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THE HOUSE OF ASSEMBLY STANDING COMMITTEE ON COMMUNITY DEVELOPMENT MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON WEDNESDAY 13 AUGUST 2014.

INQUIRY INTO THE TRIABUNNA WOODCHIP MILL

CHAIR (Mr Barnett) - Committee members and members of the public, before we commence with our first witness, on behalf of the committee I am tabling a media release from the Motion Picture Company, dated 13 August 2014, and a letter and memorandum to the chair of the Standing Committee on Community Development from the Clerk of the House. I am going to read into the *Hansard* the advice of the Clerk of the House:

The Standing Committee on Community Development was established by resolution of the House of Assembly on 26 June last. Such resolution prescribes, *inter alia*, the scope for inquiries by the committee and the ability for the committee to initiate 'own motion' inquiries.

On 16 July last, the Committee resolved to inquire into the closure of the Triabunna woodchip mill and possible future opportunities for the region with specific terms of reference which included: the circumstances surrounding the closure, sale and dismantling of the mill; the identification of development and other opportunities for the Triabunna community and surrounding regions; and any matters incidental thereto.

The proceedings of the Committee are 'proceedings in Parliament' and consequently attract the full protection and immunities afforded by Article 9 of the Bill of Rights 1688 that 'the freedom of speech and debates or proceedings in Parliament ought not to be impeached or questioned in any court or place out of Parliament'.

As a 'creature of the House' the proceedings of the Community Development Committee, which would include whether or not an inquiry is undertaken by the Committee is being properly conducted, are subject only to the supervision of the House itself.

It is extremely concerning when someone is seeking legal advice as to whether to proceed with defamation against myself as chair of the committee and also suggesting that I halt all proceedings and seek immediate counsel. I table those documents and they will be public documents.

The proceedings will continue. This committee, and I on behalf of the committee, had correspondence with Mr Wood on 28 July inviting him to appear before the committee and also requiring documents relevant to the inquiry. The secretary has had feedback on that matter and I will ask him to summarise the feedback we've had from Mr Wood's office.

SECRETARY - Following the issue of the letter on 28 July inviting Mr Wood to appear before the committee on Wednesday 13 August, I received a call the following week from Anna, who identified herself as Mr Wood's assistant, and said Mr Wood was unable to attend the

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hearings due to business commitments and may not be in the state. She was asked when the committee might receive the documents requested and said they were working hard to get them together. She left her phone number and said to ring her if there was anything else she could assist with.

On Tuesday 12 August, at approximately 2.15 p.m., I received a call from Anna saying Mr Wood could make himself available to speak to the committee that day via telephone. Anna was made aware that witnesses were scheduled to appear that afternoon until 4 o'clock. At approximately 3 o'clock I received a call from Anna checking to see if I had been trying to reach her. I explained that her message has been passed on to the chair but the committee had not had an opportunity to discuss her request as they were still hearing from witnesses. At the conclusion of the meeting the committee could not accommodate the request and at 5 o'clock I called Anna but got no response. I left a message to say so and that we would be writing to invite Mr Wood to hearings in September.

CHAIR - I note that last night the committee received a letter from the lawyers representing Jan Cameron. That letter is on the public record and has been received into evidence.

I want to apologise for the delay in the commencement today; the reasons are obvious but apologies to members of the public and others, including witnesses, and we will try to make up ground as we proceed. The proceedings will continue and I have no intention of being bullied into certain actions. We are acting in accordance with proper parliamentary procedure. We have invited Mr Wood and other relevant parties to appear. We have further hearings on 22-23 September and we would very much welcome Mr Wood and other key witnesses to come forward and share their views regarding the terms of reference with this committee.

Ms O'CONNOR - To be fair, Chair, it is worth making the point that because Mr Wood has communicated publicly about his potentially seeking legal advice it doesn't make him a bully or his actions those of a bully. He is quite legitimate. He is a businessman who feels he's been misrepresented in some way and it's within his rights to make representation on that basis. I think it is unreasonable to term that conduct bullying.

CHAIR - The facts will speak for themselves. His media release speaks for itself, but we won't debate that now.

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

CHAIR (Mr Barnett) - Thank you, Robert, for being here today. We appreciate your time and we are pleased to hear from you today. Before giving your evidence I want to check you have received the guide sent to you by the committee secretary. I would like to reiterate some of those important aspects of the 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 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. This is a public hearing. Members of the public and journalists may be present, and 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 advise the committee in advance prior to giving that relevant evidence. Would you like to make some opening comments?

Mr EASTMENT - I am a professional forester and economist. I set up and ran a company called Industry Edge for a number of years. I am totally impartial to all parties. We have worked for many different people and focus very much on just reporting the facts. That might be hard in the forest industry but we saw an opportunity to do that. We are the only ones in our field in Australia and New Zealand. We have worked for 14-odd years and I have since sold the business and am potentially retired, even though a number of companies wish to keep me on because of my impartiality and view on the facts and the data.

CHAIR - Would you like to share an opening remark on the terms of reference or are you happy to go straight to questions?

Mr EASTMENT - I will go straight to questions. My focus is very much on the data and the markets, particularly with the belief there was no market available for the wood from Triabunna. Hopefully by the time I leave today I would have given you sufficient printed evidence in the context of other mills of a similar size and quality that are able to maintain a market.

Mr JAENSCH - Thanks, Robert. We will come to that presently. I just want to pick up on a thread from yesterday and ask if you were involved in the preparation of any expressions of interest for operation of the Triabunna mill.

Mr EASTMENT - Yes, I was, absolutely. There were parties who asked me for data. They wanted to know about some volumes, some pricing and what would happen. There was SFM, which is a forest company, and also a loosely-organised group of forest contractors and sawmillers. But it was not actually putting in a submission or tendering for the actual running of the mill or anything like that. It was just an expression of interest. You just put in a document to say, 'We are interested, please give us the terms of reference.' When they were asking for those submissions to be made I wasn't aware of any terms of reference

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you could put your submission to, which made it very difficult other than to say, 'We are interested.'

Mr JAENSCH - To be clear, you were involved in assisting with two of these expressions of interest from different parties?

Mr EASTMENT - Just assisting them, and I would like it to go on record that at no time was any of this assistance financial. In both instances I decided that if I didn't have any financial contract with them, then it would not be part of my business. I had data on my hands and I was happy to help them through the process.

Mr JAENSCH - In both cases the parties you were assisting prepared expressions of interest in response to the advertised call for such expressions to operate the mill. Are you aware if there was any response, acknowledgement or reply to those expressions of interest?

Mr EASTMENT - No, because there was no response to either saying, 'Go to the next stage'. What upset me most was that there was no response to say, 'We have received it'. I would like the committee to know that some of these people put in quite a bit of time and effort to develop these responses, probably because they weren't comfortable and it wasn't what they normally did. Some of them had some legal assistance to help them and things like that. I just felt it was not the proper way of doing business when you put in a submission or an interest or expression; there wasn't even an acknowledgement.

Mr JAENSCH - In his evidence Mr Marr told us that no business proposals were put forward, no responses were received and they kept the tender process open for a year but did not receive any business proposals during that time. Would that technically be correct in terms of there being no detailed proposals because there were no detailed guidelines issued in response to the EOIs?

Mr EASTMENT - If I may make a slight correction to what you said there. Mr Marr said that there were no 'serious' -

Ms O'CONNOR - And he said 'effectively' no interest.

Mr EASTMENT - I would like to defend Mr Marr on that point. He did not say there were none put in. He said there were no 'serious' ones. What 'serious' means to him we do not know. Does he accept one which is maybe two pages, or one page? It is hard to put in a submission if you do not really know what is required.

As I said initially, with the ones I was involved with all they did was put in an expression of interest to be involved. What they would have expected back was something to say, 'These are your terms.' I think it might be in the words, but certainly Mr Marr did say to you he didn't receive maybe what he was expecting rather than what the people expected to send.

Mr JAENSCH - Just for the record, in his submission the words are:

The tender process was very frustrating because there was effectively no interest in operating the Triabunna mill.

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He also said:

The tender process was kept open for a year without receiving a single serious business proposal.

And that:

My assumption is that no tenders were received because -

Et cetera.

So the assertion is that there was no interest, whereas, in fact, we understand that there were at least several expressions of interest and you were part of at least two of them.

Mr EASTMENT - There was interest, yes.

Ms O'CONNOR - But the point in the sentence there is that there was 'effectively' no interest in operating the Triabunna mill as a commercial woodchip operation. Consortiums and entities that were interested in operating the mill that put in an expression of interest, there would have been some understanding of what kind of criteria someone like Triabunna Investments or Alec Marr operating might be required to meet in order for that mill to continue to operate, and that would include sustainably harvested timber from outside the reserves.

Do you know if any of the work you did addressed some of those issues that you knew would potentially be sticking points if the mill were to be operated?

Mr EASTMENT - Good question. It was not business as usual. That was the difficulty. At Mr Marr's request, it was clear that he wanted business to change. It wasn't going to be residues from native forests necessarily, it had to be a change. Some of the people I worked with find that fairly difficult and this is where some the process might be. In southern Tasmania we probably have about 60 000 hectares of plantations producing over 1 million tonnes a year and Triabunna can handle about half a million tonnes. There would have been ample plantation timber in the south of the state which could have gone to that mill to keep it running. If we had locked in and said Triabunna had to keep going using native forests, there would have been a whole lot of issues about markets and sustainability and accreditation. But there is sufficient plantation timber in the south of the state to keep that running. There is more than sufficient plantation timber, so that could have gone through. It could be done.

CHAIR - Mr Eastment, Roger was continuing with some questions, if we could go back. If you have finished, that is fine.

Mr JAENSCH - In the people you were assisting to develop expressions of interest, there was no response. Do you have the impression that process of calling for and dealing with expressions of interest was handled sincerely? Did they give the appearance that they were genuinely looking for expressions of interest?

Mr EASTMENT - It is my opinion it was not done with diligence. I expected a certain business format. You put out expressions, call for tenders, come in, acknowledge, go

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through the selected ones you want to work with, you give them more details, you open some books, look at their details and at their security, banks and things. There is a process you work through and I don't believe that process was followed. I am not sure it was even entered into.

Mr JAENSCH - There is no evidence of the process.

Mr EASTMENT - I don't have evidence of that, it is my opinion.

Mr SHELTON - Along those lines, the expression of interest, we have talked about that and we know of a number of people who expressed an interest, whether that was to the satisfaction of Mr Marr or not.

The next stage, which is terms of reference, it was indicated that for this business plan that people never saw, that businesses never put in, did you ever see a document that any business could work off from Triabunna Investments to say these are the criteria you must meet?

Mr EASTMENT - Absolutely not. I asked and I asked. I have not spoken personally to Mr Marr, that was never my role but the people I was with did and I said, 'go back and ask him' because it was fair. He was running it and it was his call. I did not see that document. I wouldn't want to sit here and criticise the way he approaches his business; it is his business and it was a private business and he can run it any way. However, in a public business I don't think it would have been done that way.

Ms O'CONNOR - Can you provide any detail of what was in the expressions of interest that you assisted with for SFM and for the consortia that Mr Torenus was part of?

Mr EASTMENT - There was a group that were interested. We believe they had the ability to go to the next stage and could they please have some details. There were no financial details, there were no capability statements in detail or anything like that. It was just a request to be part of a process to go to the next stage.

Ms O'CONNOR - You were talking a bit earlier about the volume of plantation timber that is coming online and available now. In your view, there wasn't the scope at that point in the EOI process to talk about the possibility of harnessing the plantation resource for Triabunna rather than a contentious native forest resource?

Mr EASTMENT - No, because at that stage most of the plantations were still owned by FPA or Gunns and of course both have now gone into receiverships. With hindsight the goal posts have all changed.

Ms O'CONNOR - They have all changed now, you mean?

Mr EASTMENT - Yes.

Ms O'CONNOR - Could you just elaborate on that a little bit.

Mr EASTMENT - Yes, because those plantations are privately owned, a company can do what it wants with it. Nowadays a lot of those plantations are still in the hands but the

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receivers are trying to get rid of them so if somebody puts their hand up and says 'Yes, we'll take it out' - I feel very strongly for the farmers because a lot of these guys went into deals; I think they were probably pushed into deals which they shouldn't have got into. Now a lot of them are suffering financial hardship.

Ms O'CONNOR - These were the managed investment schemes, weren't they?

Mr EASTMENT - Yes, and there is a way out now but at the time a lot of that was still in the company so a lot of available resource was in native forest. But if you follow that process through to the tendering of using it in Triabunna, that might have taken a year and in the meantime the companies were going broke as plantations were becoming available. The rules were changing as it progressed. A lot the victims are certainly the farmers and they have been hurt badly by this process. We had to change - we had to get out of native forest and at the end of the day the markets wanted it out as well. The arguments saying there is no wood - there is wood there.

Ms O'CONNOR - In your view, what is the plantation estate in Tasmania worth in potentially future economic terms but also to the industry here in terms of its viability in the future? I know we haven't planted many plantations in recent years - that is the evidence that has come to the committee. Where do you think the plantation question sits in the context of this inquiry if we are looking at the future of forestry?

Mr EASTMENT - This is really hard for me to answer off the top of my head. There is certainly a lot there. There is certainly a lot there; there is some *nitens*, which is not a particularly favoured wood, *globulus* is the preferred one. There is a lot of *nitens*, particularly in the north and north-east. There would certainly be enough plantations here to keep the three woodchip mills running - when I am saying three I am talking about Long Reach, Burnie and Triabunna - with some to spare on the assumption that we are not likely build a hardwood pulp mill in the near future.

Mr JAENSCH - In your response to Cassy's earlier question about the scope of the expression of interest documents that you submitted, if they were not a proposal but rather they were just a signalling of a group of parties who are interested, the only information that the organisation receiving the expression of interest had to go on was who was involved. There is no other information in that which could be used to determine whether or not it met -

Mr EASTMENT - Some capabilities. You want to be very careful because you never quite know how secure a lot of that information is so you wouldn't want to hand out a lot of financial information at that stage until you had a contract.

Mr JAENSCH - My point is that those expressions of interest wouldn't have been able to be rejected or deemed to be inadequate based on what they proposed because they didn't propose anything, they were just a -

Mr EASTMENT - They were a standard format saying we will not be part of the process, we would like to be included in the next stage, send us the information required.

Mr JAENSCH - And it never came?

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Mr EASTMENT - Never came.

Mr JAENSCH - Thank you.

Ms WHITE - I wanted to ask some questions around that as well. You talked about how you thought Alec Marr had a new way or a different way of operating in mind for the mill when he called for expressions of interest.

Mr EASTMENT - Different to mine, that was all.

Ms WHITE - Yes. You said that with the bids you helped to develop, you had some trouble working with those people to help meet the criteria. I am thinking about the ad that was placed and it states 'the mill will be operated in a way which is consistent with the aims of Tasmanian Forests Intergovernmental Agreement'. In either of the bids that you were involved with, did you outline how your operators would be able to maintain that consistency?

Mr EASTMENT - Not in detail, no.

Ms WHITE - Were you aware of any bids that did address that?

Mr EASTMENT - No.

Ms WHITE - Do you think that could have been a reason why Mr Marr didn't respond because in his advertisement he outlined that?

Mr EASTMENT - It could be, he could have had a dozen reasons why he chose not to. In hindsight, maybe we should have put in a lot more. But we were just following, more or less, a standard process in saying we wanted to be involved. I am not too sure getting on it - we wanted some more detail, I guess. I remember sitting around time and time again suggesting what we maybe could have done and in hindsight we should have been more specific in the questions, but we kept saying, 'Give us more details. We can respond, but give us more details,' and it was not forthcoming. It was the way it was.

Ms WHITE - It is hard to know what someone wants if they won't provide any details to you.

Mr EASTMENT - You don't know what you don't know until you know it.

Ms WHITE - I would like to ask your opinion on the knowledge you have around markets and market trends. You spoke about the change in demand from native woodchips to plantation. Are you able to speak broadly about what you know and where the markets are for Australian woodchips?

Mr EASTMENT - I could talk for hours, not that I will. What do you want to know? Do you want the Japanese, the Chinese, the Taiwanese, the Koreans - or the quality of the woodchips, the size of the woodchips, species - what do you want?

Ms WHITE - Is the demand for native versus plantation, certified, hardwood, softwood? What do you know in respect to those sort of criteria? What are the markets seeking?

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Mr EASTMENT - Softwood is certainly in demand, but we are not talking about softwood. There was never enough softwood to go to Triabunna. The Boyer mill now is purely softwood, so it is all going in there from the south and a bit from the north. If you made any softwood pulp or softwood chips you could sell it. There is a real shortage of softwood; there is no doubt about that at all.

Hardwood - eucalyptus, a number of major species we have here in native forests and then we have the *regnans* and - sorry, the blue gum and *nitens*. Japan has been the major customer of Australia for a number of decades for hardwood chips and they pay top dollar. They pay probably 50 per cent to 100 per cent more than they probably could have done, so they were very high. Australia became addicted to that market. Then China entered the market and they started to build pulp mills. China has no timber resources and they were then offering a lower price. That then made a big imbalance here. The trouble is that all of our infrastructure is geared around receiving a high income from Japan. Therefore we couldn't really change quickly to meet the lower prices offered by China.

Also, China's mills had a whole lot of environmental issues around them. It was a very difficult market. In Japan you had a three- or five-year contract. In China you had a ship-by-ship contract. They had spot prices. They did not like the long-term stability of having known what prices were and how they are adjusted.

Hardwood is always sold in US dollars. Softwood is always sold in country of production. So from here it would be Australian dollars, but hardwood is US dollars. At the time - we are talking about Triabunna - remember that the US dollar was quite low and the Australian dollar was very high; that made us quite uncompetitive. We had masses of hardwood also going into China, which is trying to compete against what markets we could. A lot came out of Vietnam, which was *Acacia mangium*. *Acacia mangium* has a eucalypt equivalent of about 46 per cent, which means it has 46 per cent usable fibre and that is not very good for making pulp, while you are looking at something like *nitens*, which gets up to about 55 per cent or 56 per cent usable fibre. You get a lot more bang for your buck out of using a good eucalypt chip from our plantations rather than Vietnam, but Vietnam was really cheap. Vietnam was only a day away sailing from the big markets at Hainan and APP.

The companies that were buying it in China had some bad environmental records. There had been environmental movements doing a lot of work to try to out these companies, so people did not really want - there was some reluctance to work with them. The hardwood market was quite unstable there for a little while because of the changes that were occurring in it. The new buyers were not the big, secure Japanese companies; they were these Chinese people and some Indonesians up in China with whom who we felt uncomfortable.

Those companies were quite keen to accept native forests and they were not too concerned about it, but the forest industry here knew - pushed or otherwise - that that was not a good space to be in. They had to move across to plantations. There was a change in the market and a change in production occurring here and the two were not really moving together; our dollar was extraordinarily high at the time and we were competing against really cheap wood coming out of places like Vietnam, albeit of a lower quality. The market was not straightforward and it was very complicated but you could survive.

Ms WHITE - Around what time was that? Was that 2010, 2011, or earlier or after?

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Mr EASTMENT - China built up from about 2003 on. They continued to build, the Shandong, the Shanghai and these other mills that they were putting through there and APRIL was up there as well. They started building that one. They did not build simple pulp mills that we may consider here, like 750 000 to 1 million tonnes; they were opening up a mill up to 1.5 to 2 million tonnes. They were massive projects and had a massive impact on the market. To buy chips for a 2 million-tonne pulp mill at the bottom price, you will pull the rest of the market down. They were destabilising the hardwood woodchip market.

Ms O'CONNOR - Is that much different now?

CHAIR - Sorry, Cassy.

Ms WHITE - I think that is a fair point and the question I asked about certification is more a question for the market nowadays rather than 2003. But FSC, other certification - is there demand in the market for Australian timber to be certified now?

Mr EASTMENT - In a nutshell, very big on certification and there are two types. There is PEFC and FSC. FSC is from the buyer's point of view, for people in the shops and people with the money; PEFC is from the producer's point of view, which is from the forests. You can grow as much forest as you want with a certification of your own but if it is the buyers, the ones with the money, who want a different standard, you do not have to be too smart to work out which way you have to go. FSC ultimately is the one where the money is going to be and that is the practicality of it all. They are both good systems. The Chinese do not really care and I think that is being honest. As much as Australia boasts that they have PEFC and it is really good, we have the Australian forestry standards and everything else, but a lot of the retail stores' and paper companies' customers want FSC because they have been pushed that way by a number of factors, including lobbying.

CHAIR - Mr Eastment, can I ask you a few questions about some of the information you have there? First, you acted for a number of parties that put in expressions of interest and did not receive information back. I am asking you about the industry at the time. You obviously thought and believed that there was a market for woodchips at the time. Can you back that up with information, evidence and facts to confirm there was a market for those woodchips?

Mr EASTMENT - Yes. There were woodchips coming out of other mills, particularly on the mainland, and it was fairly substantial. It was not like it was falling away and there was suddenly no market for woodchips in the world. I am not too sure of the process here but I have brought with me copies which are exports of woodchips quarterly and annually by state.

CHAIR - From when to when?

Mr EASTMENT - From 2009 to 2013. In the March quarter of 2013 - this data is from the ABS - the data was then concealed. The ABS chose to no longer produce woodchip export data because the company had chosen for it to be *ó* and this is a most terrible Australian law. The back page of the documents we are giving you now is what we did then, within *IndustryEdge* we said, 'All right, we will find out the shipping rate'. We went to find out

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what ships that were leaving Tasmania and you will see the tonnages and the dates on the back page.

CHAIR - Thank you. What is your next -?

Mr EASTMENT - This shows you the amount of plantations that were being planted in Tasmania. This is from ABARE, the Australian Bureau of Agricultural Resource Economics, and shows that previous to 2000 we had a lot of plantations here, but from 2000 on we have continued planting. Tasmania went through this incredible development of plantations. We have a lot of hardwood plantations here which -

CHAIR - Robert, are you convinced there was a market at the time when your clients put in an expression of interest?

Mr EASTMENT - Yes. It was a tough market and it was not easy. It would have been really hard but other people around the country were surviving

CHAIR - Right; is there still a market now?

Mr SHELTON - Has it improved?

Ms O'CONNOR - And we are talking about the native forests here.

Mr EASTMENT - Native forests or plantations? There is definitely a market for plantations but there is a limited market for native forests. Plantations have a useable fibre content of about 54-55 per cent. Native forests, if they are regrowth, have about maybe 52 per cent; if old growth, probably about 48 per cent. Old growth makes terrible pulp so, scientifically, forget it. Nobody would do that.

On the regrowth, there is still a limited market. People will still take regrowth timbers at the lower useable fibre content - they call it an 'e' content. It refers to a eucalypt equivalent, and that would be at a lower price. It is still in Japan but mostly in China.

Mr SHELTON - One of the issues in Tasmania is the production of sawlogs and sawn timber. Some 50 per cent of the tree is waste or thereabouts or even a little bit more, therefore it has to go somewhere. Evidence from yesterday from the sawmillers is that they are being choked up with their waste stream, so in the future there needs to be some mechanism to get rid of that waste. Is it still viable to put that native chip onto the world market and sell it as chip or do we need to look at some other means, short term and long term, of utilisation of that waste and what are the benefits?

Mr EASTMENT - Yes, both ways. Yes, there is a market. Yes, you can produce chip and, yes, you can send it off. But if you put it through Triabunna, if that Triabunna mill is certified by FSC as being an operational mill, you are not likely to put native forest through it because of contamination. That is the process and so that would make it very difficult to do. So you look at alternative processes of doing it here, using that fibre here for something else other than woodchips. Maybe renewable energy is one of them. There is something from Canberra about the viability of vesting in renewable energy and that has made it very difficult. I think Torenus was looking at some ideas of use. The sawmillers need that, really, because at the end of the day they run on such slim margins that they

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need to find a use. But everything they seem to go to at the minute is not really working out. You could put it through onto an export boat but the facility would not be able to carry FSC if you did that.

Mr SHELTON - No, however, there are portable chippers and different processes. If you could get them into a boat, separately to plantations, there is still a market out there in the world -

Mr EASTMENT - You could put them in containers and things like that but then you are upping costs and your useable fibre content -

Mr SHELTON - Do you have any immediate answers for the sawmillers in the sense that they are milling now and they are producing waste, which in the past predominantly went to the woodchip market? There is at least a three- to five-year window until any of these alternatives are in place. Where do we go between now and then?

Mr EASTMENT - Green energy would certainly be one of them. There are certainly companies on the mainland who are using it, and particularly overseas. I spent time in Finland working with some people on that, looking at their power stations. There is certainly an opportunity to do that. To be able to get assistance for green energy credits and a whole of other things like that is all held in abeyance now. I know that some of the sawmillers have looked at that very seriously and were seeking assistance, and then suddenly it has been stopped.

CHAIR - Is there a market for chips now, today?

Mr EASTMENT - In Tasmania or export?

CHAIR - For export.

Mr EASTMENT - For native forest there is, for regrowth, but you would get a lower price for it than for the plantations that are into China.

Ms O'CONNOR - What level of subsidy is required to make native forest woodchip exports in Tasmania viable?

Mr EASTMENT - I am not sure where that question is going.

Ms O'CONNOR - Transport subsidy.

Mr EASTMENT - To put a ship full of woodchips - say the ship is about 45 000 tonnes or BDMTs - you would be looking at about \$3 million.

Ms O'CONNOR - In value? In which market is this, Mr Eastment? Is that what China would be prepared to pay for it or what Japan would be prepared to pay?

Mr EASTMENT - The prices are much closer; Japan is coming down quite rapidly. We will talk about China.

Ms O'CONNOR - What is the price per tonne in China for native forest woodchips?

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Mr EASTMENT - That would be measured as CIF, which is what they like, so it would be a tad over \$US200 or \$US240. I wouldn't like to be quoted too strongly on that because there are so many variables. A ship would be about 3 million tonnes. If you're talking about subsidies, you wouldn't be able to claim any subsidy more than 3 million tonnes. That's your limit for your value. Would you have a subsidy? The only one would have to be on transport and things like that.

Ms O'CONNOR - Which existed for a long time.

Mr EASTMENT - Yes, it did exist for a long time. When you chip a native forest log, which is possibly a bit harder than a plantation log, the size and shape is very specific. When it goes into the digester it has to cook so you can't have anything that is too small, such as sawdust, or anything that is too big. Therefore it is cheaper to chip and load plantation logs rather than native forest. The only thing with native forest logs is that chips will often have a little bit less water in them and the conveyer belts have to be heated because they want to get the chips hot when they are going up the ramps so they give off moisture. To cool them down they go through a jet slinger and they cool the chips, otherwise they will compost going through the tropics. For plantation chip you would have to keep the conveyer belts a bit warmer because there is more moisture in them than in native forest. It's a little bit of swings and roundabouts but it would be more expensive to go through on the native forest side.

Ms O'CONNOR - Can you confirm that the native forest woodchipping industry in Tasmania was only made viable for a number of years because of the level of subsidy going into native forest woodchipping and that in order to return to any sort of native forest woodchipping industry of scale in Tasmania would require a return to publicly funded support for the industry in Tasmania?

Mr EASTMENT - In native forests we have a rising of approximately 10:1 in Tasmania, which means 10 pulp logs to one sawlog - and that is a scientific fact. For years what did they do with those 10 tonnes of pulp log for every one sawlog you got out? That is how the woodchips started and why they became so big. It was simply because of the way our wet and dry sclerophyll forests grow in Tasmania compared to the mainland where it is more 3:5. We needed to get that up and running; we needed big infrastructure to get it operating. That was investment but people were never taken off it. It stayed there for a long time and then, unfortunately, the tail began to wag the dog.

Ms O'CONNOR - My final question is a broader question about the sale of Triabunna mill. I am interested, from years of experience and political observations, about Gunns' exit from native forest logging in Tasmania, the impact that had on the industry here and what thinking there might have been behind Gunns' decision to sell to Triabunna Investments.

Mr EASTMENT - I don't think we can just say what impact it had on the industry because we have the farmers and all the guys who work in the industry - the truck drivers. A lot of people were hurt by Gunns' exit. Their exit was terrible because they had been allowed to have such a dominant position in the industry. It was something like 80-plus per cent, so they were very dominant. That is because they had acquired Boral, North Forest Products and had been able to build it up. Their decision to exit out of it was that they were doing everything they could to get that pulp mill over the line. They wanted all these

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accreditations and wanted the environmental groups to give them a break, and they thought that by trying to work through this process it was going to help them. Well, people will read history in different ways, but at the end of the day the banks just said no. Gunns needed money to facilitate debt to the banks in a very timely manner and there's a point of view that the sale of Triabunna would have enabled a payment in a timely manner. Maybe money in the hand was better than money that had been promised. I can't prove that.

Mr JAENSCH - There as a suggestion yesterday along the lines you've just mentioned, that the pulp mill was the focus for Gunns and Gunns getting out of native forests itself went to there being perhaps more support for its pulp mill. That was drawn an extra step yesterday when it was suggested that Gunns might have sought to bring about Tasmania as whole being out of native forests as a way of creating support for its pulp mill and that maybe bringing about the closure of the Triabunna mill and the demise of native forest operations in the south of the state would contribute to their chances of getting the pulp mill up. How do rate that as a theory?

Mr EASTMENT - Probably as a conspiracy theory. I think while it has some value if Gunns needed enough wood for their pulp mill, would they have enough in the north? Initially they'd have to get some out of native forest because to transport logs from the south and north of the state by rail or road -

Mr JAENSCH - They went to a plantation-only model, didn't they?

Mr EASTMENT - With plantation-only they could have got enough out of the north eventually, but building a pulp mill takes about two years, then you've got to what they call 'cook' the chemicals for a year, and to start a pulp mill up takes at least six months or more to get it running, so say three years all up, and there would be more plantation timber available as long as it continues to grow. In the end they tried closing Triabunna, but what are you going to do with all that wood in the south, all the plantations?

Mr JAENSCH - But their first single focus was on the pulp mill, so that wasn't their problem, was it?

Mr EASTMENT - Look, I made public comment in various newspapers and on the ABC and I noticed that the only times John Gay rang me up and was pretty upset with me - or sometimes he got others to ring me and I could feel the spit coming out of the phone - was when I was making adverse comments about the pulp mill. If I made adverse comments about native forest or anything else regarding operations of Gunns, basically it was just let slide, but I never got a Christmas card from Gunns.

I just couldn't see the value of closing Triabunna down or selling it - sorry, they didn't close it down, they sold it to a going concern potentially, but it was their choice. If they wanted to do that for the pulp mill I have no proof of that at all other than they were obviously very tetchy about the pulp mill and they certainly tugged my chain.

The other thing is that I would not be controlled by Gunns; I wanted to remain independent, and once I started changing the way I operated they were upset.

Mr JAENSCH - If the divestment of the chip mill was more than just about selling an asset, but selling it to a buyer who had a history of being anti-native forest, that would explain

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in some ways the experience you had with your clients putting EOIs forward that got no response. Perhaps there was no intention to respond to them or to have an operator.

Mr EASTMENT - I wouldn't be in a position to say Jan Cameron and Graeme Wood were anti-this or pro-that or whatever; all we can do is take it at face value. On the day Gunns took a commercial decision, but they insulted Ron O'Connor and decided to sell to somebody else. Did they need the money quickly? I've never seen the contract so I don't know what commitment there was, I don't know the involvement of government and I don't know the involvement of TasPorts either, because I don't believe Jan Cameron and Graeme Wood actually bought the port. All they did was buy the land, not the water bit.

Mr SHELTON - The timber industry for years has been a mainstay to the regional areas of Tasmania. The dollar is now at 92-93 US cents but it went as high as \$1.08, which had a significant effect. The issue of subsidies has been mentioned today. In your opinion, do we have in the future a viable timber industry without subsidies that we can sell to the world market and make some money?

Mr EASTMENT - The greatest competition is going to come from Australia. We have Portland, Bunbury and Albury and we have wood backing up in those ports because they don't have the facilities to get out. Every time they expand those ports it makes it less viable in Tasmania because we are now starting from scratch. They have contracts, ships, companies and offices in those ports and everything else. Yes, we can do it, but we can't think that just because we build a port or open a port up again it is all going to be all right. We have lost our marketplace. Those ports on the mainland are absolutely chockers. They can't get the wood out quick enough and we have to step into that market.

Mr SHELTON - When you say we have lost our marketplace -

Mr EASTMENT - Market presence from the south. You will see from the last page on the charts I have given you every ship that has sailed out of Tasmania for the last year and a bit, and I have told you which port it is and the name of the ship.

Mr SHELTON - We have lost our marketplace through the closing of Triabunna?

Ms WHITE - Presence he said, not place.

Mr EASTMENT - Presence.

Mr JAENSCH - Market share.

Mr EASTMENT - If Triabunna was to reopen as a woodchip mill you would have to go out and compete to get that back in competition against Australia.

CHAIR - To answer Mark's question, have we lost our market presence as a result of closing the Triabunna mill?

Mr EASTMENT - Yes, we have. It is because of the lack of the facility but also because people have seen the political unrest and turmoil that has occurred around this process. Customers don't like what is happening here today because it creates uncertainty. You don't advertise your dirty laundry and there are a whole lot of issues. These guys are my

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customers, the buyers, and we used to meet on a regular basis and one of the issues in Tasmania was this constant turmoil in the political world involving the forests.

Ms O'CONNOR - Going back some time.

Ms WHITE - Just to clarify a remark you just said then, Mr Eastment, did you mean customers don't like what is happening here in this room today? This inquiry?

Mr EASTMENT - They just want stability.

Ms O'CONNOR - Do you think they had it with the Tasmanian Forests Agreement potentially?

Mr EASTMENT - I think they were worried because they didn't understand it. It was actually very difficult -

Ms O'CONNOR - There are a lot of people in that boat, Mr Eastment.

Mr EASTMENT - I include myself. I must admit, I was a guest speaker at the Asian Woodchip Conference a couple of years ago and I had to give a talk on this. When I finished talking I thought, 'I haven't got a clue really myself, so how are these other people going to understand? Nobody in their right mind could have made head or tail of that.'

CHAIR - Was that the conference in Singapore?

Mr EASTMENT - No, this was in Vancouver.

CHAIR - Thanks very much for your evidence today. Is there anything else you want to give to us?

Mr EASTMENT - I will give the clerk the Forest & Wood Strategic Review, a publication produced by Industry Edge. We are giving it to you although it retailed at \$2 000, not for the paper but for the information that is inside it.

Ms O'CONNOR - What is it again sorry?

Mr EASTMENT - The Forest & Wood Strategic Review.

CHAIR - What date is it?

Mr EASTMENT - It's 2013. Every state government buys this except Tasmania but we'll give it to you as a gift.

CHAIR - Sorry, Mark has one last question.

Mr SHELTON - A general question. In the past I have known or read where Australia had an import/export deficit in woodchip and woodchip fibre of about \$4.5 billion.

Mr EASTMENT - No, \$2 billion. It has never been \$4 billion.

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Mr SHELTON - In other words, as far as dollars go, we import \$2 billion more of wood and wood fibre products than we export?

Mr EASTMENT - Yes. Of that \$2 billion, probably \$1 billion or a bit more is white paper.

Mr SHELTON - So a pulp mill could have resolved some of that issue?

Mr EASTMENT - Yes, it could have done.

CHAIR - Robert, thank you for your evidence today. It is much appreciated.

THE WITNESS WITHDREW.

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CHAIR - Before the next witness, I want to refer to the letter from Peters Linnette Lawyers who are representing Jan Cameron. I referred to it earlier and I would like to read it into *Hansard*:

Dear Mr Barnett

We advise this firm acts on behalf of Ms Jan Cameron, a director and shareholder of Triabunna Management Pty Ltd and also Triabunna Investments Pty Ltd, the registered proprietor of the property known as and located at 155 Freestone Point Road, Triabunna.

We wish to advise our client has become aware that Mr Graeme Wood, also a director and shareholder of Triabunna Investments Pty Ltd, may attend or make written representations to the parliamentary inquiry.

We wish to make it clear to the inquiry that our client does not know the content of the submissions Mr Wood may wish to make and our client in no way accedes to or adopts the submissions he may make. Furthermore, our client states that Mr Wood has no authority to speak on behalf of our clients, Triabunna Management Pty Ltd, Triabunna Investments Pty Ltd or their board of directors.

Yours faithfully
Peters Linnette Lawyers
12 August 2014.

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Mr ALEX SCHAAP, DIRECTOR, ENVIRONMENT PROTECTION AUTHORITY, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Barnett) - Welcome, Alex. Before you begin giving evidence, I will reiterate some of the guidelines provided to you by the secretary. A committee hearing is a proceeding in Parliament. This means that you receive 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 our court or place outside 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 you if statements that may be defamatory are repeated or referred to by you outside the confines of the parliamentary proceedings. This is a public hearing. Members of the public and journalists are here today and may report your evidence. It is important should you wish all or any part of your evidence to be heard in private that you make this request and give an explanation prior to that occurring.

You have made a submission, for which we are very grateful. Would you like to provide an opening statement?

Mr SCHAAP - I will be very brief. I am here in my capacity as director of the EPA and at the invitation of the committee. I have provided a number of documents required by the committee and I am happy to assist in any way I can.

CHAIR - On page 1 of your submission you have provided a timeline for events in relation to the inquiry into the Triabunna woodchip mill and future development opportunities for the Triabunna region. It specifically says:

10 October 2013. Formal notification provided by Triabunna Investments to the EPA of permanent cessation of operations of the Triabunna chip mill.

Is that correct?

Mr SCHAAP - I believe so, yes.

CHAIR - Then it says further down, on 4 February 2014:

PRP for Triabunna woodchip mill approved by the Acting Director of the EPA.

So that is correct?

Mr SCHAAP - Yes.

CHAIR - Is the statement by Triabunna Investments of 16 July 2014, where it says, 'A decommissioning and rehabilitation plan was submitted to the EPA and accepted on 18 October 2013' correct?

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Mr SCHAAP - I think 18 October was the date on which guidelines were issued and the draft was subsequently submitted in early December.

CHAIR - Correct. I will repeat the question. A decommissioning and rehabilitation plan was submitted to the EPA and accepted on 18 October 2013. This is from a media release from Triabunna Investments dated 16 July. I am asking you if that statement is correct.

Mr SCHAAP - No, it is not.

CHAIR - The timeline that you have set out in your submission is accurate to the best of your knowledge?

Mr SCHAAP - Yes, it is.

CHAIR - If you indicate in your submission that condition R4 of the Environmental Protection Notice notes that, 'After activity is substantially ceased for two years, rehabilitation of the land must be carried out in accordance with the requirements of the EPN as if the activity had permanently ceased.' Is it correct that Triabunna Investments was required, under conditions R1 and R3 to submit and have approved a draft decommissioning and rehabilitation plan within 30 days that must have been approved prior to decommissioning work being commenced?

Mr SCHAAP - No. Decommissioning work can be undertaken at any time. The plan needs to be approved prior to decommissioning being finalised because the decommissioning that is finalised is approved in accordance with the plan.

These are standard conditions that apply to any premises that are regulated by the EPA. There are two aspects to it. One is about the regulation of the decommissioning and rehabilitation process. That is one of the most challenging aspects for environmental regulators to deal with because it is too easy for the community to end up with a liability in terms of a contaminated site. It is a standard condition that applies across the board. That says that essentially we want to be sure that the way you decommission the site is satisfactory from an environmental management point of view.

There is another standard condition that says you cannot vary the equipment or the processes on the site without permission if to do so would result in an increase in emissions of pollutants or environmental nuisance.

Those two conditions operate separately but sometimes interact. If the decommissioning work that had occurred prior to the finalisation of the decommissioning plan were such that it caused an increase in pollutants, then it would need to be approved, not under that permit condition but under the condition which is about approving a change in equipment or operation on the site.

The question then is, ought these works to have been approved under that condition prior to their conduct, and not is it illegal to do those works prior to the approval of a decommissioning and rehabilitation plan.

CHAIR - What is your advice as to whether they ought to be approved?

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Mr SCHAAP - To my knowledge, which is based upon a couple of site visits done this year and from what I have observed from media reporting, nothing that we have seen in those decommissioning works would have required any form of approval under that change in equipment or operations.

CHAIR - Were you there or did you see what had occurred which was according to the reports and according to the *Monthly* article occurred on the football weekend in late September? Were you aware that those dismantling the mill had commenced in late September 2013? Was notification of or application for the decommissioning works performed at the mill on this date given or lodged prior to these works being conducted?

Mr SCHAAP - The answer to both those questions is no.

CHAIR - It is a requirement of the EPN, is it not, to have that advice in advance?

Mr SCHAAP - No.

CHAIR - Can you walk us through the process?

Mr SCHAAP - The intent of the EPN condition is to ensure that when an operator leaves a site - when the site is effectively abandoned and operations have ceased - the environmental liabilities have been dealt with satisfactorily. The condition does not prevent an operator from addressing environmental liabilities during the course of operations or during the course of the suspension of operations. The aim is to make sure that the decommissioning is good enough. It is not an aim to prevent any decommissioning to occur and indeed there would be no power under the act to require such a condition.

It is entirely a matter for an operator to determine for himself if he wishes to decommission a part of his equipment. He would not be able to decommission that without approval, however, if to do so were to increase the risks of environmental harm. In the end that is typically a subjective judgment which needs to be made in the first instance by the operator and subsequently addressed by the director.

Ms WHITE - Mr Schaap, are you satisfied there has been no wrongdoing by the operator in relation to its requirements with the EPA?

Mr SCHAAP - We've had a couple of inspections on site this year and haven't identified any issues of consequence. Early on there was a need to correct an issue with respect to ongoing discharge of stormwater. That arose because of a change in landholding so that the new operator no longer had access to the land on which the stormwater was being discharged and so it was necessary for that stormwater to be diverted to its existing settling ponds. That was taken care of fairly early on in the proceedings. In the course of those investigations I haven't been notified of any issues with respect to the manner in which the decommissioning is occurring. There has been some delay in that the operator has requested an extension in time to allow for finalisation of the decommissioning, which I have granted. The reasons given for that were a number of matters I was satisfied were outside the operator's control and hence thought it reasonable to provide that extension in time.

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Ms O'CONNOR - So to your knowledge, Mr Schaap, can you confirm that at all times Triabunna Investments Pty Ltd has operated lawfully within the constraints of the environment protection notices that were issued?

Mr SCHAAP - To my knowledge, yes.

Mr SHELTON - Just to clarify a point, there would need to be a distinction between decommissioning and demolition. This is a category 2 industrial site, so does a demolition require a DA from council or is it all done through the EPA?

Mr SCHAAP - That is an excellent question for which I wish I had an excellent answer. It's not entirely clear. There can be circumstances under which a council might well require development approval for an activity which it believes is not covered by the existing approvals. Typically, our experience is that doesn't become an issue for decommissioning and rehabilitation. In this case the decommissioning plan involves a lot of the infrastructure remaining on site, and that's not unusual. Wherever there is an expectation by the operator that there will be an existing or an ongoing use for facilities on the site then those facilities remain. The demolition in this case I think is essentially limited to a ship loader, some of the conveyors and decommissioning of fuel tanks, which will typically be a requirement of decommissioning. I would be surprised if a DA were required for any other those but that is a judgment for the council concerned. It is their call, not mine.

Mr SHELTON - Fair enough. There has been some demolition work with structures being dismantled and so on. There has been a query, and I never saw in the documentation where there had been an asbestos assessment done on site. Part of the demolition plan to local government would mean that you need to do an assessment as far as asbestos goes. I notice just looking out the window that it is one of the issues they have next door. With the removal of buildings or what has gone on at this point in time and the fact it is alleged that the dismantling took place probably four months before you were on site inspecting, it is only supposition but complying with the law and doing an assessment on asbestos really is an issue for me. It has never been looked at and it does not appear that you are concerned about that.

Mr SCHAAP - The decommissioning and rehabilitation plan that was approved talks about their being no intention to decommission or demolish buildings containing asbestos. This is typically the case for such plans; it highlights that a key part of the plan is the sampling program to determine where contamination exists. In this case that is more directed at issues such as hydrocarbon contamination and maybe heavy metal contamination, but it would also need to address any possibility of asbestos contamination on site. That might arise regardless of whether there is demolition happening or not, because in some cases we find that past demolition has resulted in asbestos contamination. That is dealt with through the submission of a sampling program and the results of that program are then used to determine what subsequent works are necessary. Those works might involve, for example, treating some infrastructure on the site or some soil as contaminated and disposing of it accordingly.

Mr SHELTON - Diesel fuel is one example of that.

Mr SCHAAP - That is typically the main issue.

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Mr SHELTON - However, along the asbestos lines, a substantial part of the report talks about there not being any contamination issues based on the fact that EPA had a process in place where they inspected the Gunns site previously over a number of years and had not identified any contamination issues - therefore there was none. Is this sampling a requirement of the plan?

Mr SCHAAP - The approved decommissioning and rehabilitation plan talks about the provision of the sampling program to identify contamination and that is part of the plan. I am not sure yet whether that has been submitted at the time we had the document request from the committee. It must not have been otherwise it would be part of the list of documents provided to you.

CHAIR - When is that due to arrive? When is it required?

Mr SCHAAP - I cannot recall, sorry.

CHAIR - Can you get back to us on that?

Mr SCHAAP - It may well be in the documentation.

Mr SHELTON - In *the Monthly* article it said that a fair bit of dismantling was done last September. The plan wasn't presented to you until January but it says, 'it is planned that', and then it talks about removal of the ship loader and a number of other things. The statement 'it is planned' indicates to me that they are writing the document for you to see knowing that in the past it has already happened.

Ms O'CONNOR - The ship loader hasn't been removed.

Mr SHELTON - There is a list of items there to go through. The point is it was written post some of the activity and it is illegal not to inform the EPA of certain information.

Mr SCHAAP - I don't know when the first draft of that document would have been drafted. Certainly our records show that we received a draft on 13 December, so there must have been a draft in existence before then, and the final was subsequently approved in February. It may well be that a draft of this document existed for some time before the formal notification of cessation of operations.

CHAIR - But you don't know that?

Mr SCHAAP - I don't know that.

CHAIR - You received the first draft on 13 December and yet you're saying all this work can continue and take place without the decommissioning plan being reviewed, assessed and approved by the EPA.

Mr SCHAAP - I am.

CHAIR - Isn't it possible that work could be undertaken that will not need to be covered by the plan - that is, there is no oversight process in regard to asbestos or other related matters?

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Mr SCHAAP - There are legislative processes in place for dealing with issues of asbestos. Anybody dealing with asbestos will have to comply with those requirements regardless of what is or isn't set in a decommissioning and rehabilitation plan.

CHAIR - Do you know if Workplace Standards Tasmania was notified of the demolition prior to the demolition taking place?

Mr SCHAAP - I don't know.

CHAIR - You are not across that?

Mr SCHAAP - No.

CHAIR - Are you familiar with the processes for workplace safety? That you need to have a workplace safety plan in place before proceeding accordingly?

Mr SCHAAP - One needs to comply with workplace health and safety legislation and in some cases that may require some workplace planning to be undertaken, but that is a matter for another jurisdiction.

CHAIR - So you don't know if there was a safe work method statement prepared for the proposed work and whether that was inspected by the Workplace Safety Tasmania officer?

Mr SCHAAP - I have no knowledge of that.

Mr JAENSCH - Alex, you have seen decommissioning and rehabilitation plans before and dealt with these sorts of industrial sites. In the *Monthly* article there are statements such as this:

The electrician estimated the switchboxes would cost \$400 000 to replace. The team systematically pulled them apart, snipped all the wiring and crushed key components. The parts too tough to smash with sledgehammers were dragged to the truck parking bay and run over with a bulldozer.

'That is taken care of the brains,' Marr said...

Is that decommissioning or is it just smashing up stuff?

Mr SCHAAP - I would say they are thoroughly decommissioned.

Mr JAENSCH - In terms of the run of the mill - pardon the pun - what has been written about in some of the public statements from the operators as an orderly process of decommissioning in accordance with your requirements, et cetera, is being written up quite differently in some of these other cases. It gives the impression of perhaps vandalism intended to disable things being passed off as decommissioning under an orderly process. Would you agree with that?

Mr SCHAAP - Is that the question: would I agree with the proposition that that sort of description might be intended to convey a message about vandalism? That might be the

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intention of the writer of the article but I have no knowledge to assign any motives to him at all.

Mr JAENSCH - In your experience, pulling things down and running them over with a bulldozer is not normally part of what decommissioning involves or requires?

Mr SCHAAP - It is often the case that during the demolition process there is compacting involved to reduce the volume to make things easier to handle. Typically, with issues such as electrical equipment or anything that has significant and potentially expensive componentry, one would expect to see some attempt at recycling, and that is what we encourage. It would be unusual to crush electric substation equipment, but as long as that didn't cause any discharge of pollutants, an environmental issue, it is not a matter for me to be concerned about.

Mr JAENSCH - In a paragraph before that there was reference to a warning that -

í The day's work could be dangerous. This being an industrial site, various elements were likely to buckle, recoil, electrocute, explode or disintegrate ... two high-voltage substations ... there was likely to be gas under pressure, even oil.

In those sorts of cases, apart from the safety, would those things suggest a requirement for some environmental management?

Mr SCHAAP - Certainly if there were transformers cooled by hydrocarbon oil, then one would need to be careful with how they managed those because to not do so might leave you with an additional contamination on the site that would likely cost you more to dispose of.

Mr JAENSCH - If that was the case, if there were oil-cooled transformers, et cetera, that were decommissioned violently, would that have been something that your inspectors would have picked up when they inspected onsite in September? Could you have knowledge of that through an inspection after the fact if that work had been undertaken?

Mr SCHAAP - Only if the remnants of that equipment were remaining to be seen.

Mr JAENSCH - If it had been removed then it never happened, as far as your inspection goes, you have no way of knowing?

Mr SCHAAP - What we would expect is that the sampling program would identify any contamination that would have ensued from that and that contamination would then be dealt with. Typically, an operator would be quite careful to avoid increasing their decommissioning expenses by contaminating the site in the course of the decommissioning works.

Mr JAENSCH - To understand that, to these requirements that you might have in a decommissioning plan for potentially hazardous equipment like that, there is no requirement for them to have alerted any authority prior to undertaking that decommissioning? That is what they were going to do and to seek appropriate guidelines or to comply with any requirement. They could go ahead and dismantle and decommission

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an oil-cooled transformer their own way and as long as there did not end up being any damage later, your process is satisfied?

Mr SCHAAP - Yes. That is the modern regulatory approach: to specify the outcome that must be achieved and make that outcome clear to the operator and leave it for the operator to figure out how best to achieve that outcome, not to say how they must do the decommissioning.

Mr JAENSCH - That is as far as the environmental protection goes. Where as, potentially under workplace safety et cetera they might have some requirements ahead of the process.

Mr SCHAAP - There may be additional requirements, particularly if there are hazardous goods involved.

Ms O'CONNOR - Mr Schaap, one of the reasons you are here today, in fact the major reason you are here today, is an article that was in *The Monthly*, published almost two months ago. Have you read that article?

Mr SCHAAP - No, I haven't.

Ms O'CONNOR - Has the content of that article and the portrayal of what the journalists believe to be facts been discussed at the EPA?

Mr SCHAAP - It may have been the subject of tea room conversation but I haven't spent any time musing on the subject.

Ms O'CONNOR - To your knowledge, did any alarm bells go off within the authority as a result of *The Monthly* article and the descriptions in that article of the decommissioning of parts of the plant?

Mr SCHAAP - Not to my knowledge.

Ms O'CONNOR - As an agency, to the greatest extent possible, you would want to be across developments on sites where there is an environment protection notice. If there was an issue with the description in *The Monthly* article, would it be reasonable to assume that the content of that article would have been dealt with by the EPA and potentially provoked action if there was an issue with the content?

Mr SCHAAP - If the regulator had been aware of the article and there were issues raising concerns then they would be dealt with. But I need to put that into context, that the decommissioning of this site was seen as a relatively low priority because it is a relatively low risk site. Hence, the amount of regulatory effort that we would allocate to it would be proportionate to that. We wouldn't occupy ourselves so much with that site as we would with a higher risk site. Having said that, it has been the subject of two inspections in the last 12 months or so at least. It has had a degree of attention.

Ms O'CONNOR - In the January site inspection, were any significant issues raised as a result of the demolition works that had been carried out in September last year?

Mr SCHAAP - Not to my knowledge.

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Ms O'CONNOR - So the Environment Protection Authority was satisfied at that site inspection that the provisions in the environment protection notice as well as in the draft decommissioning and rehabilitation plan were being met?

Mr SCHAAP - Yes.

Ms WHITE - On the timeline, so we are all clear and understand the decommissioning process, once you received notification from Triabunna Investments on 10 October that ceased operations for a two-year period, and on 18 October you acknowledged that. From that point on they were permitted to decommission in recognition that they would be providing you a decommissioning plan. Is that correct?

Mr SCHAAP - They were permitted to undertake decommissioning works at any point of their choosing but they would not have assurance whether that decommissioning was adequate until the director had approved the plan and signed off on it.

Ms WHITE - So from what point in time could they have started decommissioning?

Mr SCHAAP - At any time of their choosing.

Ms WHITE - So it doesn't necessarily have to relate to 18 October; it could have been prior to that?

Mr SCHAAP - Yes.

Mr SHELTON - Going back to asbestos, it still concerns me because it is one of the main areas of concern in OH&S. It's strange to me that there was no asbestos in a 30-35 year old building, given that is what they built with back then, and I can see where your inspectors might not have found it if it had been demolished and cleaned up before they got there. One of the holes I see in the process you are going through is that you can only find what you find if the process of demolition has been undertaken and cleaned up. From the asbestos side of things with the buildings and so on that are there, you have said there is going to be a sampling process. Is it up to your inspectors to find asbestos? Sampling of the ground won't find it, it'll be what's in the buildings and the dust. How will that be identified?

Mr SCHAAP - The obligation to manage contamination is with the operator; it's not down to an EPA officer to identify contamination and advise the operator. Our officers do, of course, try to be helpful if they can identify issues the operator hasn't taken proper account of and will advise them accordingly.

Mr SHELTON - So what may have happened is that there were three or four people employed to decommission the site with axes and oxyacetylene and knocking down walls and whatever - I haven't been to the site so I don't know what happened; I've only read the article - but there would have been a certain amount of dust and so forth at the time, so those employees could have been exposed to asbestos and because it's been cleaned up you would have no idea of that.

Ms O'CONNOR - That's a wildly speculative question.

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Mr SHELTON - I'm just trying to ascertain where the EPA comes from as far as asbestos is concerned and how the process is gone through to make sure people aren't put at risk. It's a workplace safety issue now, I understand, but I would have thought that asbestos contamination of a site would have been an item of high priority to the EPA.

Mr SCHAAP - It is. I guess the division of responsibilities is that we focus on trying to ensure that an environmental legacy isn't left at the site afterwards, and that means any asbestos contamination is appropriately dealt with. On top of that there is the workplace health and safety aspect which is managed by another regulator as to how that might be achieved. They aren't in conflict but you do need both elements of that equation to manage the continuum.

Mr JAENSCH - For clarification on the point Mark raised, under the EPN schedule 2 conditions G3 it says:

The following changes if they may cause or increase the emission of a pollutant which may cause material or serious environmental harm or Environmental nuisance -

Which I think would possibly take up both the oil in a transformer or asbestos in a building:

... Must only take place in relation to the activity if such changes have been approved in writing by the EPA board following its assessment of an application for a permit under the LUPA Act 1993 or approved in writing by the Director. Those changes being:

- (1) Change to the process used in the course of carrying out the activity;
- (2) Construction, installation, alteration or removal of any structure;
- (3) A change in the quantity or characteristics.

The point there being that the EPA board or its director has a role to play if these things are identified and referred through the process of a LUPA permit, which would come through the council I am guessing.

Mr SCHAAP - That condition specifies a number of ways in which that might be approved. It may be approved by the permit. It may be approved by written approval from the director.

Mr JAENSCH - You have to know about it to be able to approve it. That is the point.

Mr SCHAAP - That is true and what that condition does is place an obligation upon the operator not to conduct any operation that has that effect without having that approval.

Mr JAENSCH - Okay. Looking at the end product and your requirements for the outcome, everything seems to be in order. Whether in fact the operator duly identified risks and followed appropriate procedures to notify and secure the process in doing what they did is something you cannot comment on but which we might follow through Work Safety or the council LUPA-related processes to see if there was notifications?

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Mr SCHAAP - Yes, it may be relevant to another regulator, but from my perspective in the absence of evidence of serious environmental harm, then there would not appear to be any breach of that requirement.

Mr JAENSCH - Yes, thank you.

Mr SHELTON - Surely it would make it suspicious if it is done under the cloak of darkness, so to speak. It just concerns me about the article and the way that it went about that there are no issue.

Ms WHITE - You believe everything the author says now, do you?

Mr SHELTON - I believe that the actual demolition of the mill happened in secret over a quick period of time for whatever reason, but part of that would have caused issues in other areas. EPA may have caused issues in other areas with EPA and Work Health and Safety.

Ms WHITE - Entirely speculative.

Mr SCHAAP - I guess the simple answer to that question is as I have said, this is what we saw as a low risk site. It is not a site that we would allocate significant regulatory effort to and speculation of that nature is a low priority in terms of the things that we deal with.

Mr JAENSCH - We have in evidence *The Monthly* article and I do not think that Mr Shelton is being alarmist. There is a comment in that evidence that says 'the greatest risk remained detection. Marr had no permits and the State Government could seize the property within hours of being notified.' What do you make of that statement? Are you aware of -?

Mr SCHAAP - I do not understand what it means.

Mr JAENSCH - what that maybe implied. One of the things that triggered this inquiry was this article being published with those sorts of assertions. What do they mean?

Mr SCHAAP - Can you repeat that sentence?

Mr JAENSCH - 'Marr had no permits. The State Government could seize the property within hours of being notified.' This is the author of the article making their own judgements about legality and requirements for permits, but do you know or have any idea -

Mr SCHAAP - I cannot see any basis for the assertion.

Mr JAENSCH - From an EPA perspective?

Mr SCHAAP - Certainly not, no.

CHAIR - Just on that point the article refers to electricians who were involved in the process, for example, and it says:

We'll start with some neurosurgery, said Marr, leading us to the mill's high voltage switch room -

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You are thinking this is pretty serious stuff and that any electrician would have to be properly qualified and appropriately consent provided and properly accredited:

... Which was the size of a suburban garage. 'We need to turn the monster into a brain-dead quadriplegic.' The electrician estimated the switch boxes would cost \$400 000 to replace.

It does highlight very serious areas of sensitivity and concern in terms of getting proper process. As has been read by Roger, clearly they did not have any permits and they were just going in in the middle of the night as indicated -

Ms O'CONNOR - That is a journalist's assertion.

CHAIR - according to the article. We would like to draw that to your attention if you could take that on notice and respond in any appropriate way possible in due course.

Mr SCHAAP - I can tell you now I have nothing further to say on that point. There were no approvals required. Whether there were approvals required by another regulator is a matter you will have to take up with them.

CHAIR - Okay. As Roger indicated, you have Workplace Safety issues, local council, building, planning, Workplace Safety and EPA. You are sharing from your perspective and we appreciate that.

Mr SCHAAP - Thank you.

THE WITNESS WITHDREW.

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Ms DEBBIE WISBY, TRIABUNNA CHAMBER OF COMMERCE, WAS CALLED, MADE THE STATUORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Barnett) - Thank you very much, Debbie, for being here on behalf of the Triabunna Chamber of Commerce. I have a few remarks to share with you before we commence proceedings. I will reiterate some of the important aspects of the guidelines that were sent to you by the secretary. A committee hearing is a proceeding of Parliament. This means it receives the protection of parliamentary privilege. This is an important legal protection that allows individuals giving evidence to a parliamentary committee to speak with complete freedom without the fear of being sued or questioned in any court or place out of Parliament. 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 you if statements that may be defamatory or repeated or referred to by you outside the confines of the parliamentary proceedings. This is a public hearing. Members of the public and journalists are present and this means your evidence may be reported. It is important that if you wish any evidence to be given in private to advise the committee in advance of that. We have received your submission. Would you care to make some opening remarks and speak to the submission?

Ms WISBY - If I could read what I have written for you - and I have made a few amendments to it after talking to a few members of the chamber - and I will provide you with a revised copy.

I wish to speak today about the effect on our region as a result of the closure of the Triabunna woodchip mill and identify development and other opportunities for the Triabunna community and the surrounding regions. Having been born, raised and educated in Triabunna and Orford and having owned several businesses employing local people, I feel I am well versed in speaking on behalf of the business community and the community in general.

Some of my roles - I think all of them are voluntary: I am the president of the Orford-Triabunna Chamber of Commerce; committee member of the East Coast Regional Development Organisation; committee member of the East Coast Health Group; industry representative for the Tasmanian scallop industry on the Scallop Fisheries Advisory Committee; industry representative on the Australian Fisheries Management Authority, Squid Resource Advisory Group, industry representative on the Australian Fisheries Management Authority, South-east Management Advisory Committee; and match manager on the Under 12 football team.

I have been around the community and I have done a lot of work. I do a lot of voluntary work so I believe I am very well versed to speak on behalf of the community. I am extremely passionate about our region, saddened by the lack of employment opportunities, and concerned about the current and future viability of local businesses. I am, however, determined and confident that through a collaborative and innovative approach our region can turn the corner and be the thriving town it once was.

The closure of the Triabunna woodchip mill had an immediate impact on Triabunna and the Orford region. To say the region is in crisis would not be an understatement. Triabunna was built on the back of the forest industry, with the majority of businesses and

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employment derived directly from forestry or as a downstream consequence. The local hardware store, supermarket, post office, and bodyworks, mechanic - in fact, nearly all businesses - were impacted and continue to struggle as a result of the closure. What were once viable businesses closed, then reopened and closed once again? Many residents are seeking employment and, as a consequence of three years now having passed, still remain unemployed without any foreseeable change to their circumstances.

The closure of the mill ripped the heart out of the community, with morale dropping to an all-time low. Families have been separated due to the need for fathers to work elsewhere in the state or country. This has added even more pressure to an already fragile region.

As individuals, businesses or as a community, we had no power to change what has happened to our region. The situation we find ourselves in is no fault of our own. This statement, however, cannot apply to government. For many years leading up to the closure the mill had a limited life expectancy. What did government do for the decade leading up to the imminent closure to prepare our region? It appears very little. Three years on, I have not seen a short, middle or long-term strategic plan for our region that contains achievable projects completed in an appropriate time frame, nor innovative and collaborative ideas for new business opportunities and employment.

An exception to the above is the proposed Spring Bay mill. The Triabunna Tomorrow project completed by Monash University and UTAS architectural students involved the community, the development of ideas and a final presentation of concepts. This work was inspirational, respectful, exciting, and the students should be commended for their work. Many of these concepts could be developed with community involvement at very little cost. We do not need a strategic plan containing motherhood statements. We need the creation of jobs, jobs and more jobs, and a reduction in red and green tape now.

Over the past five years or so there has been community consultation in the development of the Glamorgan-Spring Bay strategic plan, the TOMI Report, the recent Maria Island study, et cetera. But where is the grant master plan? Where are the jobs? We need innovation, we need collaboration and we must get on with the job. Until a credible plan is created, private investors, like myself, will not come forth and surely that fact is apparent to all levels of government.

The community can only accept media releases applauding shovel-ready projects for a limited amount of time. The promise of better times ahead can only be said and believed for a given period, and when these projects sit dormant for years eventually the community see the statement and hype as being broken promises. The community feel they have been misled and see no change on the horizon.

In my opinion the region requires investigation into new opportunities for employment and businesses for their future. As a regional community, and due to logistics and costs, it is unlikely that this area will encourage larger industries that employ a significant amount of residents and increase population. Instead, it appears more likely that tourism and small to medium enterprises that focus on quality and niche markets may be the answer.

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The Orford-Triabunna Chamber of Commerce has been working with in excess of 50 local businesses and not-for-profit organisations to create a new or improved digital presence. New or improved websites or webpages will be linked to the chamber's new directory of businesses and services for our region. The purpose of the directory is to showcase not only our businesses but also the beauty of our region such as the beaches, walks and history, and then link to East Coast Regional Tourism Organisation and Discover Tasmania. We are preparing for future development and ensuring our businesses have the digital exposure they will need to be noticed and engaged to carry out the works on offer.

The Spring Bay deep port is a significant natural resource for the region and state. The wharf facilities previously used by Gunns could be investigated to allow for new opportunities for existing and new businesses, in turn creating employment and economic growth. Whilst the existing facility in its current form has limited use, a future multi-purpose wharf structure could deliver the infrastructure needed for this region to rebuild. We would like the government to investigate possible future use of the deep water port along with improved wharf infrastructure.

Some possible ideas for future use are:

- A ferry terminal - a collection and drop-off point. Potential destinations could be Maria Island, ecotours and Wineglass Bay tours. The benefits are: increased visitation to the east coast, including the Spring Bay mill, Maria Island, Orford and Triabunna; increased accommodation needs; new job opportunities; new or expanded existing tourism businesses; increased purchases locally of fuel for the operators and visitors; increased visitation to vineyards, et cetera;
- Cruise ships - a ferry terminal and the people transferred by small craft from the cruise ship to the wharf. Again, the destinations are similar to the above but the other opportunity here is for east coast of Tasmania day trips by road. That could get people all the way up to Coles Bay and back in a day. Shuttle buses could be available throughout the region, for example to the Triabunna-Orford area for a guided tour, seeing The Thumbs, the old convict road, sandstone quarry, local wines and seafood. Again the same people benefit. There will be new job opportunities, new or expanded existing tourism business opportunities, increased business for local restaurants, shops, et cetera, and new business opportunities for premium local seafood businesses.
- Commercial fishing vessel unloading/loading, repairs and maintenance will then allow for processing of premium Tasmanian seafood. Potential users are larger commercial fishing vessels from Tasmania and mainland. Obviously the benefits are fuel, stores, hardware sales, repairs and maintenance by local marine welders. We have a slipway there that has just started to be used again and that could be upgraded to allow for a large vessel. Freight businesses, provedoring and unloading of catch. Opportunity to process seafood caught in Tasmanian waters in Triabunna instead of sending it to the mainland to process and then buying it back. Reduce congestion at council-owned wharf

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whereby large vessels are not permitted or catered for. That is even my vessel that is only 21 metres long.

- Berthing for commercial fishing vessels - same type of benefits - but it would be great to have a berthing facility up there. I would like to see the possibility of the Sydney to Triabunna fast ferry looked into and conduct feasibility study on that. That would then bring people straight in to the east coast.
- There would be other industries such as mining and agriculture that could benefit from this infrastructure and use of the deep water port as an alternative, or in addition, to Bell Bay.

In summary my hope is all tiers of government learn from the past and are more prepared for the future. The future is not what it used to be, hence we all need to work together to achieve the outcomes the Triabunna region and the state Tasmania deserve.

CHAIR - Thanks very much, Debbie, for your evidence, it is very refreshing, very positive

Ms WISBY - And I am very passionate.

CHAIR - You are very passionate, and that is gratefully received. I should also have indicated that the Glamorgan-Spring Bay Council have withdrawn today. The mayor is not well and so they have withdrawn, but we have invited them back at the end of September and we hope they will be able to appear at the next hearing.

Mr SHELTON - I talked to you before about the Triabunna area and potential of that area. This committee of course is doing two things: first of all, trying to understand what happened with the sale of the mill and so forth; and then moving forward and into the future and where Triabunna lies. Along the first part of it, the history, your understanding when it came down to the closure of the mill, it was the community's expectation that the mill would then re-open.

Ms WISBY - Some, probably most, and probably hopeful that was going to occur.

Mr SHELTON - Through the TFA process and what was going on?

Ms WISBY - Yes, and that it was there to re-open if somebody came along who could prove that they could do that. People thought, well once it's closed it's gone. Some people are in denial on that; they thought it would come back. I think it was mixed.

Mr SHELTON - What triggered this committee is *The Monthly* article, the effect on the community when they realised this article had been written. I guess everybody, when they heard about it, went outside. They could in the past see the tower and structure, and it was gone. What effect did that have on the community?

Ms WISBY - There were two parts to the effect. Some people were furious about the fact that the gear was smashed up. They were upset about that. They felt that whilst it could have opened there was obviously no hope of it then opening. The initial response was that they were furious about the mayor's comments about the community

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and the electors. From the information I received there was more fury about that. The anger when they read the whole document came through a week later.

Mr SHELTON ó Triabunna, in your younger years, as a thriving community, was all built around the mill and the businesses were there. There were other business that were in Triabunna at the time.

Ms WISBY - Like fishing.

Mr SHELTON - Yes. Has the closure of the mill - as far as employment because a lot of people there are unemployed - but in terms of the attitude of the town, has there been a detrimental effect on the whole area because of the demise of the mill?

Ms WISBY - Yes, it has had a detrimental effect. But another big effect is lack of action, going forward, three years, and that is what I have written. It may not be the answer you want but the effect of it -

Mr SHELTON - What we are here to do is find out your opinions.

Ms WISBY - Yes. The mill closing was terrible for Triabunna but I think for 40 years I heard the mill is going to close when you are 10, the mill is going to close when you are 20, the mill is going to close when you are 30 and now you are 40, the mill is closed. I wish, in fishing, we had that much notice when they took quota off us. Whilst it hurt, it happened but the Triabunna people want to see something positive happen there. If the mill is not going to come back we have to have a way forward. We can't just keep sitting around waiting.

Ms WHITE - Debbie, thank you very much for addressing the terms of our reference in relation to the future for Triabunna. You have provided so many opinions from the Chamber of Commerce and I thank all members for their input. Obviously there was a lot of concern and anger at the time the mill closed but I wanted to ask about how the community feels today and whether there is optimism in the community for what the Spring Bay Mill might provide as an opportunity for jobs and economic activity in the region.

Ms WISBY - People are quite positive about the Spring Bay Mill, certainly people around our Chamber table are positive. I suppose because we have had too many shovel-ready projects for too long, we would like to see some action or some new jobs created, whether it is the mill or we just need something to happen there. In respect of the mill, it probably 50:50 - 50 per cent of people think the mill project will go ahead and 50 per cent don't think it will go ahead. The majority of people would be happy for it to go ahead because a lot of people feel that the mill is not going to come back. It is a matter of moving on to something and it could be tourism. What I have written there is about looking at existing businesses and how we can expand those and create new businesses.

Ms WHITE - I understand that Graeme Wood came and presented to the Chamber, is that right?

Ms WISBY - Yes.

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Ms WHITE - How was the engagement? Has he been open with the Chamber and the town about his hopes for the future of the region?

Ms WISBY - He was and he was excited when he realised that Graham Robinson was going to be there because it was going to set up for interesting conversation. He said he likes a challenge. But it was really good because it was the first time and there were about 45 members who came and it was a first opportunity people had to sit and eyeball Graeme. He handled it really well. Some people did get a bit heated and then it all settled and it was all lovely and we all had a sandwich. He brought his chair and he stood on his chair and threw his chair in the air, the chair that he had made. He was really good and it was a really important step.

In talking to some people that were there from the past forest industry, they were happy to have had that opportunity to see him, speak to him and ask him direct questions. I stepped away from chairing that meeting and let him handle it himself. I asked him if that was what he wanted to do and he said yes, he was happy for that to occur because it was up to him what questions he was to answer. He answered every question put to him.

Ms O'CONNOR - Debbie, I really enjoyed listening to you and reading your submission because it has that sense of possibility and optimism in it and looking forward and appreciating the fact that Triabunna is the gateway to the beautiful east coast.

You were talking before about your meeting with Graeme Wood and the Chamber. Was it your sense and the sense of the community there, at that meeting and after the meeting, that Graeme Wood is also genuinely excited about Triabunna, the region and what possibilities there are in the future and he wants to be part of that story?

Ms WISBY - Yes, a vast majority. Of course some people were really hurt by the closure of the mill, so they are not going to change in a one-hour conversation. It probably made them think there was more likelihood after listening to Graeme speak and looking at his track record of following through on projects. I think it was a really positive move to have Graeme there and he came as soon as he was asked. He sat down and had a meal with us prior to the meeting, so there was an hour leading up to the meeting that he sat with us and had a conversation. That meeting was really positive.

Ms O'CONNOR - I am interested in, and Bec touched on this, the psychological state of your community and the evolution of that through from when Gunns announced it was not operating the mill anymore to the sale to a non-forestry business person and through to this point now where, for the community, arguably the hardest things that were going to happen around the mill have happened, and some time has passed. I am interested in your perspective on the psyche of your community.

Ms WISBY - I think you have seven stages of getting over death and it was like that. They had to go through their anger and go through all the stages. What I am concerned about is, if we don't get something happening up there we are going to go backwards. We need to have that collaboration and that respect. That is what I liked about the university students because we were engaged with them. We took them out in our fishing boat. Not just me, but the community. That was the difference. A lot of the time up there there is conversation behind closed doors by people who weren't born and raised here, know the people - all different people and they have never run a business in a town like that. They

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haven't employed local people but they think they know what our town needs. Or you have a journalist drive through town and make an assessment on our town. Or you have a consultant drive through our town and think they know what our town needs.

When you own businesses that employ something like 35 people, as we do, we can see the potential there. We have a lot of people in our community who are involved in as many groups as I am, but they are not spoken to. All these opportunities are actually there.

Ms O'CONNOR - All the capacity, too.

Ms WISBY - That's right. It's all there and it's all free. We don't want outsiders coming in and writing a report about what our town needs when really we have all the puzzle pieces out on the table, we just need to put them together.

Ms O'CONNOR - As a final question, what is the feeling in the town, from your perspective, about an inquiry that goes back and looks at the past and seeks to get into the intricacies of a private sale to another private operator, and do you think that has the potential to reignite some negative feelings in the community?

Ms WISBY - Probably not in that it possibly is the last chapter to finish it. I don't mean finish forestry, but I mean for Triabunna to move forward it is probably a good thing for it to be finalised, and then whatever direction occurs after this occurs. Some people say, 'Just stop. Enough is enough, we've heard enough'. But other people need that closure. I don't think it is probably a terrible thing. In sitting here today I have learnt things today, which has been good. I don't think it will do any damage, but I think it needs to be the full stop and then we have a plan moving forward from here, whatever that plan is.

Mr SHELTON - In your mind, there are still some questions to be answered? There are still people out there with unanswered questions that if this inquiry can answer those and understand the process more, then that will be a good thing for the community to help them move on?

Ms WISBY - I think so, as long as it is not an ongoing, drawn-out witch hunt. I am not being smart when I say that, Mark, but what I am saying is we need whatever questions are on the table, answer them, move on and get on with getting Triabunna moving on.

Mr SHELTON - Do you have issues with what has happened in the past and any questions about things you don't really understand?

Ms WISBY - That is a very hard question, Mark. I personally think we have so much work ahead of us as a town and a region that looking back is not going to benefit my business, my family or my community.

Mr SHELTON - I agree with you there, but a number of people talked to us individually and a lot of people would like to understand - and I don't know whether we will get to the bottom of it - why Gunns sold the mill to Triabunna Investments for \$10 million when they only had to wait two days for a \$16 million bid to go through. If we can answer those questions and put them out so people have a relative understanding of what happened at the time, do you agree that would help them move on?

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Ms WISBY - Mark, that's somebody's view on that, isn't it, it's not necessarily what happened. At the end of the day you're not all going to agree around this table that this is what happened. If you have to take a vote and the majority vote wins, that doesn't make it fact necessarily. I just want to move on and I want the town to move on. I want employment and a happy town and region again.

Mr JAENSCH - Debbie, thank you for representing your community and so many parts of it. Who drove the Triabunna Tomorrow project you referred to?

Ms WISBY - That was partly funded by Graeme Wood and council, I believe. Monash University students - they are all qualified architects but they were in their fifth year - came across and went to the University of Tasmania as their project for that semester to look at Triabunna.

Mr JAENSCH - Were there things discovered through that project which link with some of the ideas you've put in your submission?

Ms WISBY - They tapped into those things, which was very good. That was the exciting part about them, they tapped into relevant things.

Mr JAENSCH - A lot of this revolves around the waterfront and where vessels come and go. What do you understand to be the status of the port and the wharf there now in terms of who owns it, who controls it, and the access for these things to happen?

Ms WISBY - I used to run the building and infrastructure of the council for three years. I created that department. I also ran all marine infrastructure for the municipality, so I have a bit of knowledge on that. The main wharf in the town is owned by council. There are private berths at one end, which are still owned by council but leased long term to different people. There is a yacht club opposite the main jetty.

Then you go out to Deepwater Jetty, which is owned by MAST and you can't berth there. There is a load limit on that wharf so semi-trailers can't reverse onto it. It's also a terrible road to get down; there's a cliff face and rocks on the other side so you have to reverse a semi-trailer a long way and then you can't even use that wharf now to put a semi-trailer on there to load it. Then there is SeaFish Wharf, which is privately owned, and the chip mill wharf.

Mr JAENSCH - And is the chip mill wharf at the moment part of the Spring Bay mill proposal? Is that caught up into that proposal?

Ms WISBY - I don't think so. I don't know anything about the proposal but from what I have seen I don't think they are that interested in the wharf infrastructure there. At one point they were but then they said, 'There has to be too much money spent on it', so I think they've changed.

Mr JAENSCH - Is that necessary for some of these other projects to come off?

Ms WISBY - There is something like seven working ports in Tasmania including Strahan, Triabunna, and St Helens. If the orange roughy fishery gets underway - and it looks like it will in St Helens within two years - the closest port to there will be Triabunna. They

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can't go into the main wharf at Triabunna, they can't use Deepwater Jetty, the fish mill is privately owned and Deepwater Jetty is the answer. Our boat -

CHAIR - Deepwater jetty as in the Spring Bay mill jetty?

Ms WISBY - No, Deepwater Jetty is the middle one, the MAST one, and the water gets deeper as you go out. We've got two fishing vessels; we bought one for squid fishing that's 21 metres long and we've also got a 16-metre vessel for squid, scallops and crays. When we brought our boat into Triabunna wharf under all the normal conditions - ringing the harbourmaster, Stan, and telling him we're bringing the boat through; we'd just been to WA to pick it up - I got a letter from council telling us it had been evicted from the wharf. Go figure why but it was in breach of all terms of reference and so forth of that marine infrastructure committee. Supposedly our boat is too long for that wharf.

In the new wharf masterplan that nobody's seen yet that council have done, will our new boat, which is only indicative of the future of boats, fit into the new marina? No, it's too wide. Our boat's now out in the bay, but have we been asked? No.

Mr JAENSCH - You said previously that people were interested in the Spring Bay mill project but there was a 50:50 of people who thought it would go ahead or not. If it's a good thing why aren't people more confident about it?

Ms WISBY - It's not 50:50 between who thinks it's good or not, it's 50:50 as to whether it will go ahead.

Mr JAENSCH - Okay, what would make it not go ahead? What's in the way?

Ms WISBY - We've had three years of shovel-ready projects; we've had a 10-year Solis project sitting there and we drive past it every day as reminder of 'Gee, that's going to happen soon'. The Boat Hills is going to happen soon, and then they say the Spring Bay mill will happen soon - you know what I mean? We've been bitten too many times to go 'Yippee!' It's just the reality.

Mr JAENSCH - Yes. You're not alone; there are lots of regional places with the same sort of feeling.

Ms WISBY - But the difference up there is we've got the people, the power and the knowledge to actually change that - and we've got the desire to do it. That's the difference in our community.

CHAIR - Debbie, thanks again for a very positive submission and the passion you present is terrific. There are lots of good ideas in here as well in terms of development and other opportunities looking forward, which is a key part of our inquiry. As I said, the Glamorgan-Spring Bay Council can't be here today but they have presented a submission and previously on the record talked about the closure of the mill and the devastating impact on the township and community in terms of jobs and families and people being torn apart. Then we've had the expression of interest process which didn't deliver the reopening of the mill, and I think people were very hopeful in Triabunna and that part of the world that it would.

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You've said in your submission that it was quite devastating in its impact on the region, so you would agree and concur with those concerns at the time with respect to the impact on jobs, et cetera.

Ms WISBY - Absolutely.

CHAIR - I've visited and met with locals there and seen the impact on families and the mental health issues. This has come through to me and I'm just seeking your feedback as a local in terms of people wanting final answers so they can say, 'That's it', and then move on. Some of the feedback to me has been along those lines, particularly for mental health reasons - they just want to know exactly what happened, why, when, and who was involved to get to the bottom of it and then move on with recommendations and suggestions for reform. What's your response to that? Do you concur with that approach?

Ms WISBY - I do, but I think their mental health would be helped a lot more if they had a job at the end of that. 'Your mental health is only going to go downhill, okay, here are your answers, like them or not', that is your answer. Unless you have something to do tomorrow -

CHAIR - That is why one of the reasons there are two parts to the terms of reference we are looking into, trying to get answers, digging into what has clearly been a bit of a murky affair and now we are looking forward as well with some of your suggestions and ideas, so that is where we are going. Does that make sense?

Ms WISBY - Which is great, yes. Good.

CHAIR - In terms of the - I think it might have been Roger mentioned the *Monthly* article and the comments of the Mayor, which were obviously in the news for quite a time, and then the feedback on that article from the local people once they had absorbed it. What was their feedback on the story in the van Tiggelen article from the *Monthly*?

Ms WISBY - If we exclude the Mayor's comments, there was not as much feedback as I thought there would have been. I just think most people have given up on knowing the truth. It is like we cannot change it, but we need jobs now. I am not trying to repeat myself, but people have got past it. If this had been held two years ago people would be still heavily absorbed in it. Now it is old news, move on.

In saying that, there were a few people locally who were very interested in the outcome of this, one being Jenny Woods of course. Generally, I would say less than one in ten. People were disappointed and upset; I was too when I read it and saw that machinery had been smashed up. I recycle my milk cartons, so it could have been sold to somebody else or something maybe. That was probably how extreme - if that is correct - how extreme some people - the extreme levels some people will go to. But that was probably more so the comments, 'Gee, that is really extreme'.

CHAIR - You have said in your submission that you felt:

It cannot apply to government because for many years leading up to the closure of the mill, the mill has had a limited life expectancy. What did

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government do for the decade leading up to the imminent closure and to prepare our region for the future?

So you felt let down?

Ms WISBY - Absolutely.

CHAIR - Because government wasn't involved, participating -

Ms WISBY - That is all tiers of government. Where is the strategic plan? I have attended so much of my life to these strategic plans that I am strategic planned out. I do not like wordy words or those statements that mean I cannot even see the word 'job' in there.

CHAIR - You are keen to see:

Three years on I have not seen a short, medium or long-term strategic plan for our region.

You are keen to see action going forward?

Ms WISBY - I don't know if I want to see another strategic plan; I want action.

CHAIR - Yes, you want action.

Ms WISBY - I would rather sit around a table with a group -

CHAIR - Jobs, jobs and more jobs.

Ms WISBY - Yes - and sort it out. Those things I put forward are real stuff and are really achievable. I have been asked to set up an Australian Squid Association. AFMA rang me last week to ask me to set that up. That is huge. That association is not huge, but the potential there for Triabunna is huge with so much of our fish being sent to Melbourne and then we buy it back for some weird reason. We don't even have a processing facility here yet there are a dozen over there and they buy their new Ferrari every two years. It is like there is something wrong with this picture. We have the seafood, they take it out of our waters and then we ship it across our waters to there and then we ship it back.

CHAIR - You make some good points there. In your submission, page 2, where you say:

For years eventually the community see the statements and hype as being broken promises. The community feel they have been misled and see no change on the horizon.

Just what do you mean by that? Can you expand?

Ms WISBY - Too many shovel-ready projects and not one job coming out of them.

CHAIR - I see, I am with you. You highlight the Spring Bay deep port as one of your great assets, the significant natural resource for the region and hence your recommendations

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regarding opportunities with respect to the deep water port because they say that from Eden to Hobart that is the key port. Is that your view?

Ms WISBY - That is right.

CHAIR - You have talked a bit about the wood proposal, which is a very positive opportunity if it comes to be. You are very positive about that and hopeful; is that a fair statement?

Ms WISBY - That is right.

CHAIR - If there is was forestry or timber related development in Triabunna, likewise, would you feel similarly hopeful and positive?

Ms WISBY - I would and these days it has to be sustainable and environmentally okay - all those things. If it ticked all the boxes, absolutely. Whatever the industry, it needs to be that, if it ticked all the boxes. Moving forward, we have to ensure that it fits in and I think tourism is going to be a big part of the east coast and people possibly do not want the big log trucks back on the road. You get used to not having them on the road. I grew up with them and that was part of life - you waved to them every day, going to Hobart. That is fine for me but quite a few people seem to like to fact that the big trucks or that that the roads are not wide enough and good enough to run the big trucks, ideally. We need to be careful what we hope for. We have to make sure that it fits.

CHAIR - Thank you for that.

Ms WHITE - In reference to the comments that were made on page 2 when you talked about government of all levels and the hope that more could be done and you talked about having all the puzzle pieces in Triabunna and the people power and the capacity. In the time that I have known you there have been things that have happened in Triabunna. NBN has gone through, good or bad, but it does provide an opportunity for the region. There is a trades training centre where we can skill up people, so we have an opportunity keep people in the town and provide training that is relevant for the job market for them there. The Solace development hopefully may continue. There are things that have happened, the wifi network et cetera. You are right, there are pieces in the puzzle that governments of all levels have contributed to developing over time. But it is now finding an industry and that is where you are talking about tourism being a key part of that Spring Bay Mill.

You talked about processing and we have talked about this in the past and how it is a fantastic port facility. We still have a lot of fisherpeople using that. What sort of fish would you see processed and what would be required to enable that to happen?

Ms WISBY - It would not require an awful lot. In 2006 we had 21 boats. I was in charge of the wharf at that point and we had 21 scallop boats at that wharf which was amazing. This season for the scallop industry in Tasmania there were five boats.

Ms WHITE - For the whole industry?

Ms O'CONNOR - Not just in Triabunna?

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Ms WISBY - No. That is working out of Stanley, five boats. We dropped down from 21 to five boats. Going back to 1980 there were more than 200 boats in the industry and a lot of that is coming down to a lack of markets. It is not really a lack of markets; it is a lack of people doing new things to get to the markets. They are not lifting their game to the level required; they are not value adding to the product. Unfortunately, a lot of our scallops go to the mainland, get split and come back into Tasmania because we are the biggest buyer of scallops. Therefore it floods the market. Whilst we have Stanley Fish and Tony Garth and George Town Seafood splitting here, as the three main factories, the scallops are good and there are so many scallops coming through and because it is so up and down, it is hard to keep the workers. It does not need to be that up and down if it is managed better and that is at government level too.

Ms WHITE - I understand all of that.

Ms WISBY - It is not that much; it is about probably sitting around the table with people like Michael Kent and talking to him about what Woolworths would see as a good packaging option. Then you can crumb them or you can batter them or you can do whatever you need to them or you can package them how the small restaurants want them so there is a lack of waste. We can get fish into the IGAs, for example. You do not go into the IGA and see Tasmanian fish in a two-people pack, sitting there next to your two pieces of steak. There are many opportunities there. The existing facilities around Tasmania have relied on the old way of business. Now they are starting to look at, 'Okay, they want them half-kilo Cryovac'd or one-kilo Cryovac'd' - lifting their game a bit. There are many opportunities and it doesn't require a big facility, it doesn't smell - quality will ensure that doesn't happen. Everybody needs to lift their game and work together and it would come together fairly easily.

Ms WHITE - And you could process scallops, squid, and other fish all in the same facility?

Ms WISBY - Yes.

Ms WHITE - So you need to understand market demand, and that is where you talk to the buyers, but also developing technologies. Would you see opportunities to talk to, say, the University of Tasmania?

Ms WISBY - Yes. AFMA contacted me last week and they are very interested now in doing research on the location of squid, so we can target them. There is no issue with squid quantities, so we can target squid and make it more viable for businesses. There are 54 squid licences available. Can you imagine 54 boats in Triabunna going hard at squid fishing? There is no issue on sustainability or resource so that would be massive. Twenty-one boats was massive and that set the town up for two years. The amount of money the local businesses put through that town in six months was amazing.

Mr JAENSCH - What's stopping that from happening now? It's not the mill or the lack of it.

Ms WISBY - No, it's not the mill. It's not that complex but I sound like I am bagging out government if I say it. There just need to be some changes in the way businesses conduct their business. I am on the scallop [? 1.01.53] and we used to have to wait two months to get a piece of paper signed, now it is back down to 10 days, so we can go to work quicker. Things are changing but it is a matter of continuing to change and become more

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professional in the way we conduct our business and set our standards higher. It's all achievable; it will all come together.

CHAIR - Do you support the fish waste facility that was announced a few weeks ago?

Ms WISBY - From a Chamber perspective, absolutely. Any employment is good employment. From a personal perspective, I hope we don't become known as the fish dumping area on the east coast. I know we always took waste, but I would like to see a more positive story come out of that.

CHAIR - There's a lot of downstream processing from that fish waste. They are using it not just for fertiliser.

Mr SHELTON - Fish oil and fertiliser.

Ms WISBY - There were concerns about the trucks on the road, et cetera. Nothing is easy but the Chamber supports employment in the area. It has ticked all the boxes environmentally.

Ms O'CONNOR - Debbie, all of us here, although we'll disagree on some of the reasons we are here, want to be part of constructively helping the Triabunna community. In your mind, what is the most tangible, positive, constructive recommendation we can make to Government and to the Parliament as a result of this inquiry to assist Triabunna to be the place we know it is capable of being?

Ms WISBY - I think a big table like this with the right people around it.

Ms O'CONNOR - Dollars on the table?

Ms WISBY - Cassy, most of this is not even about money. This is what makes me so angry. It is not even about money. I don't want your money. I just need you all to do your job. I know that sounds very harsh but I don't want your money. There is so much money thrown in up there, we are actually over-serviced. I get duplicate emails from government services and I think, 'That was the same as yesterday'. We are over-serviced with the services. We don't want your money. We just want commonsense and the right people around the table. Put all the ideas on the table and put the pieces of the puzzle together and then determine what will come first or what comes after what.

Ms O'CONNOR - So it's a strategic plan that government, and hopefully all sides of politics, can commit to being part of and the multiple layers of Government have some buy-in to as well.

Ms WISBY - Yes. It is not about a lot of money. It's about better use of services, and probably cutting some services that duplicate.

We work very closely with Ian Whitehouse of the Enterprise Centres. The work that he has done up there with us has been amazing.

Ms WHITE - I meant to mention him in my comments earlier.

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Ms WISBY - Yes, he is really good - and that is all free. We received digital enterprise funding from the federal funding. These 50 new websites are free - \$2 000 websites for free - so the money is not the issue. It's just sitting down around that table.

Ms WHITE - The deep water jetty you talked about that MAST owns, is that a critical piece of infrastructure if we are to proceed with a processing facility for fish if you need to berth larger vessels? Does that need to be upgraded?

Ms WISBY - Processing facilities won't be all about large vessels because we are still going to have a lot of one-man or two-man boats. We certainly wouldn't want to lose that wharf because, depending on the weather, that is a wharf that is used.

Even though it is probably not as useful as it used to be when it was longer, we don't want to lose it - and it's quite new, too, it's not that old.

Mr JAENSCH - Debbie, thank you again for being so passionate and articulate on behalf of your community. I wish you well and we will do what we can to support a good result for you. I want you to not leave here taking the message back that this is an entirely cynical exercise we are going through.

Just to put some context around what you are contributing to us, we have heard a number of different versions of the recent history, and you talk about your region in crisis and the contribution to that by the closure and the remaining closed that have disabled this mill.

We have heard from some people who said - and you have said yourself - it is going to happen one day anyway because things are changing, the markets are changing and all the rest. We have heard from other people who are saying that it didn't need to close to change, that there is a market and there is a need by the surrounding industry for there to be something like that.

We have heard other people say that in some ways the closure of this mill had nothing to do with Triabunna or the industry at all, it was about the pulp mill, and that you were just a casualty.

To know how to plan forward, we need to know what of that is all real so that we can take care of the wider forest industry that needs something like this. We need to work out where that fits into your future and what it sets along the side as well.

I am a Government member of this committee but I am interested in understanding that whole context in time, statewide and industry-wide. It is playing out at Triabunna, but it is not all about Triabunna. If we are going to help you build your future, we need to know what part of that in the future is like chips to go with your fish and where those chips might go in the future.

Ms WISBY - Wouldn't be a beautiful world, as Cassy said, if all sides of the Government sit around the table and do a deal on Triabunna - 'do a deal', that is probably not the nicest word to use - you know what I mean.

So it doesn't matter who is in, we are still going forward on that.

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Mr JAENSCH - Yes, and to know that I think we have to have the jigsaw puzzle - you have your pieces of the jigsaw puzzle. We have another puzzle that sits around that and we are trying to get those pieces on the table so we can all see them and I think that's what this is about.

Please accept that there is a constructive purpose to this as well.

Ms WISBY - Yes, and I think it has been good. I have got a lot out of it.

CHAIR - Debbie, can I also say from my perspective and as Chair, we are very committed to seeing very positive outcomes for the Triabunna region and the local community in terms of development and other opportunities, and that is a key part of our inquiry. We have appreciated your thoughtful, comprehensive approach and passion that you have delivered to us.

I think Roger has summarised it quite well and if you can take that on board, we look forward to working with you and your colleagues in the weeks and months ahead.

Ms WISBY - Lovely, thank you.

THE WITNESS WITHDREW.

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Mr BOB GORDON, FORMER MANAGING DIRECTOR, FORESTRY TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Barnett) - Thank you very much for being here, Bob. 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 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. This is a public hearing. Members of the public and journalists are here today 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 advise the committee in advance prior to giving that relevant evidence.

Mr GORDON - I wasn't quite sure why I was being called, but I presume it was to talk about what happened three or four years ago when I was at FT. I probably should put all this in some sort of perspective.

One of the key issues during the attempts to resolve the conflict over forests was a growing appreciation by the more mature elements in the conservation groups that residues and markets for residues were quite important if you are going to have a viable forest industry, particularly for small sawmillers, medium-size sawmillers and engineered wood products. There was general support in all the negotiations about ensuring there was continued access to infrastructure required for residues.

Forestry Tasmania was particularly concerned that if there were not markets particularly for sawmill chips that many small family sawmills would be in deep financial difficulty and their mills would get clogged up, which is what happened to Ike Kelly in Dunalley. One of the reasons his mill ended up being down was the huge volumes of residues that previously would have gone to Triabunna.

We had been working with Gunns, which had indicated they were thinking about moving out of native forests and selling some of their assets, about whether there could be some managed transition of Gunns out of the industry and others replacing them. I had discussions with the previous MD of Gunns, Mr Gay, about that over time. After Mr Gay left and Gunns became much more financially stressed, their behaviour became somewhat erratic and unpredictable, and a lot of people in the industry believed that Gunns had been trading insolvent for a time. Obviously their financial position was much stretched. They were not paying their bills as and when they were due. Forestry Tasmania had attempted to work with Gunns to see what we could do to help them resolve those difficulties, but with mixed success.

Gunns announced the temporary closure of Triabunna, which was partially about Gunns' internal issues. For example, they had sold several boat loads of chips to the Chinese in US dollars and had not hedged. They had sold the chips in a fixed US dollar amount when the dollar was 63 cents. The dollar moved to 93 cents and they did not hedge, which any other company in Australia would have done. But for various reasons Gunns did not and

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they were under severe financial stress at that facility because of some of the poor financial decisions they made.

When Gunns announced that Triabunna was going to be for sale, we had several meetings with our customers, all of whom were quite keen on trying to put a consortium together to see if we could keep Triabunna infrastructure open. The sawmill group that we were working with failed to get to a final resolution about putting in an offer, although I think they put an expression of interest in at the end. We ended up [inaudible] some financial agreements with the O'Connors, whom you spoke to yesterday when I was down on the farm and enjoying myself rather than listening to all this. We were confident that group had the capacity to run the infrastructure of the chip mill facilities. They had run log export facilities; they had run quite large sawmills and they were a major contractor in terms of transport and harvesting, and FT had secured sales in China for the chips from the mill.

It was a bit of a bolt out of the blue when it was announced that instead of the mill being sold to the O'Connors for \$16 million it was going to be sold to a consortium who was represented by Alec Marr, whom we did not believe would have any interest in operating the mill as a going facility. If the mill had been sold to the O'Connors there would have been a completely different outcome in terms of jobs in the forestry sector and economic activity, and jobs particularly in the south and middle of Tasmania.

I do not know if anyone has questioned the fiduciary responsibility of Gunns directors in making sure they are looking after their shareholder interests and selling an asset to the best price, but it seemed like a very strange decision to act the way they acted.

CHAIR - Excellent. I appreciate the candour and forthright approach. Thank you very much. I will pick up on that first point in terms of the \$6 million, being \$16 million and \$10 million that they accepted from Triabunna Investments and, as you say, Alec Marr represented that entity. We are interested, and we have asked other witnesses the question, as to why you think they accepted \$10 million as opposed to something north of that, including the \$16 million. We are aware of other offers that were apparently also put on the table, or at least evidence to say that occurred. We are interested in your view as to why that occurred. Some of the evidence that has been put is that it was all to try to get a social licence for a pulp mill.

Mr GORDON - If you go back to about 2009-10, I went to a meeting in Melbourne with representatives from various forest sectors and Mr L'Estrange. He made it clear that Gunns' main priority was getting a clean world-scale pulp mill built - that was the future of the company - and if that meant they had to sell assets and exit other substantial parts of their business to get that, that is what they were intending to do. A few of us raised the point that that would have quite substantial social and economic impacts on Tasmania and urged that it be done in a way that there was a smooth transition. At the time Mr L'Estrange indicated that he would do that as far as he could.

I think if you go back to that time Gunns was under very severe financial stress. The pulp mill was their obvious strategy to increase the value of their substantial plantation holdings and the MIS-owned plantations. A domestic pulp mill could have paid substantially more for wood at its mill door than woodchip exports because instead of carting wood that is mostly water 15 000 kilometres in a boat, you are carting it an average of 100 kilometres by truck. It is \$10 versus about \$50 in transport.

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It was obvious that because Gunns had announced that they were exiting the industry, they were having difficulty getting customers because they told them all that they weren't going to be in the business anymore. The dollar had gone up and it was pretty tough in all export industries in Australia when the dollar was above 95 US cents, so I am not sure that they were necessarily acting in a thought-through way about what they were doing.

CHAIR - I just want to get your opinion/feedback on the issue about getting a social licence for the pulp mill. Robert Torenus said to us yesterday that in his view that was one of the reasons they took \$10 million from environmentalists rather than something north of there, \$16 million or thereabouts. He said words to the effect that the green groups would go soft on the pulp mill. I am just seeking your feedback on that.

Mr GORDON - In earlier versions of the various forestry talks, I think when Bill Kelty was facilitating the discussions and that would have been 2011-2012, certainly then there was active discussion when I was involved about support for a pulp mill. Then there was a whole lot of argy-bargy and weasel words about whether it was a particular pulp mill, but a pulp mill that met world's best practice effectively. That seemed to drop off the agenda when Triabunna was sold. I don't know whether Mr L'Estrange thought he had an agreement, but obviously if he did it didn't hold.

CHAIR - In terms of those ENGOs, do you know who may have been involved in any of those discussions, lobbying or negotiations going forward in terms of going soft on the pulp mill?

Mr GORDON - That was part of the forest discussions that started in 2009-10 and was always on the table from the very start, so it was the groups that were represented around the table, the Wilderness Society, ACF and Environment Tasmania.

Ms O'CONNOR - To be clear, there was no agreement from the environment movement at that table or anywhere else that there'd be support for the pulp mill. Just to set the record straight.

CHAIR - Yes, and those discussions round the table included discussions with members of the previous government, state and federal.

Mr GORDON - There was not that much direct involvement by members of parliament in any of the discussions, it was really the three conservation groups, the bodies representing various forestry industry groups and the CFMEU. I think Premier Bartlett convened one meeting in 2010 sometime but in general there was very little involvement via the political process.

CHAIR - Sure. I know the other members will have some questions around the sale and also Forestry Tasmania's involvement and the expressions of interest and we will come back to that. I specifically wanted to ask you about your take-or-pay contracts with Gunns and the voluntarily giving up of their interest in native forests. Gunns' legal agreements with Forestry Tasmania were going forward and yet they voluntarily gave up those rights and then sought compensation. You were reported at the time as slamming the idea of Gunns being compensated for getting out of native forests, saying it was not forced to and that it was the company's own commercial decision - that's a paraphrase from *The Mercury* of 22

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July 2011 - and then it refers to a circular that went round Forestry Tasmania to all employees.

You have asked what many would consider very legitimate questions in regard to that saying that Gunns owed FT \$19.2 million, to increase to more than \$25 million by 2010-11. My point is in terms of this voluntary giving up, why do you think they were paid compensation? You had a view as head of Forestry Tasmania that pretty much opposed that. How did that occur?

Mr GORDON - The Gunns pulp mill contracts with FT were on the FT website; I don't know if they put them on when they were signed. The synopsis of the commercial agreement was that Gunns would purchase, and FT would supply, pulpwood meeting their specifications at a price that was indexed to the global price of pulp when the pulp mill started, with a ratchet clause that if the price of pulp went above US\$900, FT received about two or three times the price increase because when pulp mills are at that price they are basically printing money. As it went down there was a floor price below which FT would not sell at which was basically our cost plus a metre marginal on ships. Gunns wanted to buy basically all of FT's pulpwood but in return for us not being able to sell that pulpwood to anyone else, we said they had to take a minimum or pay for it. Gunns entered into that contract freely. They had it for a long time, we negotiated and that was the contract that was agreed on.

When Gunns unilaterally decided to change their corporate strategy they decided they didn't like that contract anymore and they also didn't like the take-or-pay clause. I had several interesting discussions with them about that and the end point of that was Gunns' board wrote a letter to FT's board saying that the contracts were at an end and they gave the termination notices required under the contracts.

Interestingly, the reason they said they were reneging was because the woodchip market had reduced by 10 per cent, which I found a bit strange because they had obviously been affected more than that. In effect, the contracts were at an end.

CHAIR - I can see your point but did they have any legal basis for a claim or compensation?

Mr GORDON - No.

Ms O'CONNOR - The Solicitor-General thought so, didn't he?

CHAIR - I have a letter here signed by the Premier to the chairman of Forestry Tasmania; it came through Right to Information and I'm happy to table it and show it to you. It makes it very clear in the last sentence, 'I would be grateful if you would indicate your acceptance of this offer by signing the attached deed of release of 13 September 2011' -

Mr GORDON - Which was a deed of release to FT that in return for \$11.5 million, FT would not pursue its dispute with Gunns over the take-or-pay amount.

Ms O'CONNOR - Chair, can I ask when other members of the committee will be given an opportunity to ask questions?

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CHAIR - Yes, very shortly. Mr Gordon, how did this compensation get paid to FT? It was a decision presumably by the government and you opposed it.

Mr GORDON - I didn't ever oppose FT being paid compensation.

CHAIR - Gunns, I am talking about.

Mr GORDON - Yes, but I had nothing to do with the Gunns compensation party.

CHAIR - But you expressed a view.

Mr GORDON - Correct, though I didn't believe that on a straight legal and commercial basis Gunns had any claim to be compensated for Gunns' breaking their contracts with Forestry Tasmania.

CHAIR - And you expressed that view to the government at the time?

Mr GORDON - Correct.

CHAIR - Whereas the RTI papers show there is a range of advice going from you to Bryan Green and you to Bryan Green and the Premier at the time. You have expressed your view and yet that decision was made by the government to compensate Gunns, is that correct?

Mr GORDON - Correct, and at the end of the day FT's board made a commercial decision that to pursue the take-or-pay clause with Gunns, who were in severe financial distress and who may or may not have been able to pay that money if we won the court case, that the FT board was prepared to accept a payment from the government in part compensation of the debt.

Ms O'CONNOR - Mr Gordon, did you have legal advice that Gunns wasn't entitled to receive payment for its quota?

Mr GORDON - What's the quota?

Ms O'CONNOR - What you are describing as compensation, my understanding was that that was the government buying back quota in order that -

Mr GORDON - There is no such thing as a quota. It's a straight commercial contract. You are a willing buyer, we are a willing seller, and in that contract we agree to terms and conditions. One of the terms was that you must buy a minimum amount and if you don't buy that minimum amount, you must pay for it.

Ms O'CONNOR - You don't describe that minimum amount that is described there as a quota. It's not a quota?

Mr GORDON - No. It's the same as during the discussion people were talking about sawmill licences. There is no such thing. They are all straight commercial contracts between willing buyers and sellers which have all the commercial details set out in those contracts.

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Ms O'CONNOR - Mr Gordon, did you have formal legal advice that Gunns was not entitled to receive any payment from government for the buyback? I have never heard it described as compensation in any legal sense.

Mr GORDON - No, and it wouldn't have been because there was nothing to compensate. Forestry Tasmania focused on Forestry Tasmania's business. What the government decided to do with Gunns was really their business. But from Forestry Tasmania's point of view, we had strong legal advice that there was no basis for Gunns to claim compensation or any financial assistance because Gunns were the ones who had breached the contract.

Ms O'CONNOR - But you were aware that at the time the government had its own legal advice and in fact Gunns had legal advice that was contrary to the advice that you have put forward.

Mr GORDON - Gunns didn't share their legal advice with me.

CHAIR - Who gave you your legal advice?

Mr GORDON - Commercial lawyers, for FT uses straight commercial lawyers on all commercial matters.

Ms O'CONNOR - Mr Gordon, yesterday in evidence to the committee Ron O'Connor said - I will paraphrase here and I apologise to Mr O'Connor - that Greg L'Estrange hated Forestry Tasmania and that that was part of, in his mind, the dynamics around the ultimate sale of the mill to Triabunna Investments.

Can you understand, first of all, why Ron O'Connor would form the impression that Greg L'Estrange hated Forestry Tasmania? Then Leigh Arnold also said yesterday that Forestry Tasmania, for a GBE, had a real knack for turning industry against them. Do you have any response to those statements by two arguably leading figures in the industry?

Mr GORDON - My understanding was that Mr L'Estrange had made various comments to Ron O'Connor during the course of their negotiations which would have led him to that view. I don't think Leigh Arnold has been actively involved in the industry for at least four or five years. As far as I am aware, he is a farmer down near Rebecca somewhere. I don't think he has been an active participant. He and his brother, Scott, who is the active participant in Artec, had a falling out and buy out of the business. I am not aware that Leigh has been involved, although there was a dispute between Leigh's logging company and the Forest Practices Authority about breaches of the Forest Practices Code. FT had no choice but to abide by the Forest Practices Code and I believe Leigh was given substantial fines for breaches of the act.

Ms O'CONNOR - What you're saying is that you can't understand why people such as Ron O'Connor and Leigh Arnold would form a view that Greg L'Estrange, to quote one of them, 'hated Forestry Tasmania' and, secondly, that Forestry Tasmania had a knack for turning industry against them? You don't think there's necessarily any basis for those statements?

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Mr GORDON - No, I don't think there is any basis for those statements. If the committee is interested in that, they could speak to many other customers of FT.

Ms O'CONNOR - On the letter, have you read Alec Marr's submission to this inquiry?

Mr GORDON - Yes, I read it last night.

Ms O'CONNOR - He made a point about Forestry Tasmania putting in a bid to operate the mill - and we have seen the letters between yourself and Mr Marr. It says:

The letter from Bob Gordon suggesting Forestry Tasmania could run the mill made no attempt to satisfy the tender requirements and was clearly part of a push for it by FT for more public money to prop up its operations. It made no attempt to make a business case.

When you look at the first expression of interest letter, there isn't anything in there, other than quota and the new limits set under the TFA, about FT moving to FSC or sourcing its product outside the reserves.

Mr GORDON - That's interesting because that submission from Mr Marr that I read last night is the first acknowledgment Forestry Tasmania had that it even received either of our letters, even though they were delivered by registered post. The process Mr Marr set up was, firstly, people express interest in getting the tender documents. FT, nor, to my knowledge, any other industry player, ever received any tender documents. It's very difficult to address a business case and a tender document if no tender documents exist.

Ms O'CONNOR - But the advertisement says 'within the spirit of the forests agreement' - that was the advertisement for expressions of interest.

Mr GORDON - It says that in our letter, that we would abide by the principles as agreed by the parties. It is very difficult to put in a detailed submission, firstly, when Mr Marr refused to even acknowledge our correspondence or answer it and, secondly, when there were no tender documents available by which to submit a proposal.

Ms O'CONNOR - So you don't think it would have helped to say, 'Forestry Tasmania's moving towards FSC certification and we are committed to not sourcing woodchips from inside those areas identified as future reserves'?

Mr GORDON - At that stage there was no agreement between the parties in the discussions on those issues. Forestry Tasmania already has the highest level of certification, which is TFC. It has agreed to work towards FSC, although it is a much more political and less scientific process to work through. At the time that was written, Forestry Tasmania was being very careful not to prejudge the outcome that might be reached by the parties to the discussions.

Mr SHELTON - It was stated in your letter that you would abide by whatever outcome.

Mr GORDON - At that stage there was not an outcome, so it was a bit hard to specify what we might abide by, but we were committed to the process as it appeared to offer the best chance for resolving the conflict in the Tasmanian community about forestry. If the

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agreement had been reached along the lines that had been agreed when Mr Kelty was involved, it would have been a quite different outcome from the one that was eventually derived.

Mr SHELTON - Bob, in our discussions in the past and your extensive knowledge, being head of FT and your involvement in the expressions of interest, FT must have done some figures and been aware. The woodchip industry was tight at the time but in going down that path, you must have seen the opportunity for profitability in that market.

Mr GORDON - We had done all the work and the business with Ron O'Connor and we had done all the market work in China to satisfy ourselves that you could run a profitable business out of Triabunna with a purchase price of \$16 million. Given that the purchase price was \$10 million, you would have expected that the fixed charge per tonne would have been less and therefore you would have been more profitable. Although there were concerns, I know, and we discussed all this with most of our customers, that an unrealistic usage charge would be set by the new Triabunna owners to ensure that it could not be run.

I know other industry players, I think SFM and a couple of others, put expressions of interest in and, as far as I am aware, they did not get any acknowledgement of their letter or any tender documents either.

Mr SHELTON - For clarification, there are some people who are saying that the timber industry cannot survive without government assistance.

Ms O'CONNOR - It has not for decades.

Mr GORDON - Can I answer that?

CHAIR - Yes.

Mr GORDON - Forestry Tasmania paid over \$200 million in taxes and dividends up until 2007 when the Greens' campaign to sabotage the forest industry really hit its straps, the global recession hit, and a whole lot of pulp mills went broke, and the dollar went up. It is only in the last few years when FT's capacity to sell wood was effectively shut down because the infrastructure had shut down; there had been losses.

Mr SHELTON - Is that including the investment in tourism assets that FT would have paid in that \$200 million?

Mr GORDON - Most of the investments in tourism assets were partly assisted by government tourism infrastructure funds; the AirWalk, I think received \$4 million, but it has always operated at a profit and for the Eagles Eyrie at Maydena, I think there was a \$2 million grant for that which paid for the majority of the cost of that. That was about breaking even, although I understand it has now been shut since it changed ownership.

Mr SHELTON - For clarification, your proposal you put into the Triabunna Mill proposal was for a stand-alone business that would generate a profit, in your eyes?

Mr GORDON - Correct.

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Ms O'CONNOR - Without any subsidy, no transport subsidy, no federal or commonwealth/state assistance?

Mr GORDON - No. You do not need transport subsidies to get to Triabunna because that is where the southern wood is. If you are going to cart it to the other end of the island at Bell Bay because you have shut Triabunna, then it does not work. It is a bit like saying these same people might have bought Hobart Airport and shut it down and then everyone being surprised there were no tourists flying into Hobart. If you shut down an infrastructure that is required for industry, obviously the rest of the industry suffers.

Mr JAENSCH - Bob, back a few steps. If Gunns' main push was to raise money and divest itself of things it did not want or need anymore, but it was raising money and it was trying to get itself in a position to make its pulp mill work, why do you think they accepted a lower bid for the Triabunna mill than was on the market?

Mr GORDON - The only speculation is that there was some agreement they thought they had about support for Gunns from conservation groups. That is the only thing that makes any sense.

CHAIR - For the Gunns' pulp mill?

Mr GORDON - Or whatever else. That is the only thing that makes sense to me but I have no direct evidence of that. The only things I know is that Mr Wood made a \$1.6 million donation to the Greens party, that Gunns received an amount of money from the government, which I understand the Greens party agreed to, and Mr L'estrage sold Triabunna at a price below what other people were offering.

Mr JAENSCH - Why then was selling it to those people, in particular, important?

Mr GORDON - For Mr L'Estrange?

Mr JAENSCH - Why did that achieve support for the pulp mill, or why would that achieve support?

Mr GORDON - I am struggling to work out the logic of Gunns' thought process. As I said, they were under quite a bit of financial stress. Everything was turning against them. The dollar had gone up -

Mr JAENSCH - So money was important.

Mr GORDON - Just about when things were looking better the earthquake and tsunami hit Japan and knocked out two of the major mills that had been buying chips from Gunns. Just about everything that could have gone wrong went wrong, some of which was outside Gunns' control. They were acting in a very hard-to-predict-and-fathom manner.

Mr JAENSCH - Just going by the comments you have made then, do you believe the decision to forgo \$16 million of proceeds from the sale of Triabunna would have to be driven by a larger objective, which you are speculating, or saying there was speculation that it could be, that it would garner support for their pulp mill project?

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Mr GORDON - That was the widely held view in the industry.

Mr JAENSCH - Why would the conservation movement provide support for the pulp mill?

Ms O'CONNOR - Well, they didn't.

Mr JAENSCH - If that was the expected outcome of doing this. That would have to be on the understanding that the Triabunna mill was not going to be continuing to operate as it had, but it was going to operate differently or not at all; is that right?

Mr GORDON - Again, what Gunns said publicly was that they expected the Triabunna mill still to be available for use. To put a potential argument from Gunns' point of view, they knew that Triabunna Investments had \$10 million in cash, and sometimes when you are under financial stress cash you know you are going to get is better than money that you are not quite sure you are going to get in the same time frame. I was confident that the O'Connor group had the funding in place. I do not know whether you have spoken to their finance advisers and others.

CHAIR - Mark Sealey was in here yesterday.

Mr GORDON - Okay. I was confident they had everything in place to raise the money, but as I said Gunns was under severe financial distress, and sometimes people do hard-to-fathom things when they are under financial distress.

Mr JAENSCH - I want to mention two things that we discussed: the decision to sell to Triabunna Investments at a lower price than what the market was offering elsewhere; and the decision by the government through whatever means to pay let us call it compensation to Gunns for decisions it made commercially. From evidence we received yesterday, achievement of a certain level of compensation was a condition of sale of the Triabunna mill from Gunns to Triabunna Investments. Those two hard-to-explain things are sort of twisted together.

Mr GORDON - I was not part of any of those discussions. I was aware that was a rumour, but again my children gave me a précis of what was on the news last night. That was apparently part of it as well.

Mr JAENSCH - What sense can you make of that, though, with your knowledge of the industry? There is a lot of active speculation around this over time. You are now objectively weighing it all up. What was going on there, Bob, because that is what we are trying to find out?

Mr GORDON - That is about all that makes sense, but I cannot show you a piece of paper that explains that. What you said about those two things happened.

CHAIR - Against your advice in terms of compensation, and your legal advice.

Mr GORDON - Our legal advice was about FT's rights to pursue Gunns for the debts and that Gunns had terminated the contracts, which they did by letter. I did not get advice on whether the government should compensate Gunns. That's a matter for them.

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Mr JAENSCH - We are aware, though, that the premier was briefed that the level of compensation for Gunns for native forest activities was a condition of the sale of the Triabunna mill to Triabunna Investments and that the level of compensation was ultimately agreed in that knowledge. Did the government, in providing that compensation to achieve that sale of that mill to Triabunna Investments, was that meant to be part of securing the conservation support for the pulp mill?

Ms O'CONNOR - I need to take issue with that question.

CHAIR - He has asked the question. Let the witness answer and then I will go to you.

Ms O'CONNOR - The question contains a number of assertions and suppositions.

CHAIR - Do you have a point of order?

Ms O'CONNOR - Yes. My point of order is that the question is right out of order because it makes statements purporting them to be fact. Who has established that there was a condition around -?

CHAIR - I am not going to direct committee members as to exactly how they ask their questions. The witness is entitled to respond to the question that is put.

Ms O'CONNOR - There were false assertions made.

Mr GORDON - I don't know whether the premier was briefed on that or not. I wasn't part of any of those discussions.

Ms WHITE - Were you aware of any legal advice the government received that was contrary to the advice you received?

Mr GORDON - I don't believe the government would have sought advice on FT's contractual matters because that was a matter for FT. I know there was a report by an accounting firm on whether compensation was appropriate and, if so, how it should be split. I believe that recommended a 50-50 split between FT and Gunns. The deed of release, a public document which FT signed in return for receiving the \$11.5 million from the government, said we would not pursue Gunns for any debts under that contract.

Ms WHITE - It's my understanding the government received Solicitor-General's advice.

Mr GORDON - Which the government should do.

Ms WHITE - Which resulted in them agreeing to provide that money to Gunns. Could you clarify for the committee, of the money that was provided to Gunns - I think it's in the order of \$25 million to \$28 million -

Mr GORDON - I thought it was \$24.5 million, GST inclusive.

Ms WHITE - From that the \$11.5 million then went to FT, so it was in addition to that?

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Mr GORDON - Yes. I think the original independent report said it should have been split 50-50. FT received \$11.5 million - and this all going back a bit so I might get the numbers wrong ó and I am fairly sure Gunns received \$24.5 million. That would have been based on, I presume, some analysis.

CHAIR - Some analysis of what?

Mr GORDON - Of what the contracts may have been worth from Gunns' point of view. I presume Gunns put in a submission saying what they believed was a fair arrangement from their point of view.

CHAIR - Even though they voluntarily gave it up?

Mr GORDON - That is a matter for Gunns. Under our contracts we had very strong legal opinion that we could have pursued Gunns for the undisputed debts plus the disputed debts, which was the take-or-pay.

CHAIR - Which was how much, roughly?

Mr GORDON - I know what it was for the previous year. It doesn't crystallise until 30 June - this was all done before 30 June - so the take-or-pay obligation doesn't occur until they have failed to take, which can only happen at the end of the period. I do not think we crystallised the last one.

CHAIR - Estimated?

Mr GORDON - The undisputed amounts were less than \$11.5 million and the disputed amounts were closer to \$20 million.

Ms WHITE - I believe it's important to put on the record that it's my understanding the government received Solicitor-General's advice as well.

Mr GORDON - I am sure they would have, but I don't think it was ever sent to FT, nor should it have been. It was difficult situation. FT was a commercial party in commercial disputation about contracts with Gunns. The government and FT needed to take their own advice because the agenda for the government was to try to resolve a bigger picture issue. It would have been inappropriate for them to share their legal opinions with FT, quite frankly, just as it would have been inappropriate for them to ask me for a copy of legal opinions that we were potentially using in a court case against Gunns.

I do not think it is unusual that the government would seek its own Solicitor-General's view and not share that with FT.

Ms WHITE - I want to go right back to the start when all of this began to be a real issue for the industry. Why do you think Gunns shut Triabunna?

Mr GORDON - Gunns had announced in 2010 or 2011 that they were exiting native forest woodchips and getting out the business. At the same time, Gunns had a very troubled relationship with some of their traditional Japanese customers, for two reasons. One is that in a long-term relationship that goes 30 or 40 years, sometimes you can take advantage

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of the other party and they can take advantage of you, and you both know that, so you tend to compromise. At a time when you can charge a really high price, you might say that we know at some stage you will be able to charge a really low price, so let us work out a long-term arrangement. The same things happens in a whole range of agricultural commodities that go up and down. For whatever reason, Gunns decided they could take advantage of the Japanese and the Japanese did not forget that. There was not the relationship there used to be in the past.

Gunns had sold, I think it was, six boats to the Chinese in US nominated dollars and had not hedged. That caused a severe financial problem for Triabunna. I will make up a sale number. I will make the maths easy. Say they were getting \$US100 free on board, and it was at 63 US cents to the Australian dollar. They would have been getting paid about \$140 Australian. The Australian dollar went up to 93 cents, so instead of getting \$140 Australian, they were suddenly getting \$110. It happened in about one month and all their costs were in Australian dollars, so they lost a lot of money by not doing what most experienced exporters do, which is taking hedges if you sell in foreign currencies to lock in the amount you are going to get paid in Australian dollars.

That was all out of Triabunna and that hurt them. I suspect they were under severe financial stress. They had announced they were getting out and so people were not interested in trying to do longer term arrangements with them. Triabunna was probably their least profitable mill, and it was where all the pressure was from conservation groups.

Mr SHELTON - But at the time you still believed, as the head of FT, that there was a viable industry there to export woodchips out of Triabunna and obviously you expressed an interest with other consortia.

Mr GORDON - Yes, but that is a different position commercially because we had been building contacts in Japan and China. We had not physically signed any contracts because I said we would not do that while ever Gunns were still exporting, despite Mr L'Estrange's assertions to the contrary at an in camera committee meeting a couple of years ago that was leaked.

Mr SHELTON - But it has been asserted that Gunns closed because there was no longer profit in the woodchip market.

Mr GORDON - That may have been the case Gunns' point of view.

Mr SHELTON - From Gunns' point of view, but from FT's point of view, and the reason you were involved at that time, you still believed that there was profitability in the export market. The other aspect is creating a situation where the sawmills can still go on and having a place where they can send their residues. That was also, no doubt, an issue.

Mr GORDON - That was based on a different business model which was not, 'Wow, we are getting out of here so we do not want any long-term contracts. We only want spot contracts', which is where Gunns was, to 'it has to be a five to 10-year period that you are planning on'. That was the sort of discussion being had amongst the signatories' group. I have always said that we are crazy if we do not create downstream processing in Tasmania. At the time FT was looking at putting engineered wood product plants at Triabunna because that is a brownfield site with all the infrastructure you need - power, water, large

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land area - and we are talking things like oriented strand board, high-density MDF, a whole range of engineered panel products. If Triabunna still had the chip mill there it was an ideal place to do that.

Mr SHELTON - So in your view there was a viable industry there still to be had even though Gunns had exited it.

Mr GORDON - It wasn't going to be hugely profitable. When the dollar got to about US\$1.10 it was really tough for every Australian exporter; it's now back down to 93-94 US cents and you could probably hedge at about 91 US cents, so it's sort of doable.

Ms O'CONNOR - There was an article *The Age* a few days ago talking about the national native forest woodchip industry, the decline in native forest woodchip exports, and the rise of the plantations. It quotes Judith Ajani -

CHAIR - A green economist.

Ms O'CONNOR - She's from the Australian National University and is highly regarded internationally. The article is by a journalist named Tom Aller. My point is that it quotes a timber industry figure from Victoria:

'I can't argue that there is no decline in the native forest industry', says Peter Mitchell, an experienced timberman and general manager of South East Fibre Exports, a mill and woodchip exporter on NSW's south coast. 'It is not happening because of green pressure, not because of somebody sitting up a tree, it's happening because of the market.'

I guess this goes to the issue Mr Shelton was getting at about the true viability of having an industry that is dependent on native forest woodchipping.

Rather than it being about Gunns having a hedge problem or simply about the high Australian dollar, isn't what this gentlemen says true, that the global markets are now demanding plantation timber for a whole range of reasons that Robert Eastment articulated this morning?

Mr GORDON - All of North America's very large pulp and paper industry is based on native forest. All of Scandinavia's pulp and paper industry is based on native forests.

Ms O'CONNOR - But they're not our markets.

Mr GORDON - This native forest issue is an artifice of green campaigns. Most scientists will tell you that native forests are much more environmentally friendly and a much better way of managing forests than monoculture plantations.

Ms O'CONNOR - Sorry, I need to just get to the bottom of that question. So in your view, this person who works in the industry in NSW and also the data -

Mr GORDON - Peter Mitchell is the general manager of SEFE which is owned by the Japanese.

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Ms O'CONNOR - I refer you to the article. We are seeing graphic demonstrations, and I mean graphs, of native forest woodchip exports going down and plantation exports ascending. That's just the raw data about what's happening to the industry in Australia.

Mr GORDON - So if Ms Cameron and Mr Wood had bought Hobart, Launceston and Burnie airports and shut them down, what would have happened to flights to Tasmania? They shut down Triabunna, they shut down Tamar -

Ms O'CONNOR - We're talking about a national market, Mr Gordon.

Mr GORDON - and they shut down Burnie, so it was physically impossible to get chips out of Tasmania. Of course the numbers show that there has been a decline.

Ms O'CONNOR - No, the context is national, Mr Gordon, it's not just talking about the Tasmanian market.

Mr GORDON - Tasmania was about 5 million tonnes of what used to be 7.5 million tonnes of native forest exports. When Gunns shut down all of the infrastructure to export out of Tasmania of course the exports went down; there was no way to export them.

Ms O'CONNOR - Do you accept what Mr Eastment said to us this morning, which is that the real viability in the future is in plantation woodchips because that's what the market's demanding, and from Tasmania's point of view -

CHAIR - I think you're paraphrasing perhaps, Cassy.

Ms O'CONNOR - I accept that you think I'm paraphrasing - but that Tasmania's challenge is that that is a wall of wood nationally and in other states that we have to compete with and that wood is plantation wood because primarily that's what the markets we're dealing with now demand.

Mr GORDON - The best solution for Tasmania to that issue would have been a world-scale pulp mill taking both managed native forests and plantations. Regrowth native forest has some advantages in some pulp and paper process because it is denser, so there is more cellulose per green tonne of wood than the lower density plantation stuff, even though it might have a higher pulp yield. The wall of wood problem on the mainland will not go away, partly because the export facilities at ports, particularly in the green triangle, are not physically capable of taking all of the wood that is there.

For instance, Portland is chock-a-block and all of those blue gum plantations can't find their way out of there because there isn't enough capacity at the port. Again, if we were being smart and clever and put all of this history of disputes behind us, everyone would be working to get downstream processing of these products. The pulp mill is one option. Dissolving pulp rayon viscose is another option. High-density fibreboard, OSB and engineered wood products are others. We seem to have put very little effort into making those things happen. The last couple of years at FT we did a whole lot of work on those ideas but they were completely derailed by the obsession with forestry talks.

Ms O'CONNOR - To be fair though, Mr Gordon, for a long time Forestry Tasmania did nothing to explore alternatives to native forest woodchipping because there is no extra

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downstream processing. All the eggs were put in the pulp mill basket or in the native forest woodchip exports basket, and all this innovation did not start until, as you say, a couple of years ago.

Mr GORDON - No. In 1989, when the Forest Growth Plan was released, there was a vision for all of those things and work done. The first stage was rotary veneer mills using pulp that would otherwise have been woodchipped. Those two plants were established and then green protestors have been attempting to shut them down ever since. The only smart downstream processing we managed to establish was only done because FT took effectively a developer role with a company we formed with John Holland to go through a long and tortuous approval process so that the company that established the veneer mill could just work on the veneer mill rather than going through a three-year planning approval process.

CHAIR - Bob, just quickly, you talked about the importance of native forest going forward in southern Tasmania. You talked about the development options for the timber industry going forward, which is much appreciated, so in terms of southern Tasmania and Triabunna, in particular, do you have some suggestions or recommendations as to options going forward for the industry?

Mr GORDON - I don't know how much of the physical infrastructure has been destroyed at the mill. Most of the panel products that are produced require chipping of the wood to put it in a form suitable for reconfiguration in an engineered wood product. OSB has a flaking machine, MDF you defibrate like you do with pulp, and one of the advantages of Triabunna was it had that infrastructure there that you could have used as part of your downstream processing. I just don't know how much has physically been destroyed. Because it was a reasonably old plant but had been well maintained, it would have a fairly low capital cost, so you could have had a cheap entry into smaller-scale plants for some of these things if you had used a brownfield site like Triabunna rather than trying to do something from scratch. To build a new mill like that from scratch is probably \$40 million. Obviously it was only worth \$10 million.

CHAIR - Have you had any further responses to the Alec Marr submission, which you read last night? I specifically want you to respond to his statement which reads:

The tender process was very frustrating because there was effectively no interest in operating the Triabunna mill as a commercial woodchip operation.

You have touched on that.

Mr GORDON - Did he say that under oath?

CHAIR - He said that in his submission, which is clearly under oath.

Mr GORDON - Then he has a completely different view of the world than everyone else who expressed interest. It was a very frustrating process because we put two certified mail letters in, expecting to get access to the tender documents. None of the correspondence was ever acknowledged and I know other people had similar experiences.

CHAIR - So you disagree with that statement?

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Mr JAENSCH - Bob, with Gunns' decision to get out of native forests and that being a market thing but also a perception thing and, we speculate, to do with the branding and support for the pulp mill. When they got out of native forests and effectively closed Triabunna and condemned it, they took Tasmania out of native forests, did they not, or is it southern Tasmania? The implications of doing that must have been known to them at the time.

Mr GORDON - The challenge with any high volume, relatively low value per tonne commodity, whether it is wheat or iron ore, is that you need access to a deep water port and loading facilities. There was a whole lot of work done on alternates to Triabunna, looking at the various port options, which Forestry Tasmania did with Tasports, but unfortunately, none of those have come to fruition, although there were some options which looked potentially viable.

Mr JAENSCH - That information would have been available to Forestry Tasmania, too. Gunns would be aware of those relativities

Mr GORDON - You have to remember that Gunns was under severe stress. They were not really looking at anything other than surviving; that was their focus. From Gunns' point of view, if you own plantations and you manage other pieces of MIS plantations, that is something you can get money out of. You are less worried about trees that are owned by other people, so if you look at it from Gunns' point of view, they were pretty focused on their plantation estate because that was where they were going to make some money; they owned the trees themselves or they were paying the management fee to manage other people's trees. As it ended up, they did not survive and those assets went into liquidation.

Mr JAENSCH - If the government provided a payment to Gunns which assisted them to achieve the sale of the Triabunna mill to Triabunna Investments in the risk that it would not reopen, the government would have been aware of the implications of that mill not reopening to the industry, would it not?

Mr GORDON - In the only discussions I had, I made it clear as did FIAT and others that Triabunna was a vital piece of infrastructure and I believe the government was well aware of that. The first part of your question I have already said, 'I do not have any knowledge of that; that is just speculation from my point of view'. My only discussions with the then minister, Mr Green, at the time were that he clearly understood the importance of Triabunna as infrastructure and all of the things that I briefed him on, he understood and I believed was pursuing.

I do not know about that other bit; I was not involved in those discussions, if there were any.

Mr SHELTON - One final point and question, you have stated a number of times that Gunns being under financial stress and so on, and it was presented yesterday as evidence to the committee and you may not be aware of this, Bob, but I quote from an email that was presented yesterday. This is an email to Gunns at the time,

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

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

I put it to you: how much stress were they under when they had a back-up \$16 million offer there?

Mr GORDON - Gunns did not have any timber rights because they ceased the contract.

Mr SHELTON - For the mill?

Mr GORDON - Yes, it is part of the one contract. Gunns had breached the contract and given notice of termination so anyone who was a serious player looking at purchasing Triabunna could not have done much homework if they didn't approach FT about entering into some sort of wood supply contract. I had long discussions with the O'Connors; we had a series of discussions with a group of sawmillers. I cannot recall any other discussions with people who might have been bidding. But that does not mean that those people didn't believe that Gunns had a wood supply arrangement that was transferable.

Mr SHELTON - It also says that their offer was outright rejected but -

Mr GORDON - Okay.

Mr SHELTON - It goes on. There was another \$16 million cash offer there that -

Ms O'CONNOR - It was only an email, Mr Shelton; we cannot be too sure about that -

Mr SHELTON - It's alleged.

Ms O'CONNOR - It does not tell us who the company is, really

Mr GORDON - There were rumours; the only ones I know about are the ones I have told you.

CHAIR - Thank you very much, community members and Bob, for your time today.

THE WITNESS WITHDREW

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Dr DAN NORTON, CHAIRMAN, AND Mr PAUL WEEDON, CEO, TASPORTS WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Barnett) - Thank you very much, Dr Norton and Mr Weedon, for being here. A committee hearing is a proceeding in Parliament. This means it receives the protection of parliamentary privilege. This is an important legal protection and 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 the 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 you if statements that may be defamatory are repeated or referred to outside of this place. This is a public hearing. Members of the public and journalists are here today and this means your evidence may be reported.

Dr NORTON - We have provided the documentation in relation to the negotiations with Triabunna Investments and the lease assignment and subsequent interactions we have had. In terms of the information that was requested we have provided all that information.

Mr SHELTON - It has been mentioned in this committee already that the port facility, that deep water port, is of strategic importance to the forest industry. You have an asset in that location, as in the wharf. Could you give the committee a basic outline of what the facility is, how long it has been there and so on?

Dr NORTON - The wharf is a specific construction wharf that was developed to support the ongoing operations of the Triabunna woodchip mill when it operated in that way. It is specific to that location and specifically designed to accommodate vessels up to around 200 metres in length that would typically call to take a parcel load of woodchip exports from Australia. That side of the bay is a deep water channel which provides good access for large ocean-going vessels. For many years TasPorts, and our predecessor company, the Port of Hobart, ran fairly dynamic woodchip and vessel operations in the port. Historically we had two tug vessels based in that vicinity, which existed primarily to handle those vessels and the operation of those vessels to and from the port. There is no other access to this wharf than through the facility that is now owned by Triabunna Investments. It sounds a little counter-intuitive to call it a 'land-locked asset', but that is essentially what it is. There is no right of way, no easement. It exists solely to provide the wharf structure to link what was historically an export woodchip facility.

Mr SHELTON - You mentioned it is a specific design. There has been comment in the community about ocean-going vessels coming in and using that facility, as in passenger vessels. If it is a specific design I take it that without substantial reconstruction it would not be able to do that?

Dr NORTON - That would be our view, yes.

Mr SHELTON - How much income have you gained out of the wharf since Triabunna Investments has owned the corresponding property?

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Dr NORTON - Nothing.

Ms O'CONNOR - What is the annual maintenance cost of the wharf as it is today?

Dr NORTON - Historically we have spent between \$200 000 and \$400 000 a year on average. Typically your investment cycle is not annual; you do it every two or three years. There was a busy maintenance program for the period it was an active operation. Since Gunns ceased operations at that site we have tapered off the maintenance investment. Our responsibility as a business is to make sure we are covering our maintenance costs from the income we earn, and with no income being derived from the lease model that existed with Gunns it meant we took the opportunity to prune back our investment spend, so we have not spent very much money at all in the last couple of years.

Ms O'CONNOR - It's a matter of public record that Tasports is in discussion with Triabunna Investments over the future ownership of that wharf. You made the statement before, Mr Weedon, that the wharf is effectively land-locked. Isn't it true that unless Triabunna Investments finds some way, either through a new lease arrangement or through purchase, to use the wharf it is not likely to be effectively used?

Ms O'CONNOR - It is a matter of public record that Tasports is in discussion with Triabunna Investments over the future ownership of that wharf. You made the statement before, Mr Weedon, that the wharf is effectively landlocked, so is it not true that unless Triabunna Investments finds some way, either through a new lease arrangement or through purchase, to use the wharf, it is not likely to be effectively used?

Mr WEEDON - Correct.

Ms O'CONNOR - Would it be Tasports' preferred option, given the reality they are dealing with now, that there be an agreeable arrangement for sale with Triabunna Investments Limited?

Dr NORTON - We have had discussions with them over a period about that. Provided we have a defensible return on the disposal of the asset - that's what we have been trying to negotiate with them. Perhaps if I explain the alternatives it may put this into a bit of context. The ship loader is on the wharf. We own the wharf but we don't own the ship loader. The ship loader is owned by Triabunna Investments so they have an obligation under the lease to remove that ship loader. Once that ship loader is removed, there are essentially three potential alternatives. One is that we sell it to Triabunna Investments. We could sell it to them and they could leave the ship loader on there. Another prospect, in theory, is that we could hand it to local government but there is no indication that local government has the capacity or the interest to take it. They would have to come to some arrangement with Triabunna Investments to get access through their land.

CHAIR - Have you communicated with them?

Dr NORTON - Not formally. We wanted to deal with the negotiations with Triabunna Investments, but if Triabunna Investments does not wish to buy it or we cannot resolve a price, then we would have a discussion with Glamorgan-Spring Bay Council to see if they had any interest.

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Ms O'CONNOR - Sorry to interrupt, Dr Norton, but wouldn't that mean compulsory acquisition of an area of land in order to secure access to the wharf?

Dr NORTON - They may be able to come to some arrangement with Triabunna Investments. I wasn't suggesting compulsory acquisition; it is just that if they felt they might have a use for it and could organise an arrangement whereby they had access through the property, we would have a look at that. The third alternative is to pull it down, leaving it in situ to rot, or putting maintenance money into. That is not in the public interest or in the interest of our owners. Essentially that is the path - I have said this publicly and on ABC radio a few weeks ago - discussions with Triabunna Investments, discussions with local government or pull it down.

Ms WHITE - Dr Norton, are you in a position to confirm whether you are currently in negotiations with Triabunna Investments for a sale of the wharf to Triabunna Investments?

Dr NORTON - Yes, we are. We are in negotiations to see whether we can come to some mutually agreed arrangement.

Ms WHITE - I would like to make the point, and it is no reflection on Tasports, that this entire inquiry was predicated on a report in *The Monthly* where there were allegations made about dismantling of machinery on the site and under what circumstances that occurred, asserting that as a consequence the mill would never reopen.

Is it not a fact that this Government is enabling you to currently negotiate for the sale of the wharf, which would be of strategic importance for the mill to ever operate again if it were possible? The committee has seen evidence that it is probably very unlikely.

Whilst this committee has been set up to investigate allegations in *The Monthly* suggesting that they will prohibit the mill from ever opening, is it not true that if there is no wharf any mill on that site would be completely useless anyway? You need to have an export facility to transport any material that may be processed on that site.

Dr NORTON - There is no chipping facility at the moment; that has been dismantled. Under the terms of the lease we had with Triabunna Investments, they will be taking down the ship loader. In the absence of a chipping facility and a ship loader, the chances of something else happening to make the wharf usable are probably very remote.

Ms WHITE - Yes. There has also been a suggestion made to the inquiry that it should be compulsorily acquired as a site by the Government and under what grounds or by who under what law, I am not sure exactly. But if the Government were to pursue that agenda they would need access to the port to be able to export. I find it hypocritical, to be honest. It is not a reflection on you but it is more a reflection of the government of the day. They have launched an inquiry into a particular matter when they are currently in negotiations to sell the wharf.

CHAIR - Rebecca, is that a question or an observation you are sharing as a committee member?

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Ms WHITE - No. That is an observation I would like noted because if it were to ever be an export facility again, your Government is ensuring that the wharf will be sold, hopefully perhaps leased, or demolished.

CHAIR - If you have a question that would be useful. Do you have a question? Is this for the witness?

Ms WHITE - No, it is comment.

Dr NORTON - I would make clarifying point and that is that the Government has given us no direction whatsoever about selling or retaining the wharf. That is a commercial decision that we have decided to pursue with advice.

Ms WHITE - But you are a state-owned company.

Dr NORTON - Yes, but it is within our power to do that. As we did with the previous government, we advise the Government what we are doing but we have not sought permission or been directed to sell the facility.

Ms WHITE - You have had no direction from the Government in relation to the negotiations around the wharf?

Dr NORTON - No.

Mr JAENSCH - Why is there an obligation for Triabunna Investments to remove the ship loader from the wharf?

Mr WEEDON - Because the lease expired in 2012.

Mr JAENSCH - But it is on a periodic -

Mr WEEDON - It is on a holding over basis, which is often referred to as a periodic lease.

Mr JAENSCH - Removal of specified items from the wharf, why are they included in there?

Dr NORTON - It is a standard thing. If the lease expires, people remove their property on that lease and also make good.

Mr JAENSCH - But there is our lease -

Dr NORTON - There is no lease.

Mr JAENSCH - There are tenants, though.

Dr NORTON - No, there are not.

Mr JAENSCH - They are not currently leasing, so it is a periodic lease but it is not a lease?

Mr WEEDON - It is misleading to refer to it as a lease. It is usually referred to in the property market as a holding over arrangement.

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Dr NORTON - We can clarify this by saying that Gunns had a lease. That lease was transferred to Triabunna Investments. Within that lease they had to take an option to extend it. They did not take an option at the time; that timing expired on that and we have been cooperating with them, giving them time to identify how they are going to deal with their property which is on our lease, which is this holding over period.

Mr JAENSCH - On what agreement is there a requirement that they need to remove the ship loader? You have some form of understanding with them?

Mr WEEDON - No. It is black and white.

Mr JAENSCH - They have their stuff parked on your wharf and they need to get rid of it.

Mr WEEDON - Bearing in mind that the wharf was built specifically to accommodate their equipment, we have allowed some flexibility - allowed them to continue to occupy the wharf on a holding over basis while we negotiate another mutually workable arrangement.

Dr NORTON - We also have to be satisfied that the way they are going to remove their equipment is not going to damage the wharf.

Mr JAENSCH - Still in relation to this issue of the lease: from your submission, you say in this dot point that the previous lease with Gunns had a minimum annual wharfage but only if woodchips were exported.

Dr NORTON - A particular tonnage.

Mr JAENSCH - A particular threshold reached. When you were faced with the new owner, you write in here that Tasports was unable to confirm with Triabunna Investments its intended use of the facility. Triabunna Investments had bought the mill but they were not able to confirm with you that they intended to use it to produce woodchips, although we understand from other evidence that the future use of the mill to produce woodchips was a condition of its sale. My question to you is: how did you ask and how were you advised about Triabunna Investments' intentions to use the mill?

Dr NORTON - I think this is capable of being misunderstood. Triabunna Investments indicated that they weren't going to operate themselves as 'Triabunna Investments, a woodchip facility', and they weren't intending to operate a woodchip facility. They did make it clear that they were intending to go to the market to seek expressions of interest from other parties to operate a woodchipping facility.

Mr JAENSCH - Who would your lease have been with?

Mr WEEDON - It would have been with Triabunna Investments, but then under any standard Australian lease they would then have had to seek our agreement to sublet the lease to whoever they appointed to be the mill operator and exporter.

Mr JAENSCH - But they couldn't provide you with any confidence or statement of their intention for the mill to be used to produce woodchips in the future?

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Dr NORTON - Ideally, what you would like to see is the bona fides of the people who are actually operating the woodchip facility and that information wasn't available at that time because they hadn't gone to the market at that stage. They subsequently did but, as we know, nothing came of it.

Mr JAENSCH - In the process of you not being able to confirm if you were going to be able to roll over this lease from the previous owner to the new one under similar terms, you have talked then about how the shareholder ministers confirmed their expectations that you would transfer that lease, notwithstanding that you didn't have an assurance of that future income. You didn't know who was going to be operating it or if it was for production of woodchips into the future - is that right?

Dr NORTON - You have the correspondence between us and the shareholder ministers and their response.

The nub of the issue is - and this is not the first time this has been said in the papers that we put to you. There is reference of that *Hansard* of December 2011 where this issue came up and we answered questions. We inherited a lease with Gunns that was not ideal because effectively it meant that even if Gunns had continued to own and operate it and they had decided not to export, we would have been left with expenses but had no offsetting revenue. When the request to transfer the lease came, we pursued with Triabunna Investments a new lease as an alternative and our intention in that new lease would have been to come to some commercially agreeable arrangement around rates linked to tonnage, but also perhaps a minimum amount that needed to be paid in the absence of any tonnage. Those negotiations or discussions didn't prove to be successful.

At the time, the industry and certainly the community at Triabunna were concerned that our inability to transfer the lease was impacting on the forest peace deal discussions. We weren't getting any income with Gunns, we were faced with Triabunna Investments indicating that it was their intention to go to the market and we decided that it wasn't in our interests to be seen to be doing something which might be against the broader community interests in terms of the peace deal.

We decided to transfer the lease. We engaged with our owners. We advised them of our intent and they, as you see in the correspondence, noted our position. They didn't direct us to do it. We did it off our own bat but the board gave due consideration to what we saw as brand damage to Tasports if we were seen to be thwarting this transaction.

Mr JAENSCH - In the type of entity that you are, isn't a statement of shareholder minister's expectations effectively direction?

Dr NORTON - No. Direction is a written direction for us to do something which we would otherwise not do. There was nothing in the shareholder minister's letter of expectations for that year in respect of how we dealt with this matter.

Mr JAENSCH - Just to facilitate the assignment of the lease. So that left you with a situation where you had a purpose-built, land-locked asset now with no rent coming in on it and the machinery necessary for it to operate for what it was built being disabled, so it's stranded three times over now, isn't it?

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Dr NORTON - That was subsequent to that, but you have to remember at the time we transferred the lease, Triabunna Investments had indicated that they were going to go to the market for an operator of a woodchip facility. They indeed did that.

CHAIR - That is part of our inquiry of course.

Dr NORTON - That is something which we are not privy to other than we know that they said they were going to do it and they did do it.

Mr JAENSCH - But they are unable to confirm their intended use of the facility.

Dr NORTON - What that meant was the wording of that, 'intended to confirm' meant that they couldn't nominate who was going to run it as a woodchip facility. At the time we transferred the lease they couldn't tell us who was going to run a woodchipping operation there.

Mr WEEDON - Nor could they tell us the likely volume that would result from that woodchip enterprise.

Mr JAENSCH - You indicate though that they had indicated to you it was their intention to go to market to secure another operator.

Dr NORTON - Yes, that was publicly stated.

Mr JAENSCH - Which is slightly different to what is in your submission, which says 'Tasports was unable to confirm with Triabunna Investments its intended use of the facility'.

Dr NORTON - I have tried to elaborate that was about that they weren't able to confirm who was going to run it and the tonnages. That's what I meant. That is not to indicate that they were unable to say that they were intending to go to the market for an operator. That certainly was our understanding.

Mr JAENSCH - Thank you.

CHAIR - Dr Norton, to follow on that line of argument, I have a letter here that you have submitted to the Honourable David O'Byrne, Minister for Infrastructure, 13 October 2011. It relates to Tasports being requested by Gunns to consent to the signing of the Triabunna wharf between Tasports and Gunns to Triabunna Investments. Then you talk about the nature of those discussions and arrangements, you talk about the minimum maintenance liability over the four years. Then you say this:

Tasports has sound legal and commercial grounds not to consent to the assignment of the lease without gaining clarification of the issues raised with Triabunna Investments. However, we acknowledge the broader state interest and the potential impact any delay may have on the reopening of the mill and therefore the state's forest industry.

Can you please expand and tell the committee what are the 'sound legal grounds not to consent to the assignment'.

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Mr WEEDON - It was the point that we have just discussed, which was the lack of clarity around how the facility would operate as a chipping and export facility, and what the projected tonnages were.

CHAIR - Did you seek legal advice on that?

Mr WEEDON - We sought legal advice on what lines of inquiry we needed to make to satisfy ourselves that the assigning party, being Triabunna Investments, was a valid sustainable company that we would be prepared to have a contract with.

CHAIR - You had questions?

Mr WEEDON - We had a number of questions that went to financial bona fides, the structure of the shareholding of the company, the normal lines of inquiry in seeking to satisfy ourselves around this matter.

CHAIR - And likewise the commercial grounds?

Mr WEEDON - Likewise. By and large, Triabunna Investments satisfied us with all of those inquiries with the exception of the lack of certainty about when and who would be the operator of the facility and what volumes we could reasonably expect.

CHAIR - Then you go on in your last paragraph - there are a couple of dot points - and the last dot point says:

Should the mill not recommence operations and Tasports does not receive wharfage revenue, which at the moment is zero, the shareholders will consider reimbursing Tasports for the wharf maintenance costs.

That is on the record; you have asked them to consider that and then on 25 October 2011 from the Premier and Treasurer, Lara Giddings, and David O'Byrne, Minister for Infrastructure, they have written -

Dr NORTON - These are the shareholding ministers?

CHAIR - They are both shareholding ministers, the Treasurer I would assume and the Minister for Infrastructure.

Dr NORTON - I think it is the Premier as Treasurer.

CHAIR - That is a short letter and the second last paragraph:

Accordingly, we expect that Tasports should be prepared to facilitate assignment of the leasing any circumstances where Tasports were reasonably expecting to be no worse off than the current situation, i.e. no revenue stream but continuing maintenance obligations.

It then goes on to say:

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If Tasports subsequently believes that assignment of the lease ultimately has led to the company being worse off financially given the status quo, Tasports should advise the shareholders.

That looks pretty much like a direction. Your definition of direction, Dr Norton, may be different to others but it is clearly an instruction to proceed. Was there any further communication between the two of you regarding reimbursing Tasports for wharf maintenance costs which were and are substantial? How do you respond to that?

Ms O'CONNOR - Do you regard that as an instruction to proceed?

CHAIR - Excuse me.

Dr NORTON - I do not regard it as a direction. It is not in the form of a direction but it is a response to us advising the government. If you go to the third paragraph it says that the government is supportive of and remains very committed to the opening of the mill, and expects that Tasports should be prepared to facilitate the assignment of the lease in any circumstances where Tasports can be expected to be no worse off than the current situation, i.e. no revenue stream but continued maintenance obligations since the assignment of the lease.

I do not think we have been in a worse off situation because we have not had any revenue; we have cut back our maintenance expenditure so we did not go back to the government and say to them that we have been in a materially worse situation and therefore -

CHAIR - You gave evidence just a few moments ago that you were negotiating with Triabunna Investments regarding the lease of the port and they did not come to fruition in the way you would have liked them to.

Dr NORTON - That is correct.

CHAIR - Which I presume would have been some funds transferred from Triabunna Investments to Tasports, is that right?

Dr NORTON - Our preference would have been to structure a new lease which would have seen at least some revenue coming irrespective.

CHAIR - Did you ask them for some revenue, and if so, how much?

Dr NORTON - We asked them if they were interested in entering into a new lease along those lines and they were not.

CHAIR - They were not willing to come to the party.

Dr NORTON - They were not. That was, therefore, the dilemma that we were in.

CHAIR - Did you put down terms and conditions or did you say, 'We want to negotiate that', and it just stopped there?

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Mr WEEDON - We did not get to a point; negotiations typically require interest from both sides. We were interested in saying that one way to deal with this impasse about whether we can reasonably agree to the assignment of a lease is to set the assignment aside and enter into a new deal. After a period of time, their response to that was, 'No, we are not interested in a deal. We bought this facility based on a reasonable expectation that the lease could be assigned; that is what we want you to deal with'. That is what we ultimately have done.

Mr JAENSCH - The process of the direction or otherwise to assign, as I read through these documents, then yes, you were not directed by the shareholder ministers to assign the lease but in your correspondence to David O'Byrne as minister, you are saying, Tasports has legal and commercial grounds not to do a straight assignation but we understand what the government is looking for here and this would be a condition under which we can wear that because you cover our costs. Then the government has turned around and said, 'We agree to be able to deal with your claims on a case by case basis and on that basis, please proceed to facilitate the transfer'. Is that right? But without your condition being met, it would not be something that you would have normally done on commercial or legal grounds.

Dr NORTON - We get a lot of things that are beyond what you would do on a strictly commercial basis. We have done one in Hobart. I have said this on the public record before. We put a cruise ship facility in here which is also linked to facilities used by the Antarctic Division. When we did the business case for that it did not achieve our commercial rate of return. It was positive but it did not reach it. But we said the trouble with the commercial approach and the hurdle raised is that it only takes into account the benefits directly to us. We often deal with things where we have to take a broader community interest. That is what differentiates us as a state-owned company from a privately-owned business.

As was pointed a number of times previously, our legislative requirement is to act commercially but at the same time to facilitate trade. There is a logical inconsistency potentially.

Ms O'CONNOR - Mr Jaensch, you have asked questions for 15 or 20 minutes. I have sat here patiently waiting and you are having another bite at it.

CHAIR - Cassy, thank you for your patience.

Ms O'CONNOR - I am interested in having real clarity from you on the assertion that has been put around the letter from the shareholder ministers that is some form of direction to Tasports to assign the lease. Do you believe there was any direction within the minister's letter to Tasports about the assignment?

Dr NORTON - I do not regard that as a letter of direction. It was a letter responding to our advice to the shareholder ministers as to what we were doing. It was not a letter of direction. A letter of direction is where you say, 'We are not going to do something' and the owner says, 'Notwithstanding that you are not going to do it, I am directing you to do it'.

CHAIR - That sets out an expectation of an outcome that you abide by.

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Dr NORTON - A letter of direction to the state-owned corporation is a specific instrument that needs to be -

CHAIR - We are not referring to that. We said, is it a letter of expectation of a certain outcome?

Dr NORTON - My response when that letter came in was that that letter was responding to our letter which indicated that we were prepared to consent to the assignment.

Ms O'CONNOR - We have all read the back and forth about the assignment of the lease and discussions that were happening between two other investments and Tasports and there is no point going into the detail of that. But in terms of Tasport's ultimate decision to assign the lease to Triabunna Investments, can you talk a little bit more about the social interest or the wider community benefits test, whether it was formal or not, that you required in making the decision to inform the ministers you were going to assign?

Dr NORTON - I take you to the letter that was sent to us as an example of the community concern. There is an item in here from the Orford-Triabunna Chamber of Commerce, dated 25 October. It is sent to Barry Burke, who was one of our directors but this letter was sent to all directors. It expressed that Dennis Bidwell, the vice president of that entity, was expressing concern that our inability to resolve a situation with Triabunna Investments and on the assignment of the lease was jeopardising the community.

It was not as a response to that letter. But there was concern about us thwarting the process and our view was that we should take into account our potential action in terms of the broader public interest that was associated with the peace deal arrangements.

Mr JAENSCH - The letter I am reading says, 'It is our understanding that Tasports require conditions on the use of the jetty and docking facilities at the mill which are not consistent with the arrangements which existed with Gunns.' What are they referring to there?

Dr NORTON - They are referring to the fact that our initial intent with Triabunna Investments was to establish a new lease, which was different from the lease we had with Gunns.

Mr JAENSCH - Because they could not foreshadow the revenue under the arrangement that you had before because they could not confirm their intention to have an operating chip mill. That is why you wanted to have an alternative lease arrangement, because they could not -

Ms O'CONNOR - We have been through that repeatedly.

Dr NORTON - No, no. I think I have been through this enough; I am not going to answer that question again. I have already answered it.

CHAIR - Dr Norton, if you had not agreed to an assignment of the lease would you agree with the fact that the sale agreement to Triabunna Investments would have likely fallen over and then O'Connor would have ended up with the chip mill?

Dr NORTON - No, I have no idea what would have happened. I am not interested in hypotheticals. I didn't give any consideration to that at the time. Certainly, even if we had

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felt that, that would have been a totally inappropriate action for us - to use the lease negotiations to in some way impact on the commercial arrangements that Gunns were pursuing with the potential owners of that land.

CHAIR - Just a quick follow-up to your opening remarks regarding the sale agreement, which is in your submission here - negotiations. Can you just be up-front with us in terms of how probable or likely it is - are we talking imminent? - or can you give us a feel as to whether, because you referred to the Glamorgan-Spring Bay Council as to having further discussions with them going forward if it does not work out with Triabunna Investments, there might be other parties out there that could be interested in this wharf? You are obviously talking to Triabunna Investments. Can you give us a feel for where things are at?

Dr NORTON - I have not been dealing with the negotiations. These things are hard to determine.

Mr WEEDON - I would characterise it as positive negotiations. We have made good progress in recent months with them. We are at a stage where we would expect to either positively conclude or walk away from the Triabunna Investments opportunity within the next 60 days.

Dr NORTON - The advantage to us of having a transaction with Triabunna Investments in respect of the wharf is that that would save us expenditure dismantling the wharf, which could be quite significant.

Ms O'CONNOR - What are the opportunities -

CHAIR - Cassy, Mark has -

Ms O'CONNOR - I actually was cut off before in my line of questioning.

CHAIR - Mark has been very patient; you have had quite a few goes. I am trying to be balanced.

Ms O'CONNOR - Actually, I haven't. I find that insulting. It is not about having goes, it is about asking questions.

CHAIR - I am trying to be fair.

Ms O'CONNOR - I don't think you are.

Mr SHELTON - Dr Norton, you mentioned that with the removal of the chip loader, when that takes place, that you are required to be in a way that does not damage the wharf, so obviously you want your asset to be sustainable or maintained in a way that it isn't damaged. You mentioned that there is a possible avenue of talking to council. The sale of the asset is only one avenue that is available to you as far as the future goes. This committee is also looking at the future, where and what happens in the future.

Your preferred option, as you have mentioned, is for a sale price and so on, but there is a chance through this whole process that you find another way, wouldn't there be, with

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council or with somebody else that comes in? Although it is landlocked at the moment it is still an asset, still worth something and it has been mentioned to us that it is a strategic advantage. That deep sea access is an advantage to southern Tasmania. It is your asset at the moment, and you wouldn't, I presume, like to step away from that asset if it could be used in the future for the benefit of Tasmania. Do you have a comment around that?

Dr NORTON - I guess somebody could come knocking on our door as a result of these discussions today. Somebody might say, 'Ah ha, we would like to put our hand up'. If they did that then presumably we would consider it. The logistics of using that facility without the agreement of Triabunna Investments for access into it might make it very difficult. They are the obvious people to do it. We are open to whatever potentials might occur.

Our base position is that, while you can say it is a deep-water port and those sorts of things, somebody has to put money into maintaining it. We potentially have to put money into pulling it down. It would be advantageous for us if we didn't have to incur that expenditure which doesn't really add any value to anybody. We are quite open about this.

Mr SHELTON - The last point. I am assuming you are disappointed with the fact that you did see issues originally. You went with the program back then, the community support and so on, with an expectation, I presume, from discussion you had with Triabunna Investments that meant it was a positive discussion and that things would move, although no timelines, or anything else. At the end of the day you must be disappointed in where it has ended up.

Dr NORTON - As far as TasPorts are concerned we would like to have seen a revenue stream. If there had been a woodchip mill operating there for the five years, or whatever was spoken about in terms of the peace deal, that would have meant revenue for us. That would have been the best outcome for us. It didn't eventuate. If we are disappointed, we are disappointed we don't have a revenue stream.

Ms O'CONNOR - The port at Triabunna is a beautiful deep-water port that takes big vessels. We had evidence this morning from the Orford-Triabunna Chamber of Commerce about some of the vision they have for the future of that area. What sort of modifications would it take to enable that wharf to take on larger ships, like cruise ships?

Mr WEEDON - That's a bit like how long is a piece of string. What size cruise ships, how often, what infrastructure, what service capacity do you want to provide, and the like? What we have been very clear about is that the current structure does not lend itself to that.

Take a hypothetical: if they wanted to replicate the type of facilities that exist in Hobart then they would be looking at probably up to \$50 million to build the type of wharf with the type of passenger handling and cargo and provedore handling capacity to deliver that service to the cruise lines. You can go from that extreme to an extreme more like Port Arthur, where the local community there has worked with us to provide a safe anchorage for cruise ships and then a shuttle service which brings the passengers ashore. All those options would be available to the local community and Triabunna Investments if it saw that activity as being part of its vision for the future.

PUBLIC

Ms O'CONNOR - Is there a safe budget option for a cruise ship wharf that could see some of the existing infrastructure on the wharf you own modified to take on cruise ships? You will have excuse me, I am a bit of a Luddite about these sorts of engineering issues.

Mr WEEDON - Certainly our view is that the wharf itself, no, but there are a number of mooring dolphins, which are large timber structures that are buried in the seabed which the ships tie up to at the bow and stern. Those structures would be useable by any other vessel. The wharf itself is not really suitable for the type of structure that you would safely move passengers from a cruise ship to a shore-based location.

Ms O'CONNOR - What sort of flexibility is there with that asset to use it for other purposes? What are the options?

Mr WEEDON - You could certainly tie up a range of vessels at that berth. It is a big berth. Fishing vessels, tug vessels, pleasure craft and the like could use it. All they can do at the moment, without Triabunna Investments' consent, is tie up at the wharf, stand on the wharf and get back on the boat again, and that is the extent of their visit.

Dr NORTON - We haven't had discussions with Triabunna Investments as to their intended usage when they acquired it, but presumably they have some ideas about how they might use it. That's their business, not ours.

CHAIR - Have you received a letter from Peters Linnette Lawyers on behalf of Jan Cameron with respect to her interest in Triabunna Investments? We have received a letter, which is a public document - it was received last night and tabled earlier today - which says this firm acts for Triabunna Investments. It says:

Our client does not know the content of the submissions Mr Wood may wish to make and our client in no way accedes to or adopts the submissions he may make to the inquiry.

So it was in the context of this inquiry. Have you received a letter from Jan Cameron's lawyers about Triabunna Investments?

Dr NORTON - This would have come in today or yesterday?

CHAIR - Late yesterday.

Dr NORTON - Not to our knowledge. We are not aware of any correspondence.

CHAIR - It says:

Our client states that Mr Wood has no authority to speak on behalf of our client, Triabunna Investments Pty Ltd, or their board of directors.

I would say that was in the context of this inquiry and it is available on the public record.

Dr NORTON - I am unaware that we have received that correspondence.

CHAIR - Who do you deal with at Triabunna Investments?

PUBLIC

Dr NORTON - Graeme Wood.

CHAIR - I just draw it to your attention. Thank you very much for your time today.

THE WITNESSES WITHDREW.

**Mr PETER SKILLERN, POLICY AND ADVOCACY MANAGER, TFGA AND
Mr MARK CORNELIUS WERE CALLED, MADE THE STATUTORY
DECLARATION AND WERE EXAMINED.**

CHAIR - Thank you for your remarks and I welcome you to our hearing today. Thank you for being patient, sorry for the delay. Just to check, have you read the statement from the clerk and the guide in regard to providing evidence? I assume a nod is yes. I would like to reiterate some important aspects of that. A committee hearing is a proceeding in Parliament, which means that it receives the protection of parliamentary privilege. This is an important legal protection and 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 the Parliament. It applies to ensure that Parliament receives the very best information while conducting its enquiries. It is important to be aware that this protection is not afforded to you with statements that may be defamatory or are repeated or referred to outside the confines of this proceeding.

This is a public hearing and members of the public and journalists may be present. This means your evidence may be reported. It is important that should you wish any evidence to be heard in private you make this request and give an explanation prior to doing so. We need to just clarify with you, Clerk, the submission of Mr Cornelius because at the head of that document it says 'please treat in confidence' so the question is before we commence is whether we can treat that as a public document about which we can ask questions openly and publicly or whether you still want us to treat that in confidence.

Mr CORNELIUS - This is from the Tasmanian Oak Growers, not from the TFGA. I wrote that on and I forwarded it on to another of our members and he didn't comment. It is the truth so I will revoke that.

Mr SHELTON - It just occurred to me when we are dealing with groups and who might be a member of them. I am actually a member, through the farm, with my brother, of TFGA - as many other people are - but I just needed to make the committee aware of that.

CHAIR - Thank you, Mark. Just for the record, you are happy for the document, the submission that you forwarded to us, to be available on the public record?

Mr CORNELIUS - Yes.

CHAIR - Okay, thank you. We will get going then and welcome you to the committee. We will pass over to you to make an opening statement, after which we will have some questions.

Mr SKILLERN - If it suits the committee, I will make an opening statement and maybe Mark will have a few words and then we can take questions. Bear with me on my opening remarks as they are quite lengthy, but it is important topic.

First and foremost, thank you on behalf of the TFGA for giving the opportunity to be here today.

The TFGA has consistently held the view, and advocated strongly for the rights of individual landowners, to undertake whatever legal activities that they see fit on their own land. On that basis, we would find it a little bit disingenuous to come before this committee and comment on the alleged activities of the owners or their agents in relation to the systematic dismantling of the Triabunna woodchip mill.

Having said that, we do make the observation that the alleged wanton destruction was completely contrary to the stated intent of the TFA. As we understand it, bearing in mind that TFGA was not part of that process, the reopening of the mill was a key component of assurances given by the ENGO signatories and a condition of signing the agreement.

Furthermore, the stated intent from the mill owners that only certified wood from private land would be acceptable and that other issues would need to be met first underscores, in our view, there was never really any intent by the owners to allow timber from private landowners to be utilised by the facility. The closure and subsequent sale of the mill and its involvement in the TFA process as a negotiation point has had a significant detrimental effect on private landowners in the south of the state. Residues from native forest logging are a component of producing high-quality sawlogs and/or veneer peeler logs. In a market with slim margins this low-value product often is the difference between a profit and a loss. Private landowners have not had access to government subsidies for transport to port facilities in the north of the state and, as a result, the closure of the mill has been catastrophic.

The TFGA has consistently stated that the TFA process would impact on the private sector and time and again we were assured this would not be the case. The closure of Triabunna and the subsequent impact on the private sector has shown that, as we said, the TFA would and has negatively impacted on private landowners and their ability to undertake forest operations in the south of the state.

Coupled with the ongoing uncertainty surrounding plantations, the financial impacts have been severe and the flow-on effects to regional communities have exacerbated any attempts to recover from the TFA-induced downturn in the public forest sector. The need for a chip mill and export facilities in southern Tasmania is critical. The private forest sector in southern Tasmania will not recover unless there is a provision to both chip and export residues.

We understand the existing deep water port at Triabunna is still viable, however there are logistical issues around getting residues to the port facility. Bearing in mind this was written prior to the previous witnesses' evidence, I will continue. We urge the committee to initiate an investigation into the feasibility of gaining access to the Triabunna port with a view to recommencing the export of residues as quickly as possible. If such a proposition proves not to be viable, we need to stress that an alternative option will need to be found quickly. This issue has received scant attention from government and many private landowners in the south of the state have incurred substantial financial costs while they wait for a resolution. Any operations in the south need, as a matter of course, to introduce competition within the residue export market and provide certainty moving forward.

One of the often unrecognised consequences of this sorry saga has been the significant erosion of confidence and faith in the Tasmanian forest industry. Given the debacle surrounding plantations, it is unlikely that many private landowners will readily replant

trees. For those with native forest the outlook is potentially bleaker as banks are now showing native forests on balance sheets as a liability in some cases. The emotional and financial costs thrust upon private landowners throughout the state by the demise of Gunns Limited and the subsequent implementation of the TFA is unmeasurable. The real sting in the tail is the fact that private landowners were not part of the process, nor does it appear they were given anything but scant attention.

The take-home message is that, basically, with the IGA there were four commitments given:

1. That Triabunna would reopen;
2. That a pulp mill would be built;
3. That protests would cease; and
4. That there would be no effect on the private sector.

None of them have come to pass except the impact on the private sector.

Private forestry is not just about logs. It is about things such as biochar, biofuels, firewood - basically whatever the farmer or a private landowner can make money out of. We urge the committee to look to the future as much as to the past.

CHAIR - Mark, would you like to speak to your submission?

Mr CORNELIUS - I am a member of the TFGA and also on the forestry reference group. I am also the chairman of a group known as the Tasmanian Oak Growers. Members of the Tasmanian Oak Growers own 50 000 hectares of private native forests and plantations in Tasmania. We are by far the largest, non-industrial owners of forest in Tasmania. Fifty per cent of our residue - most of our properties are in the Central Highlands and Eastern Tiers and 50 per cent of our woodchips traditionally went to Triabunna. That has given an outline and I am one of these landowners. I own 8 000 hectares of private native forest and plantation and all of it is in the 50 per cent bracket.

I can add to this how it is affecting us. For the last two or three years nothing has been happening. I am their marketing man.

CHAIR - For Tasmanian Oak Growers.

Mr CORNELIUS - Yes. I have been to China a couple of times. I have been negotiating with sawmills recently. In the last six months things might be looking a bit better from a sawmill point of view because of the reduced quota of sawlogs; there is starting to be a bit of a demand there. It is not viable for us to harvest because we do not have a residue outlet. At the moment I am dealing with people who want to buy logs from us at good prices but it does not stack up financially because there is no residue outlet for us. Woodchips are an important part of it.

This has been said before, but if you cut up a beast, you have mince, rump steak and different cuts. Woodchips are mince; you do not throw away all your mince. The economics, not just the returns to the landowner that help promotion, are underpinned by the contractors getting money for woodchips.

Ms WHITE - I wanted to seek some figures from you. You have said 50 per cent of your residue was shipped to Triabunna. How many tonnes would that have been?

Mr CORNELIUS - I do not have that figure. It is varied, the reason being that we private landowners, unlike Forestry Tasmania which continuously operate, have a choice of whether we sell our wood or not and when the markets are down we do not sell any. In the last three years no private landowners have been harvesting.

Ms WHITE - Prior to that, in what might have been a better year, for instance, roughly how many tonnes of wood would you have harvested?

Mr CORNELIUS - I cannot remember what is in our brochure. When things were going really well, 15 years ago, I had better not say because I cannot remember.

Ms WHITE - I am just interested.

Mr CORNELIUS - We are talking about 100 000 tonnes - big amounts of wood.

Ms O'CONNOR - From your property alone?

Mr CORNELIUS - No, not from my property alone, from the group. Do not take that as on record because -

Ms WHITE - Perhaps, Mark, you have a website? You said you have a brochure, is there another way we can find out?

Mr CORNELIUS - No, only on the brochure.

CHAIR - Can you come back to us with those figures, perhaps take it on notice?

Mr CORNELIUS - Yes. It is highly variable; this is the point I am trying to make. The prices were different a few years ago, but if there were a slump in the market, we can supply. When there were droughts, most of our members are farmers and if times were hard, they would be more likely to harvest. We are highly variable and harvest from year to year.

Ms WHITE - I understand. It is just that you have quoted prices per tonne for stumpage and I was curious to understand what margins you might be making, depending on which port it went from. If you can get those figures for us, that would be really good.

Mr CORNELIUS - Okay, I see where you are coming from. I can get some figures to you.

Ms O'CONNOR - It will be a guesstimate, will it?

Mr CORNELIUS - I can give you an historic figure without it and that is the truth, but a modern figure right now tends to do with markets. Some people put their forests in carbon. I know this has nothing to do with Triabunna but some forest owners might not want to participate in harvesting wood right now. It is complex.

Ms O'CONNOR - Is there, amongst the people you work with and represent, a growing appreciation of potential carbon markets? Or is there growth, and pardon the pun, in

landowners investing in carbon on their land? I know it is full of uncertainty - the whole framework.

Mr CORNELIUS - That's exactly right. I could speak for myself, I have 2 500 hectares of carbon; I hope that answers your question. Firstly I am quite disillusioned in that I have been in it for three years and I am yet to see one cent.

Mr SHELTON - Is that the RED scheme?

Ms O'CONNOR - So that's the voluntary private scheme, not the carbon farming initiative.

Mr CORNELIUS - The carbon farming initiative is still in politics at the moment. We are getting off track here, aren't we?

Ms O'CONNOR - No, it is all part of the picture.

CHAIR - It is a visionary approach so we just have a little bit of leeway with the terms of reference, but point taken.

Mr CORNELIUS - But I do know a bit about that. I have been involved in it.

CHAIR - Okay we will just go back to Roger and have some questions.

Mr JAENSCH - When we talk about the other residue processing options, biomass, biofuel, biochar and others that might be still out there, what is your understanding of how far away we are from having ready-to-use commercial operations of those? What I am looking for is that there is a good understanding in this inquiry and in the general discussion about the need for a timber residue solution for the south of the state in particular. And in that general discussion there are these various options and we would all prefer to have some value recovered on our own shores, rather than just sending it away. How far away are we from having one of these new types of operations in your estimation? That tells us what time frame we might need to have some other interim solution.

Mr CORNELIUS - Peter is privy to information that I am not. I am trying to find out as much as I can about what's happening. I wasn't in the TFSA. Part of it is that it was meant to be a priority to have residue solutions and I have been trying to find out as much as I can about it because we have the resources to supply those. Basically I cannot find out anything. I have heard there has been an inquiry which the government still has under wraps. Apart from that, in Huonville they are thinking about heating the swimming pool, I have heard, which is only going to use a few wheelbarrow-fulls. Apart from that nothing has happened.

Mr SKILLERN - Out of the TFA there was an amount of money - I cannot recall, it might have been \$2 million - for a study, which I think is the study Mark is referring to on residue uses. So far that has met twice; it hasn't met since about January or February. There have only been two meetings. The initial outcomes of that were that any of those type of alternate uses were longer term solution. That's the first point. The second point, particularly with biofuel, for example, is that it was doubtful on the initial investigations that we could produce sustainable economic quantities of some of these products. I think the point needs to be made that it's a mosaic of solutions. There is no silver bullet or magic

answer. It could very well be a mosaic - some people will choose to go into carbon, some into biofuel, some into biochar, and some will put out woodchips. I think that for each individual private landowner it's an individual choice.

Mr JAENSCH - I am getting the impression that the industry cannot wait 20 years until these things all mature, so we need something else in the meantime.

Mr SKILLERN - I would suggest in the terms of plantations, for example, that the boat has already sailed. As I said in the opening statement, for many landowners it's not just about the financial cost, it has been about the emotional cost and it has dragged on for so long now that if they could plough these trees in tomorrow they would do so. They would never grow trees for as long as they live.

Mr JAENSCH - The immediate residue solution, notwithstanding the \$2 million study and the longer term and the future technologies, what does the immediate-term solution look like to you for residues?

Mr SKILLERN - The immediate-term solution will be to - as I said in my opening statement - have an export facility in the south of the state, but it is not the total solution.

Mr JAENSCH - Where would be best?

Mr SKILLERN - That is, with respect, a decision for the committee in a sense. Obviously Triabunna was the original place, but I have just sat through a presentation that would suggest on the face of it that that may not be a feasible proposition. In which case, as I said, there needs to be an investigation for alternatives. I would imagine there are a number of alternates, from Hobart further up the coast or even further down the coast. I am not aware of what they would be and that is why I am saying an inquiry would need to be undertaken.

Ms WHITE - Mr Skillern, thank you for your evidence today it has been good to hear from the TFGA. Notwithstanding the amount of anguish a lot of farmers have faced I think it is important that you read back the transcripts from the last couple of days. You would see today a lot of evidence provided, but there has been a lot of information coming to light through these proceedings that I think is important to understand. I would just draw your attention to that evidence, which will be publicly available.

Following from the point that Mr Jaensch made around the residues issue, which we understand is a big issue, you mentioned the Triabunna port and obviously heard what TasPorts had to say. Were you aware that they are currently in negotiations to sell that privately?

Mr SKILLERN - No.

Ms WHITE - Does that come as a surprise to you?

Mr SKILLERN - A little bit, yes.

Ms WHITE - Would you be hoping, perhaps, the government of the day would retain a strategic asset like that for future use?

Mr SKILLERN - Given the evidence I have just heard, and I have not really had time to process that, there seemed to be some contradictory statements made. With respect, I think that is a decision for the government of the day. Obviously I come back to the point that I made that there needs to be an export facility in the south of the state. Whether that be Triabunna or whether that be somewhere else will be a decision for others to make.

Our position will not change inasmuch as there needs to be an export facility in the south of the state. It is not within our remit, frankly, to be telling government where they should do this, but it is in our remit to say on behalf of our private landowners that there needs to be a facility.

Ms WHITE - Part of the TFA process, which I understand the TFGA weren't particularly supportive of, there was a provision for \$12.5 million to be made to understand alternatives to using the resource, the residual matter from the sawmill operations, et cetera, to actually fund alternative solutions to deal with that residual matter. Were you aware of that?

Mr SKILLERN - I am not aware of that particular scenario. I am aware of the other study, though, that I was referring to.

Ms WHITE - Through the TFA there was \$12.5 million allocated. We also heard evidence that it could take up to five years to develop other alternatives for dealing with residue, which is obviously a long time. We need short-term interim solutions to deal with the problem we currently have. Considering that is money that was to flow from the TFA process, which is now in doubt, what do you expect government to do to support the efforts of the industry to find alternatives to the residue problem?

Mr SKILLERN - I guess our response to that is that, first of all, you are saying industry finding a solution, and if you are talking about private landowners I go back to my original point. Private landowners have had this thrust upon them. This is not of our own doing. We were not involved in the process. As I said there seems to be scant attention paid to the impacts on private landowners despite, I might add, numerous representations from Jan Davis and the TFGA, and numerous representations from other people on both sides of the discussion about the need to look after private landowners. All of those representations were ignored on both sides of the table and we have ended up where we have ended up.

Understanding that the current Government wasn't the government of the day, nevertheless it is incumbent upon the government to provide support to the industry. When I say 'industry' I am talking about private landowners only. I think there has been more than adequate focus on the public forest sector, with scant attention to the impacts on the private landowners and how we and my members have to deal with it. So to answer your question specifically, I think it is incumbent on government, not private landowners to find solutions to a problem that they did not create.

Mr SHELTON - As a native forest grower, it is my understanding of course that what is happening now is costing the state money because of the fact there is no access to Triabunna on the east coast. Therefore what is happening, and you might refer to your own property, is that what should be happening as a private grower is trying to enhance the dollars you get so, not necessarily downstream processing but getting the maximum amount of your asset. That is, from a regrowth forest point of view you need to go through

and thin and pick your mill logs out and thin around them. That enhances the growth of the mill log. Therefore every year you are not doing that so you do not thin, and of course you cannot get rid of your residues, that is actually costing you money and therefore the state money that this activity is not going on, because you have not got access to get rid of your residue. Just talk a little bit about the management of your property and what you would like to be doing.

Mr CORNELIUS - I will give you a prime example. I have a block up at Snow Hill which is north of Lake Leake. There is more to the top of a tree as well when you are touching on this. Silviculturally, and this happens in Europe and all around the world where forestry of any form is done, they have thinning operations, like thinning out carrots. That is an important thing to be able to do. I have a block up at Snow Hill that is 400 hectares of regrowth from - maybe not a good idea at the time - a 1984 clearfall. That went to Triabunna, ironically.

Ms O'CONNOR - How long ago was this, Mark?

Mr CORNELIUS - 1984, before I owned the property. I am not traditional family farming; I bought my forest myself. It has this thick stand of regrowth on it and it needs enhancing to grow higher value products. You can either let the rotation go for nearly twice as long or it can be thinned and accelerate the growth of the tree. There are other uses other than the top of a log. I have hundreds of hectares of forest that I have done this to when the woodchip market was going a few years back. They look like plantations. There are scattered mixed trees in there, of course, for you Cassy, old growth trees but beautiful trees, but a native forest does not grow like that. That is another part of our operation - thinning - and some of that happens in plantations as well.

Mr SHELTON - Silviculture and management of native forests is important, but it is not happening at the moment.

Mr CORNELIUS - No. This particular property is primed to go. It needs thinning. I was about to do a deal to thin it and then the market collapsed.

CHAIR - What is the value of it now?

Mr CORNELIUS - It is growing but it is growing slowly.

Ms WHITE - Where is your market?

Mr CORNELIUS - Market for what?

Ms WHITE - The product you were just talking about.

Mr CORNELIUS - Woodchips; traditionally it used to be Japan. More recently, not that I supplied much into that, it is China but traditionally Tasmania has supplied high quality, especially the regrowth forests. I will not talk about old growth forests here because a lot of our old growth was taken 60 years ago. It is all regrowth now but it is a high quality woodchip and it was suitable for the Japanese to make fine writing paper, but that was the market. I am not an expert on that anyway.

Ms WHITE - Are Tasmanian Oak Growers pursuing FSC accreditation at this point in time, or any other accreditation?

Mr CORNELIUS - One of our members has FSC; he is the only one, though. We are getting off the track of Triabunna here but there was \$400 000 given to Private Forests Tasmania. Peter was well aware of this and it was meant to be with the previous government. We had one meeting about it and that was about it.

Ms O'CONNOR - What was the money for?

Mr CORNELIUS - It was for private landowners to be able to pursue certification, either AFS or FSC.

Mr SKILLERN - It is designed as a group certification. For most private landowners, certification in their own name is prohibitively expensive, so the concept was to do a group certification and the \$500 000 was given to PFT to pursue that and see how that might work. As Mark said, we've had one meeting to date.

I will respond to Mark's comment. This is where, I think, there is a clear demarcation between a public forest estate and a private forest estate. When you asked Mark about maintenance of the native forest, it also applies to plantations. One of the things we've seen - and the report that was commissioned by the previous government highlighted this - is that the plantation estate we currently have in Tasmania is deteriorating dramatically as an asset. The reason that is happening is because there is a failure to maintain that plantation estate. You may say that is a bit outside the committee's remit but the reality for private landowners is that forestry, whether it be native forest or plantation, is part of this mosaic I talk about.

As a farmer in Tasmania, the chances are you grow poppies, run sheep or cattle, you have some native forest, you may have some plantation - if you're lucky you'll get industrial hemp - so it is not just about focussing on forestry as if you were Forestry Tasmania, for example. There needs to be an understanding about that. For my members it is part of a whole picture and it needs to be taken in that context.

Mr JAENSCH - It is diversification and resilience and options.

Mr SKILLERN - As Mark referred to before, if we reach a point, say during a drought, it has always been thought and felt that that particular asset, whether it be plantation or native forest, is something you could draw on, but now my members are finding that is no longer the case. As I said in my opening remarks, in some cases native forests particularly, but now to some extent plantations, are being seen by lending authorities as a liability.

Ms O'CONNOR - That is precisely where I was about to go. You made the statement about banks viewing native forest as a liability. That is happening nationally, presumably. It's not just that Tasmania is being singled out. Can you foresee that changing, given that the banks take their lead from what is happening in the markets and the markets are moving towards plantation and Forest Stewardship Certification?

Mr SKILLERN - I guess the answer to that is yes, it could change. I come back to my point that if we just look at the Tasmanian context, as that is what we are familiar with, all

through the TFA process there was much argument about moving from native forest production to plantation production. I think what many people fail to understand is that the demise of Gunns would effectively make that an impossible transition. We now find an asset that is diminishing in its value and marketability daily.

Ms O'CONNOR - And that's for want of maintenance?

Mr SKILLERN - Predominantly for want of maintenance, but we have now reached a point where there is a lack of motivation. People are so burnt by this that even if someone was to come in and use the plantation the chances of it being an ongoing and sustainable resource, because people would replant, is with a few exceptions highly unlikely. In Tasmania I do not see it in the foreseeable future.

Ms O'CONNOR - You talked about a saga around forestry and you are painting a picture about how private landowners are feeling who have invested in plantations, and the heartbreak and frustration. How historical is that? Some would argue that the forestry saga in Tasmania is a 30-year saga. For private landowners in Tasmania we understand the issues around the TFA, but how much of it also goes back to investment and managed investment schemes, but also an industry here that became so heavily reliant on native forest woodchipping that some of the investments weren't made in maintaining the plantation estate?

Mr SKILLERN - Is there a question in that or a statement?

Ms O'CONNOR - No, that is a question. What happened to private landowners in the context of managed investment schemes? So the investment had already been made and money sunk, and then moving to a situation today because no focus was put on plantation for a range of reasons. What are the reasons for not investing in maintenance of the plantations that could potentially see the value of them substantially diminish?

Mr SKILLERN - The reason there is not investment in the maintenance of plantations, and has been the case for a number of years now, is effectively the demise of Gunns. As you know there are leasehold arrangements; they are joint venture arrangements. The joint venture arrangements are with the administrator, I think, and the leasehold arrangements are with another group. There hasn't been any money, or little money, spent on that maintenance. It effectively goes back to that point. Prior to that point obviously if you had a plantation you were receiving that maintenance as part of an agreement, depending on which scenario you were operating under with Gunns.

Ms O'CONNOR - For the plantations that are in the ground now, at what point do we reach the point of no return? What real value do they have? They have massive carbon storage value, I should point out. That is why our carbon accounts are looking pretty good; part of it is the plantations. What risk do we run here by not looking at the plantations really seriously on both public and private land?

Mr SKILLERN - I can't comment on the public.

Ms O'CONNOR - No, but what is the risk here to the state in terms of the value of plantations if we don't invest in maintenance.

Mr SKILLERN - It is deteriorating. The report initiated by the previous government clearly showed that and I don't think anything has changed substantially since then. We have an asset that is diminishing through lack of maintenance. The risk is that that asset does not have a value. With no downstream processing, short of chipping it, that just exacerbates that.

CHAIR - I have a couple of questions and I know Roger has a follow-up questions.

Ms O'CONNOR - I had not actually finished asking questions, but again that is just what has happened all day. Go for it.

Mr JAENSCH - Sorry, Cassy.

Ms O'CONNOR - No, it is entirely unreasonable. I get to ask two or three questions and then off you lads go. Go for it.

Mr JAENSCH - If you are going to bring this back to circumstances around Triabunna and where we go next with that, then that is good.

Ms O'CONNOR - There has been a whole range of questions asked by committee members that span across a number of topics related to Triabunna and forestry in Tasmania. The restrictions seem only to apply to me.

CHAIR - Cassy, we are trying to meet certain time conditions. If you have something specific as a follow-up, please go ahead. If not I will pass to Roger.

Ms O'CONNOR - Pass to Roger; that is fine.

Mr JAENSCH - Were either of you, or people you know or work with, involved with any formulation of any expression of interest for the operation of the Triabunna mill when expressions of interest were called? Are you aware of submissions of your members or associates in your industry?

Mr CORNELIUS - I know just a couple of them, but I don't know the details. I spoke to O'Connor and he told me just a couple of sentences in passing about it. I also spoke to SFM; I think they were going to have a go at getting it too. Basically we didn't come here to talk about -

Mr JAENSCH - It is part of what we have been asking most of the witnesses who have come. We are trying to establish if there was genuine interest in the operation of that mill going forward because there are others whom we have submissions from who say there didn't appear to be any. We are just trying to get to the bottom of that one. If you know there have been parties out there who expressed interest -

Mr CORNELIUS - I don't know if I will get into trouble, but I will say one of those groups, or both of them said this, but one of them in particular that I can remember said there was no interest to do it and they were not serious.

Mr JAENSCH - From Triabunna Investments?

Mr CORNELIUS - Yes.

Mr JAENSCH - There were people who were interested in operating the mill but the person at the other end was not interested in hearing from them?

Mr CORNELIUS - That is what I was told.

Mr JAENSCH - There is a bit of a pattern emerging with that but we need to hear it from you for it to go in as evidence.

Mr CORNELIUS - That is fact. I was not. Tas Oak Growers, most of our members are farmers and we want to sell the wood to someone.

Mr JAENSCH - You are not involved in sawmills, fully understood, thank you.

CHAIR - Thanks again for your submission and a lot of empathy and can relate to your opening remarks, Peter, on behalf of the TFGA, in terms of closure of the mill being catastrophic and the need for an export facility in the south of the state.

Mark, you have made those same comments. I want to draw you out on your last paragraph with your recommendation to the committee to have an export wood facility in the south of the state or alternative market outlets. You have biomass, biofuel, biochar. What other opportunities? We have talked about the next five years we need to find a way forward for this residue. Can you outline some of your thoughts, or even Peter, in terms of what opportunities there are going forward for the south of the state? You were saying an export facility but do you want to expand on that in terms of these other opportunities?

Mr CORNELIUS - I went to a meeting a couple of years ago, an AG meeting in Launceston - and there is one tomorrow night and one of the guest speakers is on biofuel opportunities. We had a guest speaker who said that, in Europe, private landowners have to fight back the people who want to buy their residues.

Ms O'CONNOR - For power?

Mr CORNELIUS - For multiple purposes.

CHAIR - For what purpose or different purposes, that is what I am asking. I am trying to work out what these opportunities are.

Mr CORNELIUS - I am not an expert in this at all.

CHAIR - Do you see opportunity there?

Mr CORNELIUS - Yes, the opportunities are definitely there. In Europe it is a big thing. I only know what I read. I know Adriana Taylor, she is meant to be a speaker and she is going to explain things at this meeting tomorrow night and I have read some of the things she has written.

One point which I do not think I have said on this, but through the TFA and the downturn and the confidence lost, it is going to be hard. I am not getting any phone calls. We have

a big resource and no-one is ringing. I did get one phone call from Dorset Renewable Energies but -

CHAIR - Can you say the same for your other Tas Oak Growers? You are in a consortium with other growers in that group? Are you getting similar feedback that they are not getting expressions of interest to -

Mr CORNELIUS - I would know about them if they were happening. I know Frank O'Connor is exploring it himself on a small scale on his own property. We do not have the TFA now. What I would have like to have seen in the TFA is that some pilot projects actually got up.

Ms O'CONNOR - That was the idea.

Mr CORNELIUS - There is no confidence in private industry to do it now. Who is going to invest and come over to Tasmania at the moment?

CHAIR - The flip side to that question is, if we do nothing, how will it impact you and your colleagues? What is the downside?

Mr CORNELIUS - At the moment I am talking to three or four different markets that want to buy high quality logs. The demand seems to be strong. It is really surprising me how strong, for sawn timber. Through desperation, I am thinking about harvesting myself on a small to medium scale. But I am not going to be able to sell my residue and 40 to 50 per cent of the wood is going to be sitting on the landing. My business model is to have 5 000 tonnes of firewood and I am going to be going to be the big firewood person shortly, selling firewood. But I cannot keep doing that. That will last for one year and then I am just hoping that something happens within six to 12 months.

Ms O'CONNOR - Can I ask a specific question of Peter? You talked before about assistance to private landowners. I want to know what sort of assistance you think would be most beneficial. Are we talking about policy settings, some form of regulation, or are we talking about a similar level of assistance for transport, for example, that is provided in transporting timber from public land? The nub of the question is, for private owners what is the tangible, meaningful assistance?

Mr SKILLERN - The policy settings is always something you would want, but more regulations is something you wouldn't want. Coming back to Mark's point and what the Chair has asked, it goes back to what you also asked, Roger, and that is immediately an export facility for residues in the south of the state. As I said before and as I have stressed several times now, it is not the magic bullet. There are other things. There is the biochar and the biofuels.

The assistance there needs to be continuing with the study that was initiated by the previous government, find the answer to those solutions. Then we would know the time lines and we can have some sort of strategy in place. If it takes five years, what are we going to do in the interim? If it takes three years, what are we going to do in the interim? If it's not even feasible, fine, let's take it off the table because we know it's no longer viable. What does that leave us in terms of options?

Those types of assistance to private landowners are significant and substantive and don't necessarily cost a lot of money for government to implement.

Mr JAENSCH - The re-establishment of an export woodchip facility as the interim immediate thing is not going to be immediate immediate, is it? You listened to the discussion here about Triabunna. Finding a place, setting something up and making it work is not something which happens in months. If there was a transport cover which let the 50 per cent of your residues that were going to Triabunna go to some other existing facility in the north of the state, would that be something that people would take up quickly? Would that get timber moving again?

Mr SKILLERN - My initial response to that is that it sounds attractive. But I made the point in the submission that there needs to be competition as well. If there is only one exporter out of the state -

Mr JAENSCH - There's two or three, isn't there?

Mr CORNELIUS - No, there is only one for native forest residue.

Mr SKILLERN - - so you are actually reinforcing, effectively, a monopoly.

Mr JAENSCH - Are we better off without that at all then? I am just thinking that if this is an emergency for your farmer members and Tas Oak growers at the moment, you are stuffed because you've got nowhere.

Mr CORNELIUS - It has been an emergency for the last two years. The first year it wasn't because everyone hung on. My wife has been working at Coles the last two-and-a-half years.

Mr JAENSCH - If there is \$12.5 million to have a look at options for the long term, but by the time we get to the long term there is nobody left it has not been a very good investment.

Mr SKILLERN - I would suggest that getting an export facility up and running in the south of the state as a major priority, with the correct will, should be able to be done in a relative short time frame. That would be, as an interim step, a major advantage. I keep coming back to the point that it's not the silver bullet. There needs to be these other things picking up on a previous feasibility study, running with that and having an overall strategy. To be blunt, that is what appears to be lacking: a strategy moving forward. We can do these little silo solutions but there needs to be a strategy.

Mr JAENSCH - The alarming thing is there have been large amounts of time, money, effort and assistance given on the topic this inquiry is built around. You heard before that Tasports is going to require someone who bought a woodchip mill to dismantle a ship loader. The things you are talking about, creating, we are scratching our heads trying to work out how to provide, are there.

Mr SKILLERN - Well, they are but I am not aware of what condition they are in.

Mr JAENSCH - And there has been \$28 million of public funding go in to facilitating it.

Ms O'CONNOR - Yes, and \$700 million in public subsidies between 1997 and 2008, according to Professor Graham Wells.

Mr SKILLERN - I come back to the point I made before. We will leave it to others to argue about the past. What we are concerned about is the future and where private land owners go from here. While it was suggested today as a possible option/solution, that is not the only solution I am sure.

Mr CORNELIUS - The fact of the matter is, if there was a viable solution, an economic one, and I will point out some of the sums there, in this [inaudible 17:25:58] where it originally was or somewhere around it within a cart distance, the prices are still not really not high for woodchips but there is a price there now.

CHAIR - When you say price, do you mean a market price, commercial, sustained price?

Mr CORNELIUS - There is a certain price right at the moment that the one plays. There are two people that you could sell it to - I probably should not go into details of that but I am well aware of what it is. I have the figures here because I know what those figures are. But if there was a viable alternative, you would want a shorter distance, there would be economic activity, and there would be multiple logging crews on private lands opening up. I do not know the exact figures but off the top of my head there is probably eight or 10 jobs in one logging crew. Not actually on one in the bush but there is, when you have the truck drivers, there is three or four in the bush, plus the trucks so there is five or six anyway plus add-ons. There could be quite a few jobs if we had a residue solution. No residue solution, no jobs.

Ms WHITE - With your submission, Mark, you talk about your 50 per cent of your residues used to go to Triabunna. What happened to the other 50 per cent of your residue?

Mr CORNELIUS - I am talking about the group and we own 50 000 hectares which is a fair chunk of Tassie, some of it meets the distances.

Ms WHITE - It was closer to Bell Bay.

Mr CORNELIUS - When the market was going very well, sometimes there was competition in the market back in those days as well and there were multiple chip mills working in buying native forests, and sometimes it was viable for the land owner - well, the prices being offered were just as good as Triabunna.

Ms WHITE - Can I understand obviously that is on your new residue, so were most of those logs from your properties going to saw mills for them to be cut up?

Mr CORNELIUS - Yes.

Ms WHITE - Or were you harvesting on the properties?

Mr CORNELIUS - The sad thing about it is that a lot of us Tasmanian Oak growers and other private land owners that are in the TFGA, have not actually harvested a lot of their best logs. It is actually still in their forests because, this is another political thing, the prices of

logs have been too low from my point of view and other members point of view and we have not sold them, and they are still sitting in the forests.

Ms O'CONNOR - Does it feel a bit like money in the bank, or it is not that certain.

Mr CORNELIUS - That is what I thought and it actually is money in the bank now because I am getting offered a higher price than what I have ever been offered before, or I am asking at high prices, but it is still not viable to harvest them.

Mr SHELTON - Be careful that they do not get considered as high conservation value.

Mr CORNELIUS - They are only 80 years old.

Ms WHITE - Which sawmills did you use, or are you intending to use? Are they all in the south, or are some of them in the north?

Mr CORNELIUS - They are scattered.

Ms WHITE - We have heard evidence from some that they have got capacity to store some residue on site, it is very limited, but others have to get rid of everything. I guess it depends on where you are getting your -

Mr CORNELIUS - All the sawmills I have talked to have said that it is a problem, even for them right now, and some of those guys are even in the north.

Ms WHITE - As a grower of trees and you sell that product to an end user, do you sell it to the saw mill or the end user and then use the person at the sawmill to chop it up?

Mr CORNELIUS - Basically in the past, I run my own logging operation with Barbers Sawmill from Launceston. They did not work for me but they bought all my logs for about a two year period.

Ms WHITE - I am trying to understand because I would expect if a sawmill bought your logs directly, it would then be up to them to decide how they dealt with the residues issue -

Mr CORNELIUS - No. When you harvest a tree - when you go into the bush and start harvesting -

Ms WHITE - Are you talking about the heads in the trees?

Mr CORNELIUS - Yes, the heads or the poor quality trees, it can be - I keep on hearing this figure of 90 per cent and 10 per cent. It is irrelevant what the figures are. There is residue that comes out of the bush, and then there is residue again which is 30 per cent at the mill. You probably know that.

Mr SHELTON - Along that line, Mark, it is not profitable to go into a bush when you have to push a road in and so on, and just pick out half a dozen mill logs and try to get rid of the residue off the mill logs. The practical side of it is to do the thinning and so forth while you are in there, take your saw logs, leave your future saw logs, and then thin while you are there with the operation in hand. You just cannot go in and -

Mr CORNELIUS - I have already said that silviculturally - some of the forests I've bought were from a Scandinavian forester -

Ms WHITE - I am not sure I understand it.

Mr CORNELIUS - You need to come for a trip in the bush.

Ms WHITE - I grew up in the bush.

Mr CORNELIUS - I could show you some pine forest that I own and other members own.

CHAIR - Where are you based?

Mr CORNELIUS - I have land in the Eastern Tier, Central Highlands and the Southern Forests. I have not done anything with the Southern Forest ones; they are 1967 regrowth.

Mr SKILLERN - Just on that residue storage at sawmill. This is only anecdotal, and I am getting this from some of the guys that I know, and they are not necessarily private landowners. But there is starting to be, I understand, some concern by the sawmillers about the volumes as we move into the warmer weather because this stockpile is a major fire hazard, and I understand contributed - this is anecdotal - to some extent to what happened at Dunalley.

Ms WHITE - We have heard evidence about the residue and its piling up, and the subsidy that we have been told expires in October and the consequences for some of the sawmillers could be they are shut within two days if the subsidy doesn't continue. Then we have other impacts on the industry as a consequence there that we have to consider.

CHAIR - Thank you very much. I will just check if there are any further questions at this late hour. Thank you on behalf of the committee for being here and being patient with us this afternoon and giving their time. As we are at the end of the hearing I just say thank you to Hansard for being so patient today.

THE WITNESSES WITHDREW