

**THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE TASMANIAN FORESTS AGREEMENT BILL 2012 MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART, ON THURSDAY 17 JANUARY 2013.**

---

**Mr GRAHAM WILKINSON**, CHIEF FOREST PRACTICES OFFICER, AND **Mr GORDON DUFF**, FOREST PRACTICES AUTHORITY, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Mr Harriss) - Welcome, Gordon and Graham. You are both well aware of the implications of parliamentary privilege and the protection of that process so we will not go into any detail about that. We have your submission, which has been with us for a little while. We will get you to speak to the submission first of all and then we will see how we go with questions.

**Mr DUFF** - I will start off with a brief statement. I certainly will not reiterate the contents of the whole submission but there are a couple of key points that could be well worth highlighting. It is probably worth noting at the outset that our submission is on behalf of the Forest Practices Authority and board and is confined to those aspects of the bill that affect the forest practices system. We have contained it to that.

First, we note that clauses 53 and 54 of the TFA seek to require the FPA to take account of social, economic and environmental outcomes in decisions and revisions of the Forest Practices Code. We are of the view quite strongly that this requirement is already implicit in the Forest Practices Act and our submission cites and details the relevant provisions of the act that make reference to that area. However, we accept and strongly endorse the notion that the requirement to take account of triple-bottom-line outcomes - social, environmental and economic - could be made more explicit in the Forest Practices Act and would strengthen it.

Second, we note that the challenge of maintaining the balance between economic outcomes, wood production and environmental outcomes has steadily increased in recent years and these tensions are likely to increase further in the future. I think this committee is well aware of that fact. It will be increasingly difficult to resolve the tensions between production outcomes and environmental outcomes within the scope of the existing Forest Practices Act. We have made this point before at hearings. We reiterate the need for a clear articulated forest policy to guide the decisions of the Forest Practices Authority under the Forest Practices Act and we have provided a few points, if you like, a skeleton or a framework for how we would see a forest policy and what it would need to encompass.

First, we need a clear definition of sustainable forest management. It is explicit in various areas but nowhere explicit in government policy. Second, we need the objectives of forest management with respect to environmental, social and economic values of the forests to be articulated in such a policy. Third, we need the means by which the objectives of forest management will be achieved, including a policy on the maintenance of the permanent forest estate, a policy on the development of a reserve system that is comprehensive, adequate and representative, and a complementary management of forests outside the reserves which as well as production outcomes includes the relative

contribution and expectation of contribution of the forests outside the reserves made to the conservation and other social and cultural values, and the mechanisms by which conservation management of these values will be achieved through regulation and other means. In other words, in addition to the existing reserve system we will need a clear articulation of the expectations of government policy and what contribution the production forest, if you want to call it that, would make to biodiversity conservation and other social and cultural values.

Those are really two of the key points I would like to highlight from our submission and it would be relevant to the discussion of the bill but we are happy to take any questions or further comments on the submission.

**Ms RATTRAY** - Thank you, gentlemen. We were given some information at an earlier time around the Forest Practices Code or a revamped version on the minister's desk awaiting the outcome of the forest agreement. Can you give me some detail around that?

**Mr Graham WILKINSON** - I don't think that is quite accurate. There is no draft revised code before the minister and it wouldn't be before the minister anyway, because under the Forest Practices Act it is the Forest Practices Authority that is the issuing authority for the Forest Practices Code. I think what that might be in relation to is that about three years ago we wrote to the minister seeking clarification of certain policy matters which we felt needed to be clarified before we could take those policy settings and articulate them in terms of management prescriptions in the Forest Practices Code. We identified those policy matters that we felt needed some clarification, and I guess this links in with what Gordon is saying in that there is probably a need to clarify the policy matters in terms of how we deal with the management of forests outside of reserves.

Whatever one can assess in terms of the adequacy of the reserve system, the fact remains that there will be a need for ongoing management of multiple values in forests outside reserves, particularly in private forests. You can't hope to accommodate all of the natural and cultural values that exist in those forests by dint of reservation unless you reserve the lot and clearly that is not on the table. How you achieve that balance between environmental, economic and social outcomes in forests outside of reserves and the mechanisms for doing that requires some clarification. From our perspective, we were asked by parliament to achieve a balance in forests outside of reserves and we use the Forest Practices Code to do that, but clearly that impinges on high-level policy matters in terms of how you make determinations at the operational level.

In our submission, we have listed some of those policy matters that we believe require clarification in terms of the way forward for managing forests outside of reserves. I can refer to those matters. They have been recorded in our annual report for the last three years and they include the objective for the management of biodiversity. Not all biodiversity will exist within reserves, it will also occur in state reserves, and there needs to be policy settings about the level of protection given to biodiversity outside of reserves.

The objectives for the management of carbon is a policy matter that we believe should be determined by government. How it is then applied in forests outside of reserves is a matter that need to be transferred into operational mechanisms.

As to the type and intensity of silviculture regimes that are applied to native forests, there is an assumption in the current agreement that it's a continuation of current practices but perhaps on a smaller area of land. I'm not sure that assumption has been fully tested in terms of clear-felling and smoke management issues and concentration issues in catchments.

Regarding the management of smoke from planned burns, this is a very sensitive time in terms of fire management within Tasmania and we know that when autumn comes the bushfires are finished but it is then burning season and the public quickly forgets the need for burning and complain about smoke. There needs to be clear policy guidance on how we manage our forests so that if forest managers are using fire for whatever purpose, that is governed by a policy setting, set by government.

The next one is the impact of plantations on water catchments. That has been an issue of public concern for many years. We were asked to prescribe how that can be dealt with under the Forest Practices Code. That has major economic and social implications and we believe those decisions at a high policy level should be set by government.

Lastly, we think a really key one is public engagement in forest policy and management. There are certain expectations with respect to the public in terms of having a say on forest policy and certain expectations about having a say in being consulted at the operational level as well. We believe there needs to be some clarification as to what the government's approach should be with respect to that public engagement process.

**Ms RATTRAY** - Can I take it that the questions or the request with the minister would go some way to address your concerns, or is this another level of concern as well?

**Mr Graham WILKINSON** - The code that we have now is from 2000. Clearly there have been changes in science and community expectations since then, so the code is overdue for a revision. In going through it, we found that probably 80 per cent were purely technical matters that could be dealt with by the authority, like how to prevent erosion on a track of a certain state and certain erodability. They do not require public policy, they are just operational technical details. The areas where we ran into a lot of discussion with stakeholders from the private and public sectors were those I have just articulated in terms of how they could be translated into operational prescriptions in the code.

To what extent do we trade-off environmental protection for social and economic gain? There are always trade-offs. Policy is a trade-off, but I think that in recent years the tension in that trade-off has increased and we're now getting a lot of pushback from public and private forest managers that the expectation on them to preserve natural and cultural values is in direct conflict with some of their economic aspirations. Those matters need to be resolved at a high level. A good example on the east coast is the swift parrot. There is a certain body of science that says habitat loss is a major contributing factor to the loss of the swift parrot and that can only be dealt with by maintaining habitat. If you are maintaining habitat, that constrains land use activity on the east coast and immediately there is a trade-off decision.

**Ms RATTRAY** - Thank you.

**Mr MULDER** - I want to explore the relationship between the forest practices code and the potential for the FSC certification. I think you did mention that there is a little bit of tweaking there, but is it a fact that with a little bit of tweaking in forest practices that certification could be obtained? What would we need to do in our forest management practices and in the environment to achieve that?

**Mr Graham WILKINSON** - I would answer that by saying that the forest practices system is the major building block for any certification scheme, whether you are talking about FSC or the Australian Forestry Standard. Without a forest practices system Tasmania would struggle to get forest certified. It would be a huge cost on individual landowners and they would basically have to invent their own forest practices system. So from the fact that we have a statewide system that applies to public and private land, we have already delivered in most estimates 80 per cent of the requirements to go for certification.

The reason people go for certification is for market acceptance, market access, and that market access depends on the local rules for deeming what is acceptable in that particular market. So it is very much about social issues, social acceptability, social acceptance, having ENGO support. Those are difficult things for governments to regulate and there is an expectation people will comply with reasonable duty-of-care law through regulatory systems and then will demonstrate some good sense of responsible corporate citizenship by going above and beyond legal requirements. That means more recognition to social interaction factors. The two go hand in hand but one does not replace the other. The forest practices system is setting a basic duty of care for protecting environmental values, allowing commercial activities to occur with a reasonable level of protection to natural and cultural values. Certification is really about seeking a social licence.

**Mr MULDER** - So ENGO support for the result of this agreement to go for certification would be an important tick off in social acceptance?

**Mr Graham WILKINSON** - I think it is up to individual land managers as to whether or not they see advantage in the certification systems. I would like to think the forest practices system should deliver a very high standard of environmental care and social acceptability. If FSC or Australian Forest Standard go above and beyond those requirements and bring in other considerations, that is really a voluntary decision made by individual land managers. Forestry Tasmania has made commitments to certification but if you look across the private estate the take-up of certification is negligible. That is because it is a very expensive system with very expensive overheads.

**Mr MULDER** - Until the markets demand it.

**Mr Graham WILKINSON** - Even then some people simply cannot afford to go through the certification system. I think it is beholden on government to create a regulatory system that meets market expectations.

**Mr DUFF** - That really is the fundamental difference. The certification systems, at the end of the day, are not mandatory. They are voluntary; people can opt in and out and will make the decision to do so basically on an economic basis, market basis and market access. Globally, uptake of certification systems is probably still at less than 2 per cent and that is across forest products available globally. That is across a whole range of

available certification systems as well. So about 2 per cent of forest products globally are certified by voluntary systems.

**Mr Graham WILKINSON** - And that tends to be in developed nations with good regulatory systems. If you look at where the need is, in the tropical forests, the amount of certified forest is a little bit higher than zero. A worrying trend there, from some of the work we have done in the Asia Pacific, is that FSC sets the standard very low to encourage people to go on the continuing improvement route, but once it gets too onerous or too expensive then people opt out. That is the problem. Unless there are very, very strong market forces then it is not a system that can be sustained by those poorer countries. I am not putting Tasmania into the category of poorer country but there are parallels there.

**Mrs TAYLOR** - Two per cent is extraordinary.

**Mr DUFF** - That's on the volume of forest products. If you are looking at, for example, large areas of plantation forestry, it is not regarded as necessary in order to gain market access, so people don't bother. As Graham says, it tends to be focused where there are higher levels of [inaudible] in developed countries.

**Mrs TAYLOR** - We've heard so much about it in the last couple of years in this whole debate, I had the impression it was a lot.

**Mr Graham WILKINSON** - I think it's very, very commendable and it's certainly been a major driver for people to lift standards. However, it is not a particularly transparent system. You don't get public reporting of results being achieved and it's not a system that is enforceable. It's only enforceable by dint of unaccrediting someone. Some companies make the decision that if the expectation is too great then they drop their certification. If you had a regulatory system there are certain minimums that must be met and if they're not then there is a consequence.

**Mr MULDER** - The point of my question is that the regulatory system we have underpins the certification.

**Mr DUFF** - Certifying bodies would look first at the regulatory system of the forest operations they are operating under as a starting point.

**Mr MULDER** - Within forest practices we are confronted here with lock it up and don't touch it versus full blown production forest with all that implies. Vast tracts of these lands that are going into reserve are conceded to be of not high conservation but some conservation value, to the point where we are going to allow mining in the prospective mineral zones and we are going to allow tourism activities in a lot of these areas. I'm just wondering whether there is any thought from your perspective about a middle ground of low-impact operations, such as selective logging where it has occurred before and there is existing access that just needs to be upgraded. Should we be considering some middle ground in the future if the world changes, new products, new markets and an increase of the 137 000 is required in the future?

**Mr DUFF** - Our submission makes the point at the outset that there isn't necessarily a loss of the conservation values you are talking about as a consequence of some commercial forestry logging activity in those environments. That is an untested assumption in some

cases. Obviously there will be and in others you can achieve production in forest areas and still maintain the critical conservation values that they're concerned about and in some cases it can enhance it. We certainly know of instances in mainland forest environments where their practices are referred to as 'ecological thinning' - thinning out the density of tree stems in order to, amongst other things, enhance the ecological values, creating a habitat for certain species of animals et cetera. The two aren't necessarily mutually exclusive. I agree wholeheartedly, philosophically and from a practical point of view, that there would be cases where you could maintain conservation values in a managed reserve system and still have some extraction of timber for production purposes.

It will vary, though, according to the type of environment and the ecological context, if you like, of the forest. Some forest types lend themselves far better to selective harvest than others do. This particularly gets back to the requirements for regeneration. Selective harvesting in tall wet forests, particularly in the long-term, would probably lead to a degradation of the system. You get a much better regeneration outcome and in the long term a much higher likelihood of return to the original forest condition with a burn, clear-fell and sow operation. It is difficult to generalise across the board. Certainly there are cases where a degree of selective harvesting, a very light touch on extraction of resources, can still maintain those conservation values.

There are extreme cases, not so much in Australia but perhaps in parts of continental USA and Canada, where there's extraction of carefully-selected trees using helicopters, balloons or those kinds of approaches. That makes economic sense where you are getting a very high value for the log. Whether that's an option currently or in the future, that's another question.

**CHAIR** - You indicated earlier that you hadn't been engaged in the process that has brought us to this point. Has there been engagement of the FPA since the announcement of the agreement/legislation?

**Mr Graham WILKINSON** - No, other than a request from our minister for advice on how the Forest Practices Act could be amended to deliver certain clauses of the agreement and we gave advice to the minister on that.

**Mr DUFF** - We had some engagement with the signatories in the process of the discussion, particularly later in the piece - one meeting.

**CHAIR** - How did that come about?

**Mr Graham WILKINSON** - The meeting with the signatories was fairly late and the request was from Terry Edwards. It was essentially to invite Gordon and I to meet with the committee and address the issue of how anything they agreed could be given effect through the forest practices system. We explained to them the statutory basis of the forest practices system, the way the code was developed and issued and that the authority was not subject to ministerial direction so any desire on the part of government to deliver aspects of the agreement would have to come through a policy or legislative mechanism linked to the Forest Practices Act.

**CHAIR** - With regard to the notion substantial reserves, on this occasion 500 000 hectares or thereabouts - delivers robust biodiversity outcomes what do you say about those outcomes if we are to have production forests specifically in that we have reserves set aside now as a result of the CAR application? Am I correct in presuming or assuming no such criteria were set against that which has been suggested for reserves in this process?

**Mr Graham WILKINSON** - We weren't involved in the assessment of the areas for reservation so we can't comment on the methodology that was used. My reading from the media is that it wasn't a systematic approach similar to the one that was adopted under the JANIS criteria to develop the CAR reserve system under the RFA. It wasn't a systematic agreed methodology and part of the reason for that is it wasn't designed to be a process. It was based on people who had areas they put a particular value on. Some of that may have been a biodiversity, social or aesthetic value or whatever, but I can't comment on the methodology because we weren't involved and the methodology hasn't been transparently laid on the table so it's very difficult to assess.

**CHAIR** - Except to say that the West IVG process was tasked with making some assessments of that.

**Mr Graham WILKINSON** - Those reports were released and they tended to assert that within those forest areas there were conservation values. I think any hectare of forest in Tasmania would have conservation values. I'm not sure there was any prioritisation or assessment done against the need for reserving additional elements of that particular biodiversity or in fact whether that was the best place to do it. I think the major issue here is that study didn't address all the forests. He did not look at the private forest. We know some of the most critical priorities for conservation in Tasmania only occur on private land and can only be addressed on private land. We can't change that. That is where those values are. By ignoring that you can't assume that additional reservation of public land will compensate or adequately protect those values because they can't be protected on public land unless the government intends to resume private land and make it public land.

I think that is the issue. As I said earlier, all forest has conservation value. That value changes in time because forests are dynamic - they grow old and get affected by natural disturbances such as bush fire, as we have seen, which has important ecological implications.

That changes the conservation status of species. So you can't hope to do this as a once off - we have done the conservation needs - there will always be a need to conserve values outside of reserves particularly for free ranging species like eagles and parrots and masked owls. There simply cannot be enough habitat for them on public land to ensure their longevity so there has to be off reserve management. That is the issue.

How far substantial addition to the public estate will go in reducing the need for off reserve management, I do not think anyone has done that assessment. Certainly for some species it will help considerably and for other species - and I would say the swift parrot would be one - it may not help very much at all so that will be unfinished business. If there is any sense of an increasing polarisation of forest into either lock it up or trash it that is not good for bio-diversity, it is not good for anything.

There is this middle ground where there can be land use and a very good contribution to nature conservation values. I think we have to be very cognisant of the fact that this agreement only applies to public land but it has major implications for the 850 000 hectares of private forest in Tasmania. We have to have off reserve management for that land and I believe it has to be under an equitable rule set to that applying to the residual forest on public land. We could be asking the private sector to contribute more to conservation than we are of the public forest owners in the wood production zones.

**CHAIR** - I think you have probably answered the second part of my question about the notion of locking up large tracts of land delivers the best bio-diversity outcomes which then takes me only to your last comment about the private land. Does it not naturally follow though that because of the regulatory control we have over harvesting public lands, private lands, the bio-diversity or the environmental protections are worked into that process because of your input?

**Mr Graham WILKINSON** - It should be and one of the statutory objectives of the Forest Practices Act is continuing improvement. I think we have got a very good record over the last 25 years of improving the way we manage these natural and cultural values and achieving a balance so that the social and economic factors are not too constrained.

There is and has been in the last two or three years a lot more pressure on achieving that balance and certainly a lot more commercial pressure to - at the very best - not to have any further constraints on forest management wood production and in the worst case scenario to actually water down those constraints because the assumption is made that those values are now being better addressed through additional reservation. There is a very important need for additional reservation of forest in Tasmania.

The question really is where and where you get most bangs for your buck essentially. Unfortunately where you will get most bangs for your buck at the moment are some areas that are not in the 500 000 because it occurs on private land.

**Ms FORREST** - You may not be the best people to answer this, so just say if that's the case. Firstly, I'll go to provide the advice about the amendment related to the Forest Practices Act. That relates to clause 53 of the agreement. Have you got a copy of that proposed amendment?

**Mr WILKINSON** - I've seen it.

**Ms FORREST** - Are you essentially happy with the way that was worded. I will take you particularly to clause 2 of schedule 3, 4(d)(a) where it says in this proposed amendment: 'In performing its function and exercising its powers under this act, the authorities have regard to the obligation to the forestry corporation under section 22 (a)(a) of the Forestry Act 1920'. It goes on to say 'whilst not diminishing the ongoing application of the Forest Practices Code'. I've had some discussions with signatories around this and the Forest Practices Code is implicit under the forestry act anyway; that's where it's established. The agreement in clause 53(c) uses different words. It says 'whilst maintaining the ongoing application'. My discussions then would suggest that if you're going to include that last little bit 'whilst not diminishing' it should actually say 'whilst maintaining the ongoing application'. Do you have a view on that?



**Mr WILKINSON** - The statutory objective of schedule 7 of the Forest Practices Act already talks about continuing improvement, not maintaining it - not remaining static. I think if we don't continue to improve the Forest Practice Code, the system will go backwards. Part of your question was whether we have a comment on your suggested amendment to take account of the obligation on the forestry corporation with respect to wood production. We have suggested -

**Ms FORREST** - not necessary.

*Laughter.*

**Mr WILKINSON** - We have suggested that there may be some problems about it. One is that if you have regard to wood production obligation of the forestry corporation but not those of other forest owners, then that could be seen to be unfair and prejudicial to the interests of other forest owners. I think any consideration of wood production obligations has to be made in the context of all values being considered, not just wood production, or else it is a bit of a gun to the head - 'Thou shalt not get in the way of producing  $x$  amount of wood'. To resolve that, we have strongly recommended in recent times, as Gordon said in his introduction, that these things need to be articulated for a forest policy. There are always going to be trade-offs between wood production and socio-economic issues and those things change over time. People have to understand there are trade-offs. Wood production is already constrained; wood production has been constrained for many years. People cannot go out unfettered and cut wood to maximise profit. They have serious constraints on them already. Some people think that those constraints now are putting at risk the commercial viability of operations. On the other hand, we have increasing community expectation that we will deliver better environmental outcomes and conserve species at risk. So, there will be trade-offs but those trade offs need to be transparently articulated. You can't do one without considering the others.

**Ms FORREST** - This is what Tania was asking about - the approach to the minister about addressing the points you've got in your submission, including biodiversity, forest carbon and those other points that you made requiring a policy decision and some clearly articulated policy guidance. What's been the response from the minister in relation to those points that you've raised?

**Mr WILKINSON** - The response we've had to date is that these matters would be addressed through the agreement process.

**Ms FORREST** - Are you satisfied that's happening?

**Mr WILKINSON** - I haven't seen any evidence in the agreement that these matters have been specifically addressed.

**Ms FORREST** - Without putting words in your mouth, are you expecting a policy direction from government and the minister as well?

**Mr WILKINSON** - We are still asking for these matters to be clarified by way of a policy - and no one has suggested that there won't be a policy - but our advice to the government is that Tasmania needs a forest policy and that's a forest policy statement. We have a

national statement on forest policy but we don't have a Tasmanian policy. We think there would be real value in doing that. It would transparently put down on the table how Tasmania values the forest, where it sees the priorities, and how it deals with that trade-off.

**Ms FORREST** - We may or may not be talking to the minister, but we will certainly talk to the department again. We may need to get these witnesses back, Mr Chairman, if that appears in a forest policy document, to see whether it meets the needs and concerns of the signatories about that trade-off and that tension that exists between the economic, social and environmental considerations. Until we see something along those lines, you need an amendment to effect it or you have certain complications.

**Mr WILKINSON** - We are making certain commitments to reserve a finite volume of forest and we are making certain commitments to allow us a finite amount of wood to be produced. Those might be set at a reasonable level where we are achieving a good balance but I do not think that analysis has necessarily been done in terms of the consequences. There are certain assumptions in that. The assumptions are that the Tasmanian public and the international public will continue to accept forest practices in Tasmania the way they are but on the smaller amount of land. That is a pretty big assumption and I think that needs to be analysed.

**Ms FORREST** - I will come to that point in just a moment, if that is all right, Graham. You would be aware that the commonwealth is funding a socioeconomic analysis of the agreement and the non-application of the agreement. Will that provide some direction, do you think? I do not know, but the government may be waiting on that to help guide their policy position.

**Mr WILKINSON** - I have not seen the terms of reference so I cannot comment on that.

**Ms FORREST** - You made the comment about a reduced land area to guarantee a volume of timber to be provided although we are not, as I understand it, extracting that volume at the moment anyway; it is less than that at the moment. Be that as it may, you would hope that it would increase if the industry is going to grow at all. The issue has been brought to our attention that it is now under the arrangement to enable that 137 000 cubic metres to be harvested, and it only allows for a 10 per cent head room. What is your view on that?

**Mr WILKINSON** - We do not have an informed view because we have not done the analysis. We were not involved in how that head room was calculated. We were not involved in the assumptions that were made. I am not able to answer the question, I am sorry.

**Ms FORREST** - You may not be able answer this one, either. There are a lot of people I can ask - that is all right. We had the Minerals Council here yesterday and we were talking about different classifications on a nature conservation act for different reserve status and for mining activities, continued exploration and the like. In the schedule, which reflects the protection order that was proposed in the bill, there are a number of lots that fit into that category. I did ask representatives from the Minerals Council yesterday whether they are required to submit a forest practices plan for an access road, a new mill or a tailings dam, for example. Can you answer that? They were unsure. They said they go

through a process of seeking approval, or not necessarily an approval but informing FT. They were unclear about whether they actually require a forest practices plan.

**Mr WILKINSON** - The harvesting and clearing of timber related to mineral prospecting or mining is exempt from the Forest Practices Act if it is approved by a licence under the Mining Act or a permit under LUPA.

**Ms FORREST** - So they don't require it?

**Mr WILKINSON** - They do not require a forest practices plan and that is a regulation for forest practices regulations.

**Ms FORREST** - Thank you. You could answer that one and it was really helpful. The other question was in regard to FFCs or any other certification, but FFC seems to be holy grail that is being held up at the moment. There have been some concerns raised that if FFC certification is granted or given in the public forest estate, that could have implications for private growers. There would be an expectation that they would want to use the same sawmills; they would want to access similar markets or whatever; they will have to do it too. You made the comment that when you have a forest regulatory framework, as we have in Tasmania, that most of us seem to think is fairly good and it is standard across public and private forests. As a private landowner, I would have to meet the same standards as the public manager does. If it was achieved for the public forest, do you think that would make it more likely, using exactly the same system of managing your forests and harvesting them, that it would be easier for the private landowners to access?

**Mr WILKINSON** - It should do but in reality it does not.

**Ms FORREST** - Why is that?

**Mr Graham WILKINSON** - Because there is no group certification system that can collectively certify hundreds of landowners in Tasmania.

**Ms FORREST** - They all have to make individual application still?

**Mr Graham WILKINSON** - Pretty well. There are various forms that allow things like chain of custody and control of wood that are applicable and they are very commendable. The problem for a lot of the private estate is that they are infrequent foresters, if you like. For Forestry Tasmania it is their business, they are scheduling their estate every year, they have areas that they are managing so they are managing the whole estate under that regime. Private forest owners quite often go 20 or 30 years without doing any harvesting of timber on their land and then they have a once-off operation. At the moment they have to go through a planning system under Tasmanian legislation, the Forest Practices Act, to get the right permit, if you like, to conduct the operation which delivers the environmental control whilst that operation is current. Then they may not do anything else on their land for a long, long time. For them to get full FSC certification they have to have a forest management plan that commits them to management over that land all the time and that is just another step up for them. I think it's good if they go to that step because it means that they are not carrying out activities in the meantime that may be degrading the values; they are enhancing the forest values. The reality is that most have not gone down that route because it's quite an onerous and expensive process.

**Ms FORREST** - Are there ongoing costs associated with it, not just the costs associated with getting it certified? Presumably for the purposes for harvesting at some stage, otherwise why would they bother?

**Mr Graham WILKINSON** - There are ongoing costs. You have to maintain certification and there are periodic audits and those sorts of things so there are ongoing costs. Certainly in some of the tropical countries that we are working in, it's those ongoing costs that are the make or break. They might get a grant from the World Bank or someone to set up a certification initially but it's maintaining that over time. Unless they have enough income coming from their forest to pay for that then it's just a net cost on the business and it's expensive.

**Ms FORREST** - So for a private landowner you've got your timber reserve that you want to harvest; it is a one-off as you say because you might want to grow it for another 60 or 80 years so in one lifetime it is one harvest or it could be two. If you had it certified, had it harvested, accessed the market as a certified product and you didn't renew, what have you lost? You've already sold it, you've got your money in the bank.

**Mr Graham WILKINSON** - You just have the overhead costs; you have to recoup the overhead costs.

**Ms FORREST** - That would be a commercial decision of the landowner, wouldn't it?

**Mr Graham WILKINSON** - At the moment there are no commercial margins for certified wood so it is a question of whether you can sell your product somewhere and if the market is demanding FSC and that's the only market then you have to have it, but if there are other markets less discerning then you sell into those markets.

**Ms FORREST** - Which would be a commercial decision of individual landowners.

**Mr Graham WILKINSON** - It goes back to Gordon's comments earlier that very little of the world's wood is certified.

**Ms FORREST** - For some of those reasons.

**Mr DUFF** - I have to say that 2 per cent figure might be a couple of years out of date too.

**Ms RATTRAY** - Do you think it might be 2.5 per cent?

**Mr DUFF** - I don't have a current figure; I am just recalling a conference discussion on this a couple of years ago where the head of FSC was putting up some statistics and that 2 per cent figure stuck in my mind at the time but it may have changed since then.

**Dr GOODWIN** - In relation to the need for a forest policy that you have articulated to the minister, presumably you are talking about a forest policy that covers both the public and private forests and presumably as part of the process of developing such a policy the expectation would be that the private forest owners would be consulted in the development of such a policy.

**Mr Graham WILKINSON** - That's what I was taught in 1974 when I did forest management planning, that it was a participatory process whereby the broader community identifies what values and services it wants from its forests and how that can be achieved, the mechanisms for achieving those goods and services. It's respecting the rights of private landowners as well, but in the context that a lot of values they are managing are in fact public values and that is why the policy settings are very, very important because an eagle nesting on private land is not a private good. It's a public good; it's a common good resource. We're just constraining it to be on private land. There are major policy implications that have to be thought through.

**Dr GOODWIN** - Another issue that cropped up this morning is the fact that if you lock up additional areas, as is proposed - the 504 000 hectares under this agreement - inevitably it will perhaps put more pressure on the available areas for harvesting, including the private forests and, as a result of that more intensive harvesting there may well be negative conservation outcomes. Is that something that is a concern from your perspective?

**Mr Graham WILKINSON** - That is a concern because we have seen over the last couple of years that the uncertainty about the future of the forest industry in Tasmania is causing some landowners to potentially liquidate their assets. Landowners who may not have logged are now bringing forward plans to carry out logging while they think there is still a market. More concerning are the landowners who may have opted for 'light selective logging' and are now looking at far more intensive regimes because they don't believe it is worth retaining part of their forest to grow on because there may not be a market for it in the future. It's that lack of confidence in the future of the industry that is already causing pressure and I think that pressure will increase, that people will log far more heavily, which again exacerbates the tension between those socioeconomic values and environmental values. I think it will also mean there will be pressure on the government in terms of the clearing controls that are currently set down.

Under the current policy, broad-scale clearance is supposed to end on 1 January 2015, but if people don't see any long-term value for their forests, if they see them in fact as liabilities, they will be seeking to convert that land to other land use. That's not a decision that should be made by the regulator; that's a decision that should be made by government in that broader common good.

**Mr HALL** - We went through a lot of those issues that I think you explained to the committee two years ago, Graham, with regard to the private forest estate. You just mentioned an increase in forest practices plans. Are they coming mainly from the private forest owners or from public, or both at this stage?

**Mr Graham WILKINSON** - We're not getting an increase in the number. What we are seeing with the plans that are coming through there is more pressure now to log more heavily or to convert land that in the past may have been seen as an important forestry asset.

**Mr HALL** - My second question relates to management. If we lock up this further tranche of 504 000 hectares, are you saying that if it is not actively managed we will lose those conservation and biodiversity values from that land?

**Mr Graham WILKINSON** - No, not necessarily. Some of those values will be best protected by way of reservation and exclusion of human interference.

**Mr HALL** - So no management regime at all?

**Mr Graham WILKINSON** - If you are in remote areas, the no-management regime may work but there is still the issue of bioprotection - making sure that feral animals and weeds aren't causing degradation of the environment. It's more of an issue for the areas that are accessible to humans, where unfortunately there will be degradation without active management. The capacity of people to manage that land, whether it's public or private, is highly constrained if they don't have the income to do it. One thing we are seeing, and it may seem trivial, but I think it's quite important - part of this can be put on the way that local councils receive rubbish; they transfer the cost of rubbish removal to bushland. Throughout Tasmania and Australia - I have done a fair bit of work on the mainland recently - it's an absolutely chronic problem and a hidden problem that our forests are being used as dumps.

There is all sorts of rubbish being put in our forests and that causes escape of feral plants. We are getting toxic materials being left in forests, and those issues weren't there in the days when there were plenty of rangers and foresters patrolling and making sure there wasn't illegal woodcutting and rubbish dumping and people ripping around on trail bikes and wrecking all the drains on roads. We're losing that capacity and that's where the degradation comes in. Illegal woodcutting in Tasmania is a serious and growing issue with increasing electricity prices.

**Mr HALL** - More on private land or public land, or a combination of both?

**Mr Graham WILKINSON** - Both, wherever you don't have a landowner who is vigilant and is there with a stern warning to get off the land. There are other problems like the capacity to control weeds. If you look at what's happened to the MIS schemes that have collapsed that are barely in a holding pattern of management, the roads are falling into disrepair, the bridges are washing down and the plantations are being overtaken by weeds. Forests have to be managed and society and private landowners have to have the capacity to pay for the management of those areas.

**Mr HALL** - If you get a large tract of new reserve, which has a big interface with private land and has had a couple of centuries of community use, for example, you are saying that that land, perhaps, because of some of the issues on that line will require some pretty active management and quite a few dollars chucked in there to do it.

**Mr Graham WILKINSON** - We've already seen it, unfortunately. We've seen people responding to the fact that these areas are not being managed now and are regarded as general commons to collect firewood, dump rubbish and recreate, and we need some control over those areas if we are to maintain the values we're seeking to protect.

**Mr HALL** - So will \$16 per hectare, which has been provided under this regime in some of those areas, be adequate?

**Mr Graham WILKINSON** - I'm not a park manager.

**Mr HALL** - I just thought you might be able to tell me.

**Mr WILKINSON** - Tell me if you can't answer the question from the outset, but we're here to endeavour to either get the best results we can - leave it as it is or say, 'Look, no matter what we do you can't fix it.'. Can I put you in my position and ask what you would do?'

**Mr Graham WILKINSON** - No, I don't think you can. I'm here in my capacity as the head of a statutory authority and, as Gordon said, I'm here to answer questions about the implications for the forest practices system. I'm not prepared to be drawn into general comments about the IGA process, the implications, or whether or not other options exist because we have not been party to those discussions and I'm not prepared to enter into it at this stage.

**Mr WILKINSON** - That's why I prefaced my question.

**Ms FORREST** - You might want to stand for Nelson in May.

**Mr Graham WILKINSON** - Would the name help, d'you think?

*Laughter.*

**Mr Graham WILKINSON** - I don't want your job!

*Laughter.*

**Mr VALENTINE** - In any research you have done in your organisation do you have any handle on the level of strength of demand of FSC-certified timber?

**Mr Graham WILKINSON** - Globally you can say that it is very much sought after. It's a requirement of some markets, particularly European markets. There are some markets you won't get access to unless you have FSC.

**Mr VALENTINE** - Is that increasing, do you think?

**Mr Graham WILKINSON** - I think it's gone off the boil a little bit actually, because it just hasn't had the traction in the countries that matter. It was brought in to try to protect tropical forests and it hasn't really done that. It has essentially endorsed systems that were already pretty good at great expense.

**Mr VALENTINE** - Others have indicated that maybe China is increasingly requesting that - is that the case?

**Mr Graham WILKINSON** - It's still a very worthy thing to pursue because I think it has had the impact of forcing some of those developing nations to seriously consider improving their practices. The key to them from the work we do is that you need to do this to get market access. Quite often there's not a more altruistic reason for doing it; it's about market access. It's important that markets like China start sending those signals that will make it a requirement.

**Mr VALENTINE** - You may have already covered this but with respect to the land outside of reserves for the protection of the environment and values on that land, would you agree that the Forest Practices Code needs strengthening, or is that something you can't comment on?

**Mr Graham WILKINSON** - I can certainly comment on that. I think we've got a very good record of improving the Forest Practices Code since the first one came out in 1987. If you went back to that code and we were still following it now we would have practices that I think most people would regard as unacceptable. We're learning all the time. The first code had very little on biodiversity. That's become far more of an issue in the minds of the public and also the science is far better at giving us guidance on what we need to do to protect these values in areas being subjected to forest practices. All we know is that that information is improving all the time and community values are changing all the time. It's probably only 10 years ago that when smoke blocked out the skyline in Hobart people talked about what a nice sunset it was -

*Laughter.*

**Mr Graham WILKINSON** - whereas now it invokes a so-called phenomenon known as outrage. Even if people have to get the binoculars out to see smoke miles away, it still causes outrage. Those values changes and that's quite understandable, so the code has to change in accordance with improved knowledge and different expectations. I wouldn't like to put a straightjacket on the Forest Practices Code. You can't say that the Forest Practices Code 2000 will serve us for the next 20 years; it won't.

**Mr VALENTINE** - No.

**Mr Graham WILKINSON** - We already have some planning tools that have been in preparation for two or three years about further improving the way threatened species are managed. We've had difficulty getting stakeholders to accept those because of their concerns about the commercial implications for following those prescriptions, so we're in a situation at the moment where the science says we can do better but the commercial cost of that has become a major consideration.

**Mr VALENTINE** - What part do you play as the regulator in that review? I know the minister has to sign off on it -

**Mr Graham WILKINSON** - No, he doesn't. The code is issued by the Forest Practices Authority as an independent statutory authority created under the act. One of the things it is asked to do is to issue the environmental standards in the Forest Practices Code. As I said earlier, 80 per cent of that is probably just technical stuff that is non-controversial and just does things like prevents erosion and stops roads from washing away and so on. There are always costs in terms of good engineering standards and there's always a tension with the industry and landowners about how far we can go in terms of getting good engineering standards, but it's really non-controversial in that people accept that you need to have good technical standards. The difficulty is in how we make determinations about this conflict between nature conservation values and rights to pursue some commercial activity and that is something we think needs to be determined by policy.



**Mr VALENTINE** - So you need policy to be able to revisit that code.

**Mr Graham WILKINSON** - Once we have the policy settings then we can translate that into technical standards. For example, with the policy for the wedge-tailed eagle, we could say all we are going to do is not kill eagles, or we could say we're going to protect nests, or we could say we could protect any forest that might be visited by an eagle. There are major commercial implications for those three scenarios. Who is going to decide that? It has to be informed by science but then there's a judgment made as to the trade-off. At the moment, the system is asking the Forest Practices Authority to make those trade-offs. They have much broader implications that really need to be put into a state context because it's not just forest practices affecting eagles, there are a whole bunch of other things out there affecting them as well and we need to be consistent.

We've seen areas that we've protected under the forest practices system have those values lost by someone going through a different regulatory system. For example, an area that we disallowed for harvesting because of swift parrots was eventually cleared by a local council issuing a permit for a subdivision. To me, that's a nonsense. If you are going to have a policy that protects that swift parrot it has to be a consistent policy, not one that is set by a particular council, which might be different to the FBA. That is what we are talking about - not the nuts and bolts but the broad what are we trying to achieve here. Protect every eagle, protect representative habitat and then that can be translated into the approvals that we give if people want to log their land.

**Mr DEAN** - I think I heard you saying you had no involvement in the methodology except the reserved areas, the 295 reserved areas. Would you have expected to have been involved?

**Mr Graham WILKINSON** - Our concern is that certain assumptions have been made by certain bodies about issues like head room, what the requirements of the Forest Practices Code might be. The reality is that at the end of the day we are the ones that make determinations about those mentioned prescriptions.

There would have been some value adding if that analysis had been done to say what are the prescriptions for this range of threatened species for example, what are the implications for the provisions of the code that relate to dispersing coups in time and space so that we are minimising impacts on catchments and things like that. We do not know whether those have been adequately taken into account because we were not involved in that process.

We are concerned that some of the people doing those analyses were not expert in the operation of the forest practices system and others who were involved have clear commercial interests in pursuing certain outcomes.

**Mr DEAN** - That was a concern I was going to raise.

**Mr Graham WILKINSON** - I am wondering at the table who had the expertise in the application of management descriptions for nature conservation, the knowledge of how that system works and who inputted into that analysis. I do not see anyone on that signatories group or anyone consulted by that signatories group.

**Mr DEAN** - I put to Vica Bayley yesterday that there is not a forested area on the continent that would not have some conservation value and you refer to that here again today. Have you had a chance at this stage look at the 295 areas that are to be reserved or considered for reservation? You have not had a chance?

**Mr Graham WILKINSON** - We do not have that document.

**Mr DEAN** - You don't? Obviously you will be considering that, looking at that in due course I take it.

**Mr Graham WILKINSON** - We have not been asked to look at that document.

**Mr DEAN** - At all? You are not going to look at it? It is available now.

**Mr Graham WILKINSON** - We have not been asked to look at that document, we have not been asked to participate in this process.

**Mr GAFFNEY** - I was interested to hear you say about your not making comment on the management of the forests, which is fine. We heard yesterday that because of the unsavoury practices, the dumping and illegal wood cutting, the select committee recently found that I think it was \$10 per hectare, I was speaking with Mr Mooney yesterday, the new arrangement for the 500 000 hectares there is about \$16 a hectare, which is a significant increase according to Mr Mooney and he thought he could manage it.

When I look at your schedule 2 where you are looking at FPA policy and I look at a definition of sustainable forest management you have alluded to in your presentation today that currently there appears to be not enough management or effective resourcing of what is there already to manage the forests at the moment whether it be public or private. People are not there to stop the woodcutters, stop dumping and that sort of stuff.

Unless the government came up with a significant amount of funds and I appreciate you have to have a policy framework but it is only as good as the implementation of the framework with the appropriate funding. Here we have a situation where there is going to be extra funding - \$16 a hectare compared to \$10 a hectare - which could help any government to improve the management of their forests. Your policy shouldn't be restricted by the funds available. You should obviously say, 'This is the policy framework, this is how we should manage our forests, public and private. Here is the framework. Government, you go out and find the money to do that.'

**Mr Graham WILKINSON** - I am not sure I agree with that. A good forest policy not only talks about what the aspirations are but what are the realistic mechanisms. It should not be a noble aspirational document; it should be a plan for how to implement the policy. I keep going back to the private sector because that is the great unknown here. Our experience throughout the region is that if people get some commercial return from their forests they regard them as an asset and they are more likely to manage those sympathetic to the values that we would like to maintain. If they are not getting enough commercial return from that asset they will convert it to other form of land use. If they are not getting some return from their forest they will convert it to grazing and there will be no regeneration and the forest eventually will be degraded.

I think the same has to apply in terms of the capacity of the public to manage these forest areas. In an affluent society it is fantastic if we have lots of money to manage these in pristine conditions but that is the question and I can't comment on whether or not Tasmania is sufficiently affluent and will continue to be so in future generations to manage these to the level that they should be managed by foregoing any economic return from those forests. Now whether that is wood production or whether it is user pays for visitation or whether it is something else it is really an issue of who is going to pay to manage those areas. Do we have the capacity to manage those values in the long term from the money available? I can't answer that question but it is a key question.

**Mr GAFFNEY** - It is a conundrum in that you have private forest being managed very well by the people who have something invested in them because they want economic return and then you have the public that altruistically want to retain as much public land and reserve it, not lock it up, for future use but not willing to put their hand in their pocket to pay for that and policy has to cover those.

**Mr Graham WILKINSON** - Yes.

**CHAIR** - Graham and Gordon, thank you very much. I detect that there will not be a need to have you back again but we might make some judgments about that at a later time. At this stage, thank you very much for your time.

**THE WITNESSES WITHDREW.**

**Mr ALLAN MICHAEL GARCIA**, CHIEF EXECUTIVE OFFICER, LOCAL GOVERNMENT ASSOCIATION OF TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**Mr GARCIA** - About two years ago the association called together member councils to discuss the issue of forestry in light of the round table process that was in place. Concerns were being aired about the fact that there was literally no input by local government or requests of local government in respect of how to deal with, manage or address those matters relating to communities that were going to be affected or disaffected by whatever eventually happened in the forestry space. The socioeconomic implications of what happens after an industry restructure were basically being left to those who did never have to deal with the issues. So while the forest industry and its representatives were going to be directly affected, and while we were going to see forestry reserved, the people left behind who had to deal with the issue of whether they would be indirectly or directly affected were not the responsibility of those at the table. In large part, as we see with things like forest fires and the like, local government has to address those issues. So we were particularly concerned about the fact that we were not at the table and we sought to make representations to the then chair of that round table, Bill Kelty. Of course we were not able to have a meeting with Bill Kelty in Tasmania. That would be ridiculous so I took a couple of my erstwhile mayoral colleagues to Melbourne and we sat down with Bill Kelty and we explained to him all the issues of concern that we had. I will provide to the secretary of the committee the submission we made back then in June 2011 and I think it will probably cover the issues that I will briefly address now.

In large part we were particularly concerned about some of the areas that were going to be affected - the Dorset area, the Huon Valley and, at the time, the Glamorgan-Spring Bay area in terms of Triabunna, the mill and what was going to be the result there. With some of the statistics around employment levels and the impact that existed two years ago we were seeing things like a 25 per cent to 50 per cent drop in real estate prices in the Scottsdale area alone. It is all very well to say that an industry is up and gone but the people who are left there are then not able to get up and leave themselves because they cannot re-exist anywhere else. So there were issues like that the councils were particularly concerned about as to who was going to be responsible for rehabilitating that community and giving them something else to do, because effectively they were not in a position to be able to get up and leave and go anywhere because of their greatest asset left, being their house, if they had not lost their house through the industry restructure process.

It was not just that. It was the shops closing in the main street, the lack of employment opportunity that existed and the generally downward spiral and emotional turmoil that was existing in those communities. Councils were concerned there and in the Huon Valley about the fact that no-one was going to take on this responsibility. There was money floating around and the Department of Economic Development had these wondrous ideas about how we could resurrect the state in the viticulture area and other wonderful proposals, none of which were necessarily going to assist the people who were the most disaffected, let alone the communities at the base level. Councils wanted to understand, given there was funding available, how and what should be put into those communities. This wasn't a grab for cash; this was more about getting funding to assist

those communities restructure themselves. On the one level we were talking about an industry restructure - and it's very valid there be funding available for an industry restructure - but underneath that the socioeconomic outcomes of that and what you needed to do to underpin a new socioeconomic outcome for those communities was of significance to the councils.

The obvious direct impact on councils was that a minimal forest industry in this state means a massive impact at the hip pocket for councils. If you take a council such as Break O'Day, which people don't really think about in the context of forestry, the amount of forest activity there is worth approximately \$360 000 a year in rates. It's about \$300 000 in the Huon - this is Forestry Tasmania, not private, so leave Gunns and private landowners out of it. Break O'Day Council, \$470 000; Central Highlands, a small rate base, \$133 000 - on the basis of their relative rate bases and cumulative rate capacity. Circular Head, \$331 000; Dorset, \$264 000; Huon Valley, \$370 000; and Meander Valley, \$160 000. You might say that comes out of the economy, but remember what's left - a relatively disenfranchised, much poorer community than existed before and ideally to retain the same level of service they had they have to make up those shortfalls. We are talking about a significant financial dislocation directly in those communities. At the point in time when they need more services and support there is an incapacity for councils to provide it in a direct sense.

The other major concern the councils have had and continue to have - and I expect Luke Martin probably covered some of it - is that in these communities there is significant tourism and use of road networks that Forestry and others presently maintain. When a bridge has been washed out, and I expect in relation to anywhere there has been fires, Forestry Tasmania no longer has the capacity to maintain those tourism icons, tracks or trails. The expectation is then on the council to provide those facilities and do those upgrades. They are not in a position to do that because they don't own the land and they can't take the responsibility. There is that other knock-on effect that even one the issues open to them in relation to tourism existing in terms of sites has become problematic.

In large part, councils have been extraordinarily annoyed that nobody has even bothered to come to them and ask the question as to how this impacts on them and what the implications are. I think you have met the 'dirty dozen', the councils that are mostly affected by forestry. They are very vocal and at times they get a bit excited but they are angry at having to deal with these issues and then not getting any cut-through. There is no cut-through from the state. I don't think there has been much recognition that the issues existing now aren't just going to happen when the IGA is finally implemented. These issues are existing now; people have lost their jobs and are, unfortunately, committing suicide. There are significant issues around downturns in real estate and people being effectively land-locked because they can't move away from their areas where they have suffered. That is the lot of councils and that is in a nutshell what my members are expressing to me and I'm more than happy to take questions.

**CHAIR** - Thanks very much, Allan.

**Mr HALL** - I have a list of questions members of the council provided to me, but I'm not going through these because some of those have been answered, but obviously they have a lot of concerns about the whole matter. There is one I would ask you your view on and that is particularly in the Meander Valley, Northern Midlands and other patches I take in

with a very large interface with private land. We have a lot of new reserves being potentially created. That is of concern and all of those councils have a lot of questions with regard to those. We have just been provided with maps; I don't know whether you have seen the maps.

**Mr GARCIA** - I haven't seen those.

**Mr HALL** - No, and councils haven't either unless they've been involved in that. The issue is the public consultation process. As you have just said, the councils weren't consulted, neither have the communities and so we have this bizarre situation of us being stuck as the piggy in the middle. It is the state government's legislation and my view is that the state should now go out immediately and actively engage with the communities and the councils and tell them exactly in whatever it takes - public forums or whatever it is - these are the maps, this is what perhaps the tenure is going to be of the land use, these are the implications; would you make some comment on that?

**Mr GARCIA** - I think there are enough reserves around this state, whether they are beachside reserves or streamside reserves, parks, whatever it might be, that are probably less than actively managed and some of those issues relate to climate change with storm surges and the like. The capacity to engage the government in a meaningful conversation about their responsibilities in some of these reserves is highly problematic. It is of concern and I did hear the previous discussion about more money per hectare for the reserves to be put away. You have to ask the fundamental question: is there enough money for the reserves that are existing now? Some of these reserves are not what we're talking about here that are going to be 'actively' managed rather than the seaside and estuarine type ones.

I think councils have a particular concern and let's not labour the issue of fire recently, but certainly a matter and concern that has been expressed by councils in this whole process of industry restructuring is the capability on the ground, wherever it might be, to be able to actively manage fire as a hazard. Where you have councils that have large land masses and close proximity to forestry areas that are going to be put into reserve, I think the concerns that councils have and the consultations that they will want to have with whoever is responsible is: what sort of capacity are you going to have to respond to things like fire? I am not getting hysterical about the current fire lot; I'm talking about it in a general sense.

For instance, in the Huon Valley, you've had a significant presence by contractors, by Forestry Tasmania, and in the north-east you've had Gunns and others in the area with machinery and at a moment's notice a capacity to respond to the problem. I'm not sure that Parks are going to have that same capability and the concern that councils will have in some of that process is discussing what they might need, along with Tasmania Fire Service, and what the other requirements are going to be. This has been a large concern of councils existing from the beginning of these discussions and I would have thought, in the dialogue that the state may encourage or may have or may not have, that would be on of the key issues the councils will have.

**Mrs TAYLOR** - Just a couple of short questions. First of all, about the Premier's Local Government Council process, is that still in existence and isn't there a protocol that says

there'll be a consultation process with local government about new legislation before it happens? Is that still in existence and did it happen?

**Mr GARCIA** - The Premier's Local Government Council is in existence and still happens and we do get notified on those matters where local government is the predominant benefactor or where the predominant issue affects local government. On a matter like this, where it's generic, it's not within the protocol that we would necessarily do it. In fairness to the Premier, she has briefed on the process with the IGA but, as you know, the government wasn't in the IGA process; it sat on the outside. There have been a few heated PLGC meetings as a consequence of the fact that effectively no-one from governments-general are at the table. So, who is actually in charge and who takes responsibility for the outcome? As I indicated before, there has been no formal involvement or engagement with local government at all on this issue - legislative, round table or otherwise.

**Mrs TAYLOR** - You know that currently there is a social and economic impact study being done because that's one of the things we've said is really important to us, to know what the impacts are on local communities, particularly on the communities you're talking about. Have you been consulted at all or invited to contribute to that?

**Mr GARCIA** - No, I haven't.

**Mrs TAYLOR** - I know that the time is short; we're told we are going to get it by the end of January. Do you think you might have, as an association, information at hand that might be useful to that study, seeing it is a very short time frame?

**Mr GARCIA** - I'm not sure what the terms of reference are but I expect in the context of our members, we would have information. In terms of the issue of a socio-economic study, two years ago we were saying it was needed. It should be a base ingredient to the debate that takes place. Notwithstanding market conditions or anything else, you need to understand not just the economics of the industry and the issues associated with the conservation values but you also need to understand what the leftover issue is going to be; how can you have this debate without having the other debate and understanding what the implication is going to be. We are thrilled that there is a socio-economic study but we think it's probably two years too late.

**Mr HALL** - Too late.

**Mr GARCIA** - It should have happened two years ago.

**Mrs TAYLOR** - I'm a little concerned as well - is the capacity for the people on the ground there or not? It may just be limited - and I don't know that because I haven't seen the terms of reference either - as to what the direct effect is on just the industry closing. As you say, it's far greater than just that.

**Mr GARCIA** - To reiterate on what I said before, if we are talking about a package that deals with restructuring an industry into something else but we start going over - I don't want to pick on the viticulture industry - but if we're going to spend money over here looking at discovering new ways or capacities to train a guy who has been on a D9

bulldozer into pruning vines, we're wasting our time. However, if we're looking at issues around -

**Mr DEAN** - Put it into the bulldozer.

**Mr GARCIA** - That's what he would say is the best way, but the issue we have is: what about those directly impacted and how do we manage that? I'm not sure whether that socio-economic study will deal with it.

**Mrs TAYLOR** - We hope so.

**Mr DEAN** - Since December when these issues arose in a fairly strong way, in briefings with us and so on, has there been any discussion with local government in relation to your concerns that may or will be created if this bill is passed?

**Mr GARCIA** - I have to be a bit cautious here. Not directly through the association, however, as you are aware, I believe, there are at least 12 councils that have got together on forestry-related issues. We had those same 12 together two years ago and they felt a bit impotent in being able to really do anything. However, as a consequence of some activation by Brighton Council, they've done something and these councils got together and they're dealing with largely the issues that were on the table two years ago. It would be remiss of me to say that local government hasn't been involved because it likely has through the 12 councils. We are not involved as the association, through that process. Courtesy would suggest that anyone dealing with local government probably should come through the peak organisation and we might say there are 12 councils directly affected, but nobody has knocked on the association's door and, quite frankly, at the moment I'm sick of trying find whose door it is I need to knock on to understand what the issue is at the current moment. I think there is a bit of a disconnect vis-a-vis local government at the present time.

**Mr DEAN** - The other area was in relation to fire and that has been referred to. You may not be able to answer this question because of the councils that have their municipal emergency management committee and teams set up as to what it could mean to them - the extra issues, problems and repercussions for them?

**Mr GARCIA** - Under the emergency management legislation there is a requirement for every council to have an emergency management plan and fire would be one of those risks they would take onboard. I expect, in assessing that risk at the local level, they presently look at their resourcing capability in the event of a fire in a geographic location et cetera. If, with the withdrawal of particular parties and/or their machinery, the issue for the emergency management team on the ground and their plan of response will be that if that area is now under threat and there previously were resources capable of being able to respond to it within five minutes, five hours, five days - that would be a bit of risk assessment - that would be largely different now to what it would be in the future. Some onus will fall to councils in respect of looking at those matters, together with the fire service and the rural brigades. It does not totally become councils' responsibility but they would have to take fire into context within the development of those emergency plans. While they may not ultimately be responsible, as I indicated previously, I am not sure whether our friend, Mr Mooney at Parks, is necessarily going to have that same onground capability as perhaps previously existed. That would be of concern to us.



**Mr DEAN** - My last question is in relation to the 295 areas that have been earmarked for reservation. I do not know if you would be aware whether your council members have had an opportunity to have a look at those reserves to see whether or not there is any impact on their councils in any way. I would expect you have not.

**Mr GARCIA** - Personally I have not, but in fairness to councils, I expect those that are aware probably have had an opportunity. Certainly there has been nothing through us but, again, I refer you back to the councils with the concerns that are meeting together informally as a group.

**Mr DEAN** - I stand corrected.

**Mr GAFFNEY** - My question is not so much to do with finance and that side of where councils find themselves. I suppose all municipalities and councils have issues and challenges from time to time, it is just the nature of the beast, but more regularly in some areas you do see, whether it is letters to editor or articles in the paper, where there is quite a bit of community anxiety with people of different areas of the spectrum, some who are totally green, some who are totally not, and council sometimes are caught in the middle. Have those issues raised themselves through local government discussions? I know that sometimes mayors will contact you about issues they may have. Is it more prevalent now than it was 10 years ago? Is it coming up more often? You may not be able to answer some of that but I am just taking away the money side of it and looking at the community side and how we heal some of the communities that are divided.

**Mr GARCIA** - Mike, in general terms, it is more dramatic than it is now. Your experience suggests that council is very much the piggy in the middle and the reality is that this is a debate where the larger part of the community is extraordinarily uninformed, as they are on many things that have to be dealt with in the community. They don't avail themselves of all the facts and make observations based on what they see in the letter to the editor, what they hear down at the local newsagent or the pub or wherever, or through their relations. The reality is that council finds itself in a position of not wanting to take sides.

I think Huon Valley is a classic example of a council where you have a very significant population of people who are conservation-minded and you have another area of the population that has had three or four generations working in the forest industry. The council has to try and balance that process and in a circumstance like they are facing at the moment where the future looks pretty bleak, you have one part of the community cheering and another part in tears because they have lost their livelihoods. Now the council has to try and manage both of those without there being civil war in the community. This is where councils get particularly concerned. They did not do this, the state government probably did not do it, nobody did this, it has just happened, but on the ground council has to manage it.

There is not going to be 10 busloads of public servants from the state government going to all these communities saying, 'We're going to help you'. That is happening with the fires at the moment because that will be over in a week, we will sort that out, but this issue is going to go on for the next 10 years in these communities and, trust me, state governments give up after about 10 days.

I think in terms of community restructuring it's all very well to say the market has dropped out of the industry, the industry is gone and we have to change. That is probably fact and right, but there is a whole bunch of disaffection in that and those groups that are poles apart the councils will have to deal with.

You asked if it is different now than it was 10 years ago. Yes, because while people have become more polarised, the issues are more drastic in terms of how they are affecting the communities.

**Mr GAFFNEY** - The flood of information through social media outlets means you have a greater range of people participating in a discussion because they get snippets from friends, so there is a different feeling. I have young councillors coming to me and saying, 'How do I deal with this?', because it is an issue - do you know what I mean?

**Mr GARCIA** - Absolutely. I'm probably being a bit hard on the community but I think it is extraordinarily uninformed and it is extraordinarily well informed through the likes of social media, but you get a thread that you believe in and ignore the ones you don't. It is like, 'That guy said yes, I'll listen to him, him and him. I don't like him, him, or her so I'll keep on that thread', and you are still there, you are not participating in a debate. The tendency is for the community to make up its mind early and keep on doing that rather than being fully informed of all the issues. A number of people have come to me at community barbecues, saying, 'What is the solution to the forestry debate?'. Well, I don't know, I expect you blokes know.

*Laughter.*

**Mr GARCIA** - Plan A is on the table but I'm not sure that there is even a plan B for anybody. I don't know that the round table has got it, I don't know that the industry has got it, I don't know that you guys have got it and I don't believe the community has it. Plan A is probably on the table but there is not a really good plan B. The problem we have about the community debate is that everyone has a view but it's only a bit of the pie. They don't look at the whole picture. Social media is a great thing, Mike, but I think in these sorts of discussions, quite frankly, it's more trouble than it's worth.

**Mr VALENTINE** - It helps during the fires maybe, but -

**Mr GARCIA** - It helps during fires, Rob, if there is the power on where you can actually access your social media.

**Mr VALENTINE** - That's right. I'm just thinking of what happened over the last week.

**Ms FORREST** - Going back to the issue of fire, the west coast mines provide a fire service free of charge and they are actually in there where the biggest fire load base is, so we should not overlook that because they hopefully are not going away. They also train regularly and are very well equipped and skilled and share their resources around the whole area.

**Mr GARCIA** - Let's hope they can put fire out in Dorset, then. That's the issue.

**Ms FORREST** - Yes, you talked about the risk - five minutes, five hours, five days - and they could be there in five hours. We should look at this from a whole-of-state perspective. I do not think we should scare the horses. I am not saying you are over-reacting at all but I am just saying we need to keep it in perspective. There are resources out there that we should not overlook and when you have a private enterprise willing to provide a service free of charge in such an important area we should not overlook that.

**Mr GARCIA** - The fact of the matter is that is taken into account. In the current response, capability that is there. It is not cream on top. It is taken into account. They are there and, as you say, if they are not there then that gets downloaded as well and decreases.

I am not getting hysterical about this but the councils have a capability now based on a resource on the ground that has existed, but that will change. The reality is five minutes, five hours, five days in a fire situation out of control is a big difference. Five minutes could be an extraordinary big difference; probably ask the people of Boomer Bay.

**Ms FORREST** - That would have happened regardless in that circumstance.

**Mr GARCIA** - That is an isolated incident and a freak arrangement. However, the circumstance of having a capability on the ground and local is what people have been used to. In the Huon Valley there have been able bodies on the ground so when there has been a fire and people work for a company in the forest area the likelihood is they are a volunteer, the equipment is there, whether it is at the local fire station or through contractors running fire breaks and the like. Councils are concerned that some of the machinery that has literally been in situ, if it didn't get burnt, would be available to assist with things like fire breaks and the like.

**Ms FORREST** - A lot of that comes back to good fire prevention management, which is another area that needs to be looked at separate to this process.

**Mr GARCIA** - Absolutely.

**Ms FORREST** - It actually should be happening regardless and has been possibly overlooked and possibly because of a lack of funding.

**Mr GARCIA** - Yes, and the question is whose responsibility is that? The fires that just took place mostly took place on private land so whose responsibility was it?

**Ms FORREST** - A shared responsibility.

**Mr GARCIA** - I suggest a shared responsibility, yes, but it is no-one's fault but everyone is responsible after the event.

**Ms FORREST** - As far as the socioeconomic study went and you said it should have been done two years ago, this report here is one -

**Mr GARCIA** - Yes, that preceded this process.

**Ms FORREST** - I am getting to that. Jacki Schirmer is very adept and skilled and she and others have produced a number of very good reports into the forest industry and the

socioeconomic impact of the changes since 2007. That was a July 2011 report, but you said there should have been one two years ago. How could you possibly do one on this when this agreement was only brought in at the end of last year?

**Mr GARCIA** - The Jacki Schirmer stuff was out of date as soon as it was out -

**Ms FORREST** - As it is with any report.

**Mr GARCIA** - Yes, as soon as it landed. Particularly in the north-east the numbers changed dramatically at the time this was delivered and I think I reference it in here. The real issue was notwithstanding what the IGA would come up there was a very clear picture that the industry was going to change markedly. Could you pure and detailed in what the outcomes were going to be maybe, maybe not, but did that socioeconomic study go to what are the implications on the ground and how should that be managed? I think that is more the issue. It is all very well to come up with some statistics to say, 'This is likely to be the downturn in that and this is going to be the impact'. What we were wondering in these processes is you actually get some assignation of responsibility to deal with some of those issues so it is not enough to say, 'Oh, there's devastation here, there and everywhere and here's the numbers and that will give you that' but I suppose taking that and then looking at what you might do about that -

**Ms FORREST** - That is a different thing.

**Mr GARCIA** - It depends on the terms of reference.

**Ms FORREST** - Yes, but what a lot of the members asked for before Christmas in relation to this was a socioeconomic study of the impact of applying this agreement in the legislation that we are dealing with. We also asked for an assessment on what the implications of a socioeconomic impact would be of not applying it. Are you saying as a status quo what that would be because I think it is important to have that point of reference as well? You can't possibly do any sort of economic analysis of an agreement until there is an agreement to consider so obviously it had to happen after that. I hear that is happening now but the socioeconomic impact assessment is an assessment of what the socioeconomic impact is. How you manage that is a separate process, is it not?

**Mr GARCIA** - Correct, however, the two need to be in tandem and I think that is a very good point. You say what is the impact if you do nothing and the do something impact re in IGA.

The issue is do you base an IGA on itself - we are going to do this - or does the socioeconomic issue get taken into account as part of the IGA itself?

**Ms FORREST** - It is both.

**Mr GARCIA** - Well, yes or no? At the moment you have an IGA that says we are okay, we will do that, now what is the socioeconomic impact? So if you are going to build an industry restructure the important thing is to understand the implications of that before you sign off on it. What we are foreseeing is a process where you are going to sign off on an agreement and then you say now we had better see how that is going to impact?

**Ms FORREST** - You are missing my point, Allan, I am sorry. The agreement was signed off by a group of people whose names appear in that document.

**Mr GARCIA** - Indeed.

**Ms FORREST** - The government then adopted that agreement as their policy and they reflect the policy in the legislation that we are dealing with. The socioeconomic impact of this agreement as reflected in the legislation is currently being undertaken and will be provided to us before we consider the legislation, which may or may not include protection order as part of that -

**Mr GARCIA** - Sure.

**Ms FORREST** - That might not be the case if it gets supported it could be that it still comes later, who knows? At the end of the day that is where the rubber hits the road. The legislation itself does not create the impact the protection order and the reservation of extra land potentially does. So we are getting a report that is based on this -

**Mr GARCIA** - I am not missing your point. I think perhaps we are in the same place but an IGA is over here, there is a federal minister with a cheque book and a socioeconomic study going on at the same time so let us assume it is all happening together. You have a guy up here writing cheques for what he thinks the answers are going to be yet he does not understand the implications of the outcome of the IGA or the impacts from the socioeconomic study. Yet over here oh, we will write a cheque for this and we will write a cheque for that and we will do this and we will do that. How the bloody hell can you do that without understanding the impacts of this? Perhaps what I am saying should have been done two years ago. One should have been relying on the other rather than being done over here, then the socioeconomic. I appreciate what you are saying, rule a line and then you guys can make your assessment and your decisions based on all of that, and then I would like to think the guy with the cheque book is also taking the lead into account.

**Ms FORREST** - Let us stop with the guy with the cheque book. He has been informed by the signatories who are the stakeholders who want or claim to need a certain amount of funding to exit industries like saw millers and contractors. There is some disagreement about the actual figures but Minister Burke, who is taking advice from people who have done the work on their specific area, so I do not think he is completely in the dark and you have to have something to put into the context of what the economic impact will be.

**Mr GARCIA** - Again, I do not have any problem with industry exits or anything like that, that is fine, that is a fact. There will be x number of contractors, truck drivers and sawmills and if it is a cheque fine. What I am talking about is when you start writing cheques for alternative industries, and how you are going to try and resolve the issues on the ground for communities that are left over, do not be uninformed about that -

**Ms FORREST** - There are not cheques for those specifically, that is the thing. That is when you come to understand the economic impact because there is not -

**Mr GARCIA** - There are no cheques for anything at the moment in that regard that is the problem.

**Ms FORREST** - That is what I am saying. I was on a slightly different angle.

**Mr VALENTINE** - I was going to ask a simple question which you might have covered in your staff models and things to start with. Has this been discussed at LGAT and what sort of support or otherwise has there been in terms of council numbers or whatever? Obviously there are 12 who are pretty aggrieved.

**Mr GARCIA** - The answer is I sort of did cover it earlier. Very early on we had some motions from councils that were saying they were not supportive of the IGA process in light of the fact that there was not council involvement and an understanding of the community impact. Councils were being left out of the process and they were very concerned that there was no capability or desire by anyone to engage with councils.

I think in generic terms councils are concerned about the issue. The question is, what is the issue? The market suggests that the industry is on and is going to continue to be on very hard times for quite some time in the future due to a number of international issues.

**Mr VALENTINE** - That is recognised. It is aside from this.

**Mr GARCIA** - In the main it is recognised, Rob, but not recognised by everybody, so let's be clear about that. I think genuinely councils have empathy towards those in the industry and those in councils that have communities that are going to be affected by that phenomenon. The councils that are generally not affected directly have tended to sort of look at it and said, 'Yes, we have other things to deal with' and those that are directly affected and have formed into a group that are looking at how that impacts. That group has been formed outside of the association per se; it's not a subcommittee of us, but are dealing with that in their own right and they have been making various lobbying efforts in every way, shape and form.

In general terms, Rob, through the Association, concerns have been expressed. The Association hasn't been asked to do a lot in light of the efforts of the 12 councils, and the 12 councils have said, 'We're happy doing it ourselves because we think that's the way to go'.

**CHAIR** - I do not have any more questions queued up, Allan, so we're grateful for your participation.

**Mr GARCIA** - I can just leave that with you if you like.

**CHAIR** - You will table that, thank you. We will suspend for five minutes and then make an early start with FT; so, till a quarter past.

**THE WITNESS WITHDREW.**

**Mr BOB ANNELLS, CHAIRMAN, Mr BOB GORDON, MANAGING DIRECTOR AND Mr STEVE WHITELEY, OPERATIONS MANAGER, FORESTRY Tasmania, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.**

**CHAIR** - We received your submission earlier today. That has been circulated as quickly as we could. Members have received it electronically. You would appreciate that we have not had much time, if any, to digest anything which is in there. We will commence our proceedings with you making a representation to us and then we will proceed to questions.

**Mr ANNELLS** - Thank you, Mr Chairman. I do apologise for the fact that the committee has not had a lot of time. As you might appreciate, a number of our senior people have been very involved in the fires and related matters. It has taken a little longer than I had hope and I do apologise.

**CHAIR** - Thank you.

**Mr ANNELLS** - Thank you for giving us the opportunity to make few opening remarks. To set the scene for our discussion, I can sum up Forestry Tasmania's position on the TFA bill. We acknowledge that while the TFA itself is not perfect, it does represent a consensus between two deeply divided parties. As such, it in its own way a breakthrough and should allow Tasmania move on at last from what many call the forest wars.

It is our view that there are some outstanding issues that need to be resolved and for our part we are hopeful of negotiating these with government, the signatories and other stakeholders and we are well down that path. Most importantly though, we are encouraged by the TFA vision for a strong and competitive forest sector, and provided that the new operating environment is structured around some key condition, we believe a viable forestry industry can re-emerge.

By way of background, I would remind the committee respectfully that the negotiations took place against a perfect storm in the operating environment for the industry. Whilst some of the adverse circumstances were cyclical, we acknowledge that others have changed our financial and strategic outlook for the foreseeable future. Restructure if therefore inevitable and should be embraced as an opportunity.

For our part, we trust that the TFA will provide the impetus to reposition the forest industry away from woodchip exports towards the manufacturing of engineered wood products and the creation of renewable energy industry. We have previously outlined our vision for this future in our forest innovation plan.

I note from your parliamentary discussions that the social and economic effects of the bill is of major concern. Whilst a full analysis has not yet been conducted, forestry has undertaken some assessments from the gross value of production from public native forest which may be informative. The full details of these assessments are provided in our submission. But to summarise, we estimate that the TFA will initially support a gross value of production of \$165 million per year, rising to \$219 million per year if the operating environment allows the forestry innovation plan to be fully implemented. This

compares with the current low level of production in the past year for which a GDP of \$156 million is estimated. This analysis underpins our support for the TFA that, in fact, if the environment is right, if our innovation plan is properly supported at all levels, then we can grow quite substantially on the current level. It is a significant drop from the theoretical GDP delivered under previous full supply levels of the 300 000 cubic metres which was assessed at \$372 million. But those full supply levels are no longer achievable with the demise of Gunns and the drop in market demand. This leads to the key question of whether Forestry Tasmania can be commercially viable under the TFA.

There is no doubt that these reduced supply levels will challenge our commercial viability. We will need funding support during the transition period, especially for our non-commercial functions. However, we accept that government has made the decision to support the TFA in spite of this downside in order to achieve the goal of peace between deeply divided stakeholders.

The Forestry Tasmania board endorses this view subject to some clarification. First, our view is that Forestry Tasmania must be confirmed as the manager of all of the proposed permanent timber production zones. It is a matter under consideration by government, but the board believes that to be the case.

Second, the TFA and all its signatories must also address the issue of sovereign risk. FT stands ready to develop new opportunities under the Forestry Innovation Plan, however, all stakeholders, signatories and non-signatories alike must adhere to the TFA if we are to restore market confidence and attract new investors.

Third, in a similar vein, we also support the TFA on the basis that its durability provisions can be delivered through the signatories' support for FSC certification. We are encouraged by indications of initial support and intend as a consequence to pursue FSC certification in the immediate future. We call on the signatories to show leadership to the non-signatory activist groups to ensure the durability provisions are delivered. The permanent cessation of market attacks and workplace invasions must occur in order for the TFA to be implemented successfully and reduce risks to investors.

Fourth, we consider it essential that a triple-bottom-line approach is adopted for forest regulation so that wood supply levels can be maintained into the future. For our part, we have and will continue to develop and implement new guidelines to ensure biodiversity is retained in wood production areas.

Finally, we require transition funding so that we can reschedule harvesting away from the proposed new reserves. We have received assurance of this funding from government and based on this have started planning road construction for alternative coupes. This process will take up to 18 months to complete.

In conclusion, Forestry Tasmania recognises that the TFA is a genuine attempt to resolve the conflict within the Tasmanian forest industry. Despite some concerns, which are detailed in our submission, FT supports the TFA and the signatories' vision for Tasmanian forests. We consider it to be a vision that complements the aims of our own Forestry Innovation Plan. With some minor adjustments we believe the bill has the potential to stabilise our operating environment and to enhance our competitiveness.



We've produced a more detailed analysis of these and other issues in our submission and we welcome your questions today.

**Mr DEAN** - In your overview you mentioned the fact that there are outstanding issues that need to be resolved and I think you said you are well down the path to resolving those issues. They may well be referred to in your submission, I take it, and we can refer to them there, but can you just reiterate those issues as they are not clearly articulated here - and I haven't read right through it, just parts of it.

**Mr ANNELLS** - I think the most significant is specialty timbers and how we best address that issue. There has been almost daily progression on that matter and Steve, in particular, has been intimately involved in that, so I might ask him to address that. It has progressed, I believe, even beyond the point that was in our submission.

**Mr WHITELEY** - FT has received a request from the signatories group since the last time that we and they appeared before you, so they have recognised some concerns. They have asked us to have a look at an improved short-term supply. When we spoke last time we highlighted that particularly the myrtle, sassafras and celery-top pine supply in the short term was problematic. They have recognised that and as a result have asked us to suggest a means of dealing with that in the short term. It doesn't deal with some of the other issues in the longer term or some of the larger land-based issues, but certainly at this stage when we have delivered no celery-top pine for the year and currently have an outlook of only delivering 20 cubic metres, it was one of those issues that was identified. So we are in communication. It is yet to be resolved but we have received that request.

**Mr GORDON** - When you have a chance to look at the submission you will see that most of them are practical issues, things like continued road access, so if you look at the maps that were produced by the signatories you will see that there are some areas of wood production forests that are enclosed by proposed reserves, and we are saying there needs to be a clear process for having access for some practical things. For example, on cable logging coupes you often need to anchor the cables on the other side of the creek, so we need access if they are in the proposed reserves for those sorts of things.

We have raised the issue of firefighting capacity, which is probably a bit more topical than it would normally be at the moment. The cooperation that exists between Forestry Tasmania, Parks and the Fire Service is great, but I think if you asked all of us at the moment we would probably say it still needs considerable boosting. That also goes to a much more coordinated fire management approach. As you are probably aware, most of the fuel-reduction burning is done by FT and Parks staff together because you need more people to do it. If you were managing the land yourself you could organise the fuel-reduction burning around logging. If you have a neighbour, you need to make sure you do it with your neighbour.

The chairman has mentioned the Forest Practices Code issues, and in our submission we have some proposals on how that might work. There is the Warra Long-Term Ecologic Research site. If you go over the little bridge to the AirWalk and go about another two kilometres, there is one of the best long-term climate change and ecological research sites in the world. We've just installed a new flux tower there which measures atmospheric exchange of CO<sub>2</sub>. We believe it is very important that that research is kept

up. It has one of the world's oldest altitudinal studies of climate change and we think that needs to be resolved - as well as the special species timber stuff that Steve raised.

**Mr WILKINSON** - Clause 4(c) of the TFA requires the interim supply of SST in accordance with the FT special timbers strategy of 2010. I have some figures here: blackwood, 10 000 cubic metres; silver wattle, myrtle, sassafras, celery-top, 500; Huon pine, 500; and king billy, arisings only. Can you provide an assurance that FT can meet that supply obligation given the proposed reserves area?

**Mr WHITELEY** - No is the short answer. There is obviously an impact on that so the proposal in the TFA is that there is a reassessment made. There is a view in the short term in terms of customer needs that that should be the prescribed level. As I have indicated, at present because of the rescheduling activities a much lower level of activity is possible and we need to remedy that. At present there is nowhere near that level of supply likely to occur in the next 12 months or the following period without significant work and potentially some review of some of the restrictions in place currently.

**Mr WILKINSON** - What changes will be required to the reserves area to enable FT to be in a position to meet its original special timber strategy?

**Mr WHITELEY** - Since we spoke last time we identified which were the problematic species - myrtle, celery-top pine and sassafras - and we estimate, based on the area rather than a detailed assessment, that it has probably dropped by about 60 per cent in supply capacity for each of those, but it is subject to more detailed study. I think the provision within the TFA provides a good mechanism to do that study. Given the rescheduling activities, it is really about how an adequate level of supply can be maintained in the short term prior to that study being completed.

**Ms FORREST** - What's the short term?

**Mr WHITELEY** - A couple of years - I don't have a timetable from the signatories but the supply can only be delivered in the drier periods so we'd be looking at the summer-autumn period this year and the following year and possibly the year after that, depending on how long it took for the signatories to do their study. They have recognised that and have requested we have a look at a 2-3 year outlook and that is something that is being considered but hasn't been resolved at this stage.

**Mr GORDON** - We provided some information to the signatories earlier this week.

**Mr WHITELEY** - We received a request at the end of last week and provided some initial advice this week and they're still considering that, so we haven't had further discussion. We've provided a suggested means of meeting some supply and they're considering it.

**Mr WILKINSON** - The agreement also provides for a process to determine a management plan for special species supply at an undisclosed level in the future. Can you provide an estimate, from the proposed reserves, of what level of supply will be possible into the future and will it be consistent with the strategy that the industry would have an expectation it would need?

**Mr WHITELEY** - I don't know whether you have copies of the submission.

**Ms FORREST** - We have.

**Mr WHITELEY** - In the submission there is a table on page 9 which principally covers off on gross value production but within that it includes some other advice. In scenario five, looking down the list of scenarios on the left then going across to the middle column for special timbers, we have estimated, based on area that the 12 500 is likely to drop down to something like 9 000. That provisionally is made up of blackwood dropping from 10 down to around 7.4. Silver wattle and Huon pine remain about the same. Each of those is about 500 but each of the celery-top pine, sassafras and myrtle drop down to about 200. That is quite indicative; that's ahead of the study that will need to do some detailed work. That's really looking at a bit of a pro rata view simply based on the area of change but indicative of some sort of scale.

**Mr WILKINSON** - Does it meet demand or is it well below?

**Mr WHITELEY** - For the sought after species, particularly as we've found in recent times, black heart sassafras has become nearly as popular as Huon pine; that demand clearly exceeds supply. The boat builders have talked about concerns with celery-top pine and an imbalance there so part of what the study will do, which hasn't been done yet, is a better supply and demand match to understand what the needs of industry are rather than just a very simplistic view of production base. That will improve these initial estimates that I emphasise these are initial and only based on having a look at a scaled view.

**Mr GORDON** - We have provided some suggestions or information for signatories to look at but that's work in progress at the moment.

**Mr WHITELEY** - That's right. We've indicated to them those levels of about 200 seems to be the supply from the land base of those other species and that's been the basis of their request for the short term. So the request has been just to get up very low levels at least up to 200, which might be the new level, rather than continuing with the 500 level that we have been for a number of years prior.

**Mr WILKINSON** - So you're saying that presently the reserves don't even get it up to 200?

**Mr WHITELEY** - With the current supply, part of it is that there's probably enough trees out there across the state; many of those are in remote areas so they're not easy to access in the short term. That's where we need a short-term solution where we can access some of these species this summer and next summer rather than put together long term plans and look for it out principally in more remote areas in western Tasmania.

**Mr WILKINSON** - Who's going to pay for that?

**Mr WHITELEY** - I understand it's part of the TFA and I believe there is some funding within the TFA for that group to commission work and I'd expect that FT would be a part of doing that work with some resources provided to assist them.

**CHAIR** - There are still a couple of supplementary questions on that matter. You've mentioned the boat builders and their demand for celery-top pine. There is a demand out there.

What quantity of boat grade celery-top pine would be available to harvest under current arrangements, without the reserves? I've been listening to your answers with regard to your submission, Steve. I suppose that question goes to the point that under the current harvesting plans, what could be cut?

**Mr WHITELEY** - In recent times we have cut about 400 or 500 cubic metres of celery logs that have a relatively low recovery rate for boat boards themselves. Part of what we have suggested to the signatories is if we try and target a rich area of celery top pine in the short term to just increase the proportion that is likely to be recoverable for boat boards rather than just have an average view. Based on that if we were to be able to achieve around 200 cubic metres of high quality celery top pine in each of the next years that will be consistent with the recent supply level of celery top pine to sawmillers. Then they supply through to the boat builders.

**CHAIR** - Is that logged - 200 cubic metres?

**Mr WHITELEY** - Logged, yes.

**Mr GORDON** - Some of the celery top currently goes to poles and a whole range of other uses so it is only a proportion that is good enough to produce the boards that the boat builders believe they need.

**Mr WHITELEY** - Normally we try to do an average mix each year. Rather than just do very high quality each year we would look at a range of qualities of each of our species. We believe if we were able to access around 200 cubic metres of high quality celery top pine that would be about the level that has been supplied in recent times.

**CHAIR** - I listened again as you were answering Jim's question about demand. My extension of that question is have you performed a yield assessment or is that what comes out in that submission of yours by species and volume and harvesting schedules of the areas under the TFA bearing in mind you also said some of what is currently available is in very remote areas.

**Mr WHITELEY** - That is right.

**CHAIR** - Has the yield assessment been done?

**Mr WHITELEY** - Only at a high level and only across the whole of the area. It has not differentiated between more remote areas and more accessible areas so within our 100 000 hectare of reserves for special timbers we have looked at what has changed in area. The most accessible areas are the ones that are most affected so that is why we have a short term supply issue relating to just physically accessing a reduced overall forest estate.

**CHAIR** - I think you may have answered a second part but I want to go to it to be absolutely certain when you said it has been a high level assessment.

**Mr WHITELEY** - Yes.

**CHAIR** - Do I presume from that the age class data relating to that estate opportunity has not been done?

**Mr WHITELEY** - That is correct. It has just been based on the whole of the area rather than a more detailed assessment of accessibility, quality, age class and those sorts of things. That work has not been done.

**Mr GORDON** - Can I just put that in context again? For the coups that expected to be harvested for the next couple of years we would have had reasonably good information about the likely yield. In practice many of those coups have been removed from the schedule because they are in the proposed reserves. The information we have on the replacement coup is a lot less certain because mostly we have not got roads and people have not physically assessed them. There needs to be some time to work through that more detailed assessment and some engagement with the signatories for a better understanding of what this means and what might be possible.

**Ms FORREST** - On the more extensive assessment needs to be done - I know with budget cuts and restraints FT has had to take their share of those cuts. Has FT got the expertise or are you going to rely on people like Mike Peterson who has done a lot of work in the past on this area. He would be considered one of the better informed in the special timber area.

**Mr WHITELEY** - Michael spent five years as project officer so he has a lot of knowledge about our current selected areas. He put in a lot of work pretty much at the strategic level. That work has already been done so the next round of work would need probably some more field assessment. We would always draw on expertise from people who have got it but we would also like to better equip some of our staff who implement those plans.

**Ms FORREST** - Do you agree that FT has got the necessary skills currently to do all of that in a timely manner?

**Mr WHITELEY** - There is obviously an issue with resourcing so we are very thoughtful about the way we prioritise work. We have highlighted for a number of years that for an organisation like FT special timbers is a non-commercial activity because of all the overhead management costs.

**Ms FORREST** - It is not for FT but it is very commercial for those people who value add it.

**Mr WHITELEY** - That is correct. As you say there is a lot of work needed prior to preparing to create a forest practices plan and access the area. That is, I understand, what could be funded by the funds provided under the TFA. It would require some additional resources to do that. Part of that is for information collection, so we would look to use some of the technology we have now with LiDAR and various other things to improve our view of access, which was not available when Mike first did that work. A lot of the original work was using aerial photos and doing some sampling. We have continued to use those but now we can enhance that with some new technology we have as well.

**Ms FORREST** - Does the funding extend to looking at alternate methods of extraction?

**Mr WHITELEY** - It should do, I would imagine.

**Ms FORREST** - That is what you will be looking at as well for those remotely located -

**Mr WHITELEY** - I think so. Part of the focus over the last few years has been to produce special timbers as efficiently as possible in conjunction with eucalypt harvest, supplemented by some rich areas that were close to those eucalypt areas, but if we are looking at some of the more remote areas I think it is probably more efficient. In the context of some of those less roaded areas it probably makes sense from a land management point of view to think about access.

**Mr VALENTINE** - With regard to the celery resource, obviously there is a fair bit of interest in that, are you treating that as regrowth thing over time or are you treating it as a defined resource?

**Mr WHITELEY** - It is a bit like Huon pine in that it takes a very, very long time to grow.

**Mr VALENTINE** - Four hundred years?

**Mr WHITELEY** - From 200 to 400 years and the best celery top pine is certainly 400, so we use 400 as our working number as far as a rotation goes, bearing in mind there are a number of age classes already out there, so not all of it is 400 now and you have to start again. There is an age progression out there. We would normally, if we wished to get the best quality boat timbers and others, go for trees that are more like 400 than anything less.

In terms of a large land base and a low level of activity to allow notionally one four-hundredth of the potential to be harvested each year, you need quite an extensive land base with a very low impact each year.

**Mr VALENTINE** - What has been set aside is not likely to be ad infinitum, is it?

**Mr WHITELEY** - No. If it is accessed in a limited way over a very long period and protected from fire and all of those other things - and we know that bad west coast fires could destroy many decades worth of potential celery top pine and other species resource - it is a mixture of having a plan to make sure there is a sustainable access, based on how long trees take to grow, but also realising that you do need to protect them along the way as well. It is not just about the harvesting rate; there are a number of other things that come in.

**Mr VALENTINE** - Is this work you are doing going to give any handle on the years of supply that are available in that given area?

**Mr WHITELEY** - Yes. The current FT special timber strategy dealt with that based on the previous land base. Obviously that will need to be redone.

**Mr WILKINSON** - What changes will be required to the reserve area to enable FT to be in a position to move its original speciality timber strategy? I am trying to understand where we are now. How much of the area has been earmarked for reserves and therefore what part of those reserves would be required for FT to meet its original forecasts?

**Mr WHITELEY** - The very simple answer is if there were no impact on any of the 100 000-odd hectares of special timbers designated areas that were put in place then we would be able to continue to meet the previously identified supply target.

**Mr WILKINSON** - How much of those areas are now in those reserves?

**Mr WHITELEY** - At the moment we have remaining around 35 000 of the original 100 000-odd in the production zone so defined. Within the other identified special timbers craft zone, of 38 000-odd about 23 000 of that coincides with the previously identified special timber zones. Probably 60 000 hectares is available, so a little over half.

**Mr DEAN** - We have briefly touched on the reserves and the identified reserve areas - about 295 lots identified there. I suspect that you would have played a big part in identification of those areas.

**Mr GORDON** - No.

**Mr DEAN** - No part in that at all? This is a document that was provided to us on Tuesday.

**Mr GORDON** - We still do not have the GIS coverages of that so when we have we will do an analysis of those areas. We are assuming they correspond to the map that was produced by the signatories back in December but we will have to do some more analysis on that. We are assuming they are in the same areas.

**Mr DEAN** - I am flabbergasted that you were not involved in this process to ensure that they did meet those areas or whatever the situation is. Obviously you are looking at them now, I take it? Would you have expected to be involved?

**Mr GORDON** - We provided some technical GIS assistance on some of it but we were not asked to be involved in the design of the boundaries.

**Mr ANNELLS** - We never were involved. I do not think there is anything particularly significant in our not being involved in this latest identification of these specific areas. We are assuming that they coincided with the broad identification that we were given back in December. We were not involved in that selection either but we gave extensive technical advice on a range of options in terms area for reserve as to what production could be expected from those areas. That was out involvement and we set that out in our submission.

**Mr DEAN** - So from this point you will be looking at each of those reserve areas just to see how it does impact on the information you provided?

**Mr ANNELLS** - We are more interested in what is left.

**Mr DEAN** - That was my next question - what it leaves you with.

**Mr GORDON** - Our analysis during the process, which was on contracts of federal and state governments, was that if this is a boundary that is drawn and reserves are on this side and wood production forest was on the other side, what volume of wood will that produce?

There were lots of scenarios run. We provided the information to Robinson and Burgman to then run it for the signatories, but most of that work, as the chairman said, was how much wood do you produce from the remaining areas, and by subtraction you can work out how much wood is in the areas that are proposed for reserves. The signatories were the ones who determined and negotiated the boundaries.

**CHAIR** - Can I go to the oft-suggested lack of a plan B? 'This all we have because there is no plan B' has been the claim of numerous people. I have heard many, many times in the past Mr Gordon present to parliamentary committees and articulate exciting possibilities for growing our forest industry. I will not enumerate on what they have been but he has done just that. I refer to matters like the engagement of the Aboriginal community in terms of forest management that could have been part of something. I then think about the money on the table as offered by the federal and state governments. Are we operating in a vacuum that this is the only option which was being considered by the signatories and that they did not put their mind to any alternative which may have been possible to advance our forest industry in this state with the injection of substantial funds from the state and federal governments?

**Mr ANNELLS** - Forestry's point of view is that this agreement really addressed the issue of additional reserves on one hand with guaranteed, if reduced, supply on the other. It was never a consideration of how you get the most effective and productive forest industry per se. It was very focussed on the number of cubic metres of sawlog. I think that was probably inevitable but ended up being capable of misconstruing the potential outcome. What we look to is more the expressions within this agreement that go to the question of durability and open up the possibility that Tasmania's forest industry, if it can produce 137 000 cubic metres from the land that is left, as we believe it can - it will be a challenge, but we believe it can - we will have markets into which we can sell it or that people within the industry we supply will have access to the market.

On top of that, we have the issue of FSC certification that it is quite clear the market is demanding and that we cannot supply on our own. No matter how you might cut and dice it, the reality is that we will not get FSC certification by Forestry Tasmania putting its hand up on its own. It needs the support of the ENGOS. Whether we like or not, that is the deal. It is quite clear that one of the things that flow from this agreement is an undertaking that FSC certification will be supported by the ENGOS and that is absolutely crucial.

There are many subjects but the third, particularly important issue that flows from this agreement is that our Forestry Innovation Plan can and will be applied rigorously by Forestry Tasmania. That is the vision Mr Gordon articulated about, which he does extremely well, and that is still alive and I think has far more chance of getting up with FSC certification backing it and with the signatories being prepared to be proactive in the marketplace. I think the plan B for us is that there is nothing in this agreement other than the issue about a reduced total number which impacts on our forest plan at all.

**CHAIR** - I have a number of other questions but I will limit my contribution right now to one question because I think it is inevitable we will need you back. I have a supplementary of my own based on that response, Bob.



You indicated at the outset in your contribution that the commercial viability will be tight but you understand that it can work. When Mr McIlfattrick appeared before the committee earlier this week he indicated that FT, as best I recall, had advised that 137 000 cubic metres was sufficient quantity for FT to be viable. I haven't had a chance to go to the *Hansard*. Even if that is not accurate, even if I am misrepresenting him and I don't seek to do that, what revenue does FT expect to earn from the different wood products that will be available under the new scenario? Through that revenue stream, what is the expectation from the 137 000 cubic metres?

**Mr ANNELLS** - One of my colleagues could possibly answer that more specifically but I could give you a context. This question about financial viability for FT is a many-faceted question. There is a range of issues that go to that question such as the size of FT in terms of staffing numbers. That is not just linked to the 137 000 or the 155 000 or the 165 000 or anything else. There is a whole range of scientific, firefighting, land management activities that the government will have to determine what they want FT to provide and that is being done through this URS with Mr McIlfattrick leading that process. When that is known we will be able to tell government the resource we will need to apply to do all those things. Then the question will be to compare the cost of that against our likely income and if there is a gap for a period until we get to plantation timber coming to maturity, then government will be required to meet that gap. Looking purely at the 137 000 does not give you the whole answer. I will ask my colleagues if they have a view that they want to give you in a numbers sense, but we may have to take that on notice because it is quite complex.

**Mr GORDON** - The analysis you have given is pretty fair because there is not a simple answer to that question, it depends on what else happens. Until we know some of the other bits of the puzzle, it is very difficult for us to do a longer term cash-flow protection. For example, some of the proposals in the innovation plan will actually increase the net revenue per tonne, so we might sell a bit less wood but we may actually get more for it. As to the issue the chairman raised of what does FT look like, if we're still expected to provide 150 or 200 firefighters because that is the capacity that is needed, someone has to pay for that. We don't need that firefighting capacity for Forestry Tasmania but the state needs it.

**Mr ANNELLS** - A lot of this also depends on what role Forestry has in relation to the management of plantation assets of ex-Gunns and ex-MIS. These are things we are working through and it could well be that we have quite a role there and quite an income generation from that activity that goes to the question of our financial viability, but it has nothing to do with the 137 000 versus 155 000 or anything else.

**CHAIR** - You indicated that it might be something you need to take on notice. Is it something we should write to you about because you have both suggested components of an answer, I think?

**Mr ANNELLS** - Yes. I doubt whether we are going to be able to give you much of a useful answer, but if you write to us we will do our best to answer the question. I suspect there are so many variables in all this, sitting here right now, that the question of the financial viability of Forestry Tasmania requires some definition of what that means, and presumably it means you can pay your bills as and when they fall due and you don't

require subsidy, but there are so many variables in that answer that I think we'd be writing back to you saying, 'Here's our best guess, but there are so many variables.'

**Mr MULDER** - On the FSC certification I think you pointed out how important that is and may possibly be essential for the industry to go forward. Am I drawing too long a bow to say that without certification you don't think there is much of a future for the forest industry?

**Mr GORDON** - We currently have certification.

**Mr MULDER** - No, I mean FSCC.

**Mr GORDON** - We have PFC, which is the world's largest independent certification system with a set of international rules. Also because we listen to the market we have already started the process and applied for membership of FSC. We intend to apply for full forest management certification under FSC and some of our customers want PFC, AFS-certified wood and some want FSC. If you are running a grocery store some people want organic milk and some want other milk. You have to meet what the market wants and at the moment some parts of the market want FSC and some want PFC so we're going to try to get both.

**Mr ANNELLS** - The view quite clearly is that the task ahead for the industry will be much more difficult if it doesn't have FSC. Whether we think it is the right way or not is totally irrelevant. At the end of the day a significant element of our market and Ta Ann's market is telling us that that's what's needed and we're in the process of trying to get it, but we won't get it on our own.

**Mr MULDER** - You also said regarding the workplace invasions - and I'm not sure what the other emotive term relating to the markets was but I thought it was a bit stronger than disruption - that those things were essential if this was to work. Given the stated intentions of some groups to continue market disruption and workplace invasions, how does Forestry Tasmania see it working through the failure of the durability?

**Mr ANNELLS** - I think when I gave evidence before to this Legislative Council when you were debating the bill we tried to address that - and it is a partial answer, I accept that - by saying that the most important thing for us is that we can stand in the marketplace with some of the most senior and serious players such as the Australian Conservation Foundation and the Wilderness Society, who are signatories, and that gives us a basis to push back in relation to attacks from non-signatory or even fringe groups. No-one is suggesting that anyone can control all the groups. I don't think the ENGOs have suggested that. I haven't heard their evidence to you but they haven't suggested anything to us. We think if we have these key groups on side in the marketplace - and it will require us, Ta Ann, the industry generally and the ENGOs to be extremely active in the marketplace - we think we have a fighting chance. Without it, they line up against us in the marketplace together with the fringe groups and then we're done - it's just us standing there.

**Mr MULDER** - To say that these things are essential, knowing that the most you can do is seek to influence, is to say that they are essential to the future of the agreement. Would

you suggest that's probably a bit of an overstatement that they are 'important and essential'?

**Mr ANNELLS** - 'Highly desirable' is probably a better phrase.

**Mrs TAYLOR** - Bob, we've had a number of people from private forests talk to us. Have you thought about the implication of Forestry Tasmania getting FSC on the private native forest? One of the implications they are worried about is that if you have FSC they may not be able to sell unless they too get FSC. For many of them, that is going to be financially impossible.

**Mr GORDON** - Some of them already have FSC.

**Mrs TAYLOR** - One.

**Mr GORDON** - I think there are three - some of the bigger landowners. It is very difficult under both certification systems, PEFC and FSC, for individual small landowners acting by themselves because it is quite a detailed process. If you look at our sustainability report, you can see the thousand things we have to tick off, show, demonstrate and record. I think both schemes - and I will get John Hickey to correct this if I am wrong because he is our expert on this - have the capacity for groups of landowners to band together to do something they may individually not be able to do. For example, on my little farm at Nubeena with 20 hectares of pine plantations, I have both PEFC and FSC certification because it was done by Norske as part of a 20 000 hectare estate which included all the little forest owners who had joint ventures with Norske. Alistair Graham may know some of this stuff better than I do, but it's not quite as simple as 'little people can't get it and big people can'.

There are processes in each of the schemes. For example, in France I met the head of the French small forest owners association and they had both FSC and PEFC. They did it in a similar way - that is, there was a group of them who got it. It is much more difficult. I doubt I could get it on my 20 hectares if I did it by myself, but when Norske did it for 20 000 or 30 000 hectares, they included us as a whole group and did it that way. PEFC has the same capacity, but it would require probably some funding to assist them to do that. It is easier for a larger forest owner in terms of resourcing. If that is a question the committee is interested in, it would be worth getting PEFC and FSC to answer that question rather than me answering it on their behalf. There are mechanisms in both.

**CHAIR** - You mentioned John Hickey that is your expert. Is that in PEFC or FSC or both?

**Mr GORDON** - In both, so John is the one handling our application for FSC forest management certification and he is the one that's been doing our TFC re-audit, reassessments on an annual basis. But FSC and TFC themselves could give a much better explanation than either John or I.

**CHAIR** - Thanks. Tony, you're going to another area?

**Mr MULDER** - Yes.

**CHAIR** - How many other areas do you think you might want to go to?

**Mr MULDER** - This one, another one and I think there are 293 others -

*Laughter.*

**Mr MULDER** - No, two areas. They should be fairly short, unless people have supplementaries but that's under your control.

**CHAIR** - Your questions are under my control, so we will proceed.

**Mr MULDER** - We'll see about that. Is it fair to say that your future for the Tasmanian forest industry really is now one of quality over quantity?

**Mr ANNELLS** - Innovation rather than quality. It's about doing different things; doing them better but being innovative. I think our innovation plan probably needs to be revised and updated as it should be every couple of years but it is a genuine attempt by FT to demonstrate a way forward away from what many people would regard as being a pretty simplistic approach, particularly with woodchipping. Certainly, quantity is out of the window, but that's probably a reflection of what the market is saying anyway.

**Mr MULDER** - Value adding over quantity?

**Mr ANNELLS** - Value adding is certainly an important element.

**Mr MULDER** - In that, we get back to the vexed issue of forestry burn-offs versus renewable energy for the residue of both the forests and the milling productions and chipping productions of course; we've got residues attached to those as well. If we're going to use the full range and make better use of the forest, do you see the need to go down this path of renewable energy and biomass and things like that?

**Mr GORDON** - It was part of the concept and innovation plan. Part of that concept, which has partly been implemented, was small product plants for the production of pellets for domestic heaters which compared with -

**Mr MULDER** - I'm still waiting for some local ones after I bought my heater a year ago.

**Mr GORDON** - They're scheduled to be produced for this winter. Pellet Fires Tas has been working with us. Because of some changes in the forest industry, some millers couldn't get rid of their residue so we're actually building it at a sawmill. There is capacity for a lot more than that and if we're thinking a bit outside the square, there's no reason that all of Launceston's heating couldn't be from pellet fires. They're cleaner, in general, than gas. If anyone's got time while they're down the Huon, our new office down there has got pellet heaters. There was a bit of objection from some of the staff before they got put in and no complaints afterwards. They said, 'You turn them on the night before and they start at 6 o'clock in the morning so it's warm when we get to work, and did you see our electricity bill?'. So there are some different ways to address the bio-energy issue. I think John Lord and his group have been talking about various bio-diesel and bio-ethanol types of concepts. As someone said the other day, if you keep doing the same thing all the time, you know what's going to happen, but if you look at what might be possible then different things might happen.

**Mr MULDER** - The other area I'd like to briefly touch on is that a lot has been made of the carbon farming initiative versus the international Kyoto credits. Some studies and reports have been done on it but, given now that we know the quantity of area going into reserves, what's Forestry Tasmania's take on carbon farming, or is that outside your area? What sort of values should we be thinking about in economic terms in terms of the carbon farming?

**Mr GORDON** - Martin Moroni is our carbon expert. I think he might have given a couple of presentations publicly but I'm not sure if he's given any for the council.

**Ms FORREST** - Mostly about fire.

**Mrs TAYLOR** - And Glenorchy.

**Mr GORDON** - Okay. So the best way to store carbon is to have managed forests because you're actually capturing the carbon in a product like this [knocking on wooden table] before it decomposes in the forest. There's obviously a balance in that. We haven't done a detailed carbon balance on the proposal but that wasn't what we were asked to do. I know the work that CO2 Australia has been doing again and I don't think it directly addressed that issue. It talked about it in more general terms. I can't really give you like a number answer.

**Mr MULDER** - Your view, I take it from that, Bob, is if we kept it in managed forests it would probably be a better carbon return than leaving them to fall and rot in the forest, is that what you are basically saying?

**Mr GORDON** - I suspect in Tasmania the biggest factor is probably fire and, again, the Kyoto Protocol -

**Mr MULDER** - I am just wondering how many credits we lost last week.

**Mr GORDON** - It's not included in the way they do their calculations. You would only have to look at the smoke that was around and that's a very large amount of carbon in the air so I suspect, a bit like in northern Australia, more active management of fuel loads and fuel reduction measures would make a big difference to the number but the way they are calculated it is a bit of an artificial construct.

**Mrs TAYLOR** - Can I turn a bit more to innovation - and you may have it in your submission but I have not seen that in there yet - you, Bob, talked about the future being in manufactured timber products and maybe renewable energy and so forth. Can you talk a bit more about what you are actually doing now to turn that, apart from having an innovation plan, are you looking at a new innovation plan and are you going to need financial support for that?

**Mr ANNELLS** - I will ask Bob to deal with the question about what we are doing because we are doing quite a lot and he has been very innovative in that respect. The question of financial support is left open; I think it would be up to us to develop a business case to put in each circumstance to Treasury and the government. There is no suggestion that I

have seen so far that if the business case works then that in fact funds are available, but that is yet to be proved. Bob, do you want to talk about HARDLAM?

**Mr GORDON** - We've got the product out in the marketplace. It has been in the marketplace for a while now and there are a couple of potential investors that we are still well down the track working with but I can't really talk about them until they've got through their own approval and decision-making process. But the reception in the market for the product has been overwhelming and there is a standing invitation to anyone who would like to come and look at the product, it's a range of stuff, it's in our head office in Melville Street and we are happy to take people through it.

**Mrs TAYLOR** - Are you just talking about HARDLAM at the moment?

**Mr GORDON** - There are a range of other versions of engineered products. HARDLAM is the most well-advanced in terms of the market testing and market acceptance business case but there are a range of other products that we are working on that aren't as advanced as that.

**Mrs TAYLOR** - Good, and renewable energy?

**Mr GORDON** - Again, the easiest short-term one is probably the various forms of pelletising or torrefying wood. The other options are more challenging with the current rules on the mandatory renewable energy targets but I understand that there is some willingness to try to look at some more innovative ways that we might be able to use renewable energy, bioenergy, a whole range of other ways of getting it.

**Mrs TAYLOR** - Is biochar one of the things you are looking at? I don't know anything about biochar. I understand about pellets and the HARDLAM, the manufactured wood products.

**Mr GORDON** - You can convert wood to various forms of carbon. Wood has lots of carbon in it and the more you heat it under restricted oxygen the more pure carbon comes out of it. The very highlight of it is activated charcoal, where effectively you have removed all the things except carbon and then you go down various levels, so you have what is called torrefied wood which is the hemicelluloses and the starches and the sugars have been removed so you have mostly carbon. There is a whole range of those different processes you can use, of which one is biochar.

**Mrs TAYLOR** - What do you do with it?

**Mr GORDON** - The theory is you put it in soil to increase the soil carbon which helps with nutrient retention -

**Mrs TAYLOR** - It is an agricultural product?

**Mr GORDON** - Yes. In terms of capturing CO<sub>2</sub>, planting a hectare of new trees on farmland will put a lot more CO<sub>2</sub> out of the atmosphere than putting biochar in. But it isn't 'do this, not that', there is a whole range of things you can do, all of which add up. As long as you are doing things that are additive, then you are achieving the outcome. It is not 'do this' or 'do that'. You do a lot of them.

**Mrs TAYLOR** - Obviously, if you have forest residue you have to do something with it. That's what you are doing and you are developing products and you might need some funding to help in that development. Will that lead to perhaps private investment because, as I recall when we looked at the HARDLAM products some months ago, one of the issues that may have been raised was that part of the reason investment has been difficult to get is that we haven't had peace in the forests and that hopefully this TFA - will that make a difference, do you think, in attracting investment?

**Mr GORDON** - That's part of the comparative analysis we have done. If you had an increased level of certainty and a lower level of sovereign risk and investors knew that they would be supported in the market by key ENGOs, then it would be a different investment climate in which you are operating. In the absence of that, I suspect people will continue to see a high level of risk associated with downstream processing in the forest sector.

**Mrs TAYLOR** - This should help if this bill were passed in some form?

**Mr GORDON** - Yes.

**Mrs TAYLOR** - Thank you.

**Ms FORREST** - I am sure FT will be pleased to hear that some private landowners believe FT is a better neighbour than Parks. Concerns were raised by the TFGA and some other private landowners that, with the potential change of tenure out of this process, land currently managed by FT will be transferred to the management of Parks. How does FT manage their neighbour relations better than Parks? We can't [inaudible] Parks because they do it in your own backyard.

**Mr ANNELLS** - We much prefer not to go down the first part of that.

**Ms FORREST** - We won't talk about yours either.

**Mr ANNELLS** - No. For FT it is probably largely to do with the fact that we are particularly mindful of both fire but also disease and weed management and so we are working very hard on all of those things and we have, in the past, had the funding to do it because we have generated enough income to reinvest. That's possibly what people are referring to, with the concern that possibly Parks has not had and will not have the resources to do the same level of management in regard to fire, pests and weeds. That is subjective and it's somebody's opinion but that would be the basis of it, I would suspect.

**Ms FORREST** - Do you share fencing costs?

**Mr GORDON** - No.

**Ms FORREST** - There was an indication that you did.

**Mr GORDON** - There might be some circumstances in which we would negotiate but we are not subject to the boundary fencing.

**Mr WHITELEY** - I was asked this question recently with the fires particularly. From a legal point of view, we are not obliged. But over the years FT has bought some farmland that had established fences and there have been some other circumstances where there has been a different history, from a good neighbour point of view. We have some policies in place that are still there to try to codify what being a good neighbour means. It helps our field staff make some of those judgments and one of those is to the extent that we have bought a farm property and put some plantation on it or done something like that and there has been a history of a fence being there. We deal with that differently than the law which said the crown is not responsible for boundary fences. We look to be practical. I think, cultural as well, which answers part of your question about practical people who want to be a positive part of the community, behaving that way with the farming community as well.

**Mr GORDON** - There was a history of us doing large-scale, cooperative fuel reduction burning with the landowners. When I was district forester at Fingal, we burned the -

**Mr ANNELLS** - That was 40-odd years ago.

**Mr GORDON** - Twenty years ago!

**Ms FORREST** - How long ago?

**Mr GORDON** - A long time ago. That would have been very difficult for Parks because they just didn't have the resources to do that, but I think there has been a substantial change in their approach to that sort of stuff. There was certainly some fuel reduction burns on the east coast which were done by Parks, Forestry and the Fire Service as a cooperative approach.

**Ms FORREST** - With private landowners?

**Mr GORDON** - Correct, yes. The fire doesn't suddenly change when you get to a fence and it's much easier generally to do fuel reduction burns across boundaries than to spend a lot of money trying to get it to stop in certain places. I think one of the Green senators commented on it the other day. We were actively involved in all those burns on the east coast, as were the Fire Service and Parks, and it went over several tenures.

**Ms FORREST** - You talked about the challenges the agreement would place on ensuring supply of the 137 000 cubic metres. In the context of the 10 per cent headroom, is that what puts the extra pressure on or that there is not that bit of extra flexibility? Also, how much you are currently providing in terms of volume?

**Mr ANNELLS** - Last year we provided about 110 000 cubic metres. That was what the market sought, but that was with Southwood mill being shut for a large proportion. If you add, in theory, that 40 000 back into it that brings you to roughly 150 000 on the current basis. The 137 000 has been modelled at a broad level and we are satisfied that that can be provided. We make the point - and Steve makes the point every time he talks to me about it until I'm sick to death of hearing about it - that this has assumed the 10 per cent headroom concept, which I assumed was a physical thing; it's not. It's a planning tool. It actually assumes that when you look at the model you assume that various things



may well happen. That means in our case that 10 per cent of the potential supply is not going to be available. Is that the right number? That is a crucial issue for us.

The real concern in that regard is much more to do with whether there are likely to be regulatory changes that would include that 10 per cent going forward. That is why we talk about a triple bottom line being absolutely critical in terms of assessing forest practices et cetera. We are satisfied that that is the right number today, but clearly if things happen outside of our control and which prove that that was too conservative, then we would struggle with the 137 000.

**Ms FORREST** - Are you talking about policy setting changes in particular?

**Mr ANNELLS** - Principally.

**Ms FORREST** - I know the signatories were looking at issues with sovereign risk with the government, not with FT. The proposed amendment around that talked about policy changes relating to the Forest Practices Act. They expressed concerns about other policy changes, for example water policy or carbon policy and even potentially environmental policy. What do you say to that in view of those comments you have made?

**Mr ANNELLS** - Most of those would be within the control of state government to implement those. They would be doing those changes, well aware of the impact - because we would be telling them - on the ability to actually fulfil the obligations under this agreement. Bear in mind this will become, if it becomes law, a legislative requirement. Whilst all those are legitimate concerns, as is our concern about the 10 per cent not being a sufficient provision, I think there is a balance in all of this. We are certainly saying the 137 000 from the productive forests that are left is tight, but it is manageable. We have no crystal ball if there is some fundamental change in forest practices or in another area like environment or water or whatever because then the whole thing would be back on the table because we would not be able to meet our legislative requirement. It would have to come back to parliament because we would be in breach.

**Ms FORREST** - Bob, there is serious concern about the amendment that restricts it to a policy change related to the Forest Practices Act. Is it a genuine concern? Should they also potentially name other areas or is it implied that if there is a policy change that would create an impossibility for FT to meet their contractual arrangements, then that compensation could fall? We are talking about a force majeure here, outside of your control; it is under the control of the government. Regardless of what the policy is, if it impacts on your capacity to meet these requirements then should they be spelled out or is it adequate just to say a policy change that impacts on the Forest Practices Act under which FT has to provide 137 000 cubic metres?

**Mr GORDON** - I suspect that most of the things that we can think of at the moment - and you gave a couple of examples of catchment and other things - would end up being in the forest practices code. At the moment there are catchment management guidelines in the forest practices code. That is the natural home for them. If there are any proposals that might have an effect then you could ask what will the effect be, so at least the parliament knows what the impact of a proposal might be. Most of those things have ended up being in the forest practices code.

**Ms FORREST** - Which sits under the Forest Practices Act, so it is basically covered off.

**Mr GORDON** - Yes, I think so but I probably need to think about that. It might be worth asking the regulators some of those questions because I do not know what the order has been. Historically, if there has been a catchment issue it has probably been picked up by the forest practices code well before it has been picked up in other areas. I suspect it has probably been the other way around.

**Mr ANNELLS** - It would just be easier to use that mechanism that defined to do something from scratch and which in the end would have to come through parliament because it would impact on the minimum supply. I think Bob is absolutely right - it would end up under forest practices.

**Ms FORREST** - The risk is that if you start to name them up you miss something.

**Mr ANNELLS** - You do. I think the way it is framed is probably the right way to do it.

**Mr GORDON** - All the things I can think of, whether it is catchment or threatened species, end up being captured in that process but I would not mind some time to think about that.

**Ms FORREST** - Yes. You could get back to us if you think there is anything else we need to consider.

**CHAIR** - Gentlemen, for the moment thanks very much.

**THE WITNESSES WITHDREW.**