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THE HOUSE OF ASSEMBLY STANDING COMMITTEE ON COMMUNITY DEVELOPMENT MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON MONDAY, 22 SEPTEMBER 2014

INQUIRY INTO TRIABUNNA WOODCHIP MILL

MR IAN RAVENWOOD, PRIVATE FORESTS TASMANIA WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Good morning, Ian. Thank you for appearing before the committee. We are pleased to hear your evidence today. Before you begin your evidence have you received and read the guide sent to you by the committee secretary?

Mr RAVENWOOD - I confirm that.

CHAIR - Thank you. I would like to redirect some of the aspects of that document. A committee hearing is a proceeding in Parliament. This means it receives the protection of Parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a Parliamentary Committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of Parliament. It applies to ensure that Parliament receives the very best information when conducting its enquiries. It is important to be aware that this protection is not accorded to you if statements that maybe defamatory and repeated or referred to by you outside the confines of the Parliamentary proceedings. This a public hearing. Members of the public and journalists are present and it means your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private you must make this a request and give an explanation prior to giving any relevant evidence. Does that make sense?

Mr RAVENWOOD - It makes sense.

CHAIR - Once again we very much appreciate your time and willingness to be here. I think you are filling in for Tom Fisk, CEO of Private Forests Tasmania. We welcome you to our hearing and to make an opening remarks and any documents you wish to table officially and then we can proceed from there with questions.

Mr RAVENWOOD - Thank you. As you mentioned, I am here on behalf of the CEO of Private Forests Tasmania who sincerely apologies that he is unable, for compelling personal reasons, to be here. He is willing to speak to the committee, if the committee so wishes to talk to him at a later stage.

He has given me an opening statement to give on his behalf. Tom Fisk and I have worked together for 30 years now, with some breaks in between, and I deliver this statement of his as if it were my own. I know that the information in it is pretty much what I would be providing the committee if I was appearing on my own behalf.

I will give his statement:

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The Tasmanian Private Forest Estate covers in excess of 1 million hectares or 31 per cent of the Tasmanian forest area. It comprises approximately 850 hectares of native forest which is primarily owned by the non-industrial forest owners and 245 000 hectares of plantation which is primarily owned by the industrial forestry companies and now the Timber Investment Management organisations like New Forests.

The plantation estate is three-quarters hardwood, mainly *Eucalyptus nitens*, and 25 per cent softwood, *Pinus radiata*. Historically, the Private Forest Estate has contributed as much as 60 per cent of the wood supplied to Tasmania's wood products processing industries. This contribution is likely to increase as the hardwood plantation estate becomes full productive.

The unfortunately reality is that private forests within the catchment of Triabunna have produced very little wood for at least the last three years due to the inability to sell pulp wood. Importantly, the native forests in this catchment, which comprises of more than half the total private native forest estate in Tasmania, that is greater than 450 000 hectares, have only made a minimal contribution to the sawlog and peeler supplies of the region over that time. The lack of market opportunities for these mixed quality but in some areas, highly productive forests, is destroying their asset value and many have become liabilities for their owners. If this continues there is a serious risk that these forests will not be managed properly or appropriately protected from fire and they will ultimately become degraded and, in time, would progressively disappear.

This is a significant forest estate of social, environmental and economic value to its owners, the surrounding regional communities and Tasmania as a whole. It is important that its asset value be protected.

As an aside, we are aware that forest owners have used their native forest assets as security for farm development loans and whose banks have called in the loans. The asset backing of the loan now being regarded as worthless. The hardwood plantation estate in this catchment is quite large, comprising in the order of 40 000 hectares or some 23 per cent of the private hardwood plantation total area for Tasmania. It is relatively young, planted predominantly between 2001 and 2010 with the majority planted during the middle of that period at the height of the MIS era.

That said, when it becomes fully productive, it has the capacity to produce significant volumes of wood on a sustainable basis in the order of 450 000 tonnes per annum as a minimum. Granted, some of this estate may be converted to other forms of land use as ownership changes due to the wash up of the MIS schemes. Much will and, in our opinion, should remain. Without local processing or export facilities this resource too is worthless and that is its current status.

The sustainable production capacity of the total private forest estate in this catchment is very large, in the order of one million tonnes, plus or minus, annually.

Mr JAENSCH - The total forest?

Mr RAVENSWOOD - No, the total private forest estate. I am not talking about the public estate. That is in the order of 1 million tonnes annually. Assuming that conservative mill-door delivered wood costs - so this is the delivered wood cost of \$50 per tonne, a

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free on-board value may be \$75 per tonne. Realising this capacity could put another \$50 million to \$75 million a year into the pockets of those along the supply chain in this catchment alone - this is only from the estate that currently exists - there is a potential to further expand the forest estate in this catchment, which would inevitably happen if viable market opportunities existed.

Mr JAENSCH - Could you just clarify again, when you refer to this catchment, what is the area you are talking about?

Mr RAVENSWOOD - I am talking about the logical catchment in the Triabunna area, the south-east.

Ms O'CONNOR - The northern reach of it.

Mr JAENSCH - A million tonnes per annum from that catchment alone?

Mr RAVENSWOOD - Yes. So if you look at the Forestry Tasmania supply areas it would be Huon, Derwent, east-west and central. They are the regions that FT works on. So it is just working on those four areas. The document that I've tabled -

CHAIR - We will get to the document in a minute. We will let you have your opening remarks, then we will go to questions, but I appreciate the importance of that question. Thanks, Ian.

Mr RAVENSWOOD - Emerging new market opportunities such as bioenergy, biofuels and mass timber construction, the CLT and blue lan, which gets spoken about, offers exciting prospects, but the reality is that the realisation of these opportunities, at any scale, is many years off. If we wait till they deliver potential solutions for the utilisation of the majority of the wood volume from the forest we are talking about, that is the pulp wood, it will be too late. There can be no doubt that for the foreseeable future if we are to protect the asset value of these forests this region needs access to viable export facility. If this can be achieved, these forests - in particular the native forests, will once again be able to contribute to the supply of hardwood saw logs and veneer logs for onshore processing and value adding.

More generally, however, if this can be achieved the impact on the regional communities once dependent on these forests would be considerable. As we all know they are struggling currently to survive. We believe this is an opportunity too important to ignore.

That is the opening statement.

CHAIR - To clarify, did you have a document you would like to table? Is that the document you gave to Charles?

Mr RAVENSWOOD - Yes, that is correct.

CHAIR - Charles is not here at the moment; he will be back very shortly. Do you want to describe the document to us and what is the name of the document?

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Mr RAVENSWOOD - The document was prepared for the Residue Solutions Project, which was part of the Tasmanian Forest Agreement. Forestry Tasmania and Private Forests Tasmania did a joint project to look at the residue resource across Tasmania, divided up into the Forestry Tasmania regions, the four that I mentioned that are in the Triabunna catchment. That report was fed into a consultant's report and I think a draft version is in the process of being reviewed.

The key importance of that document is that it shows the wood volumes in those four regions in the Triabunna catchment, which it will show to the members of the committee that -

CHAIR - Ian, because we all don't have the document can we come back to that in a moment? We can interrogate the document and talk to you about that. I wonder if we can move to questions if you've finished your opening remarks, then back to the document.

Mr RAVENSWOOD - It's a bit hard and abstract.

CHAIR - I think we can resolve as a committee to receive the document, I accept that. But we will go to questions. I will pass to Roger Jaensch for the first questions, then we will go back to the document.

Mr JAENSCH - Thank you, Ian, for your opening presentation. You've talked about the general scale and volume; and potential and needs of the industry in this catchment. Can you reflect on what has been the impact of the closure of the Triabunna mill on private forest operations in that catchment?

Mr RAVENSWOOD - I know that there is a lot of concern about orphaned - which is a description we use - orphaned wood that's in that area. I know that public wood is receiving a transport subsidy to get it to the northern mills, which are quite busy. We know that 1 million tonnes of wood has been exported in the 2013-14 year, private wood. But getting lower quality wood, pulp wood, from the more southern part of the state to the north, there is no value left in the wood by the time you cart it that distance, and of course there is no subsidy, and there possibly shouldn't be, for private wood. A lot of that wood went in on the assumption that there was a mill, an export facility, in the south of the state.

Mr JAENSCH - So when that ceased to operate, what happened in those forests and businesses that worked with that newly orphaned wood?

Mr RAVENSWOOD - It shut down. The recovery that we've seen in the north I guess we're not seeing in the south.

Mr JAENSCH - In terms of the asset itself, I think you made reference that the value of the asset is diminishing. Can you talk more about that?

Mr RAVENSWOOD - The current free-on-board value for example of pulp wood, as I said, if it were closer to Bell Bay or Burnie, it would have a mill door value of maybe \$50 a tonne. A free-on-board value as a green metric tonne of \$75 based on the relatively historically low free-on-board prices. At the moment with a stumpage value of zero

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south of Hobart and not much more north of Hobart it has zero value. People will not harvest as it is not a business proposition.

Mr JAENSCH - How is that affecting Farm Business Enterprises and their finances and financing?

Mr RAVENSWOOD - Historically the 850 000 hectares of private native forests has been a fall-back asset for a lot of farmers. I mentioned it has enabled them to borrow money for other on-farm developments. When other commodity prices have been low it has enabled farmers to generate revenue for their businesses by selling wood to the timber processors. With zero value it diminishes the ability of a landowner to leverage that asset; to borrow money for other activities on the property; and it doesn't give the cover for when sheep commodity prices are low.

Mr JAENSCH - Just to conclude, you have referred to the value of that asset in terms of its ability to be realised at the moment. Could I ask, with the trees that are on people's properties, is there any degradation of the asset itself, or is it still in store? Can it still be realised if conditions changed?

Mr RAVENWOOD - It depends on how long it goes on for. In the short term there is not a lot of degradation. If you are a highlands property owner, with a significant amount of timber on your land that has zero value, over time I guess you will not spend as much effort managing that forest.

Mr JAENSCH - In terms of fire or felling, or trimming?

Mr RAVENWOOD - Stock running through, browsing and new seedlings coming up. There is the potential for forests to become neglected in the longer term.

Mr JAENSCH - For now they still have latent value, if you could turn the supply chain or value chain back on?

Mr RAVENWOOD - Certainly. I am talking about a larger time scale.

CHAIR - Ian, the document has just been tabled. I know Cassie O'Connor has a question so if you wanted to speak to the document you have tabled we can then continue with questions.

Mr RAVENWOOD - There are probably three key tables. Table 4B gives you information on the hardwood plantation -

CHAIR - What page is that?

Ms O'CONNOR - The plantations here, are they all MIS, or is it a mix of plantation?

Mr RAVENWOOD - It is a mix. Table 4B is on page 10. Just focusing on the pulpwood figure, if one takes the Huon and Derwent west, east and central regions the pulpwood figure is \$141 000, \$49 000, \$69 000 and \$18 000 add up to \$277 000; and in that 2014-15 to 2018-19 goes up to almost a million tonnes total in those four regions. There is a

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map on the last page that shows where those regions are. So it climbs up to a million tonnes approximately in 2019-20 to 2026-27 year. And the -

CHAIR - Sorry, what did you say?

Mr RAVENWOOD - I will give the precise figure in the resource analysis, 952 000 tonnes. That increase reflects the lumpiness of the planting of that hardwood plantation at stake. Then based on a partial replant scenario, we are assuming that some proportion of the plantation of third parties land, may not get replanted. It would then go back to a total of 278 000 tonnes per annum up until 2043-44.

Table 6, which is on page 12, those same four FT supplies zones - so the Huon and the three Derwent, east, west and central -

CHAIR - That is effectively southern Tasmania?

Mr RAVENWOOD - Yes. Wood in that area you would not logically take up to Bell Bay. It would have gone to Triabunna when Triabunna was running. Those four catchments for pulpwood, and they are eucalypt native forest, adds up to 507 000 tonnes in 2014-15 to 2018-19. It goes up to 1.182 million tonnes in that period 2019-20 to 2026-27, and then back to 508 000 tonnes.

Ms O'CONNOR - Just explain to me - I get a bit confused with numbers sometimes - but the numbers in this table particularly seem to stand static across the timeframe - in fact in all categories. Table 6 - Private - if we look at Derwent East, Harvesting Residue Pulpwood indicates 108, 108 and so on, I am confused.

Mr RAVENWOOD - Sorry, the summary document I am reading had a spreadsheet error in it. You are quite correct. It is 500 000 tonnes pretty much across, but I have summed up. I can table the document and provide Charles with a copy.

CHAIR - 507 000 tonnes per annum?

Mr RAVENWOOD - Pretty much across that 30-year period.

CHAIR - What is your key point there? This is Eucalypt native forest.

Mr RAVENWOOD - Yes.

CHAIR - It would otherwise have gone to Triabunna.

Mr RAVENWOOD - It would otherwise have gone to Triabunna. By adding those totals together, the plantation volume and the native forest volume - I can see where I got myself confused, sorry. The sum of the four supply areas for Eucalypt native forest is 230 000 tonnes.

Ms O'CONNOR - Sorry to interrupt, but I want to be really clear about this. So that is the potential volume?

Mr RAVENWOOD - Yes.

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Ms O'CONNOR - What did you say, sorry?

Mr RAVENWOOD - 230 000 tonnes of Eucalypt native forest per annum from private estate, and that is across the 30 years that have been modelled. If you add the hardwood plantation estate and the native forest estate together, you get the 507 000 tonnes and the figure of 1.1 million tonnes is the sum of that and then it drops back. Because the plantation drops, it goes down 508 000. Sorry about that. I didn't lay it out very well.

CHAIR - That is okay.

Mr RAVENWOOD - Going to Table 1. [inaudible] quietly spoke to the committee about the public estate. This document I have tabled is a joint analysis that we did. Table 1, on page 6, sums the public estate and the private estate added together, and for those four supply zones, I can give you a total. In the first period to 2018-19 it is 1.306 million tonnes of wood. Then in the middle period in that table it goes up to 1.927 million tonnes per annum, and then back to 1.043 million tonnes per annum in the 2027-28 to 2043-44 period.

Ms O'CONNOR - We see an increase and then a decline. Is that in plantation or native forest?

Mr RAVENWOOD - Yes.

Ms O'CONNOR - That is assuming that the plantation estate is utilised to its maximum?

Mr RAVENWOOD - Yes, and the decline is based on an assumption of partial replant scenario. In the commentary at the beginning, before the tables, there is a description of what that assumption is. It is assuming that some proportion of it is not replanted, a conservative assumption, hence the drop in the third of those periods.

CHAIR - Is there anything else you wanted to say on the document before we go to Cassy.

Mr RAVENWOOD - No.

Ms O'CONNOR - Ian, I am interested in private forests' take on of the history so that we know what impact the sale of Triabunna had, particularly on suppliers and exporters in the south. We know that Gunns moving out of native forest woodchipping must have had an impact, but we have had some evidence put to the inquiry that the decline in the industry really began about 2008 where you started to see a drop off in sales and markets.

I am interested in exploring with you a bit more of the continuum here for private foresters in Tasmania. Going back to the establishment of the MIS plantation, that sort of journey of hope and optimism to where we are now, which is not a good place for private foresters in the south.

Mr RAVENWOOD - The establishment of hardwood plantations started long before MIS and Associated Forest Holdings, which is part of APTM organisation. All forests were planting hardwood plantations long before the MIS scheme. In fact most of the harvest

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today, apart from a little bit of Forest Enterprises plantation, has been from the freehold wood estate, rather than the MIS estate. These tables are looking at that peak in the middle of those periods, which is the MIS coming through. The contribution of the private estate to the export up until 2008 were progressively increasing along with the export from Crown wood. It dropped, I think, in 2012-13, with the lowest figure we saw about 220 000 tonnes of private plantation wood exported.

We are just getting the figures now for our annual report 2013-14 and the private hardwood plantation volume has almost quadrupled.

Ms O'CONNOR - Is that as the plantations have come on line?

Mr RAVENSWOOD - No, it's as the market -

Ms O'CONNOR - And where is the major market for that timber?

CHAIR - Because as the market has opened up, you say?

Mr RAVENSWOOD - Yes. I tend to recall Mark Twain's commentary about his obituary when I think of the Tasmanian export wood chip industry. The announcement of one's death can be premature, if one knows the quote from Mark Twain. So it has almost quadrupled in 2013-14 from the year before. But it's all out of the north. It hasn't impacted on the wood that is essentially orphaned in the south.

Ms O'CONNOR - So it is the market that's growing now - that is what we heard from Robert Eastman when he came in - but from your perspective, where we're seeing this growing market, is it for plantation timber or for native-forest timber? And what is getting the best prices? Where is the viable market growing?

Mr RAVENSWOOD - My expertise isn't particularly in the market, unfortunately. Robert Eastman certainly is. My understanding though is that it's both Japan and increasingly China. In terms of the wood I think, just from personal observations out of the Port of Burnie, clearly we are seeing native-forest woodchips on the wharf at Burnie again. One can just tell that from the colour of the chips. There are two heaps I believe. So that's as a result of exports of native-forest wood. I'm not in tune with the actual vessel for vessel feeling that's been done. Private Forests Tasmania is more of a custodian of resource information rather than marketing.

Ms O'CONNOR - I guess my question - because when we were listening to your testimony it sounds to me like a lot of the future promise for the industry is in the plantations that are coming on-line, and also there is a lot of potential there in the MIS scheme plantations if they could be unlocked as well. I'm interested in exploring with you what your industry's feeling is of what capacity there is in the plantation estate in future if we can (a) manage them properly, and (b) find a sustainable and solid market for them.

Mr RAVENSWOOD - It's good. If they are managed properly then there may have been a short period where receiver-managers limited the amount of money that was available for maintenance. I say this as an ex-middle manager, a plantation manager in the north-west of the state, that the management of Tasmanian plantations is very good. There may have been some reduction in forest management of established plantations for a period,

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but in the scheme of things we will see it as a couple of years, a relatively short period and once established they don't require a lot of time.

The plantation estate will be very important, but private forests in Tasmania, lot of it native forest, 800 000-plus hectares is owned by non-industrial landowners. They are farmers, and to Private Forests Tasmania, the organisation I work for, that's a very important resource, and historically a very important resource for Tasmania. That's about 5 000 people who own that resource.

Ms O'CONNOR - A final question. That's around the state, about 5 000 private native forest landowners.

Mr RAVENSWOOD - Yes. If you put a lower limit on someone who owns less than 10 hectares of native forest we don't - that 5 000 owner figure is those who own 10 hectares or more.

Ms O'CONNOR - Can I ask, Ian, because I'm interested in this work on native forest residue solutions or alternatives - what is your view - and I heard you when you said that there's the immediate future and then there are things that may well happen in the medium to longer-term future - what kind of flexibility there is with this very large plantation state to manage the trees so that they're more than pulp trees. Is there any capacity there?

Mr RAVENSWOOD - It's a business decision if you're talking about plantation.

Ms O'CONNOR - But is it a management decision too? If you look to the stand of trees, you know they're pulpwood trees, but you could manage them in a different way so they potentially have a higher value use.

Mr RAVENSWOOD - Well, you could so that the end products had a higher value. I often say to people to talk about high-value products, if I wanted to produce the highest value wood possible in Tasmania I would grow Huon pine on a 3 000-year rotation, except I would go grey two years into it.

CHAIR - I haven't heard that one before.

Mr RAVENSWOOD - It's making a point that profitability and value are quite different. Pulpwood is very profitable and I might say very honourable. It produces things like this. I would suggest that it is much more sophisticated than the wood that has been processed to make this table. Pulpwood is a fantastic product.

CHAIR - We might keep going. Mark has a question and then I will go to Rebecca.

Mr SHELTON - I am going to go down the native forest line, in the sense that the farmers out there who are so-called private growers, the sawmilling and the downstream processing that the sawmilling industry offers. There is a huge resource on private land for sawlogs. But the issue that they tell me about is that they can't make any money going in and just getting sawlogs. If they are going to get a contractor in, there has to be an outlet for when they go through their bush and they selectively log, but they take the mill logs. They want to leave the future mill logs. But then there are the other trees that are taking the goodness out of the ground and so forth, and that's the pulp out of the

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bush. Where is it going? Will private land owners be able to supply mill logs if they cannot get in to utilise the rest of the harvesting process to create a more productive bush for the next rotation and the next 30 years? I was talking to one farmer, over his grandfather's, father's, and his life time, it is around about 30 years, they actually can get back in from the bush and take that next load of mill log. Then they need to do the rest of the work in order to make the next 30 years is set up. Could you give me an idea of that process and where you think that is going? And what restrictions not having an outlet actually creates?

Mr RAVENWOOD - I can only repeat what you have heard. I hear exactly the same, but I know from a forest science and management point of view that land owners, who say that are exactly right. A very larger grower that I spoke to in the last few months, who is a member of the Tas Oak growers group, was saying that through the period since 2008-9, when the ability to get rid of the low quality wood disappeared, had a number of people seeking his saw logs but he knew that if he just harvested those logs and left the rest he would be degrading his forest for exactly the reasons that you outline. So you just cannot take the eye fillet and think that the beast is still going walk around waiting for the mince to have a market, it doesn't happen.

Mr SHELTON - The unfortunate thing with that is, where do we go? That is what the committee has to resolve in our own mind. The importance of outlets and we talk it being low quality wood and about improving the quality and doing lots of other things. But we have that certain per cent age of low quality wood that you need to get rid of. So from a private forest point of view, just the plantation of course we were going. What talk is out there in the industry about the future options for this.

Mr RAVENWOOD - The medium to longer term options, which are the buyer mass options, around the world people are definitely looking at the best buyer fuels, buyer energy and buyer refinery. Lots of chemicals that you can make from cellulose and lingam which is what wood is essentially made of. Sugars, not the sucrose, that we are familiar with and we put in our coffee and tea. Some of them are more complex sugars and you can make really fancy things. It is leading edge technology and there is a whole plethora of technologies, it is a little bit of a lottery.

The first commercialisation plant is getting built in the US. Some of them have already gone under. The technologies have not scaled up very well. It is definitely a longer term option. In the more medium term the massive wood type processes. Cross laminated timber - a lot of comment about the Forte building that was built in Docklands and the community centre and the library there, which was a mixture of blue lan and cross laminated timber. For both those buildings the panels came from Austria and I believe there are people looking at some of these massive wood processors at the moment. I think it is more medium term and will be damage done to the forest growers in the south of the state waiting for solutions like that to happen.

Ms WHITE - It is actually a minor question, Ian, because you spoke about the fact that market demand is growing but only the northern growers have been able to realise that. Obviously there is unrealised profit in the trees that are in farms. Are the private growers looking to make investments themselves in some of these residue solutions? Through your report that you have put together with FT, obviously that is not public yet, you talked about some of the things like biomass and biofuel, which I assume are some of the

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solutions that you have identified. Are you looking to work together to invest in some infrastructure that will help you realise the profitability of these trees?

Mr RAVENWOOD - That is not a Private Forest objective under the act. We certainly recognise our stakeholders are private forest owners, both industrial and non-industrial, and that marketplace developments are important for our forest-owning stakeholders. Our effort is to make clear what resources are available. The report that has been tabled is an example of the resource information that we can provide, and we have issued a number of these reports. In 2012 we issued what we called a Resourcing Review which was based on a hypothetical optimised location for a wood plant. It included the development of geographic information system add-ins. So if somebody wanted a wood resource of a particular quality for a plant life and it was x tonnes per year, where were the optimum locations in Tasmania for a plant. Economic Development talked to proponents. They also come to us to help provide proponents of projects with resource information.

Ms WHITE - Are you aware of any proponents that might be interested in using the Southern Forests for any sorts of projects?

Mr RAVENWOOD - From time to time the Resources and Energy consultant in Economic Development, part of State Growth, has contacted us and recently I spoke to a party who was interested in what resource was available.

Ms O'CONNOR - Interested in exploring it for what purpose?

Mr RAVENWOOD - The last one was manufactured wood.

Ms WHITE - In your view, with the knowledge you have around suppliers, in the Southern Forests in particular, do you think in the short to medium term the best option for the use of realising the value in that wood is to sell it overseas as pulpwood, or can we invest in technology here in the south, maybe something like the proponent you just talked about? Is that something that could happen? Do you think there is potential there?

Mr RAVENWOOD - I think there is potential.

Ms WHITE - What is the likelihood though? Do you think there is a real chance?

Mr RAVENWOOD - One gets torn between what you would like to see happen and what realistically may happen. My heart is saying to someone, 'Come along and build a CLT plant'. But my head is telling me that what your heart wants doesn't always happen. I am one of these people who doesn't see exporting woodchips as being a particularly bad industry. If you can't process the wood locally then there is nothing wrong with the woodchip because it is just an intermediate in a fantastic complicated product that needs chemists, engineers and others to make.

Ms WHITE - In that vein, obviously Triabunna is owned now by people who do not intend to use it as an export facility. In the work that you've done understanding where the residue is, where would you identify an alternative port for export in the south? Or you haven't looked at that?

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Mr RAVENSWOOD - No, it is not really something -

CHAIR - Is your head and your heart saying that Tasmania needs an export facility in the south of the state?

Mr RAVENSWOOD - Yes.

CHAIR - Right, thank you. You indicated three to four times the growth is in the north of the state?

Mr RAVENSWOOD - That's across in the whole of the state, but I know, from seeing shipping movements that it has been in the north.

CHAIR - There is nothing coming out of the south, export wise, export facility. Is that right?

Mr RAVENSWOOD - Yes.

CHAIR - So it's coming out of the north?

Mr RAVENSWOOD - Yes.

CHAIR - Okay. So in terms of that increase in the north. Is it fair to say that if there was an export facility in the south of the state it would obviously provide significant growth opportunities for those involved in native forests? Secondly, would inject value back into the owners' land property? And thirdly provide a more sustainable future for their businesses going forward?

Mr RAVENSWOOD - The answer would be yes to all those.

CHAIR - Thank you. The introduction of New Forests taking over the Gunns business, in part, how has that impacted on the native forest industry in Tasmania and again what about the south of the state, making them plantation?

Mr RAVENSWOOD - In terms of native, I don't think it would have had any impact. I'm not aware of any interest they have shown in the native estate. The settlement of that purchase only happened on 4 September, so I haven't seen any changes from the KordaMentha management of the Gunns business.

CHAIR - No doubt we will hope to hear from them in due course. Just going back to your opening remark where you said you had looked at the asset. At the moment in the south of the state - just correct me if I'm wrong, or clarify it for me if you could - those assets are being turned into nil-return assets? Then you said the asset is being turned into a liability and you also mentioned forest fires. How significant are these issues? Is it accurate that they are a nil asset and could actually be a liability for the owners of that property?

Mr RAVENSWOOD - We believe that's a realistic assessment. We see the frustration of landowners we have talked to, who have forests that were once an important source of revenue for them. Some landowners are looking at very large areas of forests on their

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land with frustration now that it's seen as a liability. So their willingness to spend money on their forest has diminished.

CHAIR - Yes. In terms of these, you mentioned biomass and biofuels; and going forward in medium and long term. In the cold light of day and the reality of life and business, and business-case scenarios, how realistic is that at the moment as you see it?

Mr RAVENWOOD - I think it's very low. The high-tech side is the leading-edge technology at the moment. The last thing Tasmania can afford is to be at the leading edge of new technologies in terms of biofuels and that sort of thing. I think even the mass of wood, the CLTs and the blue lams, are not immediate.

CHAIR - I see another request on my left and I know there is one on my right. You mentioned there were 5 000 private forest landowners in Tasmania, of 800 000 hectares would that be right?

Mr RAVENWOOD - Yes, with an area which is meaningful in terms of harvesting.

CHAIR - Yes indeed, so what proportion of that estimate is in the south of the state?

Mr RAVENWOOD - It is about 450 000 hectares in those four supply zones.

CHAIR - In the south of the state?

Mr RAVENWOOD - Yes, in the Huon and the three Derwent supply zones.

CHAIR - Thank you.

Mr RAVENWOOD - We probably have a smaller proportion of B owners. I think the size of properties tends to be larger in that catchment. Whereas on the north-west for example, property sizes tend to be smaller than in the highlands and the Derwent Valley.

CHAIR - Thank you. Cassy, you have a final question.

Ms O'CONNOR - You talked before about where your head and your heart are at, and what you would like to see and intuitively if you know what needs to happen. That Tasmania has a more diversified wood production framework in place, given what happened when the global financial crisis hit two markets and the dollar. What we saw happen in an industry that was very heavily dependent on native forest woodchipping, rather than being diversified. Do you acknowledge that the future of the industry in the long-term to make sure that it is viable and robust, no matter what happens in the markets, has to be at some level and diversifying the products we produce here, to build resilience into the industry here?

Mr RAVENWOOD - I think for our stakeholders, who are forest owners, the more markets for their wood the better. Competition in the marketplace for your wood is always better than having one buyer so -

Ms O'CONNOR - The question was not so much about the market.

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CHAIR - We might make this your last question.

Ms O'CONNOR - I have one more quick one after that, just on a point of clarification.

The question was, what does the industry need here for private growers and people who are connected with Forestry Tasmania and other companies? What does the industry need to make sure that it can withstand market shocks in future when a single product becomes subject to a wildly variable and fickle market. So when we are talking about cross-laminated timber and other higher end wood products. How important is it that in Tasmania we have some other product coming out of our forest, other than chips? An industry that it is heavily dependent on chips at the present and in the past.

Mr RAVENWOOD - I cannot disagree that it would be nice to have many industries seeking quality wood. As I said before, it is good for the growers, who are our stakeholders. There more people wanting to buy their wood, the better it is for them.

CHAIR - It is based on the market.

Mr RAVENWOOD - Yes, it is the market.

CHAIR - Okay. Clarification.

Ms O'CONNOR - The point of clarification is, you talked about the subsidy for producers to get their residues to the port in the north. Do you think private growers in Tasmania would require a subsidy in south, if a new export facility opened?

Mr RAVENWOOD - No.

CHAIR - Thank you very much, Ian, for your evidence today, much appreciated. You had a wrap up.

Ms WHITE - I have a final question.

CHAIR - All right.

Ms WHITE - Just very quickly, following on from our chat earlier about infrastructure needs and obviously what the solutions might be. I am curious to know what role you think government might be able to play to assist the private forests, and your stakeholders.

Mr RAVENWOOD - I guess it is policy settings. I am not sure whether I am just expressing a personal view of what the role of government should be. I believe the market should find its own way that relies on government setting policies that enables that to happen.

Ms WHITE - And not necessarily supporting infrastructure requirements?

Mr RAVENWOOD - It would be nice. I guess if government hands out money for infrastructure developments that would be as good as anything for them to hand out money for. I am a free market person. On a personal level I would like to think that if there is opportunity and there is profit in it, proponents will come to the resource. An old manager of mine wisely said when you have a good forest resource that is uncommitted,

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and there is very little forest resource around the world that is not committed to either a pulpmill or some sort of industry somewhere, the market will seek it out. That is what I would like to see happen.

CHAIR - Thanks very much again Ian for your readiness today. Greatly appreciated and pass on our best wishes to Tom.

THE **WITNESS** **WITHDREW.**

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Mr COLIN McCULLOCH, FORMER CEO, AUSTRALIAN FOREST CONTRACTORS ASSOCIATION WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Welcome to our hearing today. Before you begin your evidence I would like to ask if you have received and read the guide sent to you by the committee secretary. I would like to reiterate some of the aspects of that document. A committee hearing is a proceeding in Parliament. This means it receives the protection of Parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a Parliamentary Committee to speak with complete freedom without the fear of being sued or questioned in forum or place out of Parliament. It applies to ensure that Parliament receives the very best information when conducting its enquiries. It is important to be aware that this protection is not accorded to you if statements that may be defamatory and repeated or referred to by you outside the confines of the Parliamentary proceedings. This a public hearing. Members of the public and journalists are present and it means your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private you must make this a request and give an explanation prior to giving any relevant evidence. Does that make sense?

Mr McCULLOCH - Yes.

CHAIR - We welcome you to our hearing and thank you for being here. If you could make some opening remarks, tell us about your position and your thoughts. We will then move to questions after that.

Mr McCULLOCH - Thank you for the invitation to appear. My involvement in this process, for want of a better term, started in early March 2010. At that stage I was Chairman of the Australian Forest Contractors Association, and in absence of a representative from the Tasmanian Forest Contractors Association, we started to be involved in what I would call a process of looking at ways to gain government support for an imminent crash or as history tells us a quite significant crash in the harvestable silviculture business contracted to Gunns Forest Products at the time.

We facilitated two meetings which the minister at the time, David Llewellyn, attended with his advisers. Representatives from Gunns and Forestry Tas, at the highest levels, were at those meetings to look at ways and means to support the contract base which, at that stage, we were dealing with what might be seen to be a capped phase rather than an ongoing, continuous downturn that turned into a real political bastardisation of our sector and supply chain. In that context we were successful in negotiating assistance packages for a lot of businesses based on eligibility and contracted volumes they had with Gunns at the time. I emphasise at this point that it was Gunns contractors only, not necessarily Forestry Tasmania, and I think at that time FEA contractors were going through their gut ache as well.

Realistically from that process the group of industry leaders would have continued meeting to work with the ongoing pressures that were coming toward our sector in regards to the obvious pulpmill process. One of the reasons for not looking at exit packages, but focusing on ways and means to support the supply chain, was that we actually needed to expand the harvest and haulage base for the potential pulpmill rather

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than shrink it in regards to export woodchip and the tensions around export due to dollar and other factors, as outlined in previous submissions. It was a perfect storm that was really appearing before our eyes, and which we were trying to keep some sort of control of.

From those particular meetings the upshot of all that is, if you wanted to go through the whole process, was realistically the statement of principles process by the then Tasmanian Forest Agreement. My involvement has been at the very start and realistically finished, say mid-term 2013 in a governmental change and my change in vocation.

CHAIR - So your vocation - just for the record - at the time, you were CEO of Australian Forest Contractors Association.

Mr McCULLOCH - In late 2012 I took up a position CEO of the Australian Forest Contractors Association upon the demise of my harvest business.

Ms O'CONNOR - Based in Tasmania?

Mr McCULLOCH - My harvesting business, I had interests in Tasmania and Victoria.

CHAIR - But then you remained in that position until when?

Mr McCULLOCH - I finished with the Australian Forest Contractors in May 2013.

CHAIR - Did you have any other opening remarks before we go to questions?

Mr McCULLOCH - Obviously there is a huge range of emotions, particularly from my personal circumstances and involvement in the Triabunna community over a very long period of time. I started as a kid in 1970, I guess, and still remain a member of that community through family associations.

CHAIR - You were born and raised there, is that right?

Mr McCULLOCH - We shifted from Burnie to Triabunna. My father was one of two contractors who were contracted to start up the processes for the Triabunna facility. So early teens and in the community for a very long time.

Mr SHELTON - First of all, the obvious question is your comments around the number of contractors who were there and aren't there now. Do you have some specific numbers for the committee?

Mr McCULLOCH - Triabunna itself?

Mr SHELTON - Well, the number of contractors and the employees they would have employed at the time?

Ms O'CONNOR - In Tasmania, or regionally?

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Mr SHELTON - Well, the committee is here looking at Triabunna and that south-east corner.

Mr McCULLOCH - The resource base at Triabunna basically - for want of a better term - is the north-south split line. The evolution of the resource away from Triabunna and the building of the commodity in my own circumstance saw me shift to New Norfolk. So what we saw over a long period of time was a dispersement. But the hub and the heartbeat of the industry in the south has always been Triabunna with regards to the enormity of the business. And in that instance you're looking at the Triabunna facility and the township itself. Not only from the viewpoint of the resource but as the hub for a lot of service points. Transport for instance. Certainly as an employment base, from Swansea/Triabunna, Parkland, Woodsdale areas, we drew heavily on those particular people. I don't have specific numbers. I cannot recall a time through the whole process that we were looking at sheltering off numbers specifically towards Triabunna. Statewide - yes - through the process of assistance to start with and then exit after that. There were specific numbers involved and I recall a number of say 64 businesses needed to go.

Ms O'CONNOR - In and around Triabunna?

Mr McCULLOCH - Statewide. Triabunna was basically wrecked before the first exit process.

Ms O'CONNOR - In which year?

Mr McCULLOCH - That would be 2011 and before that when the facility actually closed.

Ms O'CONNOR - When Gunns decided to move?

Mr McCULLOCH - No, it was slightly before. It would be fair to say at that stage you were dealing with a facility that, along with a lot of other facilities nationally, were under a lot of stress due to tsunamis, the high dollar, and what you might call the emergence of the plantation resource nationally around blue gums more than nitens, and in that particular phase, native woodchip. Obviously this was not necessarily seen as the total focus of the export game and Triabunna at that stage was a native wood exporter and chip facility.

CHAIR - The obvious question that we have to deal with is the impact of the closure and the continued closure of the Triabunna Woodchip Mill on the local community. What is your response to that question?

Mr McCULLOCH - Triabunna was under duress due to those global pressures and it would be fair to say that over a long period of time we have seen the rise and fall of productivity around that sort of dollar process. It used to be, at one stage, we were on three days a week when the dollar was about 80 cents.

CHAIR - We have had evidence from members of the community and witnesses saying it was a devastating impact on jobs and businesses and families. Do you have a view that is different to that?

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Mr McCULLOCH - No, I don't. What I am trying to say is there was a lead-up time before the absolute shut down and that is a whole new process in itself. We were dealing and looking to focus solely on assistance to that part of the supply chain in the advent that (a) a pulpmill would give up, or (b) there would be a collapse in the dollar, and therefore the markets would return, as has been the history. We were in quite a state of distress.

CHAIR - To put it in context, if you could, your role with the Australian Forest Contractors Association, who you represented and you were also a signatory to the TFA. Can you outline that and then we can have some further questions?

Mr McCULLOCH - As I said before, realistically the assistance process brought a group of people together and as the situation grew worse, that group of people formed, for want of a better term, the signatories group. I do recall the meeting in Melbourne where we all focused on the time had come that we needed to involve environmental groups in the discussion simply because it would be fair to say we were not winning the battle on social license in regards to the pulpmill.

I do recall that meeting. Certainly the head of Gunns, the head of Forestry Tasmania, the head of CFMEU, the head of NAFI as it was at that stage, were all present and we were a part of that process as the Australian Forest Contractors Association. As a matter of fact, and it is noted but I have not presented it, but we drove the discussion around involving the environmental lobby group to work at ways and means to attract a more favourable attitude towards what was seen, and I still think is, the greatest advance in our business, to build a downstream processing facility that would be acceptable. From that point on AFCA became involved, through the evolution of that process, to become a signatory to the original statement of principles. We were represented in that process either by myself or Kim Paget, as I had to take leave to try to resurrect our business on the mainland. Through that process I returned to my role as CEO of the Australian Forest Contractors in late 2012 and at that stage the process had advanced and scattered to all sorts of different processors and to once again try to gain some sort of favour to get that downstream processing facility.

CHAIR - I just want to check if Mark had any further follow up on your question. I just want to get a context for the committee.

Mr SHELTON - The only comment that I would make now is, you mentioned the dollar and as it has dropped over the last couple of weeks from nearly 94 cents down to 89 cents, with your history and talking about the cyclical nature, do you believe there is still a future in forest industry, particularly if there was an outlet in the southern part of the state for the residues that we could put out?

Ms O'CONNOR - You are talking about native forest chips.

Mr SHELTON - I am talking about native or plantation.

Mr McCULLOCH - That is a good question and I think there are two key elements to this. We were dealing with this industry's guts ache at a \$1.05 and I do recall, maybe less two years ago, being at a conference in Melbourne where the dollar dropped to 89 cents. In two days, due to the dollar dip, 14 shiploads of woodchips were sold, including native forest woodchip, but more predominately blue gum. This may give you a view of the

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tensions that particular process brings to this business. The second thing that probably leads on from that, in my experience, in regards to plantation versus native forests is that 60 per cent of the current estate in hardwood plantation will remain. There will be a 40 per cent reduction in the actual estate nationally due to poor plantings; a lot of stress around the dollar; stumpage prices and different land uses that agriculture is developing in the way that they want to take their business and more arable land being opened up to irrigation.

Australian Forest Contractors were trying to protect an image that whatever happens native forest woodchips will not necessarily die. That it was just in a moment of time and all things are against that particular product. Now if you looking at 40 per cent of that estate disappearing, a sort of crystal ball gazing exercise, you would look at the lock-up of native forest harvesting in Tasmania, per se. Then all of sudden the dollar is at 76 cents and you have a lack of resource not being planted or available. Then it would be fair to say that we would be doing ourselves a major disservice shutting down not only that particular process of dealing with residues and of selling the residues, but also what we are doing to our rural communities by continuing to take away the ability to actually employ within them and contribute back through the way that employers do in those communities.

That might be a little bit long-winded, but my experience and involvement in the industry over a long period of time, we have just come through and out the other side of circumstances that were unprecedented and created a whole lot of different emotions to get to a point on both the environmental side and the industry side. Now things have steadied. Somewhere in amongst that there has to be that line of okay - this is what we've got; this is what we can offer the Tasmanian community; and this is how we must go forward in some sort of reasoned fashion. To a degree I think that's where we were heading with the process under the previous government, but then we got absolutely derailed and sidetracked through the Triabunna process.

Mr SHELTON - That's the next question. Can that optimism still happen without a southern outlet for the residue?

Mr McCULLOCH - Clearly not. It was the greatest nah, nah, nah, nah issue or process the way that Triabunna was sold. I think it's unprecedented in Australia's industrial history the way it happened.

Mr SHELTON - As a signatory then, to the whole Triabunna deal in your opinion keeping Triabunna open, in that process, was absolutely paramount, I take it.

Mr McCULLOCH - It was. Point number 1, all the literature that came through that whole process, Triabunna is a significant facility in the national interest of shipping commodities off shore. Point number 2, obviously the location of that facility and the need to actually put product at wharf side profitably is paramount to the industry.

You are questioning the whole process as to why that facility has ended up where it is today. As I said in my opening, it is quite an emotional process to those who have had to live through the damn thing, for those of us who have had our lives severely disrupted and ruined by that particular process. When I look back, we were sacrificial lambs to a greater process to which we participated in. We all believed that irrespective of what

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argy-bargy was around, a pulpmill in the Tamar Valley was Utopia from our point of view. As a part in the supply chain that would allow us to operate in a more profitable fashion; that would bring the technologies that we needed to get people off the ground; and to actually encourage a lot more different people to use their land to grow a resource that had a diversified home.

I listened to the previous witness talking about the ability of diversification and I think your question was quite pertinent towards that. Where export woodchips is just a process to take a bit of wood to somewhere else to do something with it, we had the chance to do that internally and to offer the advantages outside of that particular process through biofuels, bioenergy and the list goes on, excluding cross-laminates, et cetera. We lost the damn thing, but in the interim we lost the greatest opportunity to continue to expand the export process because we, for some reason, rejected the ability to turn that stuff into a better product ourselves. But once again, the emotional side.

Ms O'CONNOR - I am interested, Colin, in tapping into that emotion. How do forest contractors in Tasmania feel about the company formerly known as Gunns and its role ultimately, not only in the decline of the industry, but also its decision - it must be at some level on a commercial grounds to sell Triabunna to an interest outside the industry? What role did Gunns play in your mind, where we are at now and where we ended up in 2010, when the signatories came together?

Mr McCULLOCH - I have a view that might be contrary to other witnesses, that it was an in-your-face, up-yours, we will sell to this proponent because it will (a) stop another competitor coming in against us. Understanding that that volume would have gone to the green triangle as Gunns continued to process the Great Southern resource. I base my opinion on witnessing the toxicity of the relationship between Gunns and Forestry Tasmania.

Ms O'CONNOR - Other witnesses have talked about this.

Mr McCULLOCH - It would be fair to say that I saw it at firsthand on a number of occasions in the early days. It was an understandable tension, given that your biggest customer is also your biggest competitor. It was a little unprecedented in most areas of Australia, but there was a mutual understanding that we need to work on this industry together. I know it got personal. Some of the exchanges from Gunns' management towards Forestry Tasmania were embarrassing. I think that played a part in who Gunns' actually allowed to buy the facility. As questioned by other people who have been before you, it is very hard to understand why a board would want to take an offer that is \$6 million less. I would be working pretty hard to gain that \$6 million.

Ms O'CONNOR - I would like to explore this a little further. You have probably read Greg L'Estrange's submission that what was on the table was cash effectively, relative to what else was on the table. How much do you think, Colin, the fact that we had a single product - you could argue from an environmental perspective or an industry perspective about what that product is - a narrow market, and a monopoly industry player here in Gunns. How much do you think that was part of the perfect storm that you were describing before? It became very dependent on a single product, a single market, and a single corporate entity.

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Mr McCULLOCH - Given at the time, I probably wouldn't say a 'single' - understandably the FEA was starting to ramp up their business, both in eco-ash sawmilling and export woodchipping for the residues that that created. Understanding that Forestry Tasmania had continued for quite awhile through the South Wood project and their relationship with sawmillers, et cetera, on advancing sawmilling technologies to handle plantation timber, et cetera, I think you are right. I wouldn't call it a monopoly as much as just a gigantic conglomerate that we as contractors applauded when they first took over because it is a Tasmanian business and we are all Tasmanians. At the end no one would have foreseen the diversity of where Gunns was heading with regards to MIS, wineries, tourism, et cetera. That is their business and that is their business model. That was all funded on the lone woodchip industry as a part of their business.

I go back to the point that I think the contracting fraternity in 2009 and 2010 was spending a lot of their equity to remain in business with the advent of the pulpmill being to an extent a saving, but from my own point of view, something that we could diversify more into to modernise our business practices and to offer greater employment opportunities within the communities that we drew people from.

Our relationship with Gunns throughout the process was one of necessity inasmuch as we serve our master. In retrospect, I think at that stage there was some desperation coming around the management in regards to the fact that they were not winning the battle to try to convince a portion of the State that this is where they needed that facility put.

Ms O'CONNOR - Thanks, Colin. Final question. You were talking before about the statement of principles process. Are you concerned that at the moment we are in an environment where the environment groups have not been invited to the table to be part of developing a sustainable future for the industry and particularly around securing forest stewardship certification? You said before that it was important they were at the table.

Mr McCULLOCH - It would be fair to say that we were advancing. I would almost split the environmental groups up into good commonsense and into absolute idiots - that is how I saw it. I met some impressive people through that process. We had good robust discussions about where they viewed the future of the industry. I would have thought that the sensible part of the environmental group actually play a part in what a forestry industry would look like, and for good reason. I think the bite of the apple was way too big. I think it was partly designed to actually try to collapse the native forest industry rather than encourage it to diversify. But, once again, when you are in a negotiation process with a gun held to your head due to outside forces, it gets quite difficult. Especially from our point of view as Australian forest contractors. We were looking to do our very best for the participants within the industry so we became very attached to the human and emotional side of it; and it was and still is quite a terrible process in which their businesses were just wiped off the planet in the hope that we would get this wonderful opportunity in the Tamar Valley.

That has not appeared so you have a lot of people out there wanting to know why they were bashed up as much as they were and for what outcome. At the end of the day, I go back to the point where this 'up yours' attitude of Gunns to sell that facility has left a lot of those people without any ability. They had a skill set but it has been ignored. I think the state desperately needs that skill set of the risk taker, of the person that actually can jump in, create a business, and employ people in any particular part of the prime industry

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structure of the state. To have that taken away and that confidence ripped away from you and be part compensated for that - and I say part compensated. A lot of other people lost their businesses with no compensation as well, due to the structure of these exits. The attitude that we can just 'flog' off this processing mill at Triabunna to some fellow that has some other view of what it might be used for, has been counter-productive to anything that these people have given up, but also the very thing that you have to do as a government now to try to resurrect quite an important part of what our industry is.

Mr JAENSCH - The comments that you have made about Gunns decision to sell the Triabunna mill to Triabunna Investments, as an affront to Forest Tasmania, the 'up yours' gesture that you made, does that imply that Gunns knew that those people would not reopen the mill?

Mr McCULLOCH - I think history clearly demonstrates that is the case.

Mr JAENSCH - Do you think that part of that decision to sell to Triabunna Investments was, apart from being an 'up yours' to Forestry Tasmania, it had something to do with trying to secure some more social licence for the pulp mill or other activity?

Mr McCULLOCH - Absolutely no doubt.

Mr JAENSCH - Did they get it?

Mr McCULLOCH - No.

Mr JAENSCH - If Gunns was not getting a compensation payment from the government, which put \$25.3 million into their kitty, do you think that they might have -

Ms O'CONNOR - \$23.5 million.

Mr JAENSCH - Or \$25.3 million, one or the other. Once you get past \$20 million it is a large amount of money. If they were not getting that payment, do you think that they might have looked at other bidders for the Triabunna mill differently?

Mr McCULLOCH - You could draw a conclusion that, on one hand, they had an offer of say, \$16 million from a private consortium; and on the other hand with a compensation package plus, you are looking at a \$33 million injection into your coffers. It becomes pretty clear that as a board of management you would have to consider what is the best case for your shareholders. Now once again, if I was to take that as a cool business decision, it tends to be a little bit of a no-brainer. I do not think history tells us of the consideration to the communities, the ongoing availability of that particular area not only to export woodchips, but to also export other commodities, through that port space. This was not considered.

Nationally, we see buy-outs and they have occurred in the green triangle around the pine resource, where say Carter Hold Harvey have shut down two quite significant sawmills in that area. They never sold them off to anyone; they are shut down. They are not sold for a one particular reason, and that is because they do not want another competitor in that area. Now understanding that Gunns had quite clearly veered off to a plantation

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resource-based industry, there was no interest in Gunns to actually be involved in a native forest export facility, so it made no sense.

Mr JAENSCH - So, you would expect the government of the day to be able to join these dots as well and, in effect then, by agreeing to its compensation payment was facilitating the closure of that mill, or the keeping of that mill closed?

Mr McCULLOCH - I suspect, as we all were, the main focus at that particular time was to gain the downstream processing facility at the Tamar. Now I will say to you, as a member of this Government, you would have to weigh up those options quite heavily to work out what is the best 'bang for buck' for this state and this particular industry. In that instance, I would suggest that the previous government might have not considered what was happening with the Triabunna facility because up until, let's say 5 o'clock on one particular Friday afternoon, it was quite common knowledge that the local consortium had first dibs at that facility, and that facility was to be focused on resource in the south of the state.

I cannot actually talk on behalf of the previous government to what they actually knew about that. I would suggest to you that they might have been as surprised as a few others around the periphery of the government of the day - and I am not real sure about the head of the government - that, as the industry was, it was completely blindsided by this sale process.

So the answer to your question, I would say that a lot of the government would have been focusing on a positive outcome for Triabunna but I am not really sure about the executive part of government understanding where that sale was going.

Ms O'CONNOR - I can tell you they were completely blindsided by the sale, just for the record.

CHAIR - Have you finished, Roger? I have a follow-up question to your line of questioning.

You were a signatory to the Tas Forest Agreement and one of those clauses required the re-opening of the Triabunna Woodchip Mill, clause 30, at least in the short-term. I just draw you back to the evidence of Terry Edwards in advice to this committee at the last hearing because he was a signatory like yourself. He said, 'I feel very bitterly disappointed in case people have not detected as yet that we were conned and fell for it hook, line and sinker. I have never considered myself to be quite that gullible, but clearly I am, speaking of the requirement to re-open the mill'. So did you feel the same way when the mill was not re-opened?

Mr McCULLOCH - Not necessarily inasmuch as gullible or conned. Certainly, as stated before, our focus was more on the human element, and understanding also through the whole process that the Australian Forest Contractors view was that we should look after our particular sector of the supply chain. I can recall that my focus was pretty clear on a contractual base.

CHAIR - But you had just signed an agreement, a Tas Forest Agreement.

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Mr McCULLOCH - I understand, yes, that is exactly right, and on signing that agreement we also had to understand the durability process. As a part of the durability process my recollections are, as it come closer to the time of the first durability report, that this is going to be an extraordinary major tension within the group as clearly the Triabunna facility was never going to open for the export of native forest woodchip, or any woodchip from that point.

CHAIR - That was devastating for you? You were upset by that?

Mr McCULLOCH - Very much so. I had on other occasions dealings with the environmental groups more to do with workplace invasions and the effects that they have on the people that I was representing. I had represented a person in a case where he had basically reached the end of his tether. He had been videoed and set up and portrayed as an ogre, a monster. The video portrayed our industry in a pretty poor light. I had negotiated a meeting with the people who were involved in that invasion on the work site and the particular person that had been charged with assault and the environmental leaders of that campaign. We met for two hours with those people directly involved and I thought I had an outcome that would have saved my good friend the indignity of a court process. Certainly the kids involved in the so-called assault had a pretty clear understanding of why my friend had gone off tap as we worked through the whole process. Then he was just basically dumped on and had to go through the whole court process.

What I am trying to portray there is that I did not have any great faith in what you might call the ability of the signatories group to bring off the opening of that Triabunna facility as long as the environmental groups were involved in that.

CHAIR - Nevertheless, it was in the agreement. You signed it and everybody signed it, and that did not happen. I have -

Ms O'CONNOR - Sorry, it was not something that the environment groups agreed to. It was something that was a desirable outcome in the intergovernmental agreement. It was the strong wish of the industry but was not something that anyone could require of a private owner.

CHAIR - Thank you for your intervention. All the signatories signed that agreement, is that right?

Mr McCULLOCH - That is correct.

CHAIR - Thank you. I have the contract for sale of the Triabunna chipmill in front of me. It is a public document and it is on our website. There are two provisions in it that I just want to make you aware of, or ask if you were aware of them. The first relates to the fact that it required a contract of sale between Gunns and Triabunna Investments that the mill be leased to an industry operator and then be reopened. Then they went through an expression of interest process, which the evidence suggests was lacking credibility, significantly because nobody got a response to their expression of interest based on the evidence we have received to date.

You were aware of the requirement in that contract that it be reopened?

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Mr McCULLOCH - From the statement of principles?

CHAIR - No, from the sale of contract.

Mr McCULLOCH - No, I was not aware up until this process.

CHAIR - Okay, thank you. The other provision in it relates to compensation that Gunns was seeking from the government. There has been a view put that this is just a matter between two private companies selling one to the other. But there was a deed of release, clause 6 in the deed attached, that refers to the need for compensation to be paid by government to Gunns. That was subsequently paid in September, some months later. In that particular agreement it referred back to the Triabunna agreement, so there is a link there.

I am interested in your views on the merit or otherwise as to why the government should have been required to paid compensation to Gunns, and do you think they should have paid compensation?

Mr McCULLOCH - It is an interesting point. It would be fair to say that it was not missed by industry representatives at the statement of principles, or special council, I think we were called at that stage. How do you actually manage to get compensation for what you have voluntarily rescind? It would be fair to say that, in that particular process, and this would only be an opinion, there were some heavy negotiations by members of the special council to make sure that Gunns could have significant funds to look at paying out the redundancies as they closed that facility. It is only conjecture, but quite interesting.

CHAIR - Bob Gordon expressed evidence at our last hearing that he was very opposed to the payment of compensation, and that they had no legal right to that compensation for giving up their sawlog quota, which they did voluntarily.

Ms O'CONNOR - In his view.

CHAIR - In his view. What are your views?

Mr McCULLOCH - Once again, understanding that we are still in the phase of what this industry can look like coming out the other side of this cycle, and understanding at that time we would have still been dealing with a significantly high dollar, you would, in a special council scenario, be dealing with that and having to think that through. I can't recall that being a significant part of what the special council actually met for. I would suggest to you that that would have been negotiated off-site. From my own understanding, my notes and the minutes of any meeting of the special council, I don't recall that it might have been a significant point of discussion other than opinion. But I would say that would have been negotiated outside a special council and reported back to, at some stage. I don't recall.

CHAIR - What were the views of your members regarding the payment of compensation by government to Gunns?

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Mr McCULLOCH - It would be fair to say that a lot of the members at that stage were either out of work, or in a very poor state. I don't think Gunns had any friends at that time. If they were looking for friends in the contracting base, I think they would have been very rare.

Mr JAENSCH - If you said that you thought that the government was blind-sided as everybody was by the late arrival of the Triabunna Investments proposal and Gunns choosing to go that way, and if the general feeling was that the mill was unlikely to reopen, why would government with that knowledge enter into this payout arrangement, which was a condition of the sale of the mill?

Ms O'CONNOR - Isn't that a question for Mr Green?

CHAIR - It may be, but it is within the terms of reference so we will let Colin respond to the question.

Mr McCULLOCH - I would like to think that Mr Green could give a pretty strong answer to that in regard to (a) his appearing before the group, and (b) that he would have had knowledge of the process at the time.

As Ms O'Connor said, they were blind-sided, and I suspect in the current Government structure that the Greens and the Labor Party would have been sharing information on that process at that particular time.

Mr JAENSCH - They were blind-sided but there was a general feeling that once blind-sided though, and in the knowledge of Triabunna Investments being the buyer, that if they were to complete that purchase, the mill would be unlikely to reopen. If a condition of that purchase going ahead was the government giving Gunns sufficient compensation then the logic of that is, if government didn't pay Gunns compensation that deal might not have gone ahead.

Mr McCULLOCH - I think you could fairly draw that conclusion. The commentary around the initial projection from Triabunna Investments was that they will open that facility for a period of time and they will accept wood, albeit from about one square kilometre of Tasmania by the impositions that they actually had put on the wood supply in. Then you might look at that as a period of procrastination, that that business was probably playing everyone for the fool, and given enough time to probably try to take the heat off, then put up a proposal - as they have done - to turn it into some sort of tourist site.

That now leaves you with the very issue that confronts you, which is you have a resource that will and is in some slight demand, but in my view will go to greater demand, with nowhere to put it out of.

Ms WHITE - Colin, despite the allegations that Mr Jaensch is trying to make about what might have happened and why, isn't the argument you were trying to make earlier is that Gunns was reluctant to sell to a competitor, and that had been the nature of what happened interstate around the green triangle when sawmills had closed. So despite the allegations made by Mr Jaensch, would it be fair to conclude that Gunns was reluctant to sell to anybody that might have set up in competition with them, or had any chance of reviving the industry?

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Mr McCULLOCH - That's a good point, Rebecca, because, as I also pointed out, at that stage Gunns had veered off onto a plantation-only based business, which they had convinced quite a few people in the south of the state to give up their land for resource for Triabunna, which makes it a little bit nonsensical with comments that woodchipping is such a yesterday process. I would suggest that Gunns was actually looking to take a proportion of private resource grown specifically for Triabunna to export, or conversely that resource would have been taken through to the Tamar pulpmill as a value resource, and the native forest process would have been left to whoever owned the woodchip facility.

I would probably sit on the fence a little bit to what your question is, because once again I have a pretty clear view of why they did what they did. But yes, there would have been consideration as to who actually opened that mill and where they would have competed on the international market with that particular product.

Mr JAENSCH - They could have just closed the mill, and that would have suited their purposes, and kept it closed. Instead, they got one party to give them \$10 million to not open it again, and another party to give them \$25 million to help them on their way.

Ms O'CONNOR - Hang on, they did close it before it was sold.

Mr JAENSCH - They did, and they could have just kept it closed. They could have just left it, couldn't they?

Ms O'CONNOR - Well, on a commercial basis, why would they make that choice?

CHAIR - We will just have questions for the witness.

Mr McCULLOCH - It is an interesting point that they also had three other facilities in the north of the state that were never really seriously put on the market at that particular time, but have since now gone to the major buyer of the whole resource in New Forests. The stench leads back to that nah, nah, nah, nah moment in my view, and it just won't go away in my mind.

I completely accept what Rebecca said, and I would suggest to you that would have been a discussion in a more rational process, that if we were going to sell that facility, okay, we have divested our business away from native forests, fair point. Let's make sure that that facility is not competing with the markets that we are, and understanding that their markets were really, really heavily favoured towards Japan as against the new emerging markets in China, India, et cetera, then 500 000 tonnes of woodchips might not have necessarily been seen as too much bother.

But that's only conjecture on what might have been said in a boardroom with some rational control in it. I don't know that that actually existed.

CHAIR - Can I just follow up there, Colin, your point about being blind-sided - just going back to your point about that - it was some two months later that the government subsequently paid that \$25-odd million for compensation for the sawlog quota. Albeit even if it is correct what you say, that they had two months to work it out and they had

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the money on the table, they still did not guarantee the reopening of the Triabunna Woodchip Mill.

Mr McCULLOCH - Perfect procrastination.

CHAIR - That was a big disappointment again, to you?

Mr McCULLOCH - A massive disappointment. It was a massive disappointment to the whole of the state.

CHAIR - And the economic downturn and the impact on jobs?

Mr McCULLOCH - I think so. A lot of people had to make a lot of sacrifices to get this to go where we wanted it to go. It is not breaking news. The whole process of the special council's signatory statement of principles was to gain public favour for a pulpmill to advance our forest industry within this state and nationally.

The greatest disadvantage was to the communities in the forest harvesting and transport silvicultural businesses that had to lay down their arms to take it for the betterment of the industry, to portray a more environmentally friendly process to gain favour to build the pulpmill.

CHAIR - To get their social licence, as it were?

Mr McCULLOCH - There is no better negotiator in my time than Bill Kelty and he called what was left of his area to try to get some sort of workable process, and we were a big part in that particular process.

CHAIR - So we have ended up with no Triabunna Woodchip Mill, a landlocked port, devastated forest industry, loss of jobs and, of course, no Bell Bay pulpmill.

Mr McCULLOCH - Yes.

Mr JAENSCH - And \$40-something million public money into it.

CHAIR - In terms of compensation.

In terms of the evidence to date there is a view that has been put that Gunns took the \$10 million rather than the \$16 million on the basis of getting the compensation of \$25-odd million at a later time, which they did get.

Ms O'CONNOR - Can we get some clarification there? Where does that evidence come from that Gunns accepted \$10 million for Triabunna in order to get compensation? I have not heard that evidence put.

Mr JAENSCH - No, the other way around.

CHAIR - They accepted the \$10 million rather than the \$16 million.

Ms O'CONNOR - Yes, but that had no link to the \$25.3 million.

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CHAIR - That is what I am asking Colin. That is a view that I am putting and I am asking Colin.

Mr JAENSCH - Chair, in the Triabunna agreement the compensation to Gunns' satisfaction is a condition of this agreement?

CHAIR - It is in the agreement, clause 6.

Ms O'CONNOR - What the Chair is saying is the reason Gunns accepted \$10 million instead of \$16 million was somehow linked to compensation when I have not seen -

Mr JAENSCH - But in this agreement it is saying that this deal only goes through if the compensation is sufficient.

CHAIR - We will put the questions back to the witness.

We have the contract which has a clause in it regarding the requirement for compensation. Two months later they get their compensation. So it was a condition in the agreement. So they accepted the \$10 million rather than \$16 million. It goes back to Roger's question - I am asking you does that make sense to you? Does that follow?

Mr McCULLOCH - It never ever surfaced in the special council negotiations as such. I would suggest whilst there might have been people involved in the special council process who were involved in those negotiations there was nothing that I was aware of at the time. I would suggest to you that Mr Green would be someone who is probably more qualified to answer that than me.

CHAIR - Did you express a view at the time when they paid the compensation of \$25-odd million in September, did you express a view to the government, Mr Green or anybody else, expressing your aghast or your requirement or upsetness that it should require the reopening of the Triabunna Woodchip Mill? Did you do that, or anybody in your organisation?

Mr McCULLOCH - It would be fair to say at that particular time we were still focusing on working a pot of money around to the harvest and haul sector that were under pressure from different points of negotiation as to how that money might be disbursed.

CHAIR - I have a letter from Forest Industries Association that was tabled at our previous meeting from Terry Edwards. It is dated 20 July. It says,

FIAT is where the former Premier, Paul Lennon, is being contacted by prominent Tasmanian businessman at the specific request of Jan Cameron to advise him that she and Graeme Wood have agreed to a condition of sale imposed by Gunns that could prevent the Triabunna mill from operating for a period of up to 12 months if Gunns is not satisfied with the level of financial compensation they receive as part of the statement of principles process. FIAT understands that Jan Cameron may also have informed you of that condition last week. FIAT regards this condition by Gunns to be outrageous and tantamount to holding the rest of the industry to ransom.

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Where you aware of that and does that concur with your thoughts or thinking at the time if you were aware of it?

Mr McCULLOCH - I cannot recall being aware of it, in fairness to me or my organisation. As stated to you before, our focus was not necessarily on the residue side of negotiation. My role in special council at that particular time was to deal with shifting funding away from the contractor exit programs into capacity building. I do recall talk around special council in regards to how do we work toward getting the Triabunna facility up and running, and the confidence in that process was that the durability reporting process would pick that up.

It would be fair to say that the first durability report had a huge amount of tension around it in itself, not only from the Triabunna point of view, but certainly special species. In my view, that durability report was passed. I called that particular process the people's durability report because the industry's durability report would have been the next one due. That was where the tension around Triabunna would have been more prominent and I suspect those particular points that you have brought up would have been very much at the forefront of that particular process and I think the date for that durability report has well passed.

CHAIR - Finally, in your opening remarks, you referred to the 'political bastardisation of the supply chain'. Can you expand on that? What are you referring to in your comments there?

Mr McCULLOCH - The Triabunna sale.

CHAIR - That is your description of the sale?

Mr JAENSCH - Why do you say 'political bastardary'?

Mr McCULLOCH - Here we are dealing with the politics of it all, and there we were at the time trying to deal with an outcome that would have been the most favourable at that particular point in time. Understand that we were still through some blind faith working toward the pulpmill. My view for the fraternity that I represented was that if we could actually still get that up and running, the affected people around the Triabunna area and further south than that actually are major participants in supplying that resource, or conversely we would have looked at a different type of facility to export that chip out of.

Mr JAENSCH - In terms of the outcome you were looking for, could you have seen a pulpmill and a chipmill up and running at the same time at Triabunna? Or did you have to loose the Triabunna mill to get the Bell Bay one?

Mr McCULLOCH - No, because Gunns had clearly headed off in the plantation direction so it actually separated the process. So my view would have been that the best case scenario for all concerned, as has been the evidence by many people toward this committee, is that the Triabunna facility would have been more in line with a native forest/regeneration export facility.

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Mr JAENSCH - So that somewhat diminishes the argument that Gunns needed to close Triabunna to avoid having a competitor in the market because they had gone into a different market anyway.

Mr McCULLOCH - You can draw that conclusion.

Mr JAENSCH - So their only motivation, if it was not that, was the 'up yours' or the social licence.

Mr McCULLOCH - In my view. Very much.

Mr JAENSCH - Neither of which paid off for them.

Mr SHELTON - Just one more, Chair, with you intimate knowledge as a contractor and working for the contractor, where do we go now? In southern Tasmania, is Triabunna still the best outlet given the infrastructure, roading and that sort of thing?

Mr McCULLOCH - Geographically it is the only outlet for bulk shipping for woodchip.

CHAIR - In the south of the state.

Ms O'CONNOR - Colin, can I ask if you see that there is a risk implicit for the industry if the Government compulsorily acquires the wharf at Triabunna, for example, and an industry is trying to move towards Forest Stewardship Certification, social licence and a better relationship with environmental organisations. Do you think there is some risk involved in that scenario?

Mr McCULLOCH - It depends if you use commonsense or if, once again, there is political interference which FSC tends to invite.

Ms O'CONNOR - Arguably compulsorily acquiring private property is political interference as well.

Mr McCULLOCH - It is a good question. I have worked as a logger under FSC standards in Victoria, and I found it no imposition whatsoever. I understand certification and the politics around different certification programs to a certain degree. I think while ever you have a political process in Tasmania that is hostile towards native forest harvesting, you will always find a different argument to a different process whatever happens. We have seen that through Narrandera, through the Tamar pulpmills, and through all different varieties and processes and harvesting and the selling of timber in this state.

The biggest challenge, and it always has been the biggest challenge, is that we have a political process in this state that actually bites DNA opposed to harvesting native forests.

Ms O'CONNOR - It is interesting, isn't it, because I would equally argue that we have a political process in this state that is hostile to environmental protection and conflict resolution around problems that have been plaguing us as a community for 30 years. So perhaps the political process is quite complicated.

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Mr McCULLOCH - A fair point and thus so would be your question about another exporting facility.

CHAIR - Colin, thanks once again for your evidence today. It is much appreciated. I will just check, any other questions? No, we are all good.

Mr McCULLOCH - Thank you.

THE WITNESS WITHDREW.

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Ms JACKI SCHIRMER, SENIOR RESEARCH FELLOW, UNIVERSITY OF CANBERRA, WAS CALLED, VIA TELECONFERENCE, AND WAS EXAMINED.

CHAIR - Hello, Jacki. I am joined by our deputy chair, Mark Shelton, Roger Jaensch, Rebecca White, and Cassy O'Connor, who are members of our committee; and Charles Casimaty, our secretary. I will make a few opening remarks.

We are very pleased to hear your evidence today. Have you received and read the guide sent to you by the committee secretary?

Ms SCHIRMER - Yes, I have.

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

Does that make sense, and do you understand?

Ms SCHIRMER - I understand.

CHAIR - We also, just to advise, do have your report *Socioeconomic Impacts of Forestry Industry Change: Tasmanian Forest Industry Employment and Production 2012-13*, draft phase 1 report 8 April 2014. That is the document that has been received by the committee. We note that. You are the author from the University of Canberra, together with Caroline Dunn and Edwina Loxton. Thank you for that.

We now pass back to you, Jacki, for your opening remarks, just an introduction, where you are from, and a little bit about yourself and then also the report. Then we will go to questions. How does that sound?

Ms SCHIRMER - That sounds great.

CHAIR - Over to you.

Ms SCHIRMER - I'm a researcher currently based at the University of Canberra. For the last decade or thereabouts I have been doing regular research in Tasmania looking at socioeconomic change in the forest industry. That began with surveys conducted for the CRC for Forestry back in 2006. Since then we have conducted reasonably regular surveys that look at employment in the forest industry, where it is located, how it is changing and some of the things driving those changes.

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The CRC for Forestry ended a couple of years but then we were approached and funded to conduct another survey as of late 2013. That is the one that is reported in the report that you have just referred to there.

CHAIR - Jacki, can I just interrupt for a moment. I am double checking with our Committee Secretary in terms of swearing in the witness, whether that is required by telephone.

I am advised that because you are out of jurisdiction it is okay. Please proceed. I was just checking as a formality. Thanks again.

Ms SCHIRMER - The report that you are looking at is the first draft of a report and we are in the process of finalising that draft at the moment. The report looked at what has changed in terms of employment and activity in the Tasmanian forest industry, particularly between May 2011 and November 2013, because our previous most recent data had really finished in 2011, which meant that the data was getting out of date. The report you have in front of you updates that information to look at how the forest industry was standing as of November last year.

One point I would make, is that because things are moving very rapidly that means this data is already probably out of date, but it is the most up to date that we have. I might throw it over to questions there.

CHAIR - Thanks very much. I will ask Mark Shelton to lead off.

Mr SHELTON - My background previously to coming into state politics was mayor of Meander Valley Council. I find the report, or what I have looked at so far, very interesting. My interest, as a country boy born and bred, is the change that is happening through the social change of employment in country areas. What you have noticed as far as the sustainability of these regional communities once you lose that base employment of the locals basically, so can you enlighten me more on your report around those lines?

Ms SCHIRMER - In this report, I think as usual one of the challenges we have is, we have been trying to build something to look in more detail at what is happening to towns more broadly as a result of the changes that we are recording in the forest industry. I will speak a bit more broadly to that point beyond what is in the report if that is okay. What we see when we look at rural communities in general is, if you see they are highly dependent on one industry and that industry has a rapid decline, then you do see real problems for the future.

Where you have communities that have dependence on four or five or six industries, while it is still very difficult when one of those industries gets into difficult times, you do not see the future of the community under as much threat. Within Tasmania, Glamorgan-Spring Bay would be one of those key areas where we see there was such a high dependence on forestry employment that it is a real challenge for the future of the community with such a large proportion of jobs having been lost.

Looking at the report, we are talking about in Glamorgan-Spring Bay just in terms of direct jobs in the forest industry that were lost between 2008 and 2013, that is almost 10 per cent of the whole workforce. That does not take into account the flow-on effects,

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because particularly for Triabunna there were a lot of jobs that really depended on the business that you had when there were a lot of log truck movements in and out of the area. Our figures are really under represent the true loss of employment in the local area.

Mr SHELTON - No doubt about that. The reality in Tasmania in these regional communities, is that there is agriculture and there is forestry and there is very little else. We can talk about diversifying, but the issue is always that these are the two main ones at this point in time and, while you can tinker around the edges at diversification, they are still the cornerstones. Supporting the base industries as well as diversifying would have to be a critical thing to keep these communities at a sustainable level.

Ms SCHIRMER - Yes, and that is an ongoing discussion around how do we support communities that really do depend on one or two industries. I would take that as a comment as read and I would agree with it.

CHAIR - Just to follow up, Jacki, I am looking at your attachment. It is the second last page of your report, which is table A2.1 Trends in Forest Industry Employment by Local Government Area 2006-2013. I am just drilling down there and it seems Glamorgan-Spring Bay in August 2006 -184 jobs; August 2008 - 193; and then September 2010 - 123; May 2011 - 60; and November 2013 - 7. We are talking a massive drop in direct forestry jobs. Can you just explain the percentages - you have 2008-2011 and is that 2011-2013?

Ms SCHIRMER - That is right. Those columns at the end are about the change in the number of people directly employed in the forest industry. Up to May 2011, which was just after the closure of the mill, there had been a loss of almost 70 per cent of all forestry jobs by that stage. If you take the number of jobs that you still had in 2011 and look at the decline between then and 2013, of the ones who were still there in May 2011, which was 60 jobs, almost 90 per cent of those had been lost by 2013.

When you have a relatively small community that represents a huge proportion of the labour force. We are talking about almost 10 per cent of every employed person having lost jobs since 2008 just in terms of direct jobs. It would be a larger number of additional jobs on top of that which have been lost due to all the flow-on effects that go from that, as well as the loss of those log truck movements and people buying lunches in town and all the things that go along with that.

CHAIR - Have you done any analysis on the flow-on effects of one forestry job in terms of how many other indirect jobs flow through from that? Have you any research on the flow-through effect and the multiplier effect?

Ms SCHIRMER - Not in this report, but in other reports we have looked at that. One of the challenges is, that it depends on how big the area is that you look at - the bigger the area you look at, the bigger the flow-on effect because it takes into account all the different economic linkages. Depending on whose model you look at, it will be at least one additional job lost for every direct job lost and anywhere up to two or three.

Triabunna would be a case in point where we need more specific on-ground studies because there was a lot more flow-on effect locally than in a lot of other areas, because

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you had so many truck movements in and out and so much activity going on because of that.

I would say for Glamorgan-Spring Bay, those traditional flow-ons, we would need a specific study of the local area to get to the true size of that flow-on effect. Unfortunately, to my knowledge, that has not happened in that level of detail.

CHAIR - Have you done any specific research on Glamorgan-Spring Bay, or is this just an analysis statewide and you have broken it down into local government areas?

Ms SCHIRMER - This is an analysis of statewide. We get as specific as we can to local areas but unfortunately we did not have the resources to go into specific communities and then look at how they have all coped. This is something that I have been calling for several years for additional resources to look at how the communities, where the impacts have been largest, are actually coping and how we can better support them. Unfortunately, we still have not had that indepth research undertaken.

CHAIR - Based on your figures in this report for Glamorgan-Spring Bay has the biggest drop from 2011 to 2013 of nearly 90 per cent at 88.4 per cent.

Ms SCHIRMER - Yes.

CHAIR - Amongst the highest drops in 2008 to 2011.

Ms SCHIRMER - That is correct.

CHAIR - There are some other big drops, Latrobe, Dorset, Burnie and Southern Midlands.

Ms SCHIRMER - Yes. Glamorgan-Spring Bay is absolutely one of the largest drops in terms of the percentage of the workforce in the forest industry that lost its job. It also stands out in terms of percentage of the labour force because, being a small population community, that represents a large proportion of the total number of jobs in the community.

CHAIR - I mentioned Southern Midlands because that feeds into Triabunna as an export facility, as you may be aware, and that drop over the 2011-13 period was 95 per cent and up to 2011 was 59 per cent. They are now down to four direct jobs as opposed to seven direct jobs in Glamorgan-Spring Bay.

Ms SCHIRMER - Yes.

Ms O'CONNOR - Hello, Jacki, it is Cassy O'Connor here. I am a Greens member of the committee. That is my qualifying statement. Thanks for your presentation and your paper.

When you said that you were approached and funded to do further work, where did this approach and funding come from for this very comprehensive paper?

Ms SCHIRMER - We were approached by the Special Council and the funding was received from what was then DIER and I understand now is State Growth.

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Ms O'CONNOR - Is this paper the property, as a contracted document of State Growth? This is obviously your intellectual property but does it belong to government?

Ms SCHIRMER - It belongs to government and at the moment we are in the final revision of the report. My understanding is the Government will be determining a date at which to make the report public.

Ms O'CONNOR - When we go through some of your report and have a look at where, for example, the jobs growth has been, in 2012-13 we can see there has been some growth in the industry but it has been in the area of plantation development. Having looked at the industry for the past 10 years - and it is probably a slightly unfair question to ask you - what are you seeing in terms of the trend in where the jobs are growing in the forest industry in Tasmania and Australia?

Ms SCHIRMER - I will take it in two parts, one being Tasmania and one being Australia. I would have to say that in Tasmania, at the moment, it is very difficult to comment on trends given how much flux various things are in. In Tasmania, the trend over the last 10 years has been for decline in native forest jobs. That is for a whole range of reasons that have varied somewhat over time, but there has been an overall decline. When we look at softwood plantations in Tasmania, there was a decline in jobs during the global financial crisis and just before with the closure of mills around the Dorset local government area. With the hardwood plantations we were still in that very expansionary phase of more plantations being established through to the time when most of the managed investment scheme companies collapsed around 2008, 2009 and 2010. Since then there was a decline in employment but that is coming back up again. I would expect to see some increase in employment in the hardwood plantation sector in the next couple of years with the increased volumes of harvest and a bit more certainty in ownership. That would be my expectation.

Ms O'CONNOR - We had some evidence put to the committee from a representative of the Chamber of Commerce in Triabunna. To encapsulate it, it was basically that for a long time governments of different colours must have seen coming what has happened to Triabunna and yet did nothing about it. So you had a small regional community heavily dependent on a single industry and a single corporation. In your experience researching these things here and interstate, how much has that focus on a single industry caused the bigger problems when that corporation goes into decline? What are the tools that government and community can use to help those town adapt, change and succeed?

Ms SCHIRMER - That is a very important question. I wouldn't say all the answers are known to that. Some of the best case studies come from mining industry communities - that is, communities literally built around a mine - they then have to think of a new future for themselves when that mine closes. We haven't seen it as much with the forest industry because more broadly in Australia you tend to get towns that aren't so wholly dependent on the forest industry. We have not had the same sort of examples in forestry in recent times. We would have back in the 1970s or 1980s when there were still towns dependent.

The things we know help with adjustments, one is having a long time frame knowing something is going to be happening so you can put in place measures, 10 to 15 years

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ahead, to start planning for that transition. I know that is not very helpful to say now, but that is one of the things for the future that we know is very important. If people know there is a transition coming, they can start putting in place a whole range of things. It lets people make their own decisions about what they want the future of their community to be and put in place plans for that during the period they still have jobs and resources to put into play in that future.

When you are beyond that point where you have had that opportunity to plan, it gets much more challenging because the challenge is how you stem the flow of people without a job right now. So they are having to take jobs in other communities and are not around to help plan for the future of that community.

Some of the things people find helpful - obviously some new economic activity is a key one. It is important to think broadly about that. Some of the communities you look at, some of the ex-mining towns, have done some very interesting and creative different things. Putting all your eggs in a basket and trying to predict which thing will be successful isn't always the best way to go. Sometimes the best thing is to ask locals what their ideas are and try to support them to get the resources to make this happen.

The other thing that helps us is trying to keep the social fabric of the town together by supporting people to come together. We learnt this through drought periods. There are some great reports looking at what worked and what didn't for very agricultural-dependent communities during drought.

One of the key things that really helped was providing opportunities for people to get together. If you are not getting together for the things that used to bring you together like work - in the case of farmers, things like sheep sales and things like that - you need to have other ways to get together. When people get to come together they can support each other; they can see they are not alone; and it can reduce some of the mental health aspects - the really difficult mental health problems that can arise when people start to feel isolated through a change like this. It can sound a little like it is not as important, but actually finding opportunities to bring people together to support each other and also to share ideas is really critical.

That is a couple of things but, again, I would say there is not a science to this in any way, shape or form. There are a lot of people around in a lot of communities asking for the same sort of information and, as researchers, we would say we are only at the start of really answering them.

Ms O'CONNOR - Thanks, Jacki. I have to agree with you, that bringing people together in times of crisis is absolutely essential.

Mr JAENSCH - Jacki, I have been reading through the material that you have here and some other bits and pieces you have written over the years. We have a lot of small communities that are dependent on a single major industry or company. A lot of them are mining towns and we have one at the moment that is hurting particularly badly. I want to ask you this, some of our industries have a long lead time in the trajectory or decline that people understand the risk of. In the case of the Triabunna area, in particular, one of the reasons for this inquiry running is that there is a lot of speculation that the changes that have been brought on there may have been responding to some

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longer term trends, but they are also potentially more political or tactical decisions by companies making decisions that have nothing to do with the local area but which the local area is feeling the impact of. Does that change how a government might work with this community as compared to a community which has been in long term decline or had some more understandable reasons for change?

Ms SCHIRMER - It is probably difficult for me to answer if that should change how a government works. What I can say is that it changes how people are experiencing the impact of the change.

Mr JAENSCH - Can you tell us about that?

Ms SCHIRMER - Yes, one thing we know from a lot of research into how people experience social and economic impact is, say, you are in a mining town and you have always known that that mine would have an end date. You didn't know exactly when it would come but you knew you had to plan for it and you have probably starting making plans. It reduces the negative impacts when it does close because you have had that warning.

When it happens without warning all you feel is it happens for reasons that are political or unfair in some way. It increases a negative impact because we can find it harder to cope when we see a change happen and we feel we didn't have any notice that it was going to happen. We have not had a chance to prepare.

What it does mean is, that it is a greater challenge for government to respond to because to address all of the people's capacity to respond is reduced as things have happened suddenly or unexpectedly, or because they feel the change was unfair or unjust in some way. That really affects how we cope with those sort of changes. It is a big issue.

Mr JAENSCH - Are you aware of any examples of when that latter case, that sort of unfair, unjust or unexplained change, how that has been successfully addressed with communities?

Ms SCHIRMER - We don't seem to see it in quite the same situation so some of the situations I am aware of successfully addressing it may not apply - I can't quite tell. For example, it is more when you see concern over new developments and people feel they haven't had a chance to have a say. If you can find a way for people to feel they have some control over their future and some say in a decision being made about their future, that can help address it. But that is a really challenging thing to get to in quite a lot of situations - having people feel like instead of things being done to them, they are getting to have a say or right to take part in it, if that makes sense.

Mr JAENSCH - The last question on this thread, is it beneficial or can it help a community to come to terms with change that has crept up on them if there is a process of presenting information that explains what happened?

Ms SCHIRMER - Potentially, but it really depends on what information gets presented and how. Beyond that it is impossible to say if it always does but is one thing that has potential.

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Mr JAENSCH - Thank you.

CHAIR - Jacki, following up on that, in your executive summary, page 4 under *Industry Expenditure*, over that period you note 2005-06 to 2012-13 expenditure by the forest industry has fallen by approximately 70 per cent. You have given us the figures, about \$400 million or thereabouts and then you mention employment decline by 57.6 per cent during the same period. I am wondering if you can give us the exact numbers in terms of employment. Have you the numbers for exactly what it was in that period? I can't see it in the report.

Ms SCHIRMER - If you look to page 8 it gives you exact employment figures on the graph and it gives it to you in a few ways. One is the total number of people employed, and one is the full-time equivalent employees employed. In August 2006 there were just over 6 400 employed in the industry across Tasmania. That then went up to almost 7 000 in August 2008. That is the point employment started to drop quite rapidly. By September 2010 there were 4 650 jobs or thereabouts in the industry. That then dropped further. Less than a year later it was down to just under 3 500 and by November 2013 we were down to 2 715.

CHAIR - Is that 2013 or 2012? There are two 2012s there. Should that be 2013, that last one?

Ms SCHIRMER - There is February 2012 and a November 2012. The figure I was just reading from is November 2013.

CHAIR - Is that on the next page or am I missing a copy?

Ms SCHIRMER - I am reading from page 8 on the graph.

CHAIR - What is your final figure?

Ms SCHIRMER - 2 715.

CHAIR - Thank you, and that factors into your percentage of 57.6 per cent.

Ms SCHIRMER - Yes. One of the things because employment in the industry rose between 2006 and 2008, when you start with that 2006 point, the employment loss can look a little less than it was if you take it from 2008. If you say that you are looking for employment to climb for 2008 the percentage would be a little bit higher.

CHAIR - Do you know what that is?

Ms SCHIRMER - I would have to calculate to be honest.

CHAIR - My next question is on the next page. Adapting to the Tas Forest Agreement on page 5 in your executive summary, a majority of business, 63 per cent, believe the TFA would reduce the quality of logs available to their business while 52 per cent would reduce quantity of logs available to their business. Have you done a survey of those businesses and how many businesses would you have surveyed?

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Ms SCHIRMER - Yes. That was all based on a survey of businesses. In the method section we describe the responses we received. I will flick to that to make sure I am reading out the exact numbers.

In terms of methods we surveyed businesses, we included all large-sized businesses, meaning they employed a large number of people - over 100. We had almost all medium-sized businesses and with smaller-sized businesses we had a sample. There is a table on page 5 that gives you the full statistics on how many people completed the survey versus how many completed what we call basic information. It differs for different parts of the industry. Over the whole industry we have data provided by 75 per cent of businesses. In terms of that data on how people felt the TFA would affect them, that was actually asked of specific types of businesses, particularly the processors, so that is around 70 per cent completed those questions, of all processors.

CHAIR - Very good. In your conclusion you talk about the statewide in 2013 being described as a moderately stable state. Have you done any analysis of the north/south because a lot of the evidence we have is, the south is obviously struggling significantly more relative to the north, and the lack of an export facility has come into the evidence to our committee in that regard. Have you analysed that? Have you any breakdown?

Ms SCHIRMER - Yes, all of this is at the end of last year, and when we compare the constant for businesses in the south and the north, if we're looking specifically at the sawmillers and the processors, yes, confidence was lower in the south than the north.

CHAIR - Where is that figure in your report in terms of the confidence?

Ms SCHIRMER - It's not. This is actually an analysis I have done since this draft was produced.

CHAIR - Could you tell us a bit more about your analysis, please?

Ms SCHIRMER - Basically what we have done there is just compared. We asked businesses a series of questions about how confident they felt about the future; whether they felt confident their business would actually survive into the future; and their profitability. Now, it gets a little complex because we have so many processors servicing different types of markets. But when we look at the larger sawmillers and processors in the south they tend to be less confident than those based in the north in terms of their businesses' future.

It's difficult to say how that would apply today, given we were given this survey prior to the election. Some of this confidence will have changed quite a bit since we did the survey.

CHAIR - Any more evidence on the south as to why the confidence is lower? Did they talk about the need for an export facility, or did they give you any other reasons?

Ms SCHIRMER - A lot of it was around markets, and those markets were particularly around the chip markets. Yes, that was absolutely one of the reasons for lack of business confidence and concern about the future of their business. There were also other reasons; that certainly wasn't the only reason for low confidence. That would be mixed

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in with a range of other reasons which vary for each business. For some of them it was about their markets for other products; for some of them it was about whether they felt they can source enough round wood for their mill. Definitely woodchip market factors into it, but it wouldn't be the only thing.

Mr JAENSCH - Just for clarification, specifically in what you have just said, Jacki, when people were referring to markets, we have had other witnesses tell us that there is a difference between there being a market and the market being full up, with our competitors having made their running and there is no room for us any more. Did people make any distinction between whether there was a market for their products, or just whether there was room for them in the market?

Ms SCHIRMER - There were more comments on whether they had access for market and they didn't tend to distinguish between that because we didn't ask them to in this survey. I think that's a really important issue, but unfortunately we didn't get really specific information on that.

Mr JAENSCH - Okay, thank you.

Ms O'CONNOR - Jacki, I am interested in hearing whether, through the work that you have done examining social impacts of economic shifts for rural and regional towns, you have an example of a case study of a town that was heavily dependent on the native forest industry that has made a successful transition, or is making a successful transition.

Ms SCHIRMER - That's a question I would need to think a little bit about. No one town springs to mind. There were some that were very dependent on forestry back in the 1970s and 1980s, but one of the challenges there is, so many things have changed, it is a little difficult to say the transition relates to native forestry that they've made. I would need to think a little more about it, unfortunately.

Ms O'CONNOR - Sure. What about some of those towns in south-west Western Australia, where they moved out of the logging of old growth in the past decade or so. Have you had a look at any of them and what they've done?

Ms SCHIRMER - Yes, we have done some studies in south-west Western Australia. We have mostly looked at the transition of forestry workers since the Regional Forest Agreement process there, and found that most workers have found new work in the longer term, although in the short term it was quite difficult for many of them. I guess in south-west Western Australia, a lot depends on the period of time we are talking about, because there has been a number of other changes that have had a very strong tourism market for part of the period since things like the RFA for example. A lot of it depends on what other markets go well or go strongly that provide opportunities.

Ms O'CONNOR - Okay. One of the concerns that has been expressed to me, and in fact that I share, is that you have to be very careful in undertaking an inquiry like this, that you do not restart the grieving-anger-blame process. Do you have any advice for us as a committee, in making sure that the work of this inquiry is useful and most particularly to the people of Triabunna.

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Ms SCHIRMER - That is a really good question and it is fantastic to hear that such consideration has been given to it. One of the key things we see in a lot of research on this, if people feel that they were genuinely heard and listened to, it does make a difference. So that opportunity to express concerns is actually important, even of itself. If it is done in an appropriate way where people do not feel their views were dismissed, it can provide a useful thing, where people feel I am being listened to. But it is challenging, people can feel very frustrated if they do not feel that then leads to some kind of action or outcome or change to their situation.

So one of the big challenges is being able to firstly, reflect back to people and let them know they have been listened to, that they have been heard, and what they have been living through is actually being understood and made public. I think that is valuable, but then shifting forward, it is that challenge of how do you provide a way forward for people who may feel they are not being given many options for the way forward as yet. I am not hugely helpful on that at the moment, I am afraid.

Ms O'CONNOR - No, you have been very helpful, Jacki, it is a really good conversation. So my final question is, if you are prepared to make informed speculation, do you think we would be doing the community of Triabunna a disservice if, as a committee, we produced a report that said, 'You can go back to the way things were before, keep doing things the same way and it will come out with a different result for your community'?

Ms SCHIRMER - To be honest, there is so much that I would need to know around that, like whether that was actually a good recommendation, that I really cannot comment on it, in that it would it be doing a service if that is actually the case, but if it is not then it would not be. So, yes.

Ms O'CONNOR - The reason I ask that question is on this inquiry there are three Liberal members, one Labor member, and one Greens member, all of us with different perspectives on the issue. Obviously, one of the things I am concerned about is that the Liberal members on this committee will support an approach that potentially holds Triabunna back by making them go back to doing the same thing that was done before that did not work out so well over time.

CHAIR - We might take that as a comment from Cassy O'Connor, Jacki, if you are happy to do that. I will just check if there are other questions before we wrap up, Jacki.

Mr SHELTON - Your draft report, when is it due for release? I should have been listening more.

Ms SCHIRMER - My understanding is State Growth is working on that at the moment. I do not actually know a date of release. So it is something you would need to talk to them about.

Mr SHELTON - Okay. You mentioned earlier that you had done some more research since this draft was put out. Was that research to be included in the draft report, or is the draft report now final and just waiting for the government to put it out?

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Ms SCHIRMER - In response to the draft we had some comments on the draft asking us to add in a little bit more detail. So we have just done a little bit more analysis on some of our data. So it is substantially the same as what you have seen.

Mr SHELTON - So therefore, with you doing this work on the draft giving not only just the Triabunna communities some actual numbers and logic to the loss of jobs and so forth, that this committee in bringing down a report, somewhere around the same time in a month or two, then those two things could actually assist the Triabunna community in overcoming their questions that they have had about the whole process.

Ms SCHIRMER - It can certainly provide information to it. Whether it answers all the questions, I am not sure.

CHAIR - Jacki, I will just check if there are any final questions. There appear to be none. Can I just say thank you very much. This process is very important. The research that you have given us regarding jobs in the forest industry is the most appreciated. It is clearly answering some of the questions. There are many questions that need to be answered and that is one of the key reasons for this inquiry and you have assisted us greatly. On behalf of the committee, thank you.

Ms SCHIRMER - Thank you for the opportunity, I appreciate it.

THE WITNESS WITHDREW.

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Mr TONY STONJEK, AKS FOREST SOLUTIONS PTY LTD, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Tony, thank you very much for being with us today at this committee of inquiry. Before we move forward I just need to have some procedural matters to share with you. Before giving evidence I would like to ask whether you have received and read the guide sent to you by the committee secretary?

Mr STONJEK - I have.

CHAIR - Thank you. Just to reiterate some of the important aspects of that document. The committee hearing is a proceeding in Parliament. This means it receives the protection of Parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a Parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of Parliament. It applies to ensure that Parliament receives the very best information when conducting its inquiries. It is also important to be aware that this protection is not afforded to you if statements that may be defamatory are repeated or referred by you outside of the confines of the proceedings. This is a public hearing and members of the public and journalists are present and this means your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private that you make this request and give an explanation prior to giving the relevant evidence.

In welcoming you, we say thank you very much. Could you introduce yourself, your history, your background and your role, and any matters in your opening remarks relevant to the terms of reference before we have some questions.

Mr STONJEK - All right. A quick brief from where I have come from and where I am now. Basically I started work in 1973 with the then Forestry Commission. I started off on the bottom rung as a slasher man, which if you want to put it in common terms I suppose, the sweeper of the newsroom and ended up being the editor. That is an analogy I can associate with. I worked for 13 years with the Forestry Commission in the planning process which revolved around assessment work in the field, in the bush, ascertaining volumes and determining what the forest actually held as far as a resource.

I left after 13 years and went to a company called Forest Resources. Forest Resources was subsequently bought out by Gunns and you know the rest of the story on that side of it. At Forest Resources I was the central highlands forester in charge of all the freehold that was owned by Forest Resources, including the old Tas Board Mills properties. I mention that because of the relevance here. Those blocks were managed under Forest Resources' regime of selective harvesting management scheme. All those blocks that subsequently ended up with Gunns were eventually bought by Jan Cameron, deemed to be high conservation. We must have done something right there.

From Forest Resources, and from that term, I left that company to form my own company, which at that stage was called Evergreen Forest Services. Evergreen Forest Services was a silviculture company. We did a lot of basic management work such as resource assessment as well as establishing trees, plantations, et cetera.

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I grew bored with that and went back to work for Forestry Tasmania. Actually I was invited to go back to work with the then Forestry Tasmania and I was stationed at Fingal. My position there was senior forest officer sales in charge of all their sawlog resources on the east coast and the management of such, and the allocation of the sawlog to the correct sawmill. I did that for six years and was invited to work for Rayonier. Rayonier was the softwood plantation management company that looked after the softwood estates of Forestry Tas. I was stationed on the north-west coast and looked after the Burnie port facility and the pine resource on the north-west coast. I left Rayonier and decided that I could do better things. My passion was native forestry and management of native forests. I had grown bored with the pine plantation. It was just same old, same old and I wanted to get back into native forest management.

I formed my own company called Forestry Consultancy Services, which basically dealt with private landowners, across the private estate, from go to whoa if you like. I did their planning and advised them; did their assessment; prepared a forest practices plan; and then subsequently passed that on to a third party for the completion of the harvesting and the transport.

As I had no involvement in the harvesting and transport side of the business and I didn't like the way that was being managed. As I was merely an advisor and prepared all the planning works, I decided the best way I could do this was to engage contractors in my own right and manage those contractors on native forest.

I then formed AKS Forest Solutions which is where I am now. I have been doing this for seven years. Approximately 80 per cent of my work would be private forestry-based, but I do have a fairly important role on state forest which I might get to a bit later on. I primarily deal with private landowners, offering a one-stop-shop approach where a landowner comes to us. We go right from the beginning. The planning, the assessment, all the way through to the marketing and selling of their particular products. That is what I have been doing for the last seven years.

CHAIR - It is a very comprehensive background. We just need to move to the terms of reference. Is there anything you would want to say in your opening remarks about the Triabunna woodchip mill and its sale and dismantling, or would you like to go direct to questions?

Mr STONJEK - I probably have a bit to say but I am happy to take questions and see how we go. If there is something missing I might get it in.

Mr JAENSCH - In your experience and your knowledge of the industry is there a market for native forest woodchips from the southern part of Tasmania?

Mr STONJEK – Absolutely, without doubt there is.

Mr JAENSCH - You would have overheard part of the last discussion. If people are concerned about markets and the markets are there, what is preventing access to those markets?

Mr STONJEK - It is a bit of a chicken and egg approach at the moment. I will go back one step but I will answer your question. I just need to make this clear. At the moment the

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native forest outlet is based at Bell Bay. That is where Artec Pty Ltd is and they are exporters of native forest woodchip. The constraints are - and I would have to explain here that I am dealing in private forests, not public forests - the distance from the mill. To carry that wood long distances is an expensive process. If you are a landowner and have a holding in the southern forests and I come to you saying, I will take your wood and will sell it for you but I am going to charge your \$10 a tonne to do it, you are probably going to say, 'No thank you, I will leave where it is'. The market constraint at the moment is from the resource being limited to about 120 kilometres from Bell Bay. Does that answer the question?

Mr JAENSCH - If we could get it out, if there were other ways, are there people out there ready to buy woodchips from native forests in Tasmania?

Mr STONJEK – Yes, there is. The indications that we have had are for high quality native forest, that is the delicatus or white top forest which are predominant on the east coast for instance, but also across the Central Plateau and there is a market.

Ms O'CONNOR - Where is the market?

Mr STONJEK - We deal with markets in both China and Taiwan because that has been the established market with Artec and Artec have been the company that we have dealt with through that process.

Ms O'CONNOR - Do you know, Tony, what price per green metric tonne our native forest woodchips secure in China?

Mr STONJEK - That is probably something that Artec would like to keep to themselves. That is probably a commercial reality with Artec. That would be a question that I would prefer that they answer rather than me because I am actually acting as the broker for the landowners to supply the wood to Artec. What they do with it beyond that is really not under my control.

Ms O'CONNOR - Sure. It has been a question that I have asked a number of times and there has been a real reluctance to detail what China is paying for native forest woodchips. I think it goes to the issue of how viable the Chinese market is for our woodchips as a market we depend on.

Mr STONJEK - The Chinese market is opening up, I will say that. They would take more product if we could supply more product. At the moment, we are limited. Artec will put out about 700 000 tonnes this year. They could do quite a bit more. They have already been given licence to produce another 300 000 tonnes but they are reluctant to do so at the moment because they cannot access the wood. It is too far away for them to bring in, from a private point of view, and I must emphasise that my business runs around private resource rather than public resource.

Mr JAENSCH - There is a market there. The chips from the south of the state, though, are too expensive to get them to - well, you lose your margin substantially by having to truck them great distances.

Mr STONJEK - Correct.

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Mr JAENSCH - The question then is, is there sufficient volume of native forest woodchips available in the south of the state or could there be, to support a southern-based facility again?

Mr STONJEK - Absolutely, without question. The east coast forests - and this is historical again - traditionally were harvested and managed through North Forest Products with the resource going into Triabunna. Also a lot of the Central Plateau wood was also sent into Triabunna. Whether it was right or wrong at the time, and it is not for me to question that but to merely state the fact, North Forest Products had a mantra where they cut pretty heavily on the holdings that they had and most of the forests that they cut were delicatus forests. Delicatus or white top is a prolific regenerator. Once you disturb the ground it will regenerate very easily. So through their harvesting methods, what has happened is it has produced - and I am talking about from the 1970s when they first started through to 2010-11, so 40 years of doing this - strong regrowth forests, regrowth that is now overstocked and it needs forest management. Native forest is my passion, I will have to tell you that.

Mr JAENSCH - Yes, it is ours.

Mr STONJEK - Native forest management, especially in the regrowth forests, needs to be a continual thing otherwise it is survival of the fittest. The dominant trees will continue to grow and the subdominants and the suppressed trees will eventually die which is a wasted resource.

Currently, the east coast forests and I am talking M Road, Tooms Lake up through Snow Hill right across probably to Mount Foster are predominantly delicatus forest which are regrowth forests and overstocked. So there is a huge resource there.

Mr JAENSCH - When we were referred to there being a viable quantity of native forest residues available in the south of the state to support an export facility, are you talking in terms of privately-owned forests only?

Mr STONJEK - No, I am talking in state forest as well. I mentioned to you and that is why I gave you that detailed history, in my time at Fingal I managed all the east coast forests on behalf of Forestry Tasmania. My responsibility was to source sawlog, quality forests which we did, but we were very careful in the way we selected the forest and the way we harvested the wood through that period. That has resulted probably in a strong regrowth forest there.

To answer your question, I would say probably 70 per cent of the resource would be state forest and probably 30 per cent of it would come from privately-owned forests. These are big large entities such as Benham, such as Windfalls. Howard Calvert has properties and his company Blue Leaf and about 8 000 hectares on its own.

Mr JAENSCH - My last question in this bracket is in terms of the market, the quantity available, the viability - is that a situation that has changed since Gunns closed Triabunna when it did?

Mr STONJEK - I'm not sure what you mean by 'changed'.

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Mr JAENSCH - Was there not a market, not quantity, not viability then, but there is now? Or has it been pretty much the same situation all the way along?

Mr STONJEK - I think to be fair, the markets at the time were constrained, there is no doubt about it. There was a number of factors and we're all aware of them. There was the GFC, the tsunami that hit Japan, and the dollar dropped. So it was almost like a perfect storm at the time. Also, of course, if we're going down this path, Gunns was looking towards a pulp mill in the Tamar Valley, so its focus was shifting.

However, to answer your question, the markets at the time were constrained. They are now moving in the direction that I mentioned to Cassy before. They are moving in a positive direction. If we can supply the wood, I have no doubt that the market is there and growing.

CHAIR - I want to follow up on that, if I could, with a few questions. Was there a market in 2010, 2011, 2012, because we have an agreement where there was an expectation that the Triabunna mill would reopen. My question is, was there a market there and then for woodchips as an export operation and for the Triabunna woodchip mill? Would it have been sustainable, in your view?

Mr STONJEK - I believe so. I know the gentleman who was planning to purchase at the time, Ron O'Connor, and he had done some fairly in-depth analysis of where the market was. He was not going to invest in something like that unless he was sure. He certainly did that market analysis. But I have to say that it's probably getting a bit outside of my mantra. But the fact is that the markets at the moment are shifting in a positive direction.

CHAIR - Just to clarify, your understanding of the impact of the closure and the continued closure of the Triabunna woodchip mill on the east coast and that area, can you describe that to the committee?

Mr STONJEK - It's had an impact. Not only has it had constraints as far as not being able to sell residues, but it's also constrained from the fact that other products have been - I won't say locked away - but in a position where it's not viable to go and harvest them. Without a residue market, it's not viable to go and extract high quality sawlogs, for instance, on their own, or even peelers to Ta Ann on their own. It just doesn't work; the numbers don't add up. The percentage of recovery and the effort that has to be put in will not make it sustainable for a harvesting contractor.

CHAIR - Private Forests Tasmania gave us evidence that if we don't have an export facility in the south of the state, then the value of the property just diminishes and actually can become a liability in terms of forest fires and the like. Do you have a similar view, or what's your view if there is no export facility going forward?

Mr STONJEK - Are we talking native forest?

CHAIR - Yes.

Mr STONJEK - Yes, as I explained to you before, native forest, once a management process has been put in place and the cycle has begun, it needs to continue. It needs to continue

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to enhance the forest, to let the dominant trees grow on and to remove the subdominants. There needs to be careful management done or it will eventually just deteriorate. Whether it is by fire, inadvertently, access that has been put in place in the past suddenly becomes not viable because no one is there to keep the access open, you have all sorts of issues with non-accessibility, if you like.

Ms O'CONNOR - My question is, Robert Eastment came and talked to us in our earlier hearings. One of the things that was a focus of his evidence was that you could see in the native forest industry the decline in jobs and production and businesses involved in the industry. You could see the plantation sector looking quite robust; the graph was going in the right direction. Just putting aside your love of the bush and being in the bush, can you see that for the industry that the focus on the native forest logging sector has come at a cost in some ways because it has led to a lack of diversification, perhaps not as good a management of our plantation resource as we could have done, and towns like Triabunna subject to big shocks from a single company moving out of native forest chipping and deciding to sell a mill to a private non-forestry operator?

Mr STONJEK - Yes. I do wear my heart on my sleeve. I make no apologies for that as far as forestry goes.

Ms O'CONNOR - Passionate people are great in the world.

Mr STONJEK - Robert is a scientist. I am not. Robert bases a lot of his analysis on having a lot of graphs and looking at forecasts going forward worldwide, as well as Australia. Plantation, if you like, and the increase in plantation activity has been brought about quite a bit by the fact that the two major entities that were into industrial plantation, both were under receivership and/or administration. I am sure everybody in this room knows that receivers and administrators need pay themselves somehow. The only way to pay themselves was to start harvesting at a rate that maybe was not sustainable to cover that.

Plantation forestry is a whole different set up. Different mantra altogether than native forest. Plantations are fairly basic. You plant your trees, they are in rows, you thin them, harvest them, and away you go again.

Native forest is far more complex and needs to be managed very carefully. There is a whole list of environmental aspects which I am sure you will be right across which we foresters are across as far as the management of native forests. We need to be very careful with our native forest management that we are leaving something for the next generation and the generation after that.

That is where our focus is. If we can do that and have a sustainable market going forward, then great. That is what we want to do and that is what we aim to do. I hope that is the sort of answer you are after.

Ms O'CONNOR - That leads into the next question which is about forest stewardship certification and your view on how important that is for the industry's future in Tasmania.

Mr STONJEK – FSC - as far as I am concerned, the jury is still out there. My company, AKS Forest Solutions, has just gone through an 18 month process where we have attained Australian Forestry Standard (AFS). For a small company like ours, employing

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30 or 40 people and managing, say, 10 harvesting crews, that was a huge impost from a financial point of view and from a time constraint point of view.

What has it done for us from a marketing point of view and being able to go to a landowner with some confidence? Well, somewhat. The Forest Stewardship Council is a whole new level and a whole new ball game. Forestry Tasmania has decided to go down that path. For me, operating in private forests, it could be seen to be a threat because we won't be able to offer at the same level.

Ms O'CONNOR - So Forestry Tasmania moving into forest stewardship certification may end up threatening your space in the market, or a space in the market, because the market demands, to some extent, FSC.

Mr STONJEK - To some extent it could be. It is a bit of crystal ball gazing. FSC was seen to be and it was part of the agreement, the obviously now defunct agreement, that Forestry Tasmania went down that path. They will do what is right for their business model. We will do what is right for our business model. If we can still offer a service to private forest growers through AFS, then great. If we have to shift because others have decided to shift, well so be it, we will. At this stage right now, the FSC is proving to be no extra benefit to us or to anybody else that I can see.

Ms O'CONNOR - My final question, and I am happy to let it all go after this. Tony, do you think the native forest industry in Tasmania can survive and be viable into the future without subsidies from state or federal governments?

Mr STONJEK - Not without a southern-based export facility, it won't. It is not viable to continue to bring wood from the south under a subsidy process. It is not. If we haven't got an outlet somewhere else, other than at Bell Bay, then the forest industry – it won't shrivel up and die, but it will be constrained. It will be confined to the north of the state, which is not what we want.

The high quality sawlogs, predominantly, a lot of them are located in the southern part of the state, albeit from the plateau area heading south. The east coast forest, which I have already mentioned and some on the west coast, but not a lot, mostly across those first areas. The north-east certainly holds some and will produce and continue to produce high quality sawlogs, but it will not be able to meet the requirements currently under the contractual agreements that Forestry Tas has.

Mr SHELTON - Thanks very much. It is fantastic to hear your passion about native forests and that is where I want to go for a little bit. To give you a bit of background, as a kid in the back of the EH towing the caravan we holidayed at Swansea. It was a two hour trip up over Lake Leake and down on the gravel road back in those days, and plenty of time to fight with my siblings and look out the window at the harvesting that went on back in the early 1970s around Lake Leake and so on. You have been there through that and your passion for the native forest industry.

Where are we now with the quality of sawlog and the quality of forest, what 40 to 45 years after that happened and given that resource, what is going to happen? You have started to answer some of those questions in what you have already said to date. The M Road is there; there is infrastructure that heads towards Triabunna, it is off the

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highway - we talk about log trucks on highways and that sort of thing - the east coast forest is predominantly off highway - advantages as far as no traffic and that sort of thing. But where is the future with it if we have this high quality forest that you helped produce? What is going to happen to that over the next 10, 15, 20 years if there is southern facility?

Mr STONJEK - It is a very good question. It is one I think about constantly because I know that there is a resource there that can be tapped into. I know there is a sawlog resource, I know there is a resource that can be used by Ta Ann, for instance, which basically takes what would have been pulpwood material in the past - and I do emphasise the high end of the pulpwood material, to Ta Ann to be processed as peeler grade material.

The problem, Mark, is and I will restate it again, if we cannot do something with our residues it is highly unlikely that we will be able to do too much with that sawlog resource and the Ta Ann resource that is there. Simply because if the market price as we deliver, at the moment, does not move and we do not have another facility, it is very, very difficult to see that we can justify going into those forests to harvest them even for the high quality products.

Mr SHELTON - We know the export market has been affected substantially where our dollar was and it was talked about this morning and so on. Given that our dollar has reduced from 94 cents down to 89 cents at the moment, and some people say it is going to trend lower, will that create more interest or pressure on the Government to get something done because it does become more viable? What dollar figure would you give to say we are back in the game?

Mr STONJEK - Unfortunately, again, I am a forester and not an economist. It is a tough question. The dollar coming down is making everybody breathe a little easier, but we have not seen across the board impacts as yet. We are hoping to and I would say if we got back to somewhere where we were say post the GFC, then certainly we would be in a position to at least go to the market and say we can produce this wood and we have it here. We know the resource is here. That is not the problem. It is the price and the cost of getting that resource to an export facility, which at the moment is limited, to be able to go further. Does that make sense?

Mr SHELTON - Yes.

Mr STONJEK - I hope so.

Mr SHELTON - Therefore, I guess the high quality sawlogs and where we should be looking at, is the value adding of high quality sawlogs. You have been down the east coast and there has been 40 years since there has been any major activity there. How much of a resource is in that area?

Mr STONJEK - There is a huge resource there, Mark and let us remember that in the early days, even in the cross-cut axe jobs, the trees and the product they were producing were far different from what we produce now. We produce a smaller log. We produce a regrowth-type product rather than an old growth-type product in those forests because the big old growth trees are gone. It is a regrowth forest that has re-established. The

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market and the way the mills have realigned themselves, to a degree, is cherry-ripe to be able to use the product that is there.

I have already mention Ta Ann product, which is the lower end of the sawlog, the higher end of the pulpwood. That can be utilised and continue to be utilised as well as the high quality sawlog. For instance, we sell off a private property now - and this might put it context. We are currently selling off one block veneer quality product all the way down to Somerset. We are selling category 1 and category 2 sawlogs or the product just below veneer into Western Junction, but we could sell it to half a dozen mills, they are all wanting it. I would get a phone call once a week, 'Tony, have you any sawlog resources? We need sawlogs', continually. That is out of one small area in the north-east.

To answer your question, the resource is there, and the sawmills are crying out for it. We are constrained by the fact we are busting to be able to do something for them but we cannot because we do not have an outlet for the residues.

Mr SHELTON - You mentioned about the sawmills crying out for it. I know of a number of sawmills in our area at Deloraine, Longford, Campbell Town, all the sawmills were bought out through this process, therefore a lot of local employment disappeared. But you are saying there is plenty of resource there for these mills. One of the issue is that if I, as a farmer, wanted to go and buy a piece of lumber, a dozen 6x2s to put a fence railing or fix up a stockyard or whatever, there are no local sawmills anymore. You have to go to Launceston or wherever the closest one is.

From my perspective, I would like to see this resource employ people in regional areas. That is more your country boy wanting to make sure we can sustain our regional lifestyles. It is good to hear that you are talking about the resources available on the east coast in particular. We just have to be able to get at it. That is more of a statement.

Mr STONJEK - It is a bit, but you have the Kelly gang in your area, Mike Kelly, who you would know well. He is screaming out for resources at the moment. I might be wrong here but I think he has 10 or a dozen blokes in his mill, and he is struggling to get resource at the moment. We do the best we can.

You mentioned Johnson's Sawmill at Campbell Town. When we were harvesting in the east coast forests, we were supplying a large amount of volumes to him. Obviously not being there we could not keep supplying him and eventually they made the decision that it was no longer viable.

Ms WHITE - Following on from that, Tony, as a broker, to identify a wood source and then it sell it through, take Mole Creek for example and the Kelly Gang, is the problem they have identifying the resource, or is it the haulage and cartage contractors that they have trouble contracting?

Mr STONJEK - A little bit of both. Not so much the resource side of things because the resource is outsourced. We were part of the process that would determine where the resource is and try, as best we could, to allocate to all the different mills. Harvesting and cartage for the sawlog, probably, is not a major constraint. It is somewhat. It gets down to economics at the end of the day, Rebecca. If I am acting on your behalf as a landowner and I can sell the sawlogs into, say, Morgan's Mill at Traveller's Rest and I am

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in the north-east, why would I reduce the return back to the landowner by taking the logs all the way to Mole Creek if I can sell them into Launceston? It all gets around to that.

Consequently, the east coast sawlogs that Mark was talking about through Lake Leake, to take those all the way to Mole Creek puts such an impost onto the sawmiller that it is not worth his while.

Ms WHITE - Is that going to be an issue for those farmers because they are private foresters, I assume, that you represent them predominantly with your native forest, that 80 per cent. Say I am a farmer and I have some logs due to be harvested. If I am located in an area where there is no local sawmill operations, could it potentially be financially unviable for me to harvest it even if there is a market? Is that a problem you are coming across?

Mr STONJEK - It is certainly a constraint. Yes. It is all about luck of the draw where you live. It is very unlikely that if you were based anywhere south of Campbell Town, for instance, that I would be interested in coming and harvesting to get your sawlogs. I have had a number of clients, I believe someone who spoke here, Mark Cornelius, owns a fair bit -

Ms O'CONNOR - He loves the bush, too. You can tell.

Mr STONJEK - We were managing on behalf of him. We were doing work for him and we are not at the moment for that reason, that we cannot sell his residues even though his sawlogs are fine. We just cannot go there and take his sawlogs and say we will take the sawlogs and leave the rest, mate, because it will not work.

Ms WHITE - I know the residue is an issue but are you finding anyone is taking up a chance to have a portable mill? I know there are some smaller operators who might be able to do that on-site so they can harvest some of the products.

Mr STONJEK - To be fair, Rebecca, it is such a low impact process, whereas you are producing such a small volume to do it that way. We could not go in with a high cost harvesting crew say with \$2.5 million worth of harvesting gear and produce one load of sawlogs for you to cut up at your leisure on a little portable mill in the bush while we wait for you to cut that so we can go and get another load for you. We need to have a certain production level to sustain the costs of the machines, the men, and the diesel to put in the machines, and so on.

Ms WHITE – If you are at that higher end in terms of volume?

Mr STONJEK - Yes. Smaller mills, whilst they sound nice and the way to go, it is not viable from a high production contracting workforce.

CHAIR - Tony, to pick up on your point about the north-south divide, I want to drill down in that in terms of the lack of an access in the south to a port facility, and therefore the impact on the north. You mentioned Artec and through Bell Bay. Over time, is it probable or likely that there will be pressure on the northern production forests in terms of building a sustainable future in terms of conservation values, environment values, and having a sustainable production forest?

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Mr STONJEK - Yes. If you only have a small area you can work to then eventually it is going to catch up with you. Even with best management practices all in place, at some point you are going to have to say we have to give this a break. We cannot continually work 150 kilometres out from the market and continually do that at a reasonable level and to meet market expectations as well. I did mention earlier in the piece it is a bit of a chicken and egg. If we reduce ourselves to such a low level it will as to become almost non-consequential, if you like, with a low market volume then when the market does, and is, lifting and we cannot produce it, they will go elsewhere.

CHAIR - Good point. You talked about the market and you made it abundantly clear that there is a market now. But what about a few years ago - 2010, 2011 - was there a market then at the time of the Triabunna mill closing and then continued closing?

Mr STONJEK - Certainly for sawlogs there was.

CHAIR - What about export chips?

Mr STONJEK - Yes, but it was at a reduced level. To be fair it was, and for all those reasons, but there definitely was a market.

CHAIR - Ron O'Connor would not have put down his offer if there was not a market.

Mr STONJEK - Exactly.

CHAIR - You mentioned that before so I am clarifying that with you. In your independent view, there was a market at the time?

Mr STONJEK - Absolutely. I will restate the point I made before - Ron O'Connor is a very astute businessman. He is no fool. He would not have even contemplated looking at going into a facility such as Triabunna and taking on that at a huge expense, we all know the numbers, if he did not think he had the market to sell the residues. He would not do it. There was never any question about accessing the resource. There was never any doubt about that. The market was constrained but it was not closed off. That was the perception that was put around, but it was not.

CHAIR - It gets back to my point. Greg L'Estrange put in evidence to our committee with a submission. He expressed the view that it was contrary to that. He thought there was a downturn and he expressed that the volume trends for the consumption of sawn hardwood had been in decline for the past four decades. He goes on to say there had been a decline, and then:

Plantation-grown sawn fibre was replacing native hardwood in the structural and low-value markets while glass, metals and stone were eroding the decorative markets.

I am trying to get a view. You don't agree?

Mr STONJEK - I don't agree - he was wrong. There is a strong market, and there has been a strong market, for high-quality sawmill products. There always has been and I believe there always will be. I don't know why he would say that, unless it was market

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opportunities advantaging what he was trying to do. From where I sat, and where I still sit, there was always a market for high-quality sawn products. There were a lot of mills operating at the time that aren't operating now - Longford sawmills, Johnston sawmills. I am not too familiar with some of the ones down south because that was an area I didn't operate in, but I am sure you would know some. They were all accepting high-quality sawmill products at the time.

Ms O'CONNOR - Tony, I am curious to know whether you think anything at all needs to change. You say the jury is out on forest stewardship certification. You have acknowledged that jobs started being shed out of the industry; in fact, even before 2008, contractors were losing their jobs. Then we saw about a third of the industry lose their jobs between 2008 and 2011. So obviously there was some issue that led to the industry's decline – and a complex combination of issues. Do you think going back to the way things were before the financial crisis is the answer?

Mr STONJEK - That is an interesting and difficult question to answer. I don't think we will ever go back to where the industry was at that time. I believe we have grown from that time through necessity. We have had to develop other products other than simply producing the high-quality sawlog and woodchips, for instance. There is a whole raft of things out there at the moment that you would be aware of. There is cross-laminated timber; LVL; there is the Headlam project Forestry Tasmania is working with. All these other products are now being brought into the forest industry process. No, I don't think we will ever go back to where we were.

I believe we have to get smarter and wiser with the way we manage the native forest. We have to be able to have different outlets. We can't wholly rely on one or two products, we have to have a whole raft of different things we can utilise, whether it becomes in 20 years' time we are sitting around look at biofuels, for instance, or biomass. Biofuels is diesel and whatever else is produced; biomass is pellets or steam. It could well be.

It's changing. The change has had to happen but the way it happened probably wasn't desirable. You look forward not back, I believe, and by looking forward I am looking at an industry that is evolving into a whole new probably more complex area than it has ever been.

From my point of view - I probably only have another 10 years left, hopefully longer - I hope it changes and evolves but I hope we have the capacity and ability to continue with the management structures that were in place before and develop them even further.

Ms O'CONNOR - Given the length of your experience in the forest industry in Tasmania, you have worked through the span of the past 40 years. I am interested to hear your views on how you resolved some of the tensions that have caused conflict over forestry in Tasmania, and also about the industry's relationship with the environment movement. We are not saying the industry is one homogenous thing or the environment is another homogenous thing; there are all complexities in there as well. Do you agree there needs to be something along the lines of what the signatories process tried to achieve in terms of a different way of communicating and a different kind of collective focus, hopefully, on how you get some sustainability into the industry and stop this conflict?

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Mr STONJEK - There has always been a belief, if you like, that the forest industry didn't sell itself well enough. It kept itself in its own little environment, it went about its business, people were busy going about what they did, and they probably didn't converse enough with people outside of the process. I accept that. I accept that we need to be better at that. We need to engage more with stakeholders, we need to engage more with community, we need to engage with ENGOs, if you like, and explain things more about how we are going about things, why we do things, and let them have more input into it. I have no problem with that and I acknowledge that we haven't done that very well in the past.

We have gone about doing what we do, focusing on what we are doing, producing what we produce, and probably haven't conveyed enough of the positiveness about what we do. It is something that we need to improve on.

Fortunately, through the AFS process, which my company now has which I mentioned before, we are obliged to be more out there. We have a website that is there. We have to have a stakeholder engagement process that is in place where people can have input into it. We need to have a management plan in place that anybody can have conversation with. We can explain the processes of how we go about our business, why we go about the business, why we do certain things. So there is definitely a need for much better cross-pollination, for a word, of ideas and the way we do things.

Ms O'CONNOR - And listening to each other.

Mr STONJEK - Yes.

Ms O'CONNOR - Thanks, Tony.

Mr JAENSCH - Based on everything that you have said and you've seen over the years, what does this next 10 years that you are talking about look like if everything goes as well as it possibly could for native forest industry in Tasmania?

Mr STONJEK - We are living in very exciting times, I believe. This is an opportunity for us to really show what we can do in native forest. Gone are the days of industrial woodchipping where all we would do is woodchip this and a few sawlogs come out here.

I can remember going to a forest operation with a contract and you look at the bush and say, 'I can get 500 tonnes out of this a week', and you never thought about what the sawlogs were going to be. It was all about the woodchips, and I realised this was wrong. This is wrong, this is not what we are about. We need to change the way that we go about our business. Our business model needs to adapt so that all those things that I mentioned before - CLT, LVL, Headlam - all those other products that can be produced in the forest are actually done.

Yes, sure, there will always have to be a market for residues - there is no way out of that - there is always going to be a certain volume that comes out that needs to be marketed as a residue somewhere. But we need to better manage the way that we have done things, from what Cassy was talking about in the past to now, and going forward in 10 year's time. It is an exciting opportunity and an exciting time.

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Mr JAENSCH - What enables that? What are the steps to that future?

Mr STONJEK - We have sort-of started that step in a way by those processes being put in place. We now have a market, as in Ta Ann, with the lower grade sawlog to high quality pulpwood end, so that is already evolving.

We need to get out there and market ourselves better as to what we can produce. Show people and show potential customers that we can do something else and produce woodchips, I think. You have said the next 10 years. I see it in the next 10 years as being probably the most vibrant and exciting times within the forest industry going forward - I really do.

Mr JAENSCH - What is holding us back from that right now?

Mr STONJEK - We are still constrained in a way with where we can operate and what we can do.

Mr JAENSCH - Do you mean buy an export facility?

Mr STONJEK - Yes, exactly, especially in my position being private. We are locked in to this 150 kms out from Bell Bay, and we can't get into these better forests on the east coast. We just cannot do it where there is huge potential - absolutely huge potential to be about to produce at a reasonable level. Going back to what Rebecca said, we don't want to be a cottage industry where we produce just one load of something, sell it and feel good about it. We need to do it on a high level.

Ms WHITE - Can I follow on from that? The important role for the community is looking at the future and understanding that there is a constraint on how that residue is dealt with currently. You would know a lot of people in the industry, Tony, you talk to a lot of people. Are you aware of any proponents who are excited as you are about those other opportunities? Is there anyone willing to invest in some of those different products that we've talked about, so we're not just looking to export woodchips?

Mr STONJEK - I would love to say yes, there was, they were all lined up, but it's hard. It has been a hard grind to get to where we've got to now. Things have been tight right across. I don't want to avoid your question, but I remember going into an upholsterer's down Invermay Road. I said to him, 'How is your business going?'. He said, 'No good at all, mate, I'm barely alive, really struggling'. I said, 'What is the problem?' He said, 'Ninety per cent of the work I used to do was upholstering the driver's seat in log trucks. I don't do that anymore. I'm struggling'. I went out to a bloke out at Suzuki, out at Scottsdale, where I come from. Scottsdale is where I grew up. I said, 'How are you going, mate, how are sales going? What's happening?'. He said, 'Small business, I'm in Tassie, I'm struggling'.

That is nothing really to do with what we're talking about here today, but just to show you that with small business and everything else, the current ones are holding on. We're looking at doing something completely new and enhancing it. All the ground work is there, the base work is there for these other alternate products, such as the ones I've mentioned. But to get finance, which is what your question was, to build on it, it's a tough gig. We've got to be able to, firstly, make sure that - we're competing with

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markets in Europe for instance - that we can actually produce a product that's similar or better -

Ms WHITE - So that's where the market would be for these sorts of products we're talking about.

Mr STONJEK - I believe so, yes. There is already a strong market there now. We have to catch up. We're playing catch up a little bit. We've got to get ourselves to a position where we can compete on equal terms.

Ms WHITE - It is a real issue, I guess, for the southern forests, isn't it, and those areas that you talked about that are more than 150 kilometres away from an export facility to deal with their residue, because it becomes financially unviable for them to harvest? Obviously Triabunna isn't held by someone in the industry any longer. Without someone making an investment in some of these different technologies you're talking about, or without access to a port being available to export woodchips, how do we solve the issue that faces us currently?

Mr STONJEK - If you wanted to put it purely in black and white, unless we can sell those residues somewhere at a reasonable rate all those other opportunities there are being held back. That's in very simplistic terms. I know it seems like it is just making things look black and white. But the fact of the matter is, if we can't get rid of those residues we can't enhance and grow the other side of it, which is all those ones that we talked about before, getting someone to finance.

If someone was sitting behind the scenes with lots and lots of dollars and said, 'I'm really interested in going into laminated timber, I'm really keen to do it, but I'm not keen to do it because I'm not sure that you have the resource there to be able to do it'. I would be saying that we have the resource but we just can't quite get over that line with getting everything out of the bush. We can get your product but we can't get the rest of it. We have to get the rest of it out as well. If we can get that, we can get yours.

Ms WHITE - I have a lot of contacts. I'm wondering if you've heard any chatter, because we've heard that there are some alternatives to dealing with that residue being discussed through a report to Forestry Tasmania that Private Forests have been working all together on biomass, biofuel, and other solutions. Do you know of anyone who is seriously thinking about what that might look like in the forest industry who might actually be able to put some money into developing some of these issues? Or will it, at the end of the day, rely on government to help fund that economic diversification, or those projects?

Mr STONJEK - I think the government will need to be the one that stimulates it, yes. There are projects that are currently going around, like Dorset Renewable Resources, that we know about. They've recently had some funding to redevelop the old French pine site. That's a start, but we need more of that. That's just a really embryo stage of that process. The real issue is, whilst it's really good that Dorset Renewable Resources are getting to that, we have to be able to do something while we're waiting for that to evolve. We can't just sit back and say it's a two-year project, it's a three-year project, you will be up and running, you will be able to take products then. We need to be able to keep functioning as companies now and keep going into the future, we can't just sit back and wait. That's always going to be the issue.

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CHAIR - Thank you very much. Any final questions? No, all good. Tony, I thank you on behalf of the committee for being here, for your passion, your heart, also all the advice that you have given us. Thank you for that.

THE WITNESS WITHDREW.

The committee suspended from 1.15 p.m. to 2.30 p.m.

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HONOURABLE BRYAN GREEN, MP, WAS CALLED AND EXAMINED.

CHAIR - Bryan Green, thank you very much for being here, it is much appreciated. We are pleased to hear your evidence today. I will just go through a few procedural matters before we kick it off. Before we begin evidence I will ask whether you have received and read the information sent by the secretary. You are familiar with parliamentary committees of inquiry. I think that is the best way to put it.

Mr GREEN - Yes.

CHAIR - Just reiterating some of the important aspects. The committee hearing is a proceeding of Parliament, which means that it receives the protection of parliamentary privilege, an important legal protection that allows individuals giving evidence to the parliamentary committee to speak with freedom without the fear of being sued or questioned in any court or place out of Parliament. This applies to ensure that Parliament receives the very best information when conducting its inquiries. It is important to be aware that this protection is not accorded to you if statements that may be defamatory are repeated or referred to by you outside the confines of the Parliamentary proceedings.

It is a public hearing, members of the public and journalists are present and this means your evidence may be reported. It is important that should you wish all or part of your evidence to be heard in private you must make this request and give an explanation prior to giving that relevant evidence. I am sure you have heard that before many times.

Thank you again for being here. Would you like to make any opening remarks before we move to questions?

Mr GREEN - Well, there is nothing like a good witch-hunt to take the focus off the Government's poor Budget performance. That would be about my opening statement.

CHAIR – All right, we will move to questions.

Mr JAENSCH - Mr Green, in a media release on 13 July and reports from it around the same time, you expressed some surprise, disappointment and anxiety on the announcement that Triabunna Investments had a contract to buy the Triabunna chip mill. You said that:

We fully understand the fears of families and communities whose livelihood depends on the mill's continued operation and that strategic importance of the mill, particularly for the timber industry in southern Tasmania, cannot be under estimated.

This anxiety, this disappointment, is that because you did not expect that Triabunna investments would re-open the mill.

Mr GREEN - No, because in the ensuing weeks and months gained an understanding with respect to what Triabunna Investments' commitment was to open the mill. We sought meetings -

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Mr JAENSCH - Were you aware of that before they announced that they had a contract for purchase.

Mr GREEN - No. The discussions we had with Triabunna Investments post the announcement that they had actually bought the mill was about trying to ensure that mill reopened in line with intergovernmental agreement that had been put forward.

Mr JAENSCH - When we went from the announcement that they had a contract to purchase the mill, there was then some months over which there was argy-bargy between Gunns and Triabunna Investments and there was a contract for sale. There were conditions in that contract which required either Gunns or Triabunna Investments to be satisfied with certain conditions, including that the state would adequately compensate Gunns for its exit from native forest industry in the state, which they had done voluntarily, and other issues to do with the transfer of a lease for the Triabunna wharf.

So, in some ways, the government's eventual satisfaction of those conditions made it, if facilitated, the government facilitated the transfer, the purchase of the Triabunna Chip Mill by Triabunna Investments, but from what we can find so far there is nothing in any of the contracts or the decisions that you made which required them to reopen the mill.

Mr GREEN - In the first place, it is important to get on the public record that the mill had been for sale for some time, leading up to when it was eventually sold. I had never and had not seen any contracts with respect to the obligations that were expected of Triabunna Investments and vice versa. We were working through a process, I understand that the same provisions were provided to Aprin as well, with respect to their contractual obligations. I remember somebody talking about that, so I do not think it was particularly, in the end, unique to the Triabunna Investments and their deal?

Mr JAENSCH - But you were aware -

Mr GREEN - No.

Mr JAENSCH - and there was a letter from FIAT to the premier and yourself on the 15 July or thereabouts, I cannot put my finger on it, advising you of their concern at the conditions in the sale contract that financial compensation would be provided to Gunns. And FIAT, under Terry Edwards' signature, regards this as outrageous and tantamount to holding the rest of the industry to ransom. So as at the 20 July, you are of that condition, and the letter also says that Jan Cameron had informed the premier of that directly.

Mr GREEN - As I said, we had not seen the contracts. We were involved in the process, leading up to the point of sale, where we had been trying to facilitate the sale to Aprin. It became clear in the end that Gunns had made a decision to sell the Triabunna woodchip facility to Triabunna Investments. You would need to talk to Gunns with respect to the contractual arrangements that were put in place.

From my point of view, we were treating this whole process in a transparent way. We were completely transparent with respect to what we were trying to achieve from the sale or the advice we had received on the potential sale of the existing contracts for timber. We had advice from the Solicitor-General suggesting that there was residual value.

PUBLIC

From my point of view, at no stage did it have anything to do with contracts between Triabunna Investments and Gunns.

The process that we were working through was about ensuring that we saved the government and Forestry Tasmania on into the future a whole heap of worry and concern as a result of the 917 and 918 contracts being handed back over - 168 000 cubic metres.

Mr JAENSCH - What looks like the fact now, if you look at the sale contract for Triabunna chip mill, it is now on the public record, Gunns being satisfied with the compensation payment from the government at the time was a condition of that sale agreement. It could have been if that -

Mr GREEN - With all due respect, Mr Jaensch, if you want to rewrite history and do a whole lot of things like that, then you can put any aspect on it you want. I am telling you what I was thinking at the time. It came as a shock to the government that Triabunna Investments had purchased the mill. We had been working through a process, and I provided letters to Forestry Tasmania to allow them to be involved in a private/public partnership. There was a whole range of things happening. We were then working through a process based on advice from the Solicitor-General, which was audited the whole way through. Wise Lord and Ferguson provided the audit process with respect to that.

The compensation to Gunns was about the contracts, the residual value. Nothing more, nothing less.

Mr JAENSCH - The condition that Gunns put in their contract with Triabunna - so it seems to me that the sale wasn't concluded for some months until Gunns become satisfied that you have paid them enough money -

Mr GREEN - Did you take evidence with respect to the Gunns' site at Smithton being sold? Was it in a contract there? I don't know. It was sold to an organisation that ended up building a dairy factory on there. Is that different somehow?

Mr JAENSCH - In your contract though, directly, this is your government to Gunns, in consideration of \$25.3 million, there are references to Triabunna and the Triabunna agreement, which was the sale contract between Gunns and Triabunna -

Mr GREEN - What references?

Mr JAENSCH - Clause 3 -

Mr GREEN - This is in the deed of agreement?

Mr JAENSCH - (d), (e) and (f) of the Deed of Agreement dated 14 September between the Crown and Gunns Ltd. There are references to the Triabunna Agreement, which is the contract of sale between Gunns and Triabunna Investments. These two contracts reference each other.

Mr GREEN - What are you trying to say? This process was fully audited and we had Solicitor-General's advice. What are you trying to suggest.

PUBLIC

Mr JAENSCH - I am just giving you the opportunity to explain it to us here for the record, Mr Green, because what it looks like is that you were disappointed at the beginning, or surprised that Triabunna Investments have popped up with a contract for sale which Gunns was entertaining. You were concerned, and others were, and you voiced the community's concern that these people, given their background, seemed to be unlikely, or there was a risk that they would be unlikely, to follow through and reopen the mill, and then that sale is not done. It is still in negotiation. There is a condition of that which is that the government pays an unspecified amount but has to satisfy Gunns in order for them to proceed with this and transfer the lease to a port. We have evidence in our record published from this, that the government made substantial effort to satisfy those agreements without creating a requirement in the agreement that the objective of reopening the mill actually happened, that people would make reasonable effort.

There is \$25.3 million in compensation. We understand, we have documents of a further \$12 million or thereabouts of Gunns' debts to Forestry Tasmania which were also paid. So we are cranking up the dollars of public money being spent to facilitate this sale to a group of people who are unlikely to reopen it and, at the end of the day, we did not secure the reopening. We have no operating chip mill. We have lost our native forest industry from half the state. It is an expensive exercise.

Mr GREEN - As I said to you, Mr Jaensch, that is not the case.

Mr JAENSCH - What did happen?

Ms O'CONNOR - Point of order, Chair, other members would like to ask questions.

CHAIR – No, that is not a point of order.

Mr GREEN - The fact is that the process based on Solicitor-General's advice said that there was residual value in the contracts; that the discussions and negotiations took place with respect to the amounts that would be paid. Forestry Tasmania had a view about what they were owed. Gunns had a view with respect to the residual value. That process -

Mr JAENSCH - Why does this deed then refer specifically to the Triabunna Agreement?

Ms O'CONNOR - I do want to make a point of order here. This is the first time, Mr Jaensch, that you have persistently interrupted a witness while they are giving testimony. I think it is inappropriate.

CHAIR - I take the point of order. The point of order is noted. The member is entitled to ask questions. The witness is entitled to respond.

Mr GREEN – Thank you, Mr Chair. The answer is, Mr Jaensch, that was not the intention from our perspective. Our intention was to ensure based on the Solicitor-General's advice that the appropriate amount of compensation was paid for, I think, 917 and 918 of the 168 000 cubes. Gunns had given an indication earlier on in the piece that they were getting out of those contracts. It was not, from our point of view and certainly from my point of view, contingent on us finalising the sale of Triabunna.

PUBLIC

We as a government, though, sought commitments from Triabunna Investments with respect to reopening. I wrote to them, we met with them, and I also wrote to Tony Burke at the time seeking the mill to be reopened. They had gone through a tender process that was finalised in December. All indications were that they were going through the appropriate mechanisms to reopen the mill. You will have to ask Triabunna Investments why in the end they didn't.

I can safely say to you, and aware of my obligations to the committee, that the process by which we entered into was all about ensuring that the advice from the Solicitor-General was carried through. We took the extra step to make sure that that process was fully audited by Wise, Lord and Ferguson. They audited all documentation and correspondence entered into between the parties. They believed that the assessment with respect to the amount that was paid to Gunns and to Forestry Tasmania was fair. On that basis the Commonwealth funds were paid.

That allowed then for us to continue the process without any potential mitigating circumstances associated with getting an agreement around the Tasmanian Forest Agreement, given that we knew that we would not have any residual contractual arguments that might be taking place between Forestry Tasmania and Gunns. That was our motivation - nothing more and nothing less.

CHAIR - Can I follow up on that comment, Mr Green? In terms of the agreement to pay compensation, which you have referred to, to Gunns, were you ever advised that Gunns voluntarily gave up their sawlog quota and terminated their contract with Forestry Tasmania?

Mr GREEN – Yes, we did receive that advice, but subsequent to that the Solicitor-General provided advice that there was residual value despite them voluntarily handing in their contracts. That was the advice we had, Chair. Obviously at that time we knew that this would be a big issue. You have used the same argument yourself in recent times, although you will not suggest that you have got Solicitor-General's advice when it comes to protest laws.

We were honest. We said we did have Solicitor-General's advice. We could not show that advice to the general public, but we offered a confidential parliamentary briefing so as to ensure parliamentarians understood exactly what that advice was, given as you point out, Gunns had handed in their contract. There is no doubt that Gunns -

CHAIR - You would be happy for that same briefing to be made available to our committee?

Mr GREEN - If the Solicitor-General, the post-Solicitor-General, would provide that advice I would be more than happy for him to do that because that was something that we offered in the past. Of course that comes with the confidentiality associated with that.

CHAIR – So you were advised on the one hand that Gunns voluntarily terminated their agreement with Forest Tasmania; you were also aware that Bob Gordon publicly - and I assume privately to you directly - said that he totally opposed the payment of compensation to Gunns, and to the contrary, he said, on behalf of Forestry Tasmania, that they deserved compensation for the termination of their contract - the take or paid contract. Is that your understanding?

PUBLIC

Mr GREEN - He had a view but the Solicitor-General was the -

CHAIR - What was your view?

Mr GREEN - My view was that we take advice. We needed a transparent process and that is why the whole process was audited.

CHAIR - So your company, Forestry Tasmania, advising you not to pay the compensation, the agreement had been terminated and yet you went against that advice?

Mr GREEN - There was a lot of water that flowed under the bridge between Gunns and Forestry Tasmania. There were many meetings between myself, Bob Gordon and the Chair of Forestry Tasmania and, indeed, Gunns. I was all about trying to make sure that the two major players in the industry worked together and it was very difficult under the circumstances.

CHAIR - I think the point that Mr Jaensch is making is that there was agreement in the sale contract between Gunns and Triabunna Investments that required compensation that was satisfactory to Gunns to be paid by the government. That was a condition of the contract. Then two months later, on 14 September, the same agreement that you note, and is on the public record, specifically referred to the Triabunna agreement which was the sale agreement.

Mr GREEN - What are you suggesting?

CHAIR - The point is that the government was up to their neck in it in terms of providing compensation when it was not legally required to do so.

Mr GREEN - No, absolute rubbish. What if the sale had gone through with Aprin and exactly the same clause in the contract was there?

CHAIR - Exactly. Why would you pay the compensation if the sale went through with Aprin? Do you think you would have paid the compensation if the sale went through?

Mr GREEN - If the Solicitor-General's advice was the same, of course, we would. You see, you are barking up the wrong tree. You are trying to suggest somehow that we, the government, was, to use your words, into it up to our necks. That is, trying to somehow turn over previous decisions with a view to Triabunna Investments buying the site. That is simply not true.

CHAIR - Okay, I appreciate your feedback but on 20 July 2011, FIAT put you on notice, with the Premier, in a letter where FIAT said, 'In regards this condition by Gunns for the government to pay compensation to be outrageous and tantamount to holding the rest of the industry to ransom'. This is a serious letter from the industry to you. You are the relevant minister, and you did not do anything about it. You did not respond.

Mr GREEN - Of course, I did. Everything we did -

CHAIR - You ended up paying the compensation.

PUBLIC

Mr GREEN - Everything that we did - with all due respect to you, Mr Chairman - had the industry in the tent. Every decision I made around the TFA, I am telling you - and you can laugh and joke and you want to rewrite history - that every decision I made, every decision that I put to the Parliament of Tasmania included the industry in that decision-making. Even right at the end, the last day before we ticked off on the legislation, I included the industry and all players in the industry. So if you are suggesting in any way -

CHAIR - You are suggesting the industry supported your position.

Mr GREEN - No, I think this whole witch-hunt is about you trying to suggest that the government had something to do with the mill being sold to Triabunna Investments. I am telling you that that is not the case.

CHAIR - Okay, let us just pick up on your point about the industry supporting your position. Terry Edwards, in evidence to this committee just a few weeks ago, said this, and I quote:

'I feel very bitterly disappointed in case people have not detected that, that we were conned, and fell for it hook, line and sinker. I have never considered myself to be quite that gullible but clearly I am'.

- speaking of the requirement to reopen the mill. He was very upset about it and he felt conned. Did you feel conned? Did you feel gullible?

Mr GREEN - We felt as though we had entered into good faith arrangements with respect to the whole agreement process from Bill Kelty right through. All of it was in good faith.

CHAIR - Yes, I am talking about the sale agreement but did you feel conned or gullible? Please answer the question.

Mr GREEN - At the time we met with them straightaway. We met, it was a phone hook-up, and we asked for advice with respect to whether they intended to reopen. They told us that they would. Then we went through a process by which they called for tenders. Many people tendered -

CHAIR - But you had meetings with them and they confirmed that they would reopen?

Mr GREEN - They indicated that they would embark on a process to reopen based on the TFA -

CHAIR - Were you confident they would reopen?

Mr GREEN - That is what I am saying. It was good faith and we took it at face value. When it had not reopened in January 2012, I wrote to them again. I also wrote to the federal minister because I was concerned that it was not reopening. The fact is that they had bought it. I could not do anything about that. They had bought it.

CHAIR - You don't think you had a bit of leverage with \$25.3 million to require them to reopen it?

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Mr GREEN - As I have just indicated, it was a good-faith arrangement.

Mr JAENSCH - That is a lot of money; you had more money on the table than anybody else. It was \$25 million with no security behind it.

Mr GREEN - What you ought to do, Mr Jaensch, is take up the Chairman's offer and have a talk to the Solicitor-General, have a look at the advice that was provided, then get the auditors in - Wise Lord and Ferguson - and have a talk to them. If you are really serious about this -

Mr JAENSCH - Did the Solicitor-General advise you that you were obliged to provide compensation, or just that there was a case?

Mr GREEN - We were advised there was residual value.

Mr JAENSCH - Were you obliged to pay it out -

Mr GREEN - That's why we had it audited.

Mr JAENSCH - Were you required or allowed to pay the compensation?

Mr GREEN - We were advised.

Mr JAENSCH - Were you required to pay it?

Mr GREEN - We were advised. I have offered you briefing.

CHAIR - What's your advice, were you required?

Mr GREEN - We were advised there was residual value. That is why the negotiations took place. Remember, that came to Parliament in the end.

CHAIR - You won't answer that question?

Mr GREEN - Hang on a minute, you won't even tell the Tasmanian people that you sought advice from the Solicitor-General. I am telling you that we sought advice and the advice was that there was residual value. If you want to go the next step and delve into the advice that you know I can't talk about, that is question for the Solicitor-General - the post Solicitor-General or the existing one - who can advise you on the contents of that advice.

Ms O'CONNOR - Is the order of questioning that the three Liberal members always go first, or that the Greens and the Labor member go last?

CHAIR - We are doing it in a balance way, Cassy. So if you would like -

Ms O'CONNOR - I would argue strongly against that.

CHAIR - Mark is happy for you to -

Ms O'CONNOR - Well, that is very big of you all.

PUBLIC

Mr Green, I am interested in exploring what your understanding was of the commitment, or obligation, or desire to reopen Triabunna that was in the intergovernmental agreement. What sort of obligation did that place on parties to the agreement, including governments?

Mr GREEN - That fact that Triabunna had been closed - I think it closed in April - Gunns had indicated it had had it on the market for some time. They had trawled around the world to find out if people were interested in buying the facility. At that stage, Gunns was finding it very difficult from a cash flow perspective. We had a lot of people being badly affected right around Tasmania - contractors, workers and the like - who were facing a very uncertain future.

Having said that, Triabunna was always seen from our point of view as being a very important strategic asset to the forest industry, particularly the southern forests. The obligations around the intergovernmental agreement provided a focus that all best intentions were to ensure the mill operated on into the future based on the new volumes, the amount that would be coming out of southern Tasmania with the residues. We have had to pay compensation ever since to get product to the north.

I want to remind committee members that the mill was shut at the time. It was not shut down by the process; it was already shut at that time. The obligation in the intergovernmental agreement was to facilitate the opening of Triabunna. It was to make sure people understood it was a very important strategic asset to the southern part of Tasmania, and was important for making the whole process work.

Ms O'CONNOR - Can you remember the point at which and how you first heard that Gunns had sold the mill to Triabunna Investments?

Mr GREEN - All I can really remember is that I became aware as a result of Mr L'Estrange letting my office know it had been sold, which was a shock to me.

Ms O'CONNOR - Had it been made public then, or was it shortly before it was made public?

Mr GREEN - I think it was around the same time as it was made public. It may have been the day before or the evening before. All I know is we went from a situation where we believed there was a process under way and then all of a sudden it had taken a completely different tack.

Ms O'CONNOR - I understand that you cannot talk about what was in the Solicitor-General's advice, but can I ask if the Solicitor-General's advice gave you any doubt about the need to buy out those residual rights in order to let the signatories process continue?

Mr GREEN - It wasn't as if this all fell into place overnight. There was a lot of discussion that took place. There were various offers that were made by the Commonwealth to Tasmania on an amount so as to ensure that the contracts were bought out and then therefore to allow for the facilitation of the TFA process unencumbered.

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CHAIR - And offers to Gunns?

Mr GREEN - Yes, there had been offers made that were knocked back through the process. It was the splitting of the amount of money. I am not sure whether that is on the public record.

CHAIR - Can you remember what they were?

Mr GREEN - I am not sure whether that is on the public record. I would have to take some advice about that but it was a half and half split. You can probably help me in this regard. Have you talked about this at all?

Ms WHITE - No.

Mr GREEN - There was an amount offered initially and then it went back. There were further negotiations with the Commonwealth based on advice.

Ms O'CONNOR - Did the Commonwealth get its own legal advice, or it accepted the Solicitor-General of Tasmania's advice? That is my first question.

Mr GREEN - You would have to talk to the Commonwealth about that.

Ms O'CONNOR - Can you provide a little more detail of what the auditors, Wise Lord and Ferguson, said about the point leading up to the agreement to buy out or pay compensation to Gunns?

Mr GREEN - In terms of the documentation that was provided?

Ms O'CONNOR - Can you encapsulate what Wise Lord and Ferguson said about the process and the payment?

Mr GREEN - They looked at all Crown Law advice and Solicitor-General's advice. They also looked at correspondence between the parties. They ascertained from their point of view what they believed the parties believed they were entitled to. On the back of all of that information said that the process with respect to achieving an agreement was appropriate. Therefore, it was a requirement of us, as you know, through the parliament that we have the whole process audited. It was completely transparent from that point of view.

That is why I get a little frustrated when people are actually trying to rewrite history here when there was a very thorough process gone through with respect to the decision-making around compensation for those particular volumes that had existed in the industry.

It needs to be taken into consideration, particularly since you seem to be the attack dog, Mr Jaensch, that the industry was in a state of flux at that time. Gunns was in a very, very awkward position. Even as I have just pointed out, it was a little tongue-in-cheek, but the sale of the site at Smithton, which was a thriving sawmill for many years, was difficult in itself. In the end it was a good outcome. The fact that we could not get access to the Burnie woodchip loader was a frustration to us. There were the issues

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associated with the sawmills in the southern forests here that also were the focus of a lot of attention, particularly maintaining employment. There were the people at Somerset who had effectively lost their jobs and were not going to get any redundancy. Contractors had all gone broke. Each and every person around the table from the industry and union's perspective were appealing to the government, both Commonwealth and the State, to do their best to allow for a sensible restructure of the industry and that is exactly what we did.

It would not have happened, it is true, if Gunns had not said that they wanted to get out of native forests.

Mr JAENSCH - Yes, and leave everybody else who stayed in native forests high and dry in the process. In the TFA you referred to, there is a clause in the Tasmanian Forests Agreement -

Mr GREEN - It doesn't make any difference. You have all ripped it up though, haven't you? What are you worried about?

Mr JAENSCH - You made reference to this -

Mr GREEN - But what are you worried about?

Mr JAENSCH - It says that 'the governments expect that the Triabunna mill will re-open and be operated in accordance with the statement of principles'. That was the overriding thing. 'If this does not occur, either government may request a review of the terms of the agreement with a review to occur only if both governments agree'. Did you request a review of the terms of the agreement -

Mr GREEN - The forestry agreement?

Mr JAENSCH - Yes. Did you request a review of the terms of the agreement when the mill did not reopen?

Mr GREEN - As I indicated to you, the whole process was that we embarked upon finalisation and ultimately legislation through both Houses of Parliament. It was on the basis that we included the industry. The industry were the people around the table negotiating.

Mr JAENSCH - This is the only clause I could find that says there is a consequence for the mill not reopening.

Ms O'CONNOR - You should let the witness answer.

Mr GREEN - History shows from that point of view the mill was not reopened. That is a true. It is a sense of great frustration to me and demonstrated by me when I wrote to them - that is Triabunna Investments - on 20 January asking them why they had not opened the facility? In good -

Mr JAENSCH - Would you table that letter?

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Mr GREEN - Yes, I am happy to table that correspondence, Chair.

CHAIR - Thank you.

Mr GREEN - - in good faith entered into this process and we understood the company was going through a process by which they would reopen. On the basis that the final agreement was reached, that they would look to reopen the facility. Whether they do not see it as being commercial or not, I am not sure, Mr Jaensch. These are all questions you will have to ask them.

Mr JAENSCH - For all of the lengths gone to, to meet the requirements of things which were in the sale agreement for Triabunna with the compensation to Gunns, with the transfer of the lease of the Triabunna wharf to Triabunna Investments at no cost until they started selling woodchips again through it, the only place I can find a reference to there being a consequence or an action if the mill does not reopen, is in the TFA, in which says if it does not happen either government may request a review of the terms of the agreement. Did you request that?

Mr GREEN - That might be why Terry Edwards shared with you his frustration. Of course I share that frustration.

Mr JAENSCH - Did you request a review of the terms of the agreement so that you could go and -

Mr GREEN - No.

Mr JAENSCH - No?

Mr GREEN - We transposed the agreement to legislation and the legislation went through both Houses of Parliament.

You have sought to play a lot of politics around that. We indicated that we were trying to restructure the industry on the back of Gunns getting out of native forests. We sought to do that in a transparent way. We sought to do that involving everyone from the industry including contractors, bearing in mind we are talking about public forests here and not private forests as has been put forward by a lot of people. We were completely transparent, Mr Jaensch.

The whole point of your exercise is to try to suggest to the Tasmanian people that we worked through a process so as to ensure that Triabunna Investments ended up owing the Triabunna mill. I can tell you that is not true.

Mr JAENSCH - Okay.

Mr SHELTON - Bryan, we have been supporters of the forest industry for years -

Mr GREEN - Too right.

Mr SHELTON - The fact of the matter is, there is a community still struggling to work out what went wrong, how this has actually eventuated. Why did Gunns take \$6 million less

PUBLIC

than what was three days away, basically? That is why I am on this inquiry, and that is why I would like to help the Triabunna community move forward in trying to understand that. It comes down to the monthly article where it talked about dismantling the sawmill. When did you become aware of what was in the monthly article? Was there any discussion with Triabunna Investments about the future of it prior to September, 12 months ago, when they talked about dismantling it on grand final day?

Mr GREEN - Early on in the piece, there had been rumours they were rendering the site unworkable on into the future. I sought advice at that time from the AMWU who had membership and people involved in the site. I was assured, at that time, there had been no dismantling of the mill and they were not rendering the mill inoperable.

I had obviously been aware, leading up to that, particularly as a result of discussions with TasPorts and others about the fact there were significant amounts of money needed to be spent on the site to have it in tip top running order into the future. I was aware of that.

No, I did not have any discussions with anyone leading up to the grand final decision about how it was dismantled.

Mr SHELTON - In reading the monthly article and hearing, and particularly for me the part of the article where it talked about toppling the gantry on grand final day, how did that make you feel?

Mr GREEN - I felt let down by people who indicated in good faith that they would work through a process. Too right, I do. Yes, I do.

Mr SHELTON – So you feel exactly the same way as many people in the south-east dealing in the forest industry, and so on. You went into it in good faith. Do you believe that you were a bit gullible at that time, given the money that went into the forest industry and the whole Commonwealth funding coming in and that sort of thing? In hindsight, would you have done it differently?

Mr GREEN - There is one decision here that I had no control over, and that was the decision by Gunns to sell the mill to Triabunna Investments. It is important that you do get Gunns in to give their evidence as to the reasons why they did that.

Mr JAENSCH - Gunns are a bit thin on the ground these days.

Mr GREEN - Well, Mr Jaensch, it is sort of synonymous with the problems that we all faced in the industry. You make it all sound so easy, even from your perspective, with all due respect to you. I can tell all of you honourable members that we agonised, there were tears, the difficulties associated with the pain on people's faces, the contractors, the workers generally. It was one of the most difficult periods in government that I have ever experienced, without any doubt. That is why I get a little annoyed.

You suggest I was gullible. I am telling you that the industry had collapsed. The trouble with this whole debate is we cannot seem to get it on to a footing where there is any recognition whatsoever.

PUBLIC

You blame the Greens and I understand why you do it from a political point of view, but it is so frustrating that we cannot at least get onto a playing field that admits to something and that is that the industry had collapsed and we had to do something about it.

My experience in life tells me that if we had have turned our back on the industry as it stood at that moment, tragedy would have been worn right across the Tasmanian community.

No, I was not gullible. We were working through this process in a way that was transparent. We knew that there were difficulties between the relationship of Gunns and Forestry Tasmania. We took advice from the Solicitor-General regarding residual value. We acted on that advice. We had the whole process audited. Yes, it would be fantastic if the mill was operating again now, based on the TFA being agreed to. The fact is, it isn't and we need to ensure that we get a long-term solution to residues in the southern part of Tasmania.

That is what we were working on as part of the TFA in that moneys were provided to ensure that we looked to work out better ways to ensure that we use our residues for the future. Like, for example, thermal pellets and things like that.

CHAIR - Just a couple of quick follow-up questions, Mr Green, from Mark Shelton's line of questioning. When did you first hear of the dismantling of the mill?

Mr GREEN - Only in recent times.

CHAIR - When you read the monthly article?

Mr GREEN - When it became public that it was part of - I did not actually read the monthly article that allowed me to understand that the publicity surrounding -

CHAIR - About that time. You were briefed, I understand, by Mr Wood in November last year according to budget Estimates. Your response confirmed that you were briefed by Mr Wood about the mill. What occurred during that briefing?

Mr GREEN - He was talking then about his new plans for the site.

CHAIR - You did not ask him about the site, or any feedback in terms of dismantling?

Mr GREEN - He had provided an indication to me that they had made a decision that they were going to look for alternative uses for the site.

CHAIR - You had been put on notice in Parliament by Mr Shelton regarding asking you about a possible dismantling of the mill.

Mr GREEN - When was that question?

CHAIR - That was earlier in the year.

Mr GREEN - Was it? It would have been around the time - not long into the year, was it or not?

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CHAIR - No, it was before that. You advised that you would take it on notice and you would look into it or follow it up. I think you used the word 'follow up.'

Mr GREEN - Yes.

CHAIR - Then you had the opportunity to follow it up.

Mr GREEN - I do not have all that in front of me, but I would like to know when that question was because it was relevant to the correspondence that I was sending to them myself to try to get them to -

CHAIR - It was in advance of your briefing with Mr Wood.

Mr GREEN - Well in advance, I would say.

CHAIR - It was in advance of your briefing with Mr Wood. The question is, why wouldn't you ask Mr Wood when you met with him?

Mr GREEN - The funny thing about it is that he is the owner of the site. He made a decision. He had plans, particularly around MONA, Dark MoFo, and a whole range of other things that he was talking about excitedly about the shed that he was going to use and other plans that they had for the site. He was effectively suggesting to me that that was the way that they saw the future of the site.

At that time, and before that even, we had indicated on many occasions that we were frustrated that they had not reopened the site as they said they would in the first place.

CHAIR - Going back to when Aprin was attempting to buy the mill, I think making good efforts at it -

Mr GREEN - Peter Gutwein had a field day with it, if you remember. Have a look at the *Hansard*.

CHAIR - We have done some research on it, and there is quite a lot of media commentary on it as well. In terms of your involvement in the Department of Economic Development, the loan to Aprin, I want to focus on that, because 'Kim Booth threatens vote over mill', 5 July, 2011, as a headline. You obviously had your minority with a coalition partner, so Kim Booth is breathing down your neck.

Mr GREEN - Read on.

CHAIR - There are two articles there, another one on the 7th.

Mr GREEN - One of them says about the obligations in the contract.

CHAIR - How did you respond to the Greens threat to move a motion of -

Ms O'CONNOR - A Greens, a Greens threat.

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Mr GREEN - We didn't. We were working through a process. It wasn't my portfolio. That is the interface between -

CHAIR - It was your portfolio.

Mr GREEN - Forestry Tasmania was, yes, and from my perspective I sought Treasury advice on a public/private partnership type of arrangement that they wanted to put in place. Yes, that's true. I signed off on them doing that. But it was David O'Byrne who was responsible for the loan, not me.

CHAIR - Yes, but you, no doubt, would have still felt some threat. If you have a motion of no confidence in the Parliament with minority, your numbers were 10, they were five, you needed to keep government, you needed to make sure you won a motion of no confidence if there was one, or that it didn't come on in the first place.

Mr GREEN - No. I can see what you're getting at, but no. You don't have to concern yourself with that.

Mr SHELTON - Given it would have been a Cabinet decision to pay the money to Gunns and that sort of thing, was that one of the decisions that the Greens excused themselves at Cabinet for, or the two Greens still in Cabinet when that decision was made?

Mr GREEN - No, if you remember back, we had a principle position that the whole process had to be audited, and it was the audit process that satisfied everybody that this was completely fair and above board. It was the entitlement. Remembering that all sides of this equation, other than yourselves, were trying to get to a point where we had a successful restructure of the forest industry. That achieved a new volume that you've since and subsequently endorsed, and we all moved on.

Yes, there was a sense of frustration, but in the end the community wanted to be able to move on.

Mr JAENSCH - In the TFA, there is a clause 44, which says -

'Where governments have agreed to ensure that certain things occur, this means they will do everything within their legal and other powers to ensure that these things occur.'

In terms of the reopening of the mill, given its importance to the industry and the economy, what was done beyond just stating that you expect that it reopens, to ensure that the mill reopened?

Mr GREEN - What legal instruments would we have to insist that it reopened?

Mr JAENSCH - You had \$25.3 million worth of leverage.

Mr GREEN - No, that was for the contracts.

CHAIR - That was a condition of the sale. Arguably, if that requirement -

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Mr GREEN - I had not seen the sale agreement. This is what I am saying to you.

CHAIR - You had been advised of it within days of the announcement that Triabunna Investments -

Mr GREEN - But that was also in the Aprin one as well. It wasn't the motivation. The Solicitor-General's advice was not the motivation. That's what I'm telling you. I'm telling you the truth. It was not the motivation.

Mr JAENSCH - Had you taken advice on - subsequent then - the process by which Triabunna Investments sought operators -

Mr GREEN - You have obviously thought this through. What would you do?

Mr JAENSCH - I am trying to work out what you did or did not do.

Mr GREEN - What legal recourse have got over a company once a decision has been made to sell it?

Mr JAENSCH - I would have thought that if government came up with a large package of investment and transferring a lease that it had control over through a GBE to facilitate a sale between two other parties, if you were responsible for meeting some requirements of that going ahead, then you have got some leverage. Everyone is putting conditions on agreements except you blokes and there was a lot of money -

Ms WHITE - Blokes? We had a female Prime Minister at the time.

Mr JAENSCH - Sorry. You as government did not seem to be putting any conditions, not guaranteeing, not putting any consequence in there for not meeting your expectations.

Mr GREEN - You are saying take the money back off Gunns that compensated them for the residual value in their contract.

Mr JAENSCH - It seems they were taking money from everybody but there is no guarantee back. You have got \$25.3 million plus another \$12.5 million or so but it does not appear anywhere that you have been able to put some commensurate obligation on the other party. You have just written the cheques.

Mr GREEN - No, remembering, Mr Jaensch, the contract of sale was not between ourselves and Triabunna Investments. It was between Gunns and Triabunna Investments.

Mr JAENSCH - But there was a condition that only you could satisfy.

CHAIR - Mr Green, can I say, there was a condition precedent in the agreement that compensation be paid by government. It then tied in two months later to a further agreement to pay compensation. So, at the end of the day, what do you have? You have a Triabunna woodchip mill that is closed and remains closed; you have decimated regional communities; thousands of jobs lost; you have a port that is land-locked and, at the end of the day, you still do not get a Bell Bay pulp mill. On top of that, you have

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\$25.3 million of taxpayers' money that is being spent with no condition that the mill would reopen.

Mr GREEN - All I can say to you, Mr Barnett, is you are an expert on rewriting history. The fact is that the mill was closed six months before the sale. It had been closed -

CHAIR - And remained closed.

Mr GREEN - It had been closed for some time. You would have to talk to Gunns as to why they actually closed it. I assume it was because they were losing a lot of money. They tried to sell the site over a long period of time. I was trying to facilitate Aprin in it. You and the Liberal Party did your best to undermine that and suggested that we would have been better off spending the money on teachers and health.

The upshot was that our motivation was to ensure that we restructured the industry, given that Gunns made a decision to exit native forest. We sought advice from the Solicitor-General, the Solicitor-General provided that advice. We had the whole process audited. That was reported to the Parliament and then we introduced legislation off the back of an agreement that facilitated the agreement which included the industry at every point.

CHAIR - Based on the evidence that we have had to the committee, in terms of the sale, the expressions of interest process - which is deemed to be to date, at least based on the evidence, a sham, I hope you will give me feedback on that, but based on the -

Mr GREEN - Say that again?

CHAIR - Expression of interest process.

Mr GREEN - Was a sham?

CHAIR - In terms of the Triabunna Investments, leasing out to -

Mr GREEN - Yes, you are saying it was a sham. When are you going to get Triabunna Investments in and have a chat to them?

CHAIR - We have asked them several times.

Mr GREEN - Are you going to subpoena them, or what?

Ms O'CONNOR - We have been offered an interview with Mr Wood tomorrow afternoon, but we are not sure the exact time.

Mr GREEN - Surely these are questions for them.

CHAIR - We are asking you the question. But just to clarify with respect to Mr Wood, we have asked Mr Wood months ago and he has refused to come. On the previous hearing he called the same day to say could he appear that day. We got a call this morning to say, can he appear tomorrow, when everything was set up and ready to go. So what we want to do is to bring him back at a mutually agreeable time. We do not want him to hide from the committee, if that is what he is doing.

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Mr GREEN – You have a cheek, my god, you have a cheek.

Ms O'CONNOR - With respect, Chair, that is a slur on Mr Wood who has offered himself up.

CHAIR - No, this committee is not going to be bullied.

Mr GREEN – How you are ever going to get invest – well, single-handedly, you are undermining the opportunity for future investment in Tasmania, in my humble opinion.

CHAIR - One way to look at it, in terms of the regional communities, the jobs lost, it is either -

Mr GREEN - You are trying to shoot that home to me. What I am saying to you is, the industry collapsed. The Triabunna mill had been shut for months before that. Just because you say it, does not make it true. In fact, to be honest with you, your credibility is on the line here, with respect to this, not mine. You are saying that my actions made the industry collapse - that is what you are saying. Effectively, you are telling the Tasmanian people that it was me, as the forest minister -

CHAIR - It happened on your watch; 60 per cent jobs lost in the forest industry, 2008-13. We had the evidence this morning.

Mr GREEN - The fact is, before I became the minister in 2010, the industry had been collapsing. There was an amount of money that was provided to ensure that woodchips could be even exported from Tasmania at that time, right through that period.

Many of the job losses occurred previous to that period.

CHAIR - Do you regret what happened at Triabunna?

Ms WHITE - Stop interrupting.

Ms O'CONNOR - Why don't you let the witness answer the questions?

Mr GREEN - I didn't close it! It was synonymous with the position the industry found itself in at that time. That was the problem, Mr Barnett.

CHAIR - You are saying you used to your best endeavours but at the end of the day they weren't good enough, were they? Do you feel empathy and sympathy for the people of Triabunna and those in the forest industry?

Mr GREEN - I feel empathy for the people of Triabunna and everyone else that was involved in the forest industry. All of those people -

CHAIR - And you don't take any of the blame.

Ms WHITE - Stop interrupting. This is ridiculous.

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Mr GREEN - I tell you what, we all have the opportunity to govern. Your party has the opportunity now. We made decisions off the back of the circumstances that prevailed at that time. They were horrific circumstances with respect to the number of people who have lost their jobs, the contractors who are going broke, and the capacity of Gunns to pay through that time. Every managed investment scheme, even though it had massive tax breaks, had gone broke. All the people involved in the silviculture and replanning aspects of the plantation sector had gone broke. Everyone in the industry was broke.

We had to restructure the forest industry. Gunns made the decision to exit native forest, not the State Government - Gunns made that decision. We worked through that process to the point where we could restructure the industry and get a volume and a future with respect to FSC certification that would ensure we could market our product and make the industry viable.

And guess what? You have endorsed it. You have endorsed every part of it. The volume, the FSC, all of the important parts.

Ms O'CONNOR - Not the reserves which is an important part.

Mr GREEN - You put that much blue tape around the 400 000 hectares, no one will get a log out of it - no one.

CHAIR – Okay, we will go back to questions.

Mr JAENSCH - If Gunns made the decision – you are being emphatic about that - did you know at the time when Greg L'Estrange at a conference in Melbourne announced that Gunns was coming out of native forests, was there a memo or a notice of that to you? If that immediately legally obligated you to pay out \$25.3 million or thereabouts, did someone telegraph that to you quite quickly if that was the legal situation you were faced with? Or was it some weeks or months after that, that you discovered that? Or is it not an obligation but a negotiated settlement in the circumstances?

Mr GREEN - In the end it was a negotiated settlement based on advice.

Mr JAENSCH - You weren't obliged to pay them that amount of money?

Mr GREEN - Based on Solicitor-General advice there was an obligation, yes, because of the residual value in the contract.

Mr JAENSCH - Is that a condition, that with contracts of this nature, that when a party like Gunns takes the opportunity of announcing for its own timing and political purposes to an industry forum that it is going to exit native forests, from that point that the State Government was obligated to compensate it for the residual value of its contracts? Or is that something which was discovered later on through negotiation?

Mr GREEN - We sought advice first, Mr Jaensch - that was the point. Gunns owed Forestry Tasmania a significant amount of money as well. We were trying to get to a point where that money was paid back, that Forestry Tasmania therefore could employ its own people and do all those things, and for Gunns to be able to pay its workers as well, which was part of it.

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Mr JAENSCH - Bryan, I accept you are right, I know that this stuff is not simple and easy, and we will never know the complexity or the pressure that you were under at the time and that the whole of the government would have been, and the industry, itself.

What we are trying to understand in this context is how it is that a company can make its own commercial decisions to get out of a complete half of the state's-worth of forestry, make its decision and announce it publicly, decide that it is going to for market and investment and social license reasons to go into a plantation-only pulp mill, and then be able to run a process where it ends up closing and divests its native forest chip mill -

Mr GREEN – Let me help you with your frustration.

Mr JAENSCH - - to another party who is clearly not going to put it, and then negotiates \$25 million with you, and then another \$12 million or \$13 million here, and then doesn't end up with the pulp mill or the chip mill or the native forest industry, and we don't have any of that money left to put back into our industry here.

That is what we are trying to understand. It is more than apportioning blame. It is navigating this so that the people in Triabunna and elsewhere who we have spoken to here know what happened to them and their businesses and their employees and their families over the last few years.

Mr GREEN - Yes, what happened to them was that Gunns made a decision to sell the woodchip facility to Triabunna Investments. That is what happened. Let me help you with your frustration. In government, particularly around funds coming from the Commonwealth to be spent on restructuring the forest industry around helping sawmillers, the woodchip sector and all of those things, when it came to compensation, we turned to the people that provide advice to the government and that is Crown Law and the Solicitor-General. Not only that but on top of it, based on the Parliament of Tasmania getting itself involved, we had that whole process audited in a transparent way.

I am more than happy that you seek a confidential briefing from the Solicitor-General on the advice that was provided to government at that time. I am sure that will satisfy you. You are frustrated, but you are barking up the wrong tree.

CHAIR - Was the residual value, the \$25.3 million you talk about, a legal requirement by the Solicitor-General?

Mr GREEN - It was the \$23 million plus GST.

CHAIR - That was what the residual value was?

Mr GREEN - That was in the end the amount negotiated.

CHAIR - Did the Greens party support the payment of compensation?

Mr GREEN - The Parliament supported it.

CHAIR - But the Greens did support it?

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Mr GREEN - As far as I am aware.

CHAIR - In terms of the expressions of interest, moving on to that, Mr Wood says in his submission that the Triabunna Standard was distributed amongst interested parties. The tender process remained open for a year and yet still no economically viable proposal was put forward. The evidence to our committee to date notes that nobody received a response to their expression of interest. Forestry Tasmania, who reports to you, advised you of the non-response to their EOI. I am wondering, did you follow up or did you do anything about it?

Mr GREEN - Yes, I wrote to Mr Wood seeking a response because they said they would conclude their expressions of interest on 23 December, that that process would be finalised, and on 20 January 2012 I wrote to them suggesting they should get on with it.

CHAIR - Was that the first time you communicated with them?

Mr GREEN - We communicated very early on in the piece. When we found out they owned it we talked to them by phone. It was a phone hook-up, if I remember rightly, and they gave me an indication that if the whole process is followed through and we achieve the outcome the through what ended up being the Tasmanian Forest Agreement, legislated for, they would reopen the mill, and to show good faith they would call for tenders. You said it was a sham process. These are the questions you must ask Mr Wood, not me.

CHAIR - How many meetings did you have with them after the sale? Did you have more than one meeting? You had one meeting over the phone with Graeme Wood and Jan Cameron, correct?

Mr GREEN - Yes, that is correct. Very early on in the piece.

CHAIR - Did you have another meeting?

Mr GREEN - I would have to check my diary.

CHAIR - Did you have a face-to-face meeting?

Mr GREEN - I think we did have a face-to-face meeting through the process.

CHAIR - Were you assured again by then that they would reopen the mill in accordance with the agreement?

Mr GREEN - They were telling us they would be calling for expressions of interest in line with what was agreed. That is what I am saying to you. The good faith part of this whole arrangement -

CHAIR - It is interesting that you can't specifically remember because time and again -

Ms WHITE - It is interesting that you can't stop interrupting.

CHAIR - - time and again we have media releases from yourself and Ms Giddings, the premier at the time, to say how critically important the Triabunna facility was to the

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future of the community and yet you have one phone meeting with the owners of the mill and possibly one other, and then a letter in January.

Mr GREEN – If you want to go down this path - that would demonstrate that what we are trying to do is make sure they did what they said they were going to do. Yes, I can understand your frustration and other's frustration but, at the end of the day, we did not sell it to them - Gunns did that. They are the people you need to talk to as to the reasons why, not me.

CHAIR - But you can understand that a lot of people -

Mr GREEN - I can understand what you are up to.

CHAIR - You can understand, from one point of view, that the previous Labor government, and you have paid the funding without getting a guarantee that it would re-open. You have had this expressions of interest process and then you get the letter in January.

Mr GREEN - That is you suggesting that there is legal recourse to me making mill the open. We took advice that there was an issue with residual value in the contract. No matter how much you try to turn it around and say it was based on somehow ensuring the deal went through with Triabunna Investments and therefore ensuring the industry would never have access to the mill again, is completely wrong and untrue. That is not what we were trying to achieve.

CHAIR - We had evidence at the previous hearing -

Mr GREEN - Why don't you think that the evidence with me writing to Forestry Tasmania and doing all those things to facilitate Aprin is not reasonable?

CHAIR - It is just that you had Damocles sword hanging over your head with Kim Booth threatening a motion of no confidence. That must have been worrying you, surely.

Mr GREEN - No. That was not worrying me at the time. You might say that, but no.

CHAIR - Are you saying it did not, a motion of no confidence?

Mr GREEN - You lot moved a motion of no confidence just about every week. We were dealing with this thing at face value.

CHAIR - But some people would say your job is more important than the jobs of people at Triabunna and regional communities.

Mr GREEN - No. That is complete rubbish. I am offended by you even suggesting that for one moment. That is complete rubbish.

CHAIR - No. Based on the evidence and \$25 million hanging there -

Mr GREEN - Why isn't the evidence with respect to Aprin good enough for you in terms of what we were trying to achieve? Why is it that you are so smug about it now, but at the time, Peter Gutwein, the now Treasurer, was running all the arguments about the place as to why the Aprin arrangement should not go forward? You are the ones who ought to be

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held accountable with respect to this. I was trying my best to make sure that was facilitated. I even wrote to Forestry Tasmania in support, based on Treasury advice, that we go into a private/public relationship on a tying arrangement at the mill. I was doing my best to make sure the facility re-opened.

Remember this, Mr Barnett - the mill was shut. The mill was already closed and it closed for a reason, and these are the things you need to talk to Gunns about.

CHAIR - What was the reason?

Mr GREEN - They were losing a lot of money.

CHAIR - The reason for Aprin with Ron O'Connor -

Mr GREEN - No, Gunns.

CHAIR – No, they wanted to re-open it because they could see a market and make some money out of it and get the industry going again and get jobs happening again and get Triabunna moving again. That is what they wanted to do and it did not happen. You had an opportunity to do something and you had \$25 million sitting there as leverage and you did not use it. People are scratching their heads saying, why did your government bank roll a deal to sell the Triabunna Chip Mill to environmental activists who wanted to close the mill and keep it closed.

Mr GREEN - You are rewriting history, Mr Barnett. Any wonder the Liberal Party give you the ta-tas from the Senate if you are going to carry on like that. The fact is, that you know there are legal obligations and the Solicitor-General provided us with advice about the residual value of the contracts. You are trying to twist that around to somehow suggesting we set about a course of action that would keep Triabunna closed forever. That is complete rubbish. If you want to run that argument, you are a fraud.

If you want to get this committee and the whole process of the industry onto a level playing field, then you will start at least coming from the basis of some honesty associated with why the industry found itself in the position it did.

A lot of it is to do with the exchange rate. A lot of it is to do with the decision that Gunns made to build a pulp mill in the Tamar Valley. A lot of it is to do with the fact there was a tsunami that ruined a couple of pulp mills on the Japanese coast line. There was a whole range of things that impact. At the end of the day, our motivation was to ensure we gave the industry the best opportunity we could for the future. No rewriting of history will change that.

All those hundreds and thousands of people who received compensation from the government to help them through this restructuring process, all came about as a result of serious and proper negotiations held between the industry, government - both tiers, federal and state - and Bill Kelty helping us in the first place and others. All of these things in the end led to the outcome of legislation passing both Houses that you have now torn up. But interestingly enough, you have not made any changes to any of the settings, and you are still aspiring to get FSC certification because you know full well that if you do not, the industry will collapse.

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Mr JAENSCH - Mr Green, in the history of the last decade or so, we have worked together on lots of things, there is this notation of projects of state significance or regional significance that sometimes pops up where there is -

Mr GREEN - Is this in relation to the pulp mill?

Mr JAENSCH – No, this is in relation to various things but the pulp mill is one of them, I suppose. But where there is a case for government to be involved a little more than it ordinarily -

Ms WHITE - You mean to acquire.

Mr GREEN - We were not going compulsorily acquire the site.

Mr JAENSCH - I have not said that at all.

Ms WHITE - You do mean that, though.

Mr JAENSCH - We have a situation, though, where on one hand we are talking here about the sale of the Triabunna Chip Mill being at arm's length from government and, in the private realm, willing buyer/willing seller, and it is up to them the decisions that they make and all the rest.

But we are learning more and more every day here about how drastically that decision and what happened as a result of it, what impact that has had on the economy of our state and particularly our forest industry in the southern part of the state. It is a huge impact. That was a highly strategic piece of infrastructure. I could imagine that if we had a commercial party come in to build and run the Triabunna mill, we would be tempted as a government to call it a project of state significance. Everyone would be around it and we would be putting public money into it to make it happen because of this incredible flow-on effect, ripple effect and strategic importance to the economy. But when it was sold, it is completely out our hands, as a state, to interfere because it is all commercial, regardless of the implications there.

How many other critical, strategic pieces of infrastructure, port, chip mill, whatever, are in that same position?

Ms WHITE – Well, you should know, you are in the government.

Mr JAENSCH – No, I am just wondering, because it is the sensitivity now that is concerning.

Mr GREEN - It is more about your philosophical view of the world, Mr Jaensch, and obviously you being a good Liberal would, under normal circumstances, say that you would want to remain at arm's length from any decision that is made around private business in Tasmania. Yes it is a strategic site, there is no doubt about that. That is why we worked so hard to ensure that the mill re-opened around a new volume in the markets.

Mr JAENSCH - It didn't.

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Mr GREEN – No, it didn't, Mr Jaensch. Even now it is still difficult under the circumstances to make money out of residues. It did have an impact, without any doubt, but it was closed well before. I just ask you to remember that, and it was closed for a reason.

Mr JAENSCH - Partly because, you have talked about the environment -

Mr GREEN - You will have to ask Gunns that.

Mr JAENSCH - But partly because that business had decided that it did not want to be in native forests, any more. It had moved on into something else.

Mr GREEN - Yes, but that was a business decision by Gunns, wasn't it? It was not a decision by - I was the minister responsible -

Mr JAENSCH – Yes, I know, but you paid \$25 million for that decision.

Mr GREEN - No, we paid \$23 million plus GST, because -

Mr JAENSCH - Did you have the option of not letting them -

Ms O'CONNOR - Let him answer.

Ms WHITE - For goodness sakes, this is getting out of control.

Mr GREEN - Because we received advice that there residual value in the contracts, no other reason, Mr Jaensch. And this is the point. The only other analogy that we could talk about in recent times, where people have been suggesting that we should compulsory acquire, was on King Island when the abattoir shut down there. People were saying well you should compulsory acquire the abattoir and re-open it as a government. It was the Liberal Party at that time, that was suggesting that the mill site should be compulsory acquired. It is interesting though, that since that time, now that you are in government, you are not talking about that at all. And the decisions that you need to make, potentially as a result of this inquiry - that is a strange little message you are being sent there, just a little corner there.

Mr JAENSCH - Do not be distracted, keep going, you are on a roll.

Mr GREEN - I want you to eat it, after you ask. It is in a bite size piece there for you.

Mr JAENSCH - It might explode. Keep going.

Mr GREEN - At the end of the day, yes, it is a strategic asset. You are the Government now and obviously it is your words that people are listening to with respect to this site. I have no doubt that you are probably thinking about acquiring it and doing a whole range of things to re-open it as a woodchip mill. If you are true to your word that is exactly what you will do. Or, as your committee's term of reference advocates, you will be looking to -

CHAIR - What is your advice?

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Mr GREEN - My advice is that it would be a strange philosophical challenge for you to come to grips with, where you intervene and acquire a business. I think you would find it very difficult to get any investment.

CHAIR - What do you think should happen?

Mr GREEN - I would advise you against it. I would advise you against compulsorily acquiring the Triabunna woodchip mill.

CHAIR - Mr Green, when you were in government before the election early in the year, were you aware that Kim Booth was in receipt of plant and equipment from the Triabunna woodchip mill.

Mr GREEN - No. That is the first I have heard of it.

CHAIR - Do you have a view on the appropriateness of that or otherwise?

Mr GREEN - I do not even know what he got or whatever it is. You would have to ask Mr Booth that. I have no idea.

CHAIR - It is on the public record.

Mr GREEN - Is it? What did he get?

CHAIR - Some plant and equipment.

Mr GREEN - What though?

CHAIR - A fork lift, I think, was one.

Ms O'CONNOR - It was sold, I think, wasn't it, to him. Something he bought.

Mr GREEN - I had no information, or I don't know. I did not know anything about it.

CHAIR - You don't have a view on that?

Ms O'CONNOR - Do you think that is a big conspiracy, and wicked and terrible?

CHAIR - Can I go back to your point? We talked about regret and being gullible and Terry Edwards -

Mr GREEN - That is one thing I am not, and that is gullible when it comes to all the things that confronted us at the time. If you had been there, Mr Barnett, you would certainly understand that.

CHAIR - Thank you for clarification. It is the way it looks.

Mr GREEN - It is just the way you are portraying it.

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CHAIR - It is the way it looks though. Terry Edwards has indicated that he was gullible, taken hook, line and sinker. This morning we had Colin McCulloch and he said that 'We were sacrificial lambs; they were playing everyone for fools'.

Mr GREEN - Is this all for TV grabs, or what?

CHAIR - This is this morning. I am just giving you some evidence. In terms of your feedback based on that, do you have any regrets, do you have any apologies, do you have anything to say to the people of Triabunna about the decision on the lack of the mill re-opening as it was promised by Triabunna Investments in their contract, as was promised in the compensation agreement between the state government and Gunns, that one of the conditions, clause 3, meant that it would re-opened? On reflection, in hindsight, how do you respond to that?

Mr GREEN - You have asked me questions about what I did and the decisions that were made and the reason we made those decisions. I have given you honest answers. For the rest of it, Mr Barnett, you will have ask Gunns and Triabunna Investments, because in the end they were the parties that sold and bought and purchased. I would have much preferred the mill to have been sold to Aprin at the time, but that was not to be. That is a question for Gunns.

CHAIR - The way it all looks, with the -

Ms O'CONNOR - Through whose eyes?

CHAIR - Through anybody's eyes.

Ms WHITE - No.

CHAIR - Certainly to the people of Triabunna. The chip mill is closed. Jobs are being lost. Land locked port. Obviously no Bell Bay pulp mill. People would say with the \$25 million on the table, it is either gross negligence or overt complicity because of your Greens masters.

Mr GREEN - You are wrong. That is completely wrong and unfair. I resent the comment.

Ms O'CONNOR - So do I actually as a Greens member who was in government at the time.

Mr GREEN - I think I was on until 3.30 p.m. and you kept me waiting for a while.

CHAIR - Thank you being patient. Are there any other questions? No. Thank you for your time.

Mr GREEN - Thanks a lot.

THE WITNESS WITHDREW.

The committee adjourned at 3.59 p.m.

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