is that the opinion of all three witnesses?

Mr JARVIS - What happens here next Thursday is a result of the decision taken. As I said before, the jobs at Bell Bay are Bell Bay. If they shut down tomorrow no community is going to be affected. Our community is stressed financially, emotionally and socially because of this decision. If you are attached to a resource and you have downstream processing, it is a government resource or the crown owns the land. Our community have been put under stress for four or five years because of the decision taken and we find the last ramifications of that next Thursday. So our community has been disadvantaged greatly by a decision of a government business enterprise four years ago in a joint venture partnership. There is no getting away from whether it is the working group or whatever, the reasons we have our hands out at the moment is that decisions made on a political and commercial basis did not take any consideration of the north-east of Tasmania. A resource has to drive past two empty mill sites next week to get milled at Bell Bay, which is going to employ 200 fewer people than it did three years ago. Where is the social benefit for the community in that?

CHAIR - Guy, you did shake your head but is that confirmation that you agree with that too.

Mr JETSON - Yes, absolutely.

CHAIR - It is just that the *Hansard* does not record headshakes, that is all.

Mr GUTWEIN - I guess we need to move on to Peter's further contribution. Obviously the decision was made. As a council you argued strongly against it at the time. The ramifications are now being felt. Why do you think section 12A was ignored at the time because from where I sat at the time there was a fairly compelling case put forward for the retention of the jobs and the logs at these mills? Why do you think the decision was made as it was, when it was?

Mr PARTRIDGE - I don't know why that decision was made when it was, as it was. That is why I am asking for an independent inquiry to try to find the answer to that question. It just seems as though it was swept under the carpet. There was something with a very distinct odour about that decision and it is still in the air around here, I am afraid, and we would like answers.

Mr JETSON - Perhaps if I could add to that. This is from our 2007 submission:

'Council cannot comprehend that employment, social or community obligations and consequences are not taken into account by Forestry Tasmania when deciding on such a large log resource contract and yet that is exactly the view given by Mr Bob Gordon, Managing Director, Forestry Tasmania to this committee on 19 March 2007. Council representatives were absolutely astounded to hear that this was the view of Forestry Tasmania. Council was extremely disappointed in the answers given by Mr Gordon to questions asked by the committee. This was evident at the commencement of Mr Gordon's appearance before the committee in his initial comments which were "I am wondering why we are here." In view of Forestry Tasmania's obligations in respect of the effects on communities of log supply, decisions need serious attention.'

Mr FERGUSON - Chair, if I may, I have a question for any of the witnesses. Are you hinting that there is a concern and a belief that is untested that Auspine was being punished for its behaviour in 2004 when it got involved in a hardwood forestry debate. Is that what you are hinting at?

Mr PARTRIDGE - That is what I am hinting at. Yes.

Mr JETSON - And I think that information comes through in the Geoff Law research or the article that he has put together and I guess we are putting that as evidence, that particular report, and asking similar questions.

CHAIR - There is nothing in Mr Law's comments that you would resile from as representatives there?

Mr JETSON - I think it raises a number of issues that need consideration by this committee.

Mr FERGUSON - You are not making an allegation, and I am not trying to verbal you either, but the way I asked you the question was that it is an untested claim and you would like to see it tested.

Mr PARTRIDGE - That is exactly what I am asking, yes, and we are asking.

CHAIR - I was going to ask in regard to that then, obviously from what you have said, you do not believe that Forestry have actually complied with the GB act, or section 12A of the Forestry Act. What about the Government's role in this at the time - the minister's role with regard to his obligations? Have you any comments with regard to that?

Mr PARTRIDGE - From my point of view the minister just went along with it. He didn't come out and make any comment about the decision that was made. This community was very upset about it and we went to the Premier but nobody took any action.

CHAIR - Did you approach the minister or the Government formally with regard to it?

Mr PARTRIDGE - I believe we did approach the minister at the time, and we certainly approached the Premier on the matter.

CHAIR - Have you had any response from the Government since that time in any constructive way with regard to the state of the economy or the effect of the withdrawal of the supply?

Mr PARTRIDGE - Not that I'm aware of.

Mr JARVIS - Obviously we are working through this with the working group and in partnership with the Government. The general manager and I met with Bob Gordon and Bryan Green in August last year, I think. There are copies of letters here that we exchanged after that meeting. Our belief is that we are owed - as I said to you before, if you are elected as a politician to represent the community, you can have a government business enterprise but at the end of the day the decisions they make rest on the elected members. To step back from that and say, 'No, it's a joint venture', I reckon is a weak way out and that is why we believe we are owed. A GBE operating under the parliamentary system, is still responsible and the minister is still responsible so you can't walk away from decisions they make in isolation or in a joint venture. I don't believe that has ever been acknowledged by the Government of the day at the time these decisions were made and I still don't believe it is acknowledged now. If it was acknowledge now, it would mean they made a mistake four years ago and we wouldn't be sitting here today if that decision hadn't been made. Those mills were viable. There is evidence on the ground and evidence that was presented at the initial inquiry that Auspine on its own was prepared to put substantial money on the ground to upgrade facilities if they got long-term surety of resource, which was not given until it was given to another party. At no stage did either French Pine or Auspine ever have a 10-year surety of resource while they worked here. Why was it given to someone else to move it away to a company that didn't have a softwood mill? We have had a community that revolves around the forestry industry and we are under stress due completely to that decision; it is not of our own making. The resource is still here, we will still drive past two empty mill sites and go to Bell Bay. So it is not as if the resource has gone, it is not as if they can't get rid of it - it is a growing sector. Probably to the majority of the

community want a plantation-based resource. We have had it here and, as I say, the majority of that softwood resource is going to be driven past two empty mill sites. To me, the minister of the GBE has to take some responsibility.

CHAIR - With regard to that, going back to where I was trying to get to a moment ago with the response from government, you have had two break points. First of all, the initial taking away of the log supply and the awarding to FEA and, secondly, the committee of inquiry. What has the Government's response been in supporting this community since then? Do you have a comment on that? Do you have any evidence of any support? Has it been adequate or inadequate?

Mr JARVIS - Even though the minister is here, I would always say it is inadequate. That is not to be detrimental to the effort they have put in and they have given us some support and some effort, but is it adequate compared to what the dislocation has been? The dislocation of 300 people being out of work and a whole community stressed because of it? The help they're giving on the ground at the moment, while it is appreciated, I don't believe it is enough.

CHAIR - But that support is coming as a result of the task force?

Mr JARVIS - We met with the past Premier when Gunns made the initial announcement that they were going to shut out here, that they didn't have enough resource to run it. That is obviously a bit of public pressure. The council has been at the forefront of trying to push for our community and we believe we need a better deal. We won't let up on that, even though we are appreciative of what the Government has done to date. We still don't believe that the decision was made in 2007. There is big compensation factor if you look at compensation of a government business enterprise from the pressure it has put on the community in 2007 to the last people shutting next Thursday. Where do you go when you have 310 direct jobs that are not here? You work that out over 20 or 50 years. Where do you start? Is it \$200 000 or \$200 million? What can compensate a community for losing that sort of employment when the majority of the resource drives past two bloody vacant mill sites to be milled somewhere else at an industrial site with no community ownership?

CHAIR - Has there been any evidence of compensation or creation of jobs or stimulation of the local economy? In terms of the council, you are looking at this and now we are inquiring into the effect on a local economy, so obviously if you take something away, you should put something back and then it can compensate. Have you any evidence that council want to say something about that?

Mr JARVIS - I think I just said it. The level of help does not compensate anywhere near for the decision that a GBE was party to making four years ago. No, there is not enough, there never will be enough because the budget does not run that way. To my way of thinking the community will never be compensated for what a GBE did in partnership with some other some other commercial entities under the jurisdiction of government.

CHAIR - Is there anything specific that has been done to compensate the community other than the working group?

Mr JARVIS - Certainly, in the last six months with our discussions via Mr Bartlett, the ex-Premier, and through Bryan and now the minister now that Bryan has moved up the rung, we are obviously getting some help. But my argument probably goes to the forestry minister and the decisions they made then. It is their responsibility now because this is where it has finished up. The hit on our community is past this ceiling. For the long-term future, while we are on this earth, never will compensation come anywhere near to dealing with the stress and emotional turmoil and dislocation that is going to occur in our community because of that decision. Could anyone ever get a package to get us back what we had? No. Was the decision made with 12A taken into consideration? Our belief is no. It would not matter where the Government came to, they could not get to anywhere near compensating the north-east for what is happening and what will happen in the future.

Mr FERGUSON - Unless the Government takes responsibility for leading the development of a new industry here?

Mr JARVIS - We can always hope for the future and we will certainly work with the Government to try to get there and we will not shy away from that. That is our responsibility, to try to investigate any opportunities. We certainly will remind - whether it is in forestry, agriculture or whatever - the ministers of the day that we believe that if there is something to come to rural Tasmania or regional Tasmania, the north-east should be at the top of their priorities because of decisions made four years ago.

Mr FERGUSON - Can I make a suggestion, Mr Mayor, that since your submission figures go up to a total of 1 800 direct and indirect jobs lost to the region, perhaps when you talk about compensation you frame it in terms of jobs, not dollars.

Mr JARVIS - Mr Ferguson, I believe, at the end of the day, jobs are what make communities go around. You cannot compensate with dollars. People can go to work, provide for their family, be involved in their local community, involved in their local school, involved in their local hospital; what makes our society tick is created by jobs on the ground. If you do not have jobs on the ground people will become itinerant. The dislocation to some of our community groups is happening, and the stress they were under in the last 12 months. Mr Wightman would know through his involvement as president of the NEFU that our local football clubs and netball clubs are going to take a tremendous hit in 12 to 18 months because the people of that age are moving outside our region to look for work. I agree with you wholeheartedly; sustainable jobs is a factor of strong communities.

Mr FERGUSON - Would you like to say how many jobs you believe you are owed as a region?

Mr JARVIS - Economic stimulus and confidence build wonderful things. If it is 20 or 30 or 40 or 50 or 100 jobs it is always a benefit. If we could find 20 jobs tomorrow it would give us some confidence in the community. I don't believe I can put a figure on it. If you want to say, 'Give us a job for every one lost', I think that is unreasonable. In the way the economy changes there is always going to be dislocation, but you should not be put under dislocation when the economics of the business stack up. They were viable industries the resource was taken away. It was not through mismanagement; the resource was taken away. I have been involved in private enterprise and I have been involved in businesses

that have failed, hopefully not through bad management, but certainly circumstances change in business and I am very well aware of that, so I can't put a number on it, no. When your product is taken away from your front door and you have no control over that, that is when we want to know the true answers.

Mr GUTWEIN - Without getting into debate with Mr Wightman, my views in regard to the need for urgent assistance with the mill closing next week are on the public record. What assistance have you received to assist those people who lose their jobs to remain in the district in the short term?

Mr JARVIS - Same thing. Without being political in that sense, we did put a request forward for some short-term stimulus. That has now been pushed back a little bit. I can understand the budget. I spoke to Minister O'Byrne this morning and we are certainly intending to push it with Minister O'Byrne and are trying to meet with the Premier. Then I would be able to give you an answer. I don't know. The short-term indications from what we put to the Premier of the day in September/October last year were that we would like job ideas put forward and ticked off by Christmas. Obviously that will not hit the ground until July/August, which is then 12 months after being asked. As I say, we are pushing the case. We will meet with Minister O'Byrne and hopefully engage with the Premier and push our case. People say 'better late than never' but in this case the economy is the way it is and through sad circumstances there is a massive reconstruction program going on in Queensland. There is a boom still going on in the mining industry. My brother went to Dysart in Queensland the other day and he said they have signs on the road - 'workers wanted' - through four or five little mining communities. They just want workers. The same in Western Australia. Our young people who can actually relocate will relocate because we have not been able to provide anything in the short term. That is why we pushed for the short term with the Premier.

Mr GUTWEIN - I heard you say the other day that you thought around 60 people that you were aware had already left or were working outside the region?

Mr JARVIS - Yes, but I think that is on the low side. I think it is increasing.

CHAIR - You have indicated a figure of between 600 and 1 800 jobs lost directly as a result of the decision to transfer the log supply away from Scottsdale?

Mr JARVIS - Yes.

CHAIR - There does not appear to be any major replacement of those jobs, so can you give us a snapshot of what is going to happen here next week socially and economically to your community? What is it going to look like?

Mr JARVIS - A continuation of what has been happening in the last three or four months, probably since Christmas; there has certainly been an exit of people. As Michael said, if there is a business or wherever that can be pushed to the north-east so we can retain those people, that would be wonderful. That does not happen overnight and we have no rose-coloured glasses on thinking that it is going to happen overnight. Our community is stressed and that situation will only amplify in the future, as of next Thursday, but that pressure has been on us since the first mill shut. That pressure has been on us since that decision was taken. I was in business in King Street - I had an electrical retail business -

and that pressure has been on the community since this decision was taken and I know Councillor Partridge was in the newsagency at the time and people would come in. That pressure has been here. What we are going to see is people between about 18 and, say, 30 or 35 relocate if they are looking for work. It is not always the dollars or the dollars you earn, it is having enough for your family to survive living a life that suits you at the time and to provide for your family and to be interactive with your community. It is very well proven that people out of work withdraw, so then you have mental issues that start to come to the fore. While you are part of a vibrant community, you are more likely to be outgoing and involved in other things. If you lose work, even if you stay in the community, you start to withdraw because self-worth starts to play a part. That type of pressure will come more to the fore for the north-east than it has done in the past and that will create its own problems, which is what we, as representatives of the general community, have to face and move forward with, as sad it may be.

CHAIR - Can you paint that picture for the record and also for the committee looking at the effect of it? Without trying to verbal you, does that mean business failure and house prices dropping?

Mr JARVIS - With the business that I was involved in, I know that as people have left they haven't replaced them. There is extreme pressure on our associated businesses; there is Ling Siding which is our industrial estate and I know of three or four workshops that are now vacant. A lot of those people are still in work because they have relocated to Bell Bay, but that does not do a lot for our community - purely because of this decision.

Mr JETSON - On the human side of it, we are starting to see anecdotal evidence of counselling services being contacted by partners of workers concerned about their safety, just around that whole idea of an uncertain future and no prospects.

CHAIR - Has there been an adequate response in terms of availability of those counselling services and financial crisis management counselling, et cetera?

Mr JETSON - We have tended to put resources into ensuring that there are adequate resources in that area. As you know, recently one of our mental health workers in the area passed away so we have a gap there right at this point, but it is one of those things that is a bit like the jobs or the compensation - it will never be enough.

Mr PARTRIDGE - I don't know whether there are any services available at the moment but I did speak to two employees who will be redundant next Thursday who did have an idea that maybe they could start up a little business of their own, they had some ideas but they didn't know where to go to get some advice.

Mr WIGHTMAN - That is interesting because the Business Enterprise Centre has been put here permanently for six months in regard to that.

Mr PARTRIDGE - Where is it?

Mr WIGHTMAN - Here.

Mr PARTRIDGE - We have a consultant here all the time?

Mr WIGHTMAN - Yes, put on full-time.

Mr PARTRIDGE - Good, I can refer them. The other thing, we talked about the logic of the decision that was made back in 2007 where the current operator of the mill at that time, Auspine, offered the same amount of money for the resource as the new bidder and in doing so it would have been shorter carting to the mill here but why was the resource given to somebody else? That is why I still want this independent inquiry into how those decisions were reached. The committee would have copies of reports by Dr Jacki Schirmer and Dr Tony McCall on the socioeconomic effects of what is happening in this area and I would ask them to seriously take those reports into consideration because I believe they are the facts.

Mr JARVIS - Just on that, Dr McCall, in one of his recommendations said:

'Socioeconomic impact assessments should inform this decision making, not be made after the event.'

How often - and I think it has come to the forefront of the Murray River debacle with the water allocation, they have decided to do a socioeconomic impact study after telling quite a few people that they may be losing their water. Surely that should be at the forefront of any government business enterprise - and that is where the elected members come into it - if you're going to make a big decision on relocation of resources, surely that socioeconomic study should be done before the event and not after. To me, it is so much commonsense and it's one of the things that Dr McCall has put forward.

Mr PARTRIDGE - It's a fact. The announcement was made on 29 January, I think, about the allocation of the resource and the socioeconomic report was handed down in February. It didn't help much.

Mr GUTWEIN - Mr Partridge, you have raised the issue of a commission of inquiry again. Is that council's view, that there needs to be either a commission of inquiry or a royal commission? Is that evidence being provided today on behalf of the council or is that the view of the three gentlemen before us?

Mr JETSON - Council hasn't taken a resolution to ask for that specifically. What they have received and resolved to date is around the submission that we have put to you today.

Mr PARTRIDGE - Personally, I have no doubt that council that would resolve to take that step.

Mr JARVIS - We nearly have a quorum here today. We could ask the gallery.

Laughter.

Mr GUTWEIN - Perhaps just a quick show of hands.

CHAIR - As mayor you are able to make statesmanlike statements, if you like, on behalf of the council. Would it be your considered opinion that that would be something that would represent a broader community and council view?

Mr JARVIS - As Councillor Partridge said, I would be very surprised if, with the material we have investigated, council didn't given an affirmative decision to go down that path. I firmly believe that our councillors are on the ground in the community and can see the pressures the community is under because of this decision. We're never going to rectify the situation.

Mr WIGHTMAN - What would you hope to do?

Mr JARVIS - My personal hope, Brian, is that it doesn't happen again. I don't believe any decision a GBE makes should put so much pressure on a community when they're acting within the confines of legislation. I believe you people, as politicians, should make sure that the decision any GBE makes is in the long-term interest. That's one thing I would like to see. I don't believe we can overturn the decision but we believe in the north-east that we've been shafted.

Ms WHITE - Councillor Partridge, you talk about an independent inquiry but if the recommendations from the inquiry made in 2007 were enforced would you still want to go down that track? If the recommendations from the inquiry in 2007 were enacted, would you still call for another independent inquiry?

Mr PARTRIDGE - I don't think the recommendations from 2007 went far enough. I still don't think they add to those vital questions of why the decision was made. To simply say that it's commercial-in-confidence and one of the bidders had a better business plan is just not good enough. There has been so much covered up here, in my opinion, and we want to know the answers. I would also have a positive outlook and say, whilst we need those answers, we need the support of the Government to look at what opportunities might be available in the north-east and to establish some of those. I believe that the Dorset Municipality, the north-east of Tasmania, is nature's gift to the world. We have so much potential from the point of view of vegetables, good soils, water resources, timber - I don't want to get into the argument of locking up our forests; we have beautiful timber and it is a renewable resource - all those opportunities are here and I would ask, through the working group, that the Government to assist in developing some of that potential. Tourism has huge potential in this part of the State. We need help and, if we can get that help, job opportunities will flow, I believe. I urge the Government to get right behind us and assist in every way they can, because they owe us.

CHAIR - Mayor, your opinion might be worth formalising at a formal council meeting - ask a question of the council and then write to the committee on the outcome of that with regard to your stated wishes for a further commission of inquiry, so that we can have a full, formal council view. Touching on what you were talking about there, Peter, about the opportunities that are here in the north-east for employment, development and so forth, it is my view that this community has suffered harshly for two reasons. The first is in regard to the withdrawal of log supply and the lack of proper consideration for availability of resource for not only the big pine mills here but other mills as well. Second, you have fallen into a trap in that the economy has been too dependent on one big industry. Would you like to comment on the way you would see the future of this community in making sure it can't fall into that sort of trap?

Mr PARTRIDGE - I understand what you're saying, but businesses are commercial operations and commercial decisions are made. We had the vegetable processing factory

down here, I guess that was a commercial decision. I believe that one of the reasons why we are being put at a disadvantage is that we don't have decent access in and out of the north-east. We have been trying for a long time to get a decent road for freight in and out of the north-east and our message seems to be falling on deaf ears. We must have that access; we must have good access to markets. We have a railway line that goes from here to Launceston and that's all it is, a railway line. I read some information not long ago that the plantation timber that will come out of the north-east will exceed the freight that is being carried on the Burnie-Hobart railway line. It would be lovely to see the trains come back. I know it will take a lot of heavy trucks off our roads but that will be a fairly big cost savings, but from the forest to the railhead it still has to be carted. There are so many things to look at.

Mr JARVIS - Council is looking at a branding exercise for the Dorset municipality. As Peter said, there are some massive and magnificent areas of production and some quality products that are associated with the north-east and we need to formalise those. We have a historic town like Derby we need to promote. We obviously have the tourism influx and I think the *Examiner* said last week or the week before that the north of the State was the only area in the State that was at the forefront of that, or their numbers were up. I believe that is due purely because of the Barnbougle and Lost Farm complex. My understanding is that more than 7 000 people have played golf there in the last three weeks and the majority of those come from outside our area and outside our State.

We have things and we have quality products. We have, as I say, an historical town. The branding exercise was highlighted when we went out to look at the prospective wind farm with Bryan and had some work to do. The cattle grown there are magnificent beasts, marketed under the Cape Grim brand. Everyone associates Cape Grim with the other end of the State. The products are coming out of our area so if we can add value to those by having a strong brand and an association with the north-east of the State, we can only help it to grow. Hopefully businesses will pick up on that and look for the niche quality products. There are plenty of areas in Tasmania that do it well and with the driver from the council and the local community I believe we can not only market some of our towns and some of the other iconic things we have but also the whole region and basically say to people to come and get on board. This is going to be a good brand - the Dorset brand.

CHAIR - You want to see a diversified economy?

Mr JARVIS - Exactly and that is what council are considering at the moment. We have started to do a little bit of work. We have had one report back and obviously it is a big ask. We have to get our suppliers and producers on the same page but that is the work the council will do over the next period of time and believe it is a growth area, because it is not known what the north-east produces. As I say, there are some quality products we have. We probably have the biggest tourist thing at the moment in the golfing fraternity but we also have quality products and quality areas to visit in their natural beauty. If we can brand that, I believe it will give us the impetus for other smaller industries to start up. Smaller industries have ownership of the area, not like some of the bigger companies, and that is always my worry. I think regional areas get shafted pretty well from multinationals. Certainly larger companies do not have the ownership on the ground that smaller companies do. Usually the owner will live in the area, whether he is employing 20 or 30 or 40. If you start employing 200 then it is owned by the share market or some

corporate business in New York or wherever and they have no ownership locally. It is going to take time but it is just one sector where we believe there is some potential for us to take the community forward.

Ms WHITE - I was looking through minutes that you provided in your submission and you have mentioned some of the diversified opportunities. Broadband of course is another aspect to the Scottsdale economy and the Winnaleah irrigation project and a few others. Following up on your comment about the rail network and looking through the minutes of your meeting with Norm McIlfratrick, the Secretary of the Department of Infrastructure, there is no mention in your correspondence here that you broached that topic with him. Was it something you discussed and, if so, why isn't it included in your correspondence?

Mr JARVIS - Rail has been discussed in passing. The cost of upgrading it was outside any budget that is running in Tasmania. It is not on the agenda of DIER. That is not a negative to DIER in the sense of where their priorities are and the money they have allocated to rebuild the rail at Tunnel. There are physical barriers that would need to be overcome but the infrastructure costs would be massive. There is still going to be a lot of softwood tonnage out of the north-east and from whatever happens with the native timber industry there could be some more product, but it will be carted out of our area to be milled somewhere else.

Ms WHITE - Thanks for explaining that.

Mr JARVIS - It has been broached with Norm. I wouldn't say he rolled his eyes but he gave an indication that the budget doesn't stretch to renewing the north-east line. It has been out there as part of a council thing. You have probably raised it plenty of times, Peter, but it doesn't get any traction, because of the cost.

Mr JETSON - It is another decision made a long time ago and out of our hands which is arguably to the detriment of our region.

Mr GUTWEIN - I have raised that myself on behalf of the region with both the chair and the CEO of TasRail because around four million tonnes of timber will be shifted out of this region. The main line between Burnie and Hobart is only carrying 2.8 million tonnes at the moment so you have a significant load to shift - something that should be looked at.

Mr JARVIS - It would be a good job creator, too.

Mr FERGUSON - You have talked about the desire for an independent form of inquiry. Whether that is a commission of inquiry or not, you would like to see an independent assessment of the validity and integrity of the wood supply by Taswood Growers in 2007?

Mr JARVIS - Our information is that the bids were very similar in terms of dollars. My indication is that it might have been weighted the other way, that it was actually a better bid from Auspine, but an inquiry would flesh that out. It blows me away if it is true that the FEA bid wasn't quite as dollar rich. From Mr Jolly's statement, location and a few other things were taken into place - being close to ports and so forth. So the FEA got a higher tick rather than the dollar component. That is my information.

Mr FERGUSON - There has also been a variety of different opinions as to the role of section 12A of the Forestry Act in relation to the 2000 decision; that is, did it apply? Did section 12A of the Forestry Act apply to the decisions that were made in 2007 or does it apply to the decision to commence the joint venture in 1999? Would you like to see that question tested in a future potential inquiry once and for all? Because of course you have also alluded to the fact that Auspine raised a legal argument on that matter in the courts, but withdrew it when they were bought out by Gunns.

Mr JARVIS - Refer back to the decision of the first inquiry; that is where they went to. That recommendation was to look at that and change it.

Mr FERGUSON - That inquiry didn't actually express a view on it.

Mr JARVIS - The committee recommends that -

Mr FERGUSON - It recommends clarification be made to -

Mr JARVIS - That is what I am saying. If your parliamentary committee recommended there should be a clarification of it, to me that goes part way to say there are doubts there whether it was actually taken into consideration or whether that part of the act is strong enough to make them take it -

Mr WIGHTMAN - It is my understanding that the Solicitor-General looked at that in relation to FT.

Mr GUTWEIN - There were three legal arguments, remember: the Solicitor-General, Stokes and Estcourt. The committee at the end of the day were not strongly supporting the Solicitor-General's view. Stokes' view was completely contrary and Estcourt seemed to find his way somewhere in the middle.

Mr FERGUSON - Given the vagueness of that and given that Auspine were going to test the question in a court, and no committee of the parliament is a court, would you wish to see that matter resolved and the question answered by an independent arbiter?

Mr JARVIS - From the deliberations of three legal opinions in 2007 you can get arguments either way. If the understanding of the committee then was that you have one or two arguments completely opposite to the validity of the act, and one sitting somewhere in the middle, then that is probably what you would find. We believe the act in the sense of the GBEs wasn't taken into consideration. Whether that can stand up legally or not, I believe morally that FT and anyone that works under a GBE should take it as a moral thing, not as a legal direction. Parliament and politicians are not elected on the basis of legal argument. They are elected to look after the benefits of the community they represent. Therefore, as crown land is a part of the community, they should as a consideration morally take that into consideration, not legally.

Mr FERGUSON - Can I just explain why I am asking you this. I think it is actually quite a moot point, an important question to have been resolved, because quite a lot of the arguments that are raised about the decision in 2007 and whether or not governments and ministers could have and should have done something and taken a different course of

action, depends on the role of section 12A of the Forestry Act. If indeed 12A should have taken an active role in the 2007 decision, compared to whether or not it did, and whether it only played a role at the point of time when the joint venture was formalised in 1999, everything pivots on that. I am not trying to lead you or bait you but do you see that question being established? In the absence of a court action, do you see a value in that matter being resolved by an independent commission of inquiry, as one of its terms perhaps? If you are not sure perhaps I will not pursue it but it might be something your council might consider.

Mr PARTRIDGE - Yes, otherwise why did State Parliament pass an act that said that in the handing out of publicly-owned resources, such as forestry resources, the issue of employment should be taken into account. Did the parliament then debate the matter that, okay, Forestry Tasmania is going to enter into a joint venture with other parties and so that alleviates that problem? I don't think so. I think the obligation was still there and I think it should be thoroughly investigated.

Mr FERGUSON - Hypothetically, if a commission of inquiry said that section 12A of the Forestry Act did not strictly apply in 2007, but it did in 1999, I do not think that lets anybody off the hook. I think it is an important pivot point that I would like to have seen tested in the court. We have already gone over the question of testing whether or not Auspine were being punished.

Mr GUTWEIN - I think very clearly you are suggesting to this committee that section 12A should be clarified by the parliament at the earliest opportunity.

Mr JARVIS - I agree with Peter. Through the deliberations of your first inquiry that was the recommendation that came forward. The mix of the parliament now gives the opportunity. I know the GBEs are directly under government control, so if there was a majority, whether Labor or Liberal, it would be a very difficult thing to inquire about their own GBEs. The mix of the parliament now gives it a chance for that to have some meat. That will give the community some sense that they will be considered when a GBE makes a commercial decision.

CHAIR - I think the very fact that this committee is sitting is a perfect example of a power-sharing parliament, because parliament has decided to have this committee and the Government are not in control of that.

Mr FERGUSON - Given everything we have talked about, given that the council and Dorset EDG and the working group have made a plea to government for some specific, practical supports, given also that the mill's final closure will be in the coming week and that the Government have indicated in the Parliament in a recent question time that they will consider those proposals in the budget process, which does not come down until June, can I put it to you that you and your community cannot afford to wait until August when such a hypothetical measure that might be announced in the Budget might start rolling out? Can I put it to you that you cannot afford to wait and that people will leave?

Mr JARVIS - It has been fairly well documented. Our hope and wish was that we would have something up and running and a commitment to financing some sort of job creation by Christmas of last year.

Mr FERGUSON - You wanted projects that people would migrate to.

Mr JARVIS - That were ready to go now. As I say, from the first time we spoke to the then Premier, it was going to be 12 months. If any of those projects stack up and if they are stacking up in the budget process, it is outside community consideration. Our hope was that Cabinet would look them as a community consideration, not as a budget process. Now they have to stack up as a budget process, which makes them more difficult to get up because then the special community considerations that could have been done in Cabinet will be done under a tight budget. If they get up and stack up under those things, we will be grateful, but they will still be too late to do what we wanted them to do.

Mr FERGUSON - Isn't timing really the issue?

Mr JARVIS - Exactly; the timing was more important than getting the projects there. The timing was to take effect as people started to look at relocating out of our community or looking for other jobs. We had 20, 30 or 50 jobs to go for the short-term to fill a void between now and, say, December this year.

Mr FERGUSON - Councillor Partridge, you mentioned the Lilydale to Scottsdale road and you would be aware that the Tasmanian Government seems to place a higher priority on the Tasman Highway. Can you confirm again today that the priority access route for, as far as you, your council and your community are concerned, is in fact the Lilydale to Scottsdale road, if there are scarce funds to be spent on roads?

Mr PARTRIDGE - All the surveys that have been done over the last 10 to 12 years indicate, from the point of view of access for freight in and out of the north-east, that it is the most economical and best route. That is what we have pressed for. There were discussions a number of years ago; yes, that is the best freight route but the Tasman Highway over The Sideling should always be maintained as a major tourist route. On that matter, I think in about 2007 there was a Federal election and we were promised \$43 million, I believe, for freight roads in the north-east.

Mr FERGUSON - Which did not include any arterial routes; that was the Labor promise.

Mr PARTRIDGE - We have had a lot of reports and just recently we had a briefing from DIER again, but we still have not seen any action. With that \$43 million, I guess whoever has it has invested it and we will probably get \$50 million worth of work done when they collect all the interest on that money that has been hoarded somewhere. We need some action in the north-east.

Mr FERGUSON - But can you confirm that, if there are scarce funds to be spent on access for the north-east, the priority route that will deliver the greatest economic benefit and potentially support the creation of jobs would be the Lilydale to Scottsdale route?

Mr PARTRIDGE - That is well documented and you and every other politician in this State would have a copy of that information. That is the preferred route of the Dorset Council.

Mr FERGUSON - Thank you.

Mr JETSON - Projects of importance documents are circulate widely and it is still listed as number 1 priority in that document.

Mr FERGUSON - The reason I am asking this question is that the Tasmanian Government has promised \$4 million for the Tasman Highway and perhaps your comments and our deliberations might be able to encourage those funds to swing over to the preferred route to support the creation of jobs. Is that desirable or not?

Mr PARTRIDGE - Mind you, don't forget the Tasman Highway, an area over the 15 kilometres from St Patricks River to the Brid River, is an absolute disgrace.

CHAIR - Could we focus back onto the direct economic effect then? Thank you for that, but I am aware of the time and we are starting to run out but we can go a few minutes over if you have some summing up that you would like to do. I will ask you to do that in a moment if you feel like it. But just trying to get back to the actual effects, the economic and social harm that has resulted from the withdrawal of the log supply, you haven't as a council yet quantified fully to the committee - or at least not to my satisfaction - in terms of the total harm that it has caused your community. Are property values dropping? Is the community shrinking?

Mr JARVIS - The community is shrinking. The community is under stress. Businesses in the community are under stress and have laid off people. The next 12 months will be harder than the previous 12 months have been and I think it is a forerunner to the pressure we will be under to retain the social fabric of our community and to quantify that I think is very difficult.

Real estate prices have dropped in the immediate Scottsdale area. Business have laid off people and not only those directly associated with the mill but also engineering and electrical contractors and your normal retail trade. People have left the community for interstate and, as I say, that will grow. The community fabric as such - and I am involved in two sporting clubs - is under stress and I know we are under pressure to retain and to put people on the ground and the social effect of that. I had discussions at the Winnaleah Primary School two days ago with a person who believed the Ringarooma Football Club would struggle to put a side on the ground next year because of not much local content. People can say they are only the sports clubs, but in the farming and rural regional areas sports clubs are also your community social outlet, especially during the winter months. Some of that time you spend catching up with your community, especially if you are working on a farm or wherever. Your social life centres on the sporting events of your community and if that is taken away from us because numbers have left due to the resource being driven past two vacant mill sites that pressure will grow. In 12 months' time if we cannot get some stabilisation in the workforce we will have other areas of our community under pressure. We have them under pressure now but the next 12 months are going to be critical for us because the people leaving the area will grow as of next Thursday.

CHAIR - Do you believe - and it is probably stating the obvious - that the Dorset region is entitled to a specific compensation package as a result of the withdrawal of the log supply?

Mr JARVIS - I do, but I think I have articulated the fact that it is sustainable jobs that keep our community vibrant. Dollars are irrelevant. As I said, if they are working they are involved in the community - whether it is your Rotary, Lions, the golf clubs or whatever - they contribute in a lot of other areas than just taking home a wage. Sustainable jobs are important and you can't pull those out of thin air. You need a proponent. Government can't drive everything, and we understand that, but let us make the conditions favourable for future investment in the north-east. That can come from government or the help of government but obviously investors and so forth talk to governments and talk obviously to all the politicians but at the end of the day the Government have the ability to make decisions which will influence further investment. If they are talking to people we need to be able to direct the urgent need for that sort of investment in the north-east.

CHAIR - Would anyone else like to add anything at all to what you have said?

Mr JETSON - No.

Mr PARTRIDGE - I would like to say thank you to the committee for the opportunity to speak to you this morning and we have put our case forward and we look forward to some positive results.

CHAIR - On behalf of the committee I thank you very much for coming along and being frank and forthright with the evidence you have given. Before I close this session is there anyone else who would like to ask any final questions from the committee?

Thank you very much for that. I have found it very interesting and informative and I hope that we can come up with something worthwhile for the community because we recognise the extreme difficulty you are under and I just add to it if you would like to provide any further information to the committee we are very happy to receive further information. If you do decide as a council to pass a resolution on the matters you raised in regard to a committee of inquiry, we would like to receive that information.

Mr PARTRIDGE - So any correspondence on the matter would be addressed to you as Chair?

CHAIR - Yes. It would be most welcome.

THE WITNESSES WITHDREW.

Mr BRENT GUILD, MANAGING DIRECTOR, TIMBERLANDS PACIFIC PTY LTD
WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Booth) - Thank you for coming along, Mr Guild. Did you receive and read the guide sent to you by the committee secretary?

Mr GUILD - Yes.

CHAIR - Would you like to make an opening statement? Is there anything you would like to add to your submission?

Mr GUILD - No, I don't think so. The only additional comment I would make is that I have only held my current post for a little over a year. I have been in Tasmania only since January last year, so the events that are covered under point (a) of your terms of reference are largely unknown to me, so I doubt if I will be able to offer you much on that here today. I am happy to take material away to follow up on.

CHAIR - You've signed this submission but did you write it yourself or was it prepared for you?

Mr GUILD - In consultation.

CHAIR - You indicated here that you felt that the committee would be better served focusing on other remaining items in the terms of reference rather than the circumstances surrounding the withdrawal of the wood supply. What did you base that on or was it simply advice given to you by other members of your company?

Mr GUILD - Advice, yes.

Mr FERGUSON - Mr Guild, could you outline the transition from Rayonier to Timberlands as the sales agent on behalf of Taswood Growers? Is it the same company under a different name or is it a buy-out?

Mr GUILD - It was a buy-out. That occurred at the end of 2007. Timberlands Pacific as an entity came into being on 1 January 2008 and there was a buy-out of the shares. Rayonier exited Tasmania at that time and Timberlands Pacific came into being.

Mr FERGUSON - Are you based in Tasmania?

Mr GUILD - Correct.

Mr FERGUSON - Where is your office?

Mr GUILD - Cimitiere Street, Launceston.

CHAIR - And you manage the harvesting and sale of the timber in the same way that Rayonier did?

Mr GUILD - Yes, and the growing.

CHAIR - So you manage all of the forest operations?

Mr GUILD - Correct. We would regard ourselves as a full-service property manager.

Mr GUTWEIN - Are you enjoying Tasmania?

Mr GUILD - Absolutely, Mr Gutwein.

Mr GUTWEIN - One thing I am interested in - and it is a matter that was raised in Parliament by me last year - there was public comment made by Gunns at the time that they had approached the minister responsible for forests in regard to the contract for the 290 000 cubic metres - or is it 300 000 tonnes?

Mr GUILD - It is 280 000 - moving to 300 000 on 1 April this year.

Mr GUTWEIN - The question I raised in Parliament was that most contracts have a clause that would void them if one of the parties were to go into bankruptcy, receivership or appoint an administrator. Why didn't that occur when the FEA went into receivership and why wasn't that timber put back onto the open market? Is there such a clause in that contract, as most commercial contracts would have?

Mr GUILD - That's the answer to your question: there's not a clause that automatically pushed that or voided that contract if you like. FEA were in default and the receiver was able to continue to operate that contract and discharge its own obligations from 15 April last year, which was essentially a new arrangement, if FEA managers and receivers appointed and paid for goods under the terms of that agreement and they were able to do that.

Mr GUTWEIN - Was there an option? The contract would have been between FEA and Taswood Growers.

Mr GUILD - Correct.

Mr GUTWEIN - Managed by?

Mr GUILD - Between the sales agency. Managed by Timberlands.

Mr GUTWEIN - Was there an option available to Taswood Growers at that time to void the contract if they had so wished?

Mr GUILD - They would have had to terminate the agreement.

Mr GUTWEIN - Did the contract allow for that if they had wished to do so.

Mr GUILD - Correct.

Mr GUTWEIN - So that was an option that was available to Taswood Growers. They chose not to do so.

Mr GUILD - They elected to keep their supply chain intact.

CHAIR - Was the contract then to the administrator -

Mr GUILD - The receiver.

CHAIR - Receiver, in like terms. Was that identical to the one held by -

Mr GUILD - It is identical because the contract was not terminated so you continue to trade under the same terms and conditions.

CHAIR - So you novated it to a different entity effectively, the administrator.

Mr GUILD - No we did not novate the contract to the receiver. The receiver took responsibility for FEA's obligations just as they are entitled to under insolvency law. So the only novation that has actually occurred in the last 15 months is to Gunns Timber Products.

CHAIR - On like terms, identical terms?

Mr GUILD - Yes.

Mr GUTWEIN - Who made that decision then not to void the contract at that time?

Mr GUILD - The Taswood Growers board.

Mr GUTWEIN - So the board made that decision.

Mr FERGUSON - Does that mean they actively considered the matter?

Mr GUILD - Absolutely.

CHAIR - Had there been approaches from other parties for supply of wood or fibre that would not have been available if the contract had continued with FEA or its subsequent manifestation.

Mr GUILD - No, people saw the Bell Bay sawmill and the contractors joined at the hip, if you like. So the ability to separate them was not something that was discussed.

CHAIR - But you say the board considered absolutely the determination whether to continue with their contract.

Mr GUILD - Correct.

CHAIR - Why would they have considered that then?

Mr GUILD - Because the alternative option was to stop logging and leave wood on the stump. That is always an option for a forest but we elected to keep the supply chain intact, if you like. We have obligations to other customers, not just FEA. They take

about 50 per cent of the softwood joint venture's harvest and we also have obligations to a contract workforce.

Mr GUTWEIN - Did Gunns make enquiries of Taswood Growers or of Timberlands around that time in regard to the potential for that?

Mr GUILD - Not early on. They made an inquiry in September/October last year from memory but by that stage they were actively involved in the bid process for timber so there was no subsequent follow up from them once it was clear that they were the front runner in the purchase of the FEA sawmill.

CHAIR - Did they seek to potentially get the log supply detached from the FEA mill?

Mr GUILD - No they just wanted an extension to the current trading arrangements at Scottsdale for the small parcel of volume that they have here. So that is 40 000 tonnes per annum until May 2013 and they were interested in exceeding that to 2020 and increasing the volume to 70 000 tonnes.

CHAIR - That was for the Scottsdale mill?

Mr GUILD - Correct.

CHAIR - Where is that wood coming from?

Mr GUILD - Where is the 40 000 tonnes coming from?

CHAIR - Yes.

Mr GUILD - The softwood joint venture estate.

CHAIR - Right.

Mr GUTWEIN - What has occurred to that 40 000 tonnes now with the closure of this mill? Do Gunns retain that contract or is that resource linked to this particular site?

Mr GUILD - It is linked to the site and that is currently being discussed so we are mid-negotiation.

Mr GUTWEIN - There has been some discussion here this morning that one of the options being considered is the sale of whole logs to export as opposed to allowing that timber to go to the Gunns' site at George Town. Is that one option that is apparently being looked at?

Mr GUILD - By the joint venture?

Mr GUTWEIN - Either by the joint venture or by Timberlands. Who would make that decision? In regard to the 40 000 tonnes which is currently contracted to this site would that close in and that being up for grabs now, I presume, who would make the decision as

to whether or not that timber would go to Gunns if they wanted it to continue with it or whether it would be used for other purposes and potentially sold as whole log exports?

Mr GUILD - Timberlands have put a recommendation to the board but I can tell you quite emphatically the wood will either go to Gunns or it will stay on the stump. It won't go anywhere else.

Mr GUTWEIN - What about the remainder of the wood supply that this mill currently gets? We have heard that this mill is cutting around 100 000 tonnes a year?

Mr GUILD - It is 160 000 tonnes, I think.

Mr GUTWEIN - The other 120 000 tonnes where does that come from? Is that managed by Timberlands?

Mr GUILD - No, not at all. Predominantly, it comes out, as I understand it, of the estate in Strahan. Is that right?

CHAIR - Yes, the west coast.

Mr GUILD - And the rest will be rats and mice.

Mr GUTWEIN - And that is external to the joint venture?

Mr GUILD - Absolutely.

CHAIR - When you said that it will stay on the stump or it will go to Gunns, obviously it doesn't stay on the stump forever so the intention would be then to what, would it be available for a Scottsdale sawmill, for example, and, if so, under what sort of terms?

Mr GUILD - We are currently harvesting timber that is around 27.5 years old and the preference is to be harvesting timber that is 29 to 31 years old, depending on location, so I want to age the estate and the only way I can do that is to hold the cut back at a certain level for a longer period than the forester would actually like or when opportunities come to hold volume back on stumps so the contracts mature or in this case Gunns have fickle defaulted on an arrangement at Scottsdale, we have an option to hold that volume back on stump, if that makes sense, and do what is best for the estate. But, having said that, we are actively negotiating this with Gunns and I am pretty confident that we will place this 40 000 at Bell Bay over the next three or four weeks.

CHAIR - I think you mentioned that 50 per cent of your harvest volume goes to Gunns at the moment.

Mr GUILD - More now if you actually combine those two contracts. If you put the two together, and allowing for that small increase on 1 April, that would be 340 000 tonnes of a 460 000-tonnes clear-fell harvest and there is about another 130 000 tonnes of thinnings.

CHAIR - A small amount currently goes to other mills, perhaps Branhholm?

Mr GUILD - Yes.

CHAIR - And the rest is exported as either chips or round log?

Mr GUILD - No. We have just started a small pulpwood export program in January of this year for the volume that Norske don't want or Taswood Panels don't want.

CHAIR - What about round wood?

Mr GUILD - Logs?

CHAIR - Yes.

Mr GUILD - No.

CHAIR - You don't export any of that at all?

Mr GUILD - No, there are no logs. We have an estate which is being led by demand pull rather than supply push.

CHAIR - There is a lot of solid wood on the Burnie wharf, for example - softwood log - but not yours?

Mr GUILD - I don't know whose it is. Some of the pulpwood would be ours but not sawlogs.

CHAIR - But in log form, you are exporting as log rather than chip?

Mr GUILD - Yes.

Mr GUTWEIN - Currently there is 460 000 tonnes per annum that is clear-fell?

Mr GUILD - Correct.

Mr GUTWEIN - There is 130 000 tonnes per annum of thinnings, so 590 000 tonnes per annum in total or thereabouts?

Mr GUILD - Yes.

Mr GUTWEIN - All of that is either milled or pulped in Tasmania?

Mr GUILD - Other than some surplus pulpwood which might be 10 000 tonnes a year annualised some months and it might be 30 000 tonnes other months, it just depends on how operations are running.

Mr GUTWEIN - Can you talk us through what the yield will be from the forest estate that you manage over the next decade, or could you provide to the committee some information if you don't have that available today?

Mr GUILD - I can talk to it now and I am happy to provide you with other material if what we discuss doesn't satisfy you. The cut is flat for slightly more than the next decade, so if you disregard the fillings harvest and just concentrate on clear-fell, because that is where the bulk of our volume comes from and it's also where the bulk of the volume that I think you're interested in comes from - high-quality sawlogs - that cut is flat until around 2023.

CHAIR - At what volume?

Mr GUILD - About 450 000-460 000 tonnes, before it lifts to around 700 000 tonnes over a period of about 36 months. The lift occurs on paper. We will manage the lift in a way that reflects the demand in the marketplace at the time. Ten years is a long way away, but on paper that's the way it occurs.

Mr GUTWEIN - So that's for around 30 months that it jumps to 700 000 tonnes?

Mr GUILD - And holds - in perpetuity. That is our next paradigm shift, if you like, in harvest.

Mr GUTWEIN - And thinnings is expected to be -

Mr GUILD - No, it won't hold at that level. I suspect it will drop back to around 90 000-100 000 tonnes within five years.

CHAIR - What is the proportion of sawlog?

Mr GUILD - It's very low because we thin at a very early age. We tend to apply our silviculture early, once and well, and then we walk away and let time and biology do the rest.

CHAIR - So out of that 700 000-odd tonnes that will be available, how much of that will be actual sawlog?

Mr GUILD - If you say that 100 000 tonnes is thinnings, then 600 000 tonnes, at least 80 per cent, would be sawlogs.

Mr GUTWEIN - What's the size in hectares of the estate you manage?

Mr GUILD - It's 45 000 hectares.

CHAIR - So based on about 480 000 tonnes of sawlog availability into the future, there's not much room for expansion in terms of milling volumes?

Mr GUILD - Not in the short term, no. If anyone's promoting a view that you can just go and cut another 50 000, 60 000 or 100 000 tonnes, you can but over the medium to long term you will run down the quality of your asset very quickly.

CHAIR - But given that you are in negotiations with Gunns at the moment to put that 40 000-odd into the Bell Bay mill rather than leaving it on the stump, aren't you then becoming a self-fulfilling prophesy in that regard? You said you either transfer it to Bell

Bay or leave it on stump, so why would you give it to Gunns at the moment? Is there some contractual obligation that binds you? Why wouldn't you leave it on the stump to thicken up your stems?

Mr GUILD - There are two things. One is that the supply of that volume expires in May 2013.

CHAIR - But isn't it linked to the Scottsdale mill?

Mr GUILD - Yes, but it will expire in 2013 for the Scottsdale mill. The volume was made available in good faith, so we have entered into those discussions with Gunns in good faith. The second thing is that there is something that we dearly want in exchange for that volume from Gunns.

CHAIR - Which is?

Mr GUILD - We want a tightening-up of retention of title, security - the very thing that caused us so much grief with FEA last year.

Mr GUTWEIN - Could you explain that, please?

Mr GUILD - You want to get paid for your goods and the retention of title clause at the moment, which allows us to retain title to logs and access processed lumber in exchange for outstanding receivables, is very weak in that contract.

CHAIR - Like a Romalpa clause?

Mr GUILD - Exactly - it's very weak. If you can imagine a negotiated Romalpa clause rather than something that's bulletproof, that is what we have and we don't want to go forward with that.

Mr FERGUSON - Is that in relation to the low-volume Gunns resource or the high-volume old FEA resource?

Mr GUILD - The old FEA resource.

Mr FERGUSON - Did that cause you some difficulties, then, during their receivership period?

Mr GUILD - It just meant that the strength that the business thought it had in relation to title, it did not have.

CHAIR - Did you suffer losses as a result of FEA?

Mr GUILD - Yes.

CHAIR - What were the losses?

Mr GUILD - Can I come back to you on that?

CHAIR - Sure, but in general terms do you have an order of magnitude?

Mr GUILD - The receivables at the time of time of dropping into receivership were in the order of \$3.2 million.

Mr GUTWEIN - Can I come back to the original question I asked in regard to the opportunity Taswood Growers had to void the contract if they wanted to. If there was a view that the contract was not sufficiently strong enough to protect their interests, and also there were considerable moneys owed, on what basis would the decision have been made to continue with the current arrangements rather than void the contract and place it back on the market? That would have seemed a sensible way to both strengthen the contract but also potentially to seek an increased market price.

Mr GUILD - Because your way requires business interruption and our way did not require business interruption and we will still get the outcome that we are after. We also discussed on numerous occasions the opportunity to increase price over the last nine months as part of entering into the new relationship. Bear in mind that the prices at the Scottsdale sawmill and FEA are similar on a return basis for the joint venture. It did not at any stage want to put the new owner of that facility in a situation where price became an additional impost on picking up that business. They compete in an Australasian market, not a Tasmanian market. They sell a lot of finished goods into the Tasmanian market but they also sell a lot of finished goods into the mainland. Their principal cost is log price. So I guess the joint venture board was very conscious not to take advantage of any opportunity to lift price for the sake of it when that might just create a short- or medium-term problem for a new owner and you just end up in the same situation. So lifting price was not a driver for the joint venture.

Mr GUTWEIN - I would thought that a business in receivership would have been keen to continue to receive supply under any terms and that you would have been able to test the market and still have had that business milling your timber, whilst at the same time testing the market?

Mr GUILD - No-one in Tasmania had the capacity to consume 280 000 tons of sawlogs.

Mr GUTWEIN - No, what I am suggesting is that with FEA under receivership the receivers would have been keen to hold on to its supply under any terms at that particular time because of the value of that mill with the resource attached to it. I am just surprised that you did not test the market in regard to whether there was any other interest or what the market value of the resource was at that time.

Mr GUILD - The resource only has value, though, if there is a mill attached to it; the two go together.

Mr GUTWEIN - True.

Mr GUILD - We did not control the sawmill.

Mr GUTWEIN - No, but you did control the resource and the receiver was keen to see that mill operate as a going concern. With Gunns with two mills in this area as well it had

struggled for resource for a number of years. There may have been a willing purchaser in the market with an alternative mill site.

Mr GUILD - There is really only the one mill, the mill that is still operating here that consumes the log size that we generate. I guess the board's view was, 'We have an agreement; we can trade with the receiver.' They actually proved themselves to be very good business partners over the nine to 10 months that we had a relationship and that the best way out of the receivership for everybody involved was a new entity and their running that as a going concern. So sell the mill, log supplies intact. There was a fleeting benchmarking exercise for the exporting of sawlogs because even though we would dearly love to hold all that volume on stump we have those other customer obligations that have to be met. So we were always going to be producing something to keep the smaller mills going. In fact it was not the small mill, it was Norske Skog at Boyer and anything else that arose over and above that needed a home so we benchmarked export as a paper exercise and it is dreadful. I do not know why anybody does it. Don't put that on the record.

Mr GUTWEIN - Too late.

CHAIR - It is on there now.

Mr GUTWEIN - I think you just did.

Laughter.

CHAIR - You cannot retract *Hansard* unfortunately.

Mr GUTWEIN - Can I ask you why is it dreadful. You may as well be hung for a sheep as a lamb.

CHAIR - He is a New Zealander as well.

Mr GUILD - New Zealand has a very buoyant export market in plantation forestry. Around 50 per cent of the produce is exported to primarily China, Korea, a little bit to Japan still and that puts a natural tension into the market on the one hand but it also mops up an enormous amount of volume that the domestic market does not want and does not have an interest in consuming. Also in New Zealand, particularly in the central north island, there are many suppliers and many domestic customers, so in an economic sense it is about as perfect a market as you will find in the Southern Hemisphere.

Tasmania is almost the antithesis of that. You have in the radiata sector one dominant player, which is the softwood joint venture and which owns about 60 per cent of the resource. Norske Skog own about 10 000, Forestry Tas own about 5 000 and then there is a fairly substantive tail of rats and mice that make up the rest. But it is really dominated by one player and on the customer side of things you are also dominated by essentially now one sawmill and one softwood pulp mill. You have ended up in Tasmania with these - it is a bit like a Mexican stand-off, I suppose. The behaviour has become really important in the relationships when you are a dominant supplier and a dominant customer. Behaviours are really important. The next best alternative tends to

be significantly poorer than the one you're enjoying at the moment and that is on both sides of the table.

Why export? Well why not. At the moment when I look around the market I see demand exceeding supply, for one. Gunns need probably another 60 to 90 days to get on their feet at Bell Bay and then I think their demand for sawlogs will outstrip anything that is available on the supply side of the equation. I guess just as a forester they have always been trained, it is ingrained in us to add value and that is just what we do. We produce a commodity, we put it to market and I guess your preference is always to see that turning into products when they leave our doorstep rather than product 10 000 miles away. That is a personal view.

CHAIR - Is it difficult for you in terms of the relationship you're talking about where the comparative market power you have is diminished considerably by having a single major purchaser of sawlog? Could you see an advantage to having a bit more diversity in the sawmill side of the market so far as you're concerned?

Mr GUILD - What sort of scale are you talking about?

CHAIR - It could be some smaller mills taking up, say, 50 000 tonnes rather than 300 000-400 000 tonnes - a number of them around the place.

Mr GUILD - As a supplier you would always like options, you would always like to know there were alternatives, but what I don't see here is the room for the alternatives because the supply is so tight.

CHAIR - So if others tendered for the volume, there wouldn't be the critical mass for the big mill at the moment?

Mr GUILD - I'm not sure where the tender would come from.

CHAIR - Hypothetically, I guess what you're saying is that you don't have any availability anyway because you have signed long-term contracts -

Mr GUILD - Correct.

CHAIR - so it's irrelevant if, say, someone took over either of the mills in Scottsdale, because at the moment there's no availability of wood through your company to provide that?

Mr GUILD - Correct.

CHAIR - And that availability is stretched out to when? How long are the contract terms you have with Gunns at the moment?

Mr GUILD - That contract can run in perpetuity or a notice of expiry can be issued any time from April 2012, and it's a 60-month notice so it won't expire prior to April 2017.

CHAIR - So if anyone knocked on Timberlands' door at the moment and wanted to buy virtually any quantity of wood, you would say, 'Sorry, mate, it's all sold'?

Mr GUILD - Yes.

Mr FERGUSON - Can I ask a question on a different stream? The former sales agent, Rayonier, at the previous inquiry, backed up by commentary from the then majority Labor Government and its GBE, Forestry Tasmania, said that one of the factors in the decision to allocate resource away from the Scottsdale business to the proposed Bell Bay business with FEA was sustainability of the softwood industry in the State of Tasmania. Are you aware of those comments?

Mr GUILD - No.

Mr FERGUSON - That was given as a major factor, that the overall sustainability of the softwood industry in Tasmania was a factor in determining that FEA should be awarded the 280 000 cubic metres. I am guessing Timberlands and the Taswood Growers board would have had to have reflected on that, given that FEA then went broke? Can you tell me what the board has had to say about that? Has it reflected on its prior statements that it had chosen the most sustainable option?

Mr GUILD - No, other than that I don't think anyone on our side of the table believes that FEA went broke because the mill wasn't profitable. They are quite comfortable that FEA dropped into receivership because the MIS wasn't sustainable and, unfortunately for them, they happened to own a sawmill as well. I don't think a lot changed in the running of the mill. There was some tightening of cost by the receivers but they have traded quite profitably through the last nine or 10 months and the mill was profitable in its own right prior to dropping into receivership. It's the surrounding assets that have taken it down. I don't think they're uncomfortable with the decision or with the model; it has just been a victim of all the circumstances. Does that answer your question?

Mr FERGUSON - It does, except that I didn't allege or suggest that the mill itself wasn't profitable or that FEA went broke because of its softwood mill. With such a major disruption to your biggest customer, it would be hard to mount a case that it was going sustainably at the time. If Gunns were not on hand to buy out that mill in the global financial crisis, you might have found yourself with no customer at all?

Mr GUILD - We might have. There were 12 interested parties, six short-listed and three front-runners.

Mr FERGUSON - For the purchase of FEA's softwood mill?

Mr GUILD - Correct. The second and third runners were very strongly grounded business entities in their own right, so I do not think we would not have ended up with a customer. We limited our business interruption to 48 hours and it was the 48 hours immediately after the receivership was announced. We basically suspended supply and took 48 hours to consider our position as it existed at that time and resume supply.

CHAIR - But that would have been after extracting guarantees of the administrator/proponent?

Mr GUILD - Correct. The interesting thing about dealing with a receiver is they are indemnified by banks that support them, so they are the best business in town. That is the irony about dealing with a receiver. So they have been our best debtor for the last nine months. It has been fantastic.

CHAIR - Yes.

Mr GUILD - They did pay one day late, last month, but that is it and I am sorry to see them go.

Mr FERGUSON - You estimated an approximate \$3 million loss on stock that FEA obviously had in their yard but had not paid for at the time of going into receivership. Does Taswood Growers wear that as a loss now or is there some prospect of recouping that?

Mr GUILD - Yes.

Mr FERGUSON - That means its joint venture owners have each taken a hit of about \$1.5 million?

Mr GUILD - No, we have managed to recoup that.

Mr FERGUSON - You have managed to recoup it?

Mr GUILD - Correct.

Mr GUTWEIN - You mentioned before that you are forester; that is your training?

Mr GUILD - Yes.

Mr GUTWEIN - Obviously your career was in New Zealand?

Mr GUILD - Yes.

Mr GUTWEIN - Being aware of the purposes of this committee, and I am not specifically asking for a Timberlands view here, I am wondering whether, having been in the State now for 12 months and bringing a different perspective to the challenges that are faced by this community, you have any personal views in regard to what a community like this should do or invest in or engage in?

Mr GUILD - That is a very good question. Can I take that away and give that some more considered thought?

Mr GUTWEIN - By all means. On the basis that you have been in the industry and you bring a different perspective to it, a personal response would be good.

Mr GUILD - The really interesting thing is that market here is finely balanced in terms of supply and demand. You cannot come in a knock up another 200 000-tonne plant, or four 50 000-tonne plants, for example. There is no supply capacity to support that.

CHAIR - Outside of your supply, do you mean?

Mr GUILD - Correct. We look almost daily at our ability to marshal some of those rats and mice into something more cohesive that someone can make use of, with us as a supplier and then a processor on the demand side. It is really difficult to do. If you can give us some help on that I think it would be great. I worry that you might spend a lot of time chasing rainbows. You are never going to be able to fulfil the opportunity because the raw materials just do not exist in the softwood sector to support the ambition. That would be my concern. It is tight now. It is finely balanced - put aside whatever you see happening at Burnie in terms of sawlogs and probably Bell Bay. They would be interesting questions to get to the bottom of at some stage. I would say that that volume is not so significant on an annualised basis. When you talk about trying to use it to support something new I think you will probably be found wanting once you really get in amongst the numbers. I have heard discussions or references to biofuel plants in Scottsdale. That might work. That is one untapped opportunity I think for Tasmania generally.

In my previous life I used to sell logs. Just to give you a sense of the scale of the forest that I worked on, it is currently generating a harvest of 3 million tonnes per annum of radiata, and we used to sell about half of that domestically. I was responsible for domestic log sales and I had one entity a month coming through the door, both on-shore and off-shore, to explore biofuel opportunities.

Mr GUTWEIN - Why biofuels - energy or liquid fuels?

Mr GUILD - Both - primarily solid fuels. We used to call it 'kissing the 100 frogs'. You had to go through the dance with these people. Most of them were the worst kind of snake oil salesmen that you would ever want to meet, but you had to go through the dance because somewhere in there you will find the one that will be the gem for your estate and for the market and that actually fits. What I don't see in Tasmania is any of those people coming through the door.

Mr WIGHTMAN - Why?

Mr GUILD - I do not know why. I do not know whether people think we have no scale down here.

CHAIR - The resource that you are operating on of course originally came from plantings on crown land. How have you been replacing those plantings? Have any of them been through managed investment schemes?

Mr GUILD - No.

CHAIR - So it is all based on internal returns from the operation.

Mr GUILD - Yes.

CHAIR - The collapse of managed investment schemes providing below-cost wood flows would be good for you in terms of your model, given that you are not having to compete with subsidised wood in that regard?

Mr GUILD - I am not sure I understand the question.

CHAIR - If your business model has relied on full-cost attribution and rates of return that will generate internally in that business model enough to replant the next crop of trees - and you made reference to the fact that FEA collapsed because of MIS unsustainability, not because of its sawmill - in that sense the collapse of managed investment schemes should underpin value into your product in the future.

Mr GUILD - I see what you are saying. If those scheme were predominantly radiata pine, you are spot on. I think because they are not - they tend to be very much the secondary species - I do not think we will see much of a knock-on there. Softwood and hardwood plantation species in my view do not compete head to head in the market place.

CHAIR - They could on fuel?

Mr GUILD - Correct. There would be an opportunity there for your biofuels processor. The biofuels processor would have to cast their net very wide. They have to be non-specific in terms of hardwood and softwood, so they would have to be capable of catering for both and in all shapes and sizes.

Mr FERGUSON - When you talk about biofuels, are you referring to the ethanol model?

Mr GUILD - No, I am talking about any wood fibre that is not currently used that a forester is prepared to sell.

Mr FERGUSON - To provide what product?

Mr GUILD - It could be pellets, ethanol or boiler fuels. It is just fibre for a market. Foresters will not sell you everything, by the way. Anything that is green they will hang on to.

Mr GUTWEIN - In that previous estate, you were managing 3 million tonnes; what percentage of that was going to biofuels?

Mr GUILD - When I left, probably about 2 per cent. It is very low.

Ms WHITE - What was it being used to produce?

Mr GUILD - The central North Island is largely billiard table flat and we were extracting stumps. So an excavator was just walking through a cut-over after logging, popping stumps, rolling them to get dirt off, leaving them out in the sun for six or seven days, pushing them through a chipper and then sending them off to a pulp mill to use as fuel.

Mr WIGHTMAN - An expensive process?

Mr GUILD - You could land that stuff for about \$35 or \$36 a tonne in Kiwi dollars. That is about \$3 Australian dollars.

Laughter.

Mr GUILD - The currency does not matter; the cost are the costs and they are all on a par. The issue is that we do not have endless amounts of flat country here, so the topography and the geology are quite different. I am not convinced that you would want to be taking a lot of that material off those sites.

CHAIR - Because of the erosion issues?

Mr GUILD - Exactly, yes, it has other values. It is fine in central North Island - flat and free-draining - but look at the last four days here.

CHAIR - Have you changed management practices with regard to steep-country logging and so forth since you have taken over? Are there any issues there?

Mr GUILD - I do not think there are any issues. We are always looking at ways of doing things better. The FPA are strict, as you would probably know. I have never really seen an entity like the FPA in action, up close, so that is still something I am really coming to grips with here. Health and safety provisions between New Zealand and Australia or Tasmania are very similar but the environmental obligations here are much tighter. I think the last few days are a good example of why, and the soils that we are dealing with here. Have we tightened things up? No, I do not think so; I think the standards were already pretty high. Things come to our attention through our normal systems - with incident recording. That includes environmental incidents. If they occur on our cable operations then we will take the appropriate action.

Ms WHITE - When you were in New Zealand, did you have environmental opposition to biofuels?

Mr GUILD - No. It is really interesting but it is the scale -

CHAIR - I think the New Zealand industry is plantation-based, so there is virtually no native forest logging at all there.

Mr GUILD - Correct. That is something we have not touched on. There is a fundamental difference between Tasmania and New Zealand. When you talk about forestry, all you are talking about really is plantations. They are grown for commercial purposes and there are no restrictions on what you can do with that fibre. However, if you do the wrong things, if you sell the wrong sort of stuff, then you may be impacting unfavourably on your sites and the person that immediately impacts on is yourself, and on the subsequent rotations, so you have to be careful.

Ms WHITE - I am trying to think of any explanations for why people have not approached you. It might be volume?

Mr GUILD - The sector here, given its solely existing commitment to native forestry, I liken to New Zealand in the late 1980s. I don't mean that in a negative way, but New Zealand was still going hammer and tongs with indigenous plantations in the 1980s and it came to an abrupt halt in 1987.

Mr WIGHTMAN - The case over there was that you'd run out of hardwood, would that be right?

Mr GUILD - No, there's plenty there. I think it just got caught up in the same sorts of issues that Tasmania is working through now in terms of social acceptability. I think the estate and techniques were there and the science was well understood, but it was all too late. The Forest Service, which I guess is the equivalent of what was your Forestry Commission, was split three ways into commercial forestry, protection forestry - which is where all the native forests went to - and a ministry which mopped up everything that was left over. The two major elements were protection forestry, or conservation forestry, and production forestry.

CHAIR - Do you have a model over there that works on public subsidy to keep the Forest Service going?

Mr GUILD - That is a government agency, the Department of Conservation.

CHAIR - So they're not involved in logging any more? That was all sold off, wasn't it, to Red Stag or something?

Mr GUILD - All the production forests were put into State-owned enterprises and that was the forerunner to full privatisation in the early 1990s.

CHAIR - So there's no subsidy from the public purse any more?

Mr GUILD - For plantations?

CHAIR - Yes.

Mr GUILD - Absolutely not. It is the most commercial model you could imagine, and those forests change hands from time to time. Some of them even go into receivership when they go back on the market. It's quite different.

CHAIR - Which you would agree has happened with FEA's model - the sawmill there now has become a low-unit-cost producer, probably because of all the dollars that were burnt in the receivership and loss of value. You can make money at a lower capital cost out of the same machinery - it will cost someone else a lot of money.

Mr GUILD - They are desperate for volume, though, I would say. Gunns will be double-shifting from early next month and they'll need wood so they will look hard at everything that's selling at places such as Burnie. They'll want to know where it's coming from because it is all marginal purchases that help lower the unit cost, as you say. They would much rather have it there than anywhere else. It makes sense.

CHAIR - Do you have any other comments you'd like to make?

Mr GUILD - Is there anything you wanted followed up on?

Mr GUTWEIN - That issue of your perspective on things. Obviously there are some challenges here that, being new to the State, you will bring a perspective to.

CHAIR - Just going back to clarify something with regard to the retention-of-title issue on log supplies to Gunns, effectively what you're saying is that even though it is not in the longer-term interests of the joint venture that owns the logs to not fatten them out a bit, you're going to have to give 40 000 cubic metres a year to Gunns simply to be able to get a decent retention-of-title agreement. What effect would that have on the joint venture? It seems as though the moment the joint venture is exposed with a contract to supply to a company that at this stage hasn't provided retention of title to the goods that are being provided, so they are at risk anyway in the event of Gunns falling over, as FEA did for example. If they don't then give 40 000 cubic metres, which affects their long-term viability in terms of the growth profile of the trees, either way they cop it, don't they?

Mr GUILD - The joint venture?

CHAIR - Yes.

Mr GUILD - They are quite comfortable - 40 000 tonnes in the scheme of 450 000 tonnes a year for the next 10 to 20 years is small beer in exchange for securing the sale of the 300 000 tonnes a year - in fact it will be 340 000 for the next two years - for what might be in perpetuity. That is the view.

CHAIR - It is 10 per cent or more of the volume, isn't it, that you have to provide?

Mr GUILD - For two years.

CHAIR - It's only for two years?

Mr GUILD - Only for two years.

CHAIR - Sorry.

Mr GUILD - In 2013 that is it.

CHAIR - It will come back and it will sit on the stump.

Mr GUILD - Yes, but we will hold that more secure provision for the balance of the term of the arrangement. That is the logic.

CHAIR - Fair enough.

Mr GUILD - Will we get it? I will tell you in a month.

Laughter.

CHAIR - Unless you have anything else to add, thank you very much for coming along. As I said, what you have said today is protected by parliamentary privilege but if there is something there that you wouldn't want to repeat outside of this committee I just remind that if you do you don't have privilege on that if you repeat it outside.

Mr GUILD - Understood. How is your timing working from here?

CHAIR - In terms of when we are going to report to Parliament?

Mr GUILD - Yes.

CHAIR - We actually don't have a reporting date that we have to stick to because we can keep on renewing that if we need to.

Mr GUTWEIN - Sooner rather than later in the circumstances. The committee will have a discussion about future witnesses so if any of that information can get to us sooner rather than later that would be good.

CHAIR - This is our first public hearing for the committee and we now have to go back and look at the other evidence that was held by the previous committee to determine if we want to get some of that stuff fleshed out as well which after this morning we may well decide to do. Did you have a reason why that was important to you?

Mr GUILD - Timing?

CHAIR - Yes.

Mr GUILD - No, just so that when I go back and say this is what happened and this is what happens next.

CHAIR - I think Peter has articulated there as well that we don't actually have a set time but there is plenty of opportunity if there is anything that you or your board want to put forward to us in the interim period and we would be happy to receive that. Thank you very much.

THE WITNESS WITHDREW.