

**THE LEGISLATIVE COUNCIL COMMITTEE ON GOVERNMENT
ADMINISTRATION A MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE,
HOBART, ON FRIDAY 27 MAY 2011.**

PUBLIC NATIVE FORESTS TRANSITION

Mr DAVID RIDLEY, DIRECTOR, AND , **Mr GREG HICKEY**, TA ANN TASMANIA,
WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Hall) - Thank you, gentlemen, we appreciate your appearing. I think you were sent some information to say that what you say in this committee is covered by parliamentary privilege, however what you say outside may not be. You are aware that we just have that one term of reference: to inquire into and report upon the proposed transition out of native forest harvesting in Tasmania. Would you like to give an overview of your operations and talk about the impacts if this transition occurs?

Mr RIDLEY - Mr Chairman, thank you for the opportunity to give our view of the impact of the transition on Ta Ann. We are here in Tasmania because we were attracted by the government-endorsed forest growth strategy which sought new investments to convert low-quality pulp logs into high-value veneer and because of the absence of sovereign risk. Our growth strategy that we have implemented employs 160 FTEs and contractors and this year we will inject almost \$45 million into the Tasmanian economy. The wood supply agreements that we have with Forestry Tasmania, that go until 2026-27, contain specifications that provide a specific veneer product. We support the transition discussions and we believe they must lead to a common footprint for the industry and the ENGOs for community acceptance. For Ta Ann the transition involves a change over time to the mix of regrowth and plantation wood and the speed of that transition depends on the availability of suitable plantation timber as a substitute for regrowth veneers. We are not averse to the use of plantation billets. We are open to innovation; we have already explored the use of plantation billets. Unpruned plantation veneer is not suitable. Pruned plantation, to be suitable, has to meet six liability criteria. For us it is the right quality, the right volume, the right location, the right time, the right size and the right price. Our observation is that the transition could be completed in 25-30 years if such plantations can be established and pruned to ensure sustainability. That is our general overview.

CHAIR - Most of the plantation stock that is in the ground would be unpruned, would it be fair to say?

Mr RIDLEY - We don't have the exact data on that. There has been an increased amount of pruning in recent years but Forestry Tasmania would be the custodian of that data.

Ms FORREST - Does the use of nitens or other species make any difference to you, whether they are pruned or not? Is there a species of preference?

Mr RIDLEY - I can touch on that in a minute because I have it specifically identified here. Our observation is there is a variable amount of pruning, variable species and variable pruning, in different areas of the State, and that is important in the transition process.

We have implemented the Commonwealth and State governments value-adding objectives for native forests. We built two new mills, which has involved investing \$79 million in the south and north-west of Tasmania. As I have previously indicated, it involves creating 106 direct jobs. We invested because of resource security - that is, the State-Commonwealth RFA agreement, the Tasmanian legislation and the 20-year wood supply agreements that we have with Forestry Tasmania. This gives an absence of sovereign risk and also we invest because of the availability of certified material under AFS-PEFC. They are investment-ready sites and we have established markets. We also have government and community support and the regrowth timber has properties that give our product a comparative advantage. It's higher density and it's from a sustainably managed forest. So we believe that we are implementing what's been required both in environmental groups and the government, and the expectations of the community for value-adding.

With resource, which leads to the question that Ruth asked - on page 2 I indicate that 'the resource requirements are a particular size, a particular quality, volume price and location'. We don't buy volume, we buy product. Ta Ann requires billets in the manufacturing process that deliver a particular product. High strength veneer with little defect for thin tongue-in-groove plywood flooring. We require operations that allow billets to be 20-70 cm in diameter, averaging 39, so that our production and recovery can be met. In other words we need the property of the veneer and we also need the production and the productivity that goes with that. The regrowth billets we use were previously used for woodchips and we had to install specialist machinery, and we have to produce high-quality, long-grain veneer that's suitable for thin plywood. We don't use old growth.

The wood-supply agreement with Forestry Tasmania has specific specifications in the agreement that deliver us the right product. For example, the specification in the agreement indicate that 6-foot billets, or 8-foot billets, can have up to two dead knots, and we use that to get the right quality veneer of the right strength.

We are not a logging company. Forestry Tasmania determine the source and supply of our resource, so our wood-supply agreement is for delivery of billets at our door and it is a decision of FT where they source the material.

We have wood-supply agreements to 2026 and 2027, but we expect to roll over those agreements; we are here for the long haul. We have lease agreements with the site for 45 and 99 years. So we are after a long-term sustainable resource.

We support the supply of billets from a suitable plantation that allow our product to be supplied. This material must be suitable for the long-grain veneer of high strength and capable of making thin tongue-in-groove plywood. We have an example here of unpruned plantation wood. We have tried unpruned plantation and found that it fails. It doesn't meet the wood-supply agreement specifications and it is not suitable for the product because of these dead knots. Anything with a circle there is unsuitable in the veneer, so that is unpruned plantation which is of low quality. The large circles are areas

which would have to be cut out, the smaller ones are those which are rough. In effect, that's only a third of a sheet so if it's three times that size, there are too many problems in that veneer for us to use in our product. Unpruned plantation material is not suitable for our product.

Pruned material can be suitable. Blue gum has shown that it has good density or strength characteristics, but pruned nitens is a mixed bag. Some nitens have low properties and some nitens have good properties.

CHAIR - Therein lies a bit of problem; most of the plantation of the State is nitens. The issue we have in Tasmania of course with globulus is being able to grow them in frost-tolerant areas, is it not?

Mr RIDLEY - That's correct.

CHAIR - Do you think there would still be enough geographical areas to grow the resource in the future in terms of pruned globulus?

Mr RIDLEY - I don't know because we don't have information on the current resource.

CHAIR - So that's an unknown factor at this stage?

Mr RIDLEY - Yes.

CHAIR - Basically what you're saying is that nitens are pretty well out; they're too inconsistent, even if pruned.

Mr RIDLEY - Some nitens are suitable and some would be unsuitable. What I suggest is that product-resource mapping has to occur, both of the nitens and the globulus, so we can identify what is useable.

Ms FORREST - You can map the trees as they are growing, one nitens to another. These nitens would be suitable, assuming they are all pruned?

Mr RIDLEY - You do density testing in the field to identify what areas of a forest in Tasmania would be suitable for our product so that you do field mapping of the location of them and determine which areas are suitable for us and which are not.

Ms FORREST - Is that your job to do that or it is Forestry Tasmania's job?

Mr RIDLEY - We would suggest that we would work with our supplier for it to occur. The reality is that unpruned material is not suitable. Some pruned, for example the globulus, is suitable. In the research results that we have had I am looking at things like modulus of elasticity and density. The characteristics of it indicates that nitens is a mixed bag, some of which we think we will be able to use and some of which we may not be able to use but we are happy to do research and innovation for pruned plantation material.

Ms FORREST - When you talk about the globulus being frost-sensitive and the challenges that brings to Tasmania, the nitens are a bit hit and miss but maybe there is more research that needs to go on in this field and that may be the answer, but is it where they

grow that makes them more suitable? You talk about the density of the timber but you cannot see that until they are grown, obviously. Do we know what causes that density to make them a suitable product for you?

Mr RIDLEY - It is the genetic make-up of the species. For instance, globulus has higher density, both in natural forest and in plantation, than some of the species.

Ms FORREST - What about within nitens themselves?

Mr RIDLEY - All the species have a range and that is why we are saying some of the nitens is okay and some of nitens is problematic. It is the same issue.

Ms FORREST - Is it where they grow that makes them grow with greater density or is it other factors?

Mr RIDLEY - No, there is a whole range of factors - genetics and site-specific stuff. For instance, at Dial Range it appears that the density of some nitens would be okay but at Tarraleah the density appears to be low. So there is a whole range of factors which I do not think are yet properly known.

Ms FORREST - More research is needed?

Mr RIDLEY - Yes. The summary is that in the current resource there is some nitens which we could use. It needs to be high pruned. There is work needed to identify that in the field. But more importantly, going forward as part of the transition, there needs to be a consideration of what is suitable for us, and I have covered that on page 4 on the transition arrangements and the relationship between plantations, availability and regrowth.

Before I discuss that, I would not mind adding that we have a growth strategy. We have carried out investigations on a ply mill in Tasmania. We are currently still undertaking those investigations and we believe there are great opportunities for further downstream processing for our company in Tasmania. We are also looking at an additional peeling line at Smithton. The mill was built to allow a further peeling line. Therefore if there is any material which is available which is suitable, we can incorporate that into our business. We are also looking at better use of waste products by generation of electricity and steam and the manufacture of biochar and biomass, and they are active programs that we are currently investigating. There is also an opportunity for a forestry hub at Smithton as part of a regional development and employment program, and we are talking with Britton about a joint program there.

What we need is a supportive environment for resource security and absence of sovereign risk and we need a suitable resource that can be reliably supplied so that we can invest and grow.

Ms FORREST - In looking at a plywood processing plant, or whatever you call it, what sort of timber are you looking at?

Mr RIDLEY - In the end what we need is a veneer product and it can come from either regrowth or suitable plantation.

Ms FORREST - The same things apply with the suitability of the plywood?

Mr RIDLEY - In reality, if the ply mill turns out to be feasible and if we are in a position where we can proceed, part of the ply from Huon and Smithton would be used at the Smithton ply mill.

Dr GOODWIN - You mentioned using waste products including timber products for powering your plant. I always thought that was going to be the case. What has been the issue with that?

Mr RIDLEY - There are a couple of issues. One is that you have to have enough resource to generate electricity. We currently use waste to run our steam process so we are using waste in that process. We would like to expand that to generate electricity as well. We think there is an opportunity for further value-adding of our waste. We currently use our waste to generate steam to dry the veneer but there is an opportunity to do something better with the waste so we are currently examining that.

Dr GOODWIN - You mentioned two issues. One is having enough product to use. What is the second one?

Mr RIDLEY - First of all you have to have the resource to generate the steam and electricity and you have to have a market for it, and we would be looking to sell the electricity from waste from the mill on the market. We think it is a great project, that you actually have veneer being produced, about 82 per cent recovery from producing the veneer, there is about 18 per cent waste and of that we use that to generate our steam and there is a possibility of generating electricity as well so we are actively looking at that.

Dr GOODWIN - Thank you.

Mr RIDLEY - As far as the transition and the role of plantations is concerned, as I indicated we support a common footprint for the ENGOs in the industry as part of the discussions and we think the transition involves a supply of plantation billets where this is viable. We think the moratorium allows space for these discussions to occur and for testing the views. Our observation is that the principles are not open-ended in regard to the arrangements and the reserves but that wood supply commitments must be met. In reality we think the theory of the transition needs to match the reality of the transition so, in other words, there is a lot of talk about transition. We support the talk and the process and we would ask that the reality of the transition be considered. For us, we are yet to see evidence that there is currently available pruned nitens and globulus that can be sustainably supplied to us which meets six criteria that we use for a substitute for regrowth and, that is, the plantations need to be the right quality, the right volume, in the right location, at the right time, of the right size and at the right price.

CHAIR - Given that you have just said that it is something in the future, given your current supply and the fact that there is on the table from the ENGOs this claim for the 570 000 hectares of so-called HCV forests, which we are struggling to define as yet and anybody we have asked is, if they were taken out of the equation right now, would that affect your supply?

Mr RIDLEY - We believe there is a tension between the size of the reserves and the timber resource for the industry and as far as plantations filling the gap immediately is concerned, our observation is that it is not there because the plantations that are currently available are not of the right quality, of the right size, at the right location at the right time.

CHAIR - Yes, but going back to that 570 000 hectares, if that was taken out of the equation right now, if that was locked up, would that affect supply to you?

Mr RIDLEY - If it was done immediately yes, it would, but not in the immediate supply because Forestry are organising supply mainly out of that area. However, on a long-term sustainable basis there would have to be other actions which occur to make supply available. We believe that the way to go ahead is that a transition would be over a period of time. It would need 25 to 30 years, if indeed plantation material could be proven to be suitable. We think that a transition needs the establishing of a new design of plantations that adopt site-specific silviculture such as pruning and it will give billets to us that meet the requirements we need for our product. They are a small knotty core and species that give the right strength, which is the issue that Ruth was raising. We think it will take between 25-30 years for high-pruned stems to be available and we look for a maximum core of about 7 cms and a billet size of 39 cms so that we can have a productive mill. If you put those into the equation and look at the right quality, the right volume, the right location, the right size and the right timing, then we believe there are currently not available enough plantations for that to occur. Regrowth would be required until suitable plantations come on stream.

CHAIR - If that didn't come to pass and even the pruned globulus was not suitable for production, where does that leave the company then?

Mr RIDLEY - We believe that pruned globulus is suitable.

CHAIR - But it needs 25 or 30 years to get there.

Mr RIDLEY - Yes; all the new plantations would. We believe that part of the nitens resource is suitable and further work is needed to see what part is, and I don't think anyone can say exactly what's suitable at the moment. Our research indicates some is available, however our observation is that there are variable amounts of plantations planted. There is a larger amount in the north-east and there is less in the south so there are regional-specific strategies that would have to be developed. We support the incorporation of suitable plantation into our supply mix, but until that can occur regrowth material is available because it's suitable.

CHAIR - Would you encourage private landowners to get involved in something like this to give you additional resource security?

Mr RIDLEY - We are currently looking for about 35 000 cubic metres per year from private growers.

CHAIR - What's that equate to in hectares?

Mr RIDLEY - So far in the northern part of the State we have taken resource from private property from about 70 growers. It ranges from a couple of hectares to large areas.

CHAIR - Plantation?

Mr RIDLEY - A little bit of plantation and the rest regrowth. There is a whole range of size but I have never sat down and worked out the sizes. There is an opportunity for farmers and forest growers to have another income stream by partnering with us. Our observation is that we can be involved with small areas with farmers; however, we are looking for plantation material that is the right quality, the right size, the right place and the right time.

CHAIR - I don't think you'd get any off my farm. I have planted quite a few globulus and the frost has knocked them over.

Dr GOODWIN - Following on from that discussion about the design of plantations, my understanding would be that you would need to start with globulus in these plantations to get sufficient resource within that time period you're talking about, because only some of the nitans are suitable and it's unclear at this stage exactly what factors make them suitable in particular areas. Is that the case?

Mr RIDLEY - I think there's a whole mixed bag on plantations. If there is going to be a transition completely out of native forest, there has to be a lot of work on the genetics and the silviculture of the species and what species are planted where. I think if people started now it would probably take 30 years for that work to occur.

Dr GOODWIN - So that's research plus planting?

Mr RIDLEY - Plus the plantings plus the growth. Research to date indicates that for nitens in reasonably good site quality you can get billets with an average of 40 cms at 26 years of age. I think there are strategies that can be put in place that can deliver the right quality. The other questions that need to be answered are: can they be put in the right location, with the right timing and at the right price?

Dr GOODWIN - I suppose the thing that concerns me is that sometimes you can't actually put a timeline on research; you don't know how long it's going to take. Obviously if it takes a certain amount of time to then plant and grow to get to the point where you can use it, then that timeline might blow out.

Mr RIDLEY - My background is as a forester and I think if there's a will, a heart and a drive, you can get stuck into it straightaway. In 25 to 30 years there would be suitable resource. The issue is the right location and the right quality - which I think can be addressed - the right size will come by the silviculture treatment, and there are associated issues like the right price. For instance, the Chilean experience has properly treated plantation material. It's been pruned and grows quickly under designer plantation at about one-and-a-half times the price of pinus radiata. So overlaid with all these matters becomes the price. For our company, we need to have those six criteria looked at as part of a transition discussion.

Ms FORREST - If there were to be complete transition out of native forest, whilst that seems to be not necessarily to Ta Ann's detriment because you can use plantation timbers, what about the Britton Brothers of the world and the specialty timber people who make furniture, musical instruments for the George Harrisons of the world, and people like that?

Mr RIDLEY - That's a matter for them to answer. From our perspective, we require veneer as a product and it can come from regrowth or suitable plantations. We are yet to see evidence that there's suitable plantations available to go out of regrowth forest. If there was suitable plantations it would take 25 to 30 years and it would be a matter to see whether it works for those growers or not. From our perspective, we require regrowth until suitable plantations are available.

Ms FORREST - When we talk about regrowth - this is one of the issues that the Chair alluded to earlier - some areas that have been completely trashed, according to the views of some, have grown back, as trees tend to do over time, and are now considered by some groups to be high-value conservation, when they were trashed previously. You are talking about using the timbers from that sort of area - certainly in the interim you have to keep using those - so do you see a problem with continuing to use those sorts of timber in the future?

Mr RIDLEY - No, I don't see a problem in using them. I'd prefer to call regrowth 'young growth', in other words not old growth. I think the areas that are not old growth, in fact young growth, are suitable for veneer production.

Ms FORREST - Do you believe, from what you know about the industry, that there are old-growth areas that are not protected now and that currently there is still logging going on or is there harvesting only in those areas that you would define new growth?

Mr RIDLEY - Remember that our supplies are determined by Forestry Tasmania - the sourcing is from Forestry. About a couple of weeks ago, Forestry put out advice in response to an FOI that said of the 500 coupes where we've been supplied timber over the last two years, there are only eight which were old growth, or contained old growth, and the supply to us was from young material within that.

Ms FORREST - Selectivity?

Mr RIDLEY - I don't know. The issue for supply is from Forestry. For us, we don't use old growth and the supply from Forestry to us is regrowth billets.

Mr HARRISS - David, given your six criteria, and price being one of them, and the management regime which you have described with the pruning et cetera, what impact will that have on the delivery of the raw product at the right price, given that regrowth just grows? Somebody harvests it, you downstream process it, without much human intervention from the time the seeds are in the ground until the time it's harvested.

Mr RIDLEY - My observation would be that for enough plantation to be available to substitute for regrowth, it would require a large amount of plantations to be established - a large area - and that would be on private land if it was available. Therefore there would be longer haulage distances and additional cost to us.

Mr HARRISS - What about the management of the trees, the pruning process?

Mr RIDLEY - That is a matter for FT; we are not involved in that.

Mr HARRISS - Because that is another issue in terms of the cost. If they or whoever is growing it is up for more cost than that is going to transfer to you when you purchase the product for entry to the mill.

Mr RIDLEY - Our view is that we have a wood supply agreement until 2026-27 and in that there is a price which varies with the quality of the wood and that has escalated by CPI each year, so there is a price increase over time. We would expect that over the life of a wood supply agreement the deliveries from Forestry Tasmania are consistent with the requirements of the wood supply agreement, which included the price agreement that we have.

CHAIR - That is fine for the current agreement but if we are talking about a possibility of a transition over let us say 30 years, at the end of your current wood supply agreement there maybe access to properly managed plantations, but then you enter the market at that stage to get the trees to that stage where you access them, there will have been a higher level regime in terms of the pruning and management. So in 20 years' time if you can get access to those adequately managed trees you will be paying more at that time in real terms compared to now because the native forests, the regrowth forests, are just growing?

Mr RIDLEY - It depends on the silviculture treatment of the regrowth forests and the silviculture treatment of plantations. For instance, if silviculture treatment at the regrowth forest involves thinning and other works, and there can be costs there, intuitively there will be a higher cost to the grower and the purchaser and there would be efforts to pass that on. That is why I have listed as one of the criteria that it had to be the right price. Our business relies on a certain price, a certain volume, a certain quality of material and for that the price would have to work for this to occur. While we can talk about the hypotheticals of what and where, I do not know where the plantation would be. You would actually have to sit down as part of the transition process and have a proper understanding of the location of plantations and the future growth and strategies used so proper decisions can be made.

Mr HARRISS - The company's intention is to roll over the wood supply agreements and its continuation in this State past the current agreement. You have mentioned that resource security involves an absence of sovereign risk, but by the very nature of the process we are in at the moment we all understand there is no such thing as an absence of sovereign risk, because if the Government wanted right now to intervene and terminate your contract - they would be required to provide some sort of compensation, I suspect - but sovereign risk enters the equation and your business could, in reality, be closed down tomorrow if any government wanted to intervene to that extent. How do we overcome that issue, David, of the absence of sovereign risk in the real tough sense of the term?

Mr RIDLEY - My view is that there is an absence of sovereign risk at the moment for Ta Ann because there are three levels that have been achieved: agreement at RFA level, a State law which requires supply of sawlogs at a certain level and by association that means the supply of peelers, and then we have a wood supply agreement with Forestry

Tasmania. We are currently looking at possibilities of further downstream processing because we are confident that our wood supply agreements will be met and we would expect in the rollover of the next that we would have the same level of confidence.

Mr HARRISS - On that very issue, then, we currently have the 300 000 cubic metres mandated. The Government could put a proposal to the Parliament immediately which would reduce the 300 000 cubic metres to 50 000 cubic metres. It would be silly but they could. If that proposition found favour of the Parliament that would impact immediately, so there is sovereign risk entering the equation yet again, as in the past with the RFA. The Community Forest Agreement locked up more and more. The proposal here is to lock up an extra 500 000-plus. That matter of the 300 000 cubic metres is a real issue right now. With Gunns indicating they are out of native forest downstream processing, there is every likelihood, I suspect, that the 300 000 will be revisited by this Government.

Mr RIDLEY - I am not a politician. I am only involved in the business and your job is politics.

Laughter.

Mr RIDLEY - My understanding is that you look after that, you are conscious of the needs and all I can do is present the case for of our company of what we require. Our requirement is for our wood supply agreements to be honoured and I believe they will be. I believe the way forward, while people examine the possibilities of transition, is that the reality has to be put in place. The reality is that there are some plantations which are suitable and some are not. If a transition was to occur, it would take time and we would expect our wood supply agreement commitments to be met and to be honoured because we need a particular product and we can add value to the Tasmanian economy through our milling process and use of the resource supplied to us.

Mr HARRISS - David, you expect your wood supply agreements to be honoured. My recollection is that there has been criticism from conservation groups, if I can put it that way, that Ta Ann is paying less than market value. We would not expect you to tell us what the price is because that would be inappropriate because of commercial confidentiality. What is your response to that criticism, which seems to flow against you or Gunns or anybody else, the notion that the industry is always subsidised?

Mr RIDLEY - If you have a look at page 5 and following I have listed matters of importance concerning this transition. I guess the transition discussions provide the opportunity and a platform for people who want to operate outside the Kelty committee. That committee provides some accountability and testing of claims and people outside of that have been vocal. I think the non-participating ENGO and the Leader of the Greens in Canberra have the campaign which is seeking to undermine support for things that we are doing and to influence the transition process. So I have listed some matters there for the record of things which need to be addressed, such as the fact that we do not support the principles, use of visa 457 people, Huon people attending the community about old growth, that we receive billets from high-conservation-value areas, that we are subsidised by a \$10 million grant, the price of logs and about our parent company. So they are available for the record.

In regard to the low price of logs, we pay a premium compared to pulp-grade material, which is the alternative use for those logs. Our business is to take low-value, low-grade pulp logs and make it into high-value veneer. We have spent \$79 million, including \$10 million of government grant money, to assist that process. So we have very special machinery which takes low-value product to make high-value veneer. So we pay a premium for that pulp-grade log which would be its alternative use. Under the wood supply agreement, the price is indexed each year. Compared to Malaysian logs, the Malaysian logs have a much higher recovery and provide better quality veneer and therefore are more expensive than the Ta Ann pulpwood logs that we receive.

Mr HARRISS - The current moratorium which has been applied, is that impacting your business right now?

Mr RIDLEY - Initially there was an impact where we did not have enough stock to allow continued operations. However, as Forestry have been able to reorganise their planning and their contractors, our supply is currently being met. So there is a short-term impact that Forestry are working through.

CHAIR - Thanks, David. Going back to the potential supply of plantations - and you acknowledge it is going to be quite a long process - as you would be aware FT at the moment has a policy of no conversion; if they harvest a native forest coupe at the moment it's not converted to plantation. That removes another dimension of potential for pruned plantations to go in the ground. You are going to be relying pretty heavily, could I suggest, on the private landowners to establish on agricultural land these types of pruned globulus in the future?

Mr RIDLEY - I think there would be an opportunity for farmers to have another income source from supply of globulus.

CHAIR - You did mention that before, but will they be anywhere near sufficient and will you have to go into other plantations? If a pulp mill were built, for example, and the nitens were removed, would you be able to replant on some of that ground? How would you see that happening?

Mr RIDLEY - I don't know. I think that is the nature of the discussions that are occurring. There needs to be a working out of how it all fits together. Until you have the data and the information it is only 'what ifs'. The short and sweet is that the transition process should allow for a proper discussion of transition, the nature of transition, the consequences and implications and the role of plantations in it. All we can add to the argument is that we can indicate the type of material we require, that we are not averse to the use of plantation material. Some is currently suitable, some is not suitable, particularly the unpruned plantation. There is a mixed bag. If that's all put on the table as part of a proper consideration then we can soon work out what's needed to go forward.

Dr GOODWIN - One of your six threshold criteria is the right price for plantation as a substitute for regrowth, so assuming we went down this transition path that is predicted could take 25 to 30 years, what happens if the designer plantation material is suitable and of good quality but the price is too high? Is it essentially game over then?

Mr RIDLEY - It's the same with any business. We have security under a wood supply agreement until 2027 with a known price and we have our business challenges during that period. For instance, we based our investment on an exchange rate of 75 cents; it is now \$1.06, so there are pressures on the business at the moment. In 2028 there will be considerations on a whole range of matters. At that time we have to decide what works for the business and what doesn't. We can only say at the moment that we would be looking for similar prices to those we currently have. There is a whole range of things that could happen over the next 15-20 years.

Dr GOODWIN - With the Chile experience, I think you mentioned the cost of their designer plantations was one-and-a-half times higher?

Mr RIDLEY - Than designer radiata. In other words it is recognising that the price of designer plantations is high and if the cost gets to a certain price it will either be economic or it will not.

CHAIR - Your company has come under quite a lot of pressure in the last few weeks from various environmental groups. Do you want to make any further comment on that? Is it fair, justified, what do you think?

Ms FORREST - As a downstream processor in particular?

CHAIR - Yes.

Mr RIDLEY - Our company believes that we entered here to value-add to low-quality material and there is a growth strategy. In reality we are very pleased to be part of the Tasmanian process to add value to the forest product and be part of the community. I guess in a democracy there is a whole range of things that happen. All I can do is put on the record our view in a process where you get a fair hearing.

CHAIR - Why do you think you are getting such a belting?

Mr RIDLEY - The issue is that if or when Gunns exit native forest, we are one of the main drivers, if not the key driver, of areas that are required for supply of resource and therefore if we exit then some extreme groups can achieve their ends.

Ms FORREST - If Gunns pulp mill is built, and they are only using plantation timbers, does that potentially threaten your supply, because you are seeking to use plantation timber, particular globulus and suitable nitens?

Mr RIDLEY - We need pruned material and we would hope that they do not use pruned material.

Ms FORREST - Do you think there is room for both?

Mr RIDLEY - I don't know. I don't have the resource figures. It is not our position to have that but I am sure they will be considered in discussions if it goes ahead. The summary is that we need pruned material. Plantations can be managed for pulpwood and higher value use and we would see that we fit into the higher value use part of the plantation.

CHAIR - Hypothetically, if a decision was made, a political decision or whatever it may be from the Federal or State Government, in the short term, as Mr Harriss pointed out, there is a move right away from native timbers per se. We have had evidence to support the view that some of the more extreme ENGOs would say we ought to be out of that totally, and they have a view that they don't like plantations either. Where does that leave us?

Ms FORREST - Because you clear-fell plantations generally, don't you?

CHAIR - Yes.

Mr RIDLEY - We are going back to the risk. My belief is that with the focus on environmental groups there are also other players such as the union and industry groups who are supportive. The union's position is that Ta Ann at Smithton and Ta Ann at Huon will be operational, so their position at the negotiating table is very strong support in the future for Ta Ann. There are a lot of stakeholders with different positions and all I can put on the table is what our needs are and where we are coming from.

The 457 visa workers are most topical. The issue has been raised in Federal Parliament that locals do not have an opportunity, that visa 457 people have been used and that they are employed in poor conditions. Our mills use unique technology and we take the low-value pulp logs and make high-value veneer. We use lathes that cost multimillions of dollars and other gear that is very expensive. We used Tasmanian engineers and workers and we used skilled visa 457 workers to jointly build the mill. It is not an either or; it is a combination of both. The mill machinery is imported. The visa 457 workers that were involved are experienced and skilled company workers and are employees of Ta Ann Malaysia. Their expertise was used in the installation, commissioning, maintenance, set-up training and marketing promotion of this new business. No local skilled workers with experience with the machinery and the process were available. There is only one other site in Australia which uses our equipment and it has different products and different markets. Ta Ann has tried unsuccessfully in its advertising for lathe operators. In total, 28 skilled visa workers have been involved at the two sites. As the local workforce becomes fully able to meet the demands of production, the number of overseas visa holders has been reduced. Twelve 457-visa skilled employees have returned home. Currently 16 457-visa employees remain and 10 wives working at our Huon and Smithton mills. Some of these wish to remain longer and have applied for permanent residency and are strongly supported by the workers, the community and the company. Construction of the mills has created 160 FTE jobs and other indirect jobs. The mill workers, both the 457s and the local employees, are employed under the CFMEU Ta Ann Site Enterprise Agreement. Most of the 457s are members of the CFMEU. No visa worker has worked a shift at Smithton and then been transferred to continue work at Huon, as claimed by some in this Parliament. Contrary to the claims about disadvantaging Australian workers, there has been positive regional employment benefits. For example, at Huon the mill has provided work for 100 formerly long-term unemployed people, of whom 12 are now long-term employees of the company.

Ms FORREST - You identified the special equipment that you use. Is the only way to learn to use that on the job; you can't train at a polytechnic or the Skills Institute and get those skills?

Mr RIDLEY - Yes, on site. It is also not only pressing the buttons, it's what happens when things go wrong. We have a lathe which is worth in the order of \$9 million and one that is worth \$3 million, so we start on the smaller lathe and with skill, they transfer up to the larger lathe. You have two operators, one of the overseas skilled people plus an Australian, and progressively, as the skills improve, they can take over or complement. We would envisage down the track that we will need to have one visa-457 person on each shift to assist with the problems that come up.

Ms FORREST - Have the local people who are Australian residents that you have taken on been skilled in the machine operation or have you started them from a school-leaver-type of thing? You mentioned the long-term unemployed. Do they come from backgrounds such as this?

Mr RIDLEY - There has been a range of people but basically the people who are currently operating the lathes are people who have been trained from the ground up.

CHAIR - Greg, would like you to make a comment?

Mr HICKEY - A lot of concern is about the transition out of the regrowth forests. There are impacts on plantation wood. As David said, we believe that we can adopt a plantation product in the future but there is a lot of work to be done in research. We are comfortable with globulus at the moment. There is an opportunity for existing globulus sites maybe to have some silviculture commence that will provide that product in that time and research can go on with other products at the same time. I don't see that there is a point where everything stops and we start again. In the nature of the transition I think there is the ability to move from where we are today with plantations and into the future.

CHAIR - Gentlemen, thank you very much for coming in today; we do appreciate your time.

Mr RIDLEY - We thank you for the opportunity and we thank the Tasmanian community for the support they've given us.

THE WITNESSES WITHDREW.

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

CHAIR - Robert, we appreciate your time. You have given evidence before a parliamentary committee before?

Mr EASTMENT - Yes. I have just been working with the Senate in Canberra.

CHAIR - Okay. You would understand that what you say here is covered by parliamentary privilege but what you say outside may not be. I think you would have been sent that bit of information.

Mr EASTMENT - Yes, Chair, but I do have a concern that some of my knowledge is highly confidential on a commercial basis and I do have a concern about that going into *Hansard*. But if that situation should arise then I will notify you and seek your guidance.

CHAIR - We can do some of that in camera. You can put a proposition to us and we can consider that.

We just have the one term of reference and it is quite straightforward, you are aware of that, of course, so I would ask you, if you would like, to make some opening statements on that from your position in the industry and then we can ask you some questions. If we need to go into camera, we may do so.

Mr EASTMENT - That is good, Chair. Firstly, I want to make absolutely clear my independence in the whole process. I work with lots of people across board and I treasure my independence very strongly. I value it.

I think I spend more time looking at the forestry issues in Tasmania, probably from an investor's point of view and particularly from those overseas who are interested in investing here or even Australian companies. I do not have the experience or the privilege of having worked in the parliamentary process or the administration side of things for many years, but I do see it from outside and therefore I am aware of the issues that may be holding the industry back from the perspective of those not involved. On that basis, I am happy to go ahead and answer as many questions as I can for you today.

I think Einstein said that you are never going to find answers for the future if you go into it with the same mindset that created the problems in the past. I think that sums it up extremely well. I think that is the issue today. If you are talking to the industry and continually look at the problems and the issues and the way that they were created, you are likely to find a solution.

Ms FORREST - How do you see the problems we have created then, Robert?

Mr EASTMENT - I think the industry became dysfunctional when you had one very major player. I think Boral, North Forest Products and Gunns all accumulated into one major entity and then you had one major supplier and the actual structure of the industry itself fell apart because you did not have competition. You did not get, therefore, investment going through to enable survival. This is what we have, it is our right, we can move

forward and process and get whatever we need. Attitudes, I think, became wrong on both sides. I said publicly on television, radio and other things that the Government became far too involved and I think that has caused some problems, too. That has created sovereign risk. People who want to invest in Tasmania at the moment don't want to do so because they perceive the current Government is weak. There is no secret on that one, too. I am not taking political sides but there is a sovereign risk associated with that and you have to ask what is going to cause us problems. The industry has become dysfunctional and that has been a problem, and I think that government involvement has been a problem.

Ms FORREST - It was Gunns who came out and said they were going to transition out of native forest and they were doing that for a number of reasons. One is that plantation timber produces a better pulp product. Another is an attempt to get their social licence for the pulp mill. It probably cost them and a whole range of other things would contribute to that. So the biggest player in town in this area moves significantly in their business model, but you still have the other part which is smaller. I accept that it is smaller but it is still not insignificant to the State in terms of the economic growth. It appears to be having a major impact on other sectors of the community, such as the speciality timber people, the sawmillers - you know who they are anyway. What comment do you have on that?

Mr EASTMENT - I think the forest industry in Tasmania can survive reasonably well without Gunns and they are already beginning to do so. Gunns has not been a player in this industry since 1 April really. They closed most of their woodchip mills, their sawmills are shut, and yet we still have activities going on. We still have contractors out there working in public and private. We still have logs being delivered. We still even have some sawn wood being produced.

Ms FORREST - Not as many, you would have admit.

Mr EASTMENT - Nowhere near as many. Yes, it is a smaller industry but I am very firmly of the opinion that the industry will survive and will actually redevelop itself and become more robust if it is left alone. Leave it alone, step back from it and let the guys out there sort themselves out.

Ms FORREST - The Wilderness Society has stepped out of the talks recently and are saying it is time the Government stepped in and made some decisions here. How do you view those comments?

Mr EASTMENT - Historically, I think it is disappointing that they have stepped out of it. I would like those discussions to be inclusive. If any party, whether it is an industry player or a conservation group or whatever, feels petulant and wants to step out of it for whatever reason then that is a shame but at the end of the day these woodchip mills, export facilities, possibly some sawmills, if they can go into private hands then Gunns will release them to be sold off - one in the south, one in the north at least. You still have Smartfibre out there which is, hopefully, going to be resolved fairly soon and go back to operating fully. The markets are still there and there are other people who are stepping up to the plate. There are contractors who are gathering together to form their own companies and others. Don't throw the baby out with the bathwater. Because Gunns goes, don't close the industry down.

CHAIR - No, and I think most people would accept that. The issue depends on how far the transition goes and the timing of it. With the 570 000 hectares, Robert, will there be sufficient resource? There are probably extreme groups who would want to stop native timber harvesting full stop in the State.

Mr EASTMENT - Firstly, Japanese demand for woodchips is not declining. I cannot emphasise that strongly enough, though from Tasmania, yes. In March, Tasmanian exports were about 102 000 tonnes; out of Australia overall it was about 450 000 tonnes into Japan. We still had nearly half a million tonnes into Japan. So the woodchip export is moving from Tasmania to the mainland, and that is Gunns. Gunns are exporting out of Portland because they have a resource there; they've built a woodchip export facility. So don't think that the woodchip market or demand into Japan is declining, because it's not.

The Nippon mill in Japan was destroyed. We do supply a little bit of woodchip there, particularly out of Smartfibre. That mill is being rebuilt by Nippon and should be operating early next year. The first thing they're going to get up is the pulp mill because pulp mills generate power. With the nuclear problems in Japan and with the individual pulp mills spread around these prefectures, they want those pulp mills up and running so they can generate power because Japan Inc is Tokyo, Sanyo, Nissan, whatever it will be. Those people want power and where are they going to get power from? Not from the grid. They're going to get it from pulp mills, and pulp mills run on woodchips.

I was in discussions last week with a Japanese company working on this very issue. If they can get woodchips into those mills and get those pulp mills up and running very quickly - they don't necessarily have to produce pulp - then they can produce power and get Japan working again and get people employed.

Ms FORREST - Are they tending to get more resource from Chile and places like that?

Mr EASTMENT - They will get resource pretty well anywhere at the moment. What I am saying is that there are markets other than straightforward pulp and paper in Japan, and they need to get going. Forestry are the good guys up there; they can help.

Moving on a little from your question, native forests are increasingly being seen - and some of you will get upset about this, and that's the way it is - but just say there always has to be a plantation base, and has to be this and that, but it is actually moving away a little. From the fact that plantations use chemicals, they are monocultures and a whole lot of other things, there is strong belief now by some of the Japanese and Chinese companies that buy woodchips that they are better off buying woodchips from a multi-use regrowth native forest that has Australian certification or some form of PEFC or AFS or something like that. When you tell me that it's all going to be plantation based, and that's the way it is, it ain't going to happen. People are concerned about the high cost of running plantations - the water, the chemicals, shooting all the browsing animals - there are a whole lot of things associated with plantations. If we shut down our native forests in Tasmania, this will be the next cab off the rank - closing down plantations for all these reasons. The companies who are buying the woodchips are seriously aware of these issues and they are saying, 'Gee, there's a lot to be said for sticking with the new regrowth forests. The old-growth forests are absolutely off limits; they are not interested

in that at all. It makes lousy pulp, don't go there, but regrowth forests are seen to be a most sustainable, friendly, natural way to produce logs.

Ms FORREST - We're not getting that message out of Japan. You might be hearing it at your meetings with the Japanese. We can all speak about who's responsible for what gets out in the media.

Mr EASTMENT - They don't want to bring it out because they don't want to become a target. They don't want to get into a fight and have koalas running up and down their annual general meetings and all that sort of stuff. It is not good business.

CHAIR - Vica might come in on a koala suit!

Laughter.

Mr EASTMENT - It is seriously not good business at the moment to get into an argument you do not need. What you do, you just get on and keep buying the woodchips from your mates. Who are your mates? It may not be Gunns in Tasmania but it could be the contractors and other guys who have been working for a long time and been involved in this process, who have formed consortiums -

Ms FORREST - Then become customers of FT? How are they going to get their product?

Mr EASTMENT - There is a number of options of supply and one of them is to work with FT.

Ms FORREST - What other options are available to them if they are going to sell? If there is a market, as you suggest, in Japan that is not diminishing, that is looking at new, regrowth forest, when they develop, where are they going to get their resource?

Mr EASTMENT - Firstly, there is private and there is not too much private on the east coast. There is some in the Huon but it is expensive to get it there. There is quite a bit private still in the north. So we have to look at where the private land is. There is still a bit of private land, more in the north than the south. With FT, you can either work and have FT do all the work, or else you can just work off crown land which may be administered by FT, as a process of maintaining it or something like that, without FT necessarily involved in the transaction or the processing or whatever it is.

Ms FORREST - They just lease the land, is that what you're saying?

Mr EASTMENT - They would lease the land or they would take it at the stump and then they would be funding back directly into the State. So there are different ways and particularly with the reviews of FT that are coming up shortly about the structure, they are saying, "Whether FT stays as an entity or is split up, we have to work outside of that and think, "How can we do this?". Maybe one of them is just to lease land.

Ms FORREST - Privatised the growing, is that what you are suggesting?

Mr EASTMENT - Yes. What I am saying is that there may be different structures that you can think of than what has been happening over the last 50 years because, as I said, we

are not going solve the problems of the past with the same mindset that created them. So we have to move away from that. But I think FT will be involved in some way, yes. I hope that answered your question. It was a fairly long answer.

CHAIR - It was.

Mr HARRISS - Just on that matter of regrowth versus plantation, as you have given evidence to committees in the Parliament in the past, Robert, we understand that plantation has a higher yield in terms of pulp product, so why wouldn't, in broad economic terms, the buyers and the producers, for that matter, the producers of the pulp, want to tap into exclusively plantation, a la Gunns?

Ms EASTMENT - Can I get technical?

Mr HARRISS - It will probably go over my head, but away you go.

Mr EASTMENT - I will do what I can. There are two bits to the woodchip - forget the water. We have the cellulose and the lignin. In the past it has always been push up the cellulose and we know that they have it up to about 55. Tasmania is a leader in improving the quality of the woodchips. But now there is a very clear break away from that by saying that the green, renewable energy that is stored in the lignin is as valuable or more valuable than the cellulose.

Ms FORREST - So you increase the cellulose but it is to the detriment of the lignin?

Mr EASTMENT - Yes, because you have pushed up the volume of cellulose. So with your plantation - and I think I have spoken in this very room in the past about the quality of woodchips - now they think, 'I do not really want 55 per cent cellulose in my woodchip. I would happy with even 50 per cent. So then I get another 5 per cent or 10 per cent of what I had before or 5 per cent of the woodchip. I can turn that into energy, so I do not have to buy oil. If I use that, I can then sell that into green energy'. That is really important and it depends on what happens in the European Union and with the international signatories on greenhouse and carbon and everything else, but there are certainly some opportunities there. So I would really like you to move away from thinking about woodchips as a source of manufacturing paper. It can produce multiple products.

Ms FORREST - Don't we still have issues with a number of the environmental groups in this area that resist the use of wood fibre for power generation?

Mr EASTMENT - With absolute respect, in deference to your knowledge, you are right but everything to do with the greenhouse environment and processes is driven by an international agenda and it's the Commonwealth Government that has signed signatories; it is not the Tasmanian Government. The Tasmanian Government has absolutely no authority in those treaties. If you are looking at carbon trading, prices and what can and cannot be included as a green energy, while there is a lot of local dissent the benchmarks are essentially being set in Europe as to what is in and what isn't in and a regrowth sustainably-managed native forest is in. People here will become very upset and they will scream and carry on. I understand all the local concerns but this has really been driven ostensibly by the ENGOS; they are masters in the European market. Are we part

of an international world or are we going to live in the middle of nowhere, just on our own in total isolation and set our own standards? An example is the New South Wales Government that has started selling those sequestration markets into TEPCO, which is the Japanese nuclear plant. New South Wales went up there and set up all these agreements to sell that sequestration of carbon for the Japanese power company and now it has all come unstruck because the New South Wales Government has never signed any international treaty. Like it or not, it is the Commonwealth that signs the international treaties.

Ms FORREST - Are you saying, Robert, that the Commonwealth could say, 'We don't really care what you Tasmanians think' - the Tasmanian Government and the Tasmanian people - 'but this is the way we're going'?

Mr EASTMENT - They can't go it alone because they can't trade anything that is not internationally agreed. There's an international agreement that says that regrowth native forests that are sustainably managed are in, whether the Commonwealth Government likes it or not. They can protest about it but if the greater mass of the world thinks that is all right, that's it, we go along with the treaty.

Ms FORREST - Well, if they've signed it, they haven't got a lot of choice.

Mr EASTMENT - I understand the emotions and the sensitivities of it but the practicality of it is that if it is internationally acceptable then that's the way it is. Your woodchips out of your native forests have many uses and they are increasingly controlled by the international agreements and therefore that has taken it out of your hands, or anyone else in Parliament who might be strongly opposed to it.

CHAIR - I'll just put another proposition to you, Robert, in regard to our terms of reference. From our existing native forest mix at the moment we have a lot of people who rely on those speciality timbers - sawmillers for flooring and all sorts of end products - and yet in Australia we would seem to be a net importer of wood products. If for some reason that transition out of native forests became almost a total reality, it would seem that we would have to replace and import a lot of product from countries, perhaps in South-East Asia, where there are unsustainable practices.

Mr EASTMENT - Just be a little bit careful on those statements because you're talking about hardwood and softwood there. We have now breached the \$1 million a day; we are now importing about \$1.1 million of sawn softwood every day.

Ms FORREST - Tasmania, or the country?

Mr EASTMENT - No, the country. That is because the softwood estate in Australia used to be run essentially by the State governments and then funded by the Commonwealth Government but that ended in about 1980, so the softwood estate no longer expanded. We now need more softwood than our softwood estate can produce. In Melbourne, Sydney and other places they build houses out of softwood. All that framing is softwood. We do import significant amounts of softwood. We also import some hardwood. Hardwood consumption has been declining over the long term but it was declining about 2 per cent per annum. Because Gunns have been pulling out of native forests now and there is less production and also with the reduction of jarrah in Western

Australia, which is also run by Gunns, consumption last year dropped 4 per cent in the hardwood sector. That is a concern because there are no resources being expended on producing sawn wood in volume out of plantations. Plantation timber is very hard to saw and dry.

If people are looking for hardwood there is some here. There are some special species for your kitchen cabinetry and staircases or whatever. We need to be very careful of the logs or the sawn timbers coming in here and we have an illegal logging control system, I suppose, in place but a lot of the demand that was driving the consumption of native timbers in Australia has been exported. By that I mean furniture manufacturing. Almost 50 per cent of furniture manufacturing has been exported so therefore the people making the tables and everything else and who were demanding the hardwood, all that business and work has now gone to China and they are getting logs from goodness knows where. But we continue to buy our products from the retail because of price and everything else and it is increasingly made in places like China. Even IKEA have a factory in Asia and are bringing it in.

Yes, there is a requirement for native timbers but the volume has dropped. We will not get it back because of the export of those jobs in the industries and everything else. There is a continuing small demand for native timber for your flooring and such like and that will not increase again until people like the architects - and people like Greg Nolan down here in timber research - get the construction and the design and everybody else back to using hardwood.

Some powertool warranties for building are now void if they are used on hardwood. If you go down to the hardware store and get a drill or something like that, that warranty is for use on softwood because the builders are third-generation softwood. If you want to start pushing hardwood into the industry, it is not a question of people saying you have to have it. You actually have to retool for it and a whole lot of experience has to go back into it. It is a big industrial shift that has occurred. There are now third- or fourth-generation builders who are using softwood and that is a hard tide to turn.

Mr HARRISS - Robert, in terms of the Statement of Principles and the matters that it embraces, can I go to the reality of Gunns withdrawing from native forest processing? That would seem to introduce the reality that the 300 000 cubic metres mandated would see some reduction. In terms of commercial reality of that occurring, have you had any cause to address your mind to what would be a sustainable quantum for a continuation of a sawlog-driven industry?

Mr EASTMENT - No. I don't know what would be a sustainable level because that would really depend on what forests are available and the quality of those forests. Some years would be down and some years would be up in volume of what is being taken and such like. Again, I think there is a need for the hardwood sawmillers who are remaining in the industry to change their operations. I would like to see a much higher return from the sawlogs out of native forests. I would like to draw the committee's attention to what has happened in Victoria over the last four years. They have moved away from having any form of set sustainable levels. You go through VicForests and you will see now that they have taken away all administered supply in Victoria. They stopped it and there was a lot of pain to many people. I was heavily involved in this. They have moved the supply of logs in Victoria to an auction system. They have logs coming up and if you are a

sawmiller and want those logs then you now have to bid for them. There has been significant restructuring of the hardwood sawmilling industry in Victoria. Probably two-thirds of the industry has left the industry because they had antiquated sawmills and very poor returns. The people who have remained in the industry of sawmilling hardwood logs in Victoria now are paying upward and above three times what the logs used to be sold for, and in some instance four times as much. They are producing fewer logs and the Government has a considerably higher revenue stream through that auction system. The sawmillers who have remained in the industry, because they have invested significantly in technology, processing techniques and producing products that markets want, have a higher revenue stream. Some of them have openly said, 'We're more profitable now than we were before, yet we're paying significantly more for our logs. We've been driven to restructure our business'.

Mr HARRISS - That competes with the notion of wood supply agreements and simplistically seems to present a challenge for any business to tool themselves up, gear themselves up, with some sort of certainty for a defined period into the future.

Mr EASTMENT - Yes, there was considerable pain in Victoria. A lot of people said, 'This is a fourth-generation sawmill and we're going out of business' - because they haven't invested in it over the four generations and haven't competed against the imports and products that are coming on. They are not producing products that people really want. If you continue to look at the problem with the mindset that created the problem then you are not going to solve it. In Victoria they said, 'We will then cancel all administrative agreements'. There was a sort of compensation and people didn't get enough. It is all documented and you will be able to read it. They have gone to auction supply, so rather than setting a level and saying, 'That is the cut we want to produce - 200 000 tonnes a year', they are saying, 'These are what we're working in. We're going to produce this amount of timber this year and it's up for auction and there's the quality of the logs'. That is like any other supply industry. If you want something, you have to go out and invest or buy at auction for it. Forestry does not have the right to be different and have a God-given birthright to the supply of logs.

Mr HARRISS - So that's in native forests?

Mr EASTMENT - It is native forest in Victoria. They have the RFAs; they have reduced their areas, they have had significant areas burnt. When they went through the recovery process on those burnt areas they said, 'Those are burnt logs. They're up for auction'. People said, 'We don't want them, they're burnt', but they went for quite high prices. They've got beautiful timbers out of them because inside they're perfectly all right.

We have talked about some other things here today that will upset the industry but you need to move away from this. If people want logs - and you're talking about sustainable cuts - then move away from that idea. You have to say, 'This is a business. We need money into it, we need investment and jobs'. People will do that if you're producing a product that consumers want. They are not going to re-engineer their mills, they're not going to retech themselves in skills and everything else unless their inputs have a much higher value. It is going to cause pain.

CHAIR - We have run a few minutes over time. That is okay. Just to encapsulate, as you acknowledged before, there are sawmillers in Tasmania and we have had evidence that

there is significant demand and they retooling and they are doing things. You also mentioned that the Japanese demand for woodchips is not decreasing; in fact it is increasing at the moment. Just very quickly, could you make a comment about China?

Mr EASTMENT - Demand in China is certainly strong and will go up and up. When people boast about how much they are sending to China, that is one thing, but what you really have to consider is, at what price? What price are they getting for the woodchips and at what price to the environment?

CHAIR - Thank you very much, Robert, for your time.

THE WITNESS WITHDREW.

Mr MICHAEL VICA BAYLEY, CAMPAIGN DIRECTOR, THE WILDERNESS SOCIETY, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Thank you very much for coming along and giving evidence today. You have given evidence to parliamentary committees before, Vica, so you know that you are protected by parliamentary privilege with what you say within the committee but outside the committee you may not be. We just have that one single term of reference. If you would like to make an opening statement on behalf of your organisation or yourself with regard to that term of reference then we will have questions and answers.

Mr BAYLEY - Sure. I do not have a lot to say at the outset. I think the Wilderness Society has been on record for 30-odd years about our position in terms of logging of unique forests in Tasmania. Our position in relation to logging those forests stands and people are well aware that we have been involved in a round of ground-breaking discussions with industry representative leaders to ultimately try to reach a solution that will deliver us a resolution to the conflict over forestry in Tasmania. The conflict has been destructive and socially divisive. I do not think anyone will argue with that fact and I think everyone would also agree that it is going to be best put behind us.

The industry is clearly having very tough times economically. It has traditionally received a great deal of hostility over a whole range of factors and, as an environment group, we have consistently represented our position on the environmental impacts of logging native forests, particularly high-conservation-value native forests.

People know we have signed the Statement of Principles. We are 100 per cent committed to that Statement of Principles and what they offer to Tasmania. We are 100 per cent committed to constructive dialogue with everybody and anyone who is willing to listen and willing to engage constructively and we are absolutely committed to delivering a positive resolution, we believe, for our environment, the industry and Tasmania as a whole, as a community. People will also know that we took the step last week of suspending our involvement in the discussions. We do not feel as if there has been any actual negotiations going on since effectively the signing of that Statement of Principles back in October. We very firmly believe it is the responsibility of government to step up and seize this opportunity and assist the signatories to the agreement to take it further. While we are absolutely committed constructive talks, we are not in it for talking's sake and we do see a strong role for government now to get involved and help drive this opportunity forward.

I am broadly happy with that as an opening statement. I think everybody is aware of our position in relation to the logging of Tasmania's forests and, indeed, Australia's forests. We have campaign centres in other parts of Australia that are working on similar issues. This is core business for the Wilderness Society in Tasmania in terms of what we do and we are very excited and very committed to the opportunities that present to Tasmania now.

CHAIR - If I could lead off then, Vica, there are discussions still going on, as I understand, so why is it that you are still not inside the tent in that respect? I know you have said you have stood aside on a temporary basis but why would you still not be in there?

Mr BAYLEY - We need to distinguish between current discussions and formal negotiations. The Statement of Principles took eight or nine months to negotiate. It was formally signed in October last year. It was presented to government. The principles have very clear interim steps that the signatories have asked the Government to deliver, things such as exit assistance for struggling workers, sawlog buy-out programs and, of course, the moratorium on logging in high-conservation-value forests. To-date, since October, none of that has been delivered. We have had Bill Kelty doing a great job of having discussions with the parties, scoping out the challenges, scoping out the opportunities, doing due diligence for the Government, but there has been no commitment from the Government that they would accept this opportunity and take it forward. There has been no response to Bill Kelty's interim report which was handed down two months ago, no formal response whatsoever, and no provision within the Federal Government's budget for the assistance that is needed. We felt that the discussions, the talks, were not in a negotiation phase. They were effectively in a stalled cycle of discussions amongst the signatories and we, as I mentioned, are not in talks for talking's sake; we are here to deliver outcomes for the environment. As we have signed this agreement we are also here for outcomes for industry and, therefore, we made the decision, I hope the right decision, to suspend our involvement in those discussions until the Government has made the commitment that they were prepared to negotiate with signatories and each other about implementing the opportunities.

So we are still very committed to the principles document, the stated intention of the principles document and what it entails. But we want to see a commitment from the Government that they will put up senior ministerial representatives who can make decisions on behalf of their Government to negotiate with the range of signatories and each other about making it real, because without government it is not real. Stakeholders made a very deliberate decision to ensure this was a stakeholder-led process, and hence the former Premier Bartlett did take a step back and allow this process to go ahead and withdrew his own plans for a round-table type of discussion. That was very much to keep politics out of the discussion and have it as a stakeholder-led agreement. But the agreement is abundantly clear that it is being presented to the Government for their urgent assistance with a range of interim measures.

Ms FORREST - Vica, I would be interested to see how you view the Statement of Principles because you talk about the Statement of Principles and you talk about an agreement. How do you see it?

Mr BAYLEY - It is an agreement. It has a range of signatories on it. It is called the Tasmanian Forest Statement of Principles to lead to an agreement.

Ms FORREST - To lead to an agreement?

Mr BAYLEY - Yes, but it is an agreement in its own right. The parties to the principles seek a range of interim measures from government at the outset and then there is a range of principles such that the parties agree to the following. It is an agreement. With some of these principles there is a substantial body of work and of talks and negotiations and so forth that still need to be had, but there is substantial agreement up-front. There is a very clear request to government to get behind those interim measures and I think it gives

enough direction to government to embrace it and take it forward. Some of the interim measures, for example, state:

'The parties to the principles seek from State and Federal governments support for and delivery of all principles in full; interim support for the development of a plan to deliver the principles; implementation of the principles through an agreed, fully funded package; interim assistance for Tasmanian harvest, hauling and silvicultural contractors; determining guaranteed supplier; progressive moratorium; and exit assistance for the industry'.

Some of these elements, as you can appreciate, address the human impacts of the crisis in the logging industry. We have contractors who are in serious financial trouble. You have processing businesses that have a stated intention of getting out of the industry. So there is enough direction there and there is clear motivation for government to get on board and support those human elements. When it comes to the environmental elements it is very clear about the progressive moratorium being implemented within three months. Again, we have been in a bit of a chicken-and-egg or vicious-circle situation where the Government has not been prepared to do anything and, therefore, in many ways nothing has been delivered. At some point the Government - and that point is long past, in our view - had to accept this, begin to deliver the interim measures, the support for workers and the exit assistance for the industry and that will make delivery of moratorium and other process flow much more easily.

Dr GOODWIN - Vica, I want to go back to your opening statement. I think you said that the Wilderness Society has been on the record for about 30 years campaigning against logging of Tasmania's unique forests. My impression is that your position has evolved somewhat over that period. First of all we started talking about not logging old-growth forests and then we moved to talking about not logging native forest, which is where we're at at the moment. If we go down this path of transitioning out of harvesting of native forests, what guarantees do we have that at some point in the future the Wilderness Society won't start saying that we shouldn't be logging plantations forests?

Mr BAYLEY - The distinction is that previous attempts to solve this problem have largely been political fixes. Whether you go back to the Howard-Lennon Tasmanian Community Forest Agreement, they have all been politically driven fixes that have attempted to manage the politics and deliver, in those politicians' words, 'the balance'.

CHAIR - But a lot of the ENGOs were part of those processes - not the Community Forest Agreement but the RFA.

Mr BAYLEY - That's right, the RFA to a certain extent although not all the way through. There are a lot of scientists on record about the problems associated with that process, as I remember. Most of those processes have been for a political fix and that's why we see this as such a unique opportunity, because it is stakeholder-led. It is the traditional combatants in this debate that have come together and reached this agreement and therefore we absolutely see it as being the end of the conflict in Tasmania. We see that if the outcomes presented within the Statement of Principles are delivered then we get protection of the HCV forests, transition out of commodity production out of the rest of the native forests, and development of a sustainable plantation-based industry, ongoing

speciality timber industry et cetera and all the other opportunities it presents, so we see it as an end to the conflict and the end to the debate in many ways.

Dr GOODWIN - We have heard evidence in this committee that there is still a lot of uncertainty about going down the plantation path in terms of what materials would be suitable, how it would need to be managed, designer plantations et cetera. What if we go down that path and the Wilderness Society isn't happy with the way those plantations are managed? Is that a possibility, that you would then be opposed?

Mr BAYLEY - We're not happy with how they're managed now, and I am happy to make that abundantly clear. There are sections of the broader community that are not satisfied with how they're managed at the moment with aerial spraying, monoculture plantations, MIS subsidies - that is less of an issue these days, but in terms of the inequities that created in the land market and so forth. There are existing problems and the Statement of Principles provides a platform or a principle to reform some of those. We recognise that there needs to be an ongoing harvest for specialty timber and the principles provide that be for eucalypt as well, but native forests by and large are better and more valuable, perhaps not in a dollar term, for the environmental, ecological and other services they provide us. Plantations are better for wood production, fibre production and the like.

Ms FORREST - And the pulp mill?

Mr BAYLEY - We have signed up to a position that we need a diverse range of plantation processing options in Tasmania, and that includes a pulp mill. We have a pulp mill in Tasmania already, 30 or 40 kilometres up the river from Hobart, and that's not opposed. It is plantation-based and it's not something that we or anyone else is protesting against.

Ms FORREST - You must admit, though, Vica, that's different. That is a mechanical pulp mill that produces newsprint.

Mr BAYLEY - That's right. We don't support the Tamar Valley pulp mill. There is a range of outstanding problems with the Tamar Valley pulp mill proposal, which include things such as its technology, location, and obviously the ongoing community opposition. We don't accept the legislation that was passed at a State-based level. We do not support that mill. We think that is not the best option for a plantation-processing industry in Tasmania. With the Statement of Principles and this opportunity we have a clean slate to take a step back, have a look at the plantation estate and the native forest industry - and the collapse of it - and look at where some of those impacts may need to be mitigated and try to map out a new plantation-processing industry that prioritises sawn and manufactured products and then work out where within that scope a pulp mill can fit and make sure it's appropriately located, appropriately sized and properly assessed.

Dr GOODWIN - You've mentioned you have some issues with the way plantations are currently managed. In terms of going forward and moving down this transition path you would want some very strict guidelines around the way plantations are managed in the future before you would be prepared to support harvesting, is that right?

Mr BAYLEY - There are plantations there already and they are being managed and harvested already. What we are saying is that there needs to be a process and a plan to review and overhaul some of those management practices.

Dr GOODWIN - We've heard evidence that there will need to be new designer plantations to meet the needs of Ta Ann, for example. There are still some uncertainties. More research needs to be done on eucalyptus nitens.

Mr BAYLEY - There are a whole lot of things. I think change breeds creativity in how we manage, what we grow, how we process plantations. Judith Ajani has written papers and books about the way that the native forest industry over the course of time, decades, has undermined the plantation industry. Because of the provision of cheaper native forest products it has undermined the creativity and opportunities of the plantation industry. We very much see that with a scaling down of the commodity native forest logging industry there will be an emergence of opportunities for plantation companies, plantation processing options and so forth to meet new markets. We are importing plantation products into Australia and Tasmania at the moment.

CHAIR - Can we go back to our term of reference, the impact of the transition out of native forest harvesting and management in Tasmania? We have had quite a lot of evidence to suggest that there are sawmills out there at the moment that can't meet the demand for native forest products. You may or may not have heard the last person who came to give evidence - there is strong demand for native forest woodchips in Japan, strong demand in China. If you are comparing harvesting native forests with, say, plantations, you could argue that a lot of those native forests are a renewable resource that can be harvested, they do not need chemicals and some of the things that you're concerned about, some of those other regimes, so why could we not continue with a sustainable harvesting regime? I'm not talking about total clear-felling or anything else like that, but the sustainable selective harvesting regime, and it would still require the residue to be put into woodchip.

Mr BAYLEY - Because it's falling apart already; it is collapsing. There may be some mills that are surviving and have found a niche with some products that may help them survive, but the industry is in crisis. The thing that has sparked and brought these talks on is the fact that the industry is in crisis. There is an over-supply of contractors in the market.

CHAIR - Yes, but would you not acknowledge that things change, a lot of things are cyclical and international dollar values change and demands change as well?

Mr BAYLEY - Absolutely.

CHAIR - I acknowledge that there certainly have been issues and I am not saying there have not but what I am pointing to is that we have to be careful that we don't throw the baby out with the bathwater. Would you like to see no native forest harvesting? I think that is the Wilderness Society's -

Mr BAYLEY - No, that is not our position.

CHAIR - Not at all?

Mr BAYLEY - In terms of change, let us be clear absolutely: there could be new markets. There is a whole range of new things that could be developed to take the woodchips that

we believe the international markets have been rejecting - biomass and so forth. The other thing, I think, that changes and has changed significantly is community opinion and community attitudes. There is an increasing environmental awareness about the value of native forests, for our water, for our wildlife, for carbon and for a whole range of other issues that do not necessarily have a dollar value placed on them. We can treat this downturn either as a threat or an opportunity to address the issue. We could treat it as a threat and desperately go out and try to find cheap markets for native forest woodchips in China, as we have heard, subsidise it and continue to see our State-owned native forest agency return nothing to the State or we can treat it as an opportunity to get involved with the stakeholders, get involved with a structured, coordinated and orderly transition that addresses the community concerns and ultimately builds a more sustainable industry. That is why we have all of these industry groups signed up to this piece of paper. They recognise that the old way of doing things -

CHAIR - As Ruth pointed out, it is just a statement of principles at this stage. There are a lot of i's to be dotted and a lot of t's to be crossed before anything happens.

Mr BAYLEY - But a lot of very definitive outcomes are captured in it as well, particularly around the exodus systems, particularly around the protection of high-conservation-value forest, particularly around building a new industry that is based largely on plantations.

CHAIR - If we could turn to the HCV part at the moment. I think we talked about 570 000 hectares or thereabouts. Maps of that have been produced and everybody is still struggling to determine the definition of a high-conservation-value forest. We have had and looked at past statements from people in the environment movement and seen photos of landscapes and forests that have been harvested, trashed and destroyed forever and yet they are now part of your claim as HCV forests and there is also quite a large amount of plantation in it. How can that be so?

Mr BAYLEY - In regard to large plantations - and I have some of the figures here of the 570 000-odd - the break-up shows about 2 000 hectares or thereabouts of plantations or regrowth. There is 100 000-odd hectares of aged regrowth, 43 000 hectares and there are some other non-forest areas as well. When it comes to regrowth and plantations, the reason some of them are in there is some principles around reserve design and making sure that the areas of forest that do get protected have an integrity and have a connectivity that delivers in time the best conservation outcomes.

I would take umbrage with your allegation, I guess, that we have said it is destroyed forever and will never come back. We absolutely recognise that forests grow back.

CHAIR - They were statements made, not by me - they were, but they are printed.

Mr BAYLEY - No, I don't know that they are statements. We say that the values are destroyed absolutely. The values are destroyed and for an old-growth and high-conservation-value forest the values are destroyed for a considerable amount of time - for 200, 300 or 400 years depending on which value you are talking about.

Ms FORREST - Vica, if you are talking about even the values being destroyed, there was a clear case in your area, Mr Chairman, but I cannot think where it was -

CHAIR - Western Tiers.

Ms FORREST - In Western Tiers somewhere, where it was claimed that it had destroyed the value as well as the forest - obviously cutting down tends to destroy it for a short period of time - but that very area is being claimed as being high-value conservation, and that is only how many years later, Mr Chairman - about 30 years?

Mr BAYLEY - Depending on where it is and depending on the context, maybe that is an area of forest that is still surrounded by intact old-growth or other high-conservation-value forest. So it has been included in the reserve design so that we don't end up with a reserve design that is like a mouse-eaten piece of cheese that has holes out of it and that are still part of the commercial logging estate. So that is put in there.

Over time - 200, 300 or 400 years, depending on which value you are talking about - it may recover those values again but it is put in there now so that we can actually get integrity and connectivity across the landscape. That is one of the principles.

Ms FORREST - I put it to you then, Vica, if that's the approach that you take then any area that is near an area that is either old growth or identified, through whatever process, as high-value conservation, could easily be included and wrapped in this creep, creep, creep that we've seen. It becomes part of that story you've just described because of its proximity to areas that are identified or already reserved.

Mr BAYLEY - Not necessarily proximity to. If it was adjacent to or outside of, then no, not necessarily. There would be a boundary drawn that would divide those. But if it is, for example, inside an area of intact forest that's deemed worthy of protection, then yes it could be captured within the reserve design. We absolutely have intentions and principles that there is a need for rehabilitation and restoration of areas of the native forest estate across Tasmania, including the plantations. The 2 000-odd hectares of plantations that are in there are not there necessarily because we want to protect plantations. They are there because they are in a significant area in the context of the surrounding forests and they need to be restored. Perhaps they'll be grown out and harvested so that there is some wood supply from that plantation, depending on its age. Perhaps if it's only two or three years old, the restoration and the rehabilitation starts virtually immediately. There is a whole range of different contexts as to why some areas that have been logged - plantations or silviculture regrowth - are included within the reserve area. They are not at this very day a high-conservation-value forest. We would argue that they have had their high-conservation values seriously compromised in the logging process. They are no longer as valuable from a habitat perspective; they've lost vast amounts of their carbon storage et cetera. Whatever value you want to talk about, the majority of them are diminished, but depending on the context they are included in the reserve design so that ultimately, over time, we'll get a reserve design that is integral, that is connected and that delivers the best conservation outcomes.

Mr HARRISS - Sticking with HCV for a moment. I still struggle with whether we've got an agreement or whether it's a statement of principles which is leading to agreement. I hear what you said earlier, I've looked at the Statement of Principles and the parties agree to certain things, but the parties agree to certain things if we get to an agreement. With regard to the HCV and the progressive implementation of a moratorium, can you tell the committee what process has been used to identify HCV and can you give the committee a

definition of HCV? Further, can you address your mind to the notion that HCV elsewhere in the world, as I understand it, can be harvested as long as the conservation values are managed? There are three bits to that question.

Mr BAYLEY - The definition we use is that large, intact natural forest areas, forests displaying ecological maturity, forest areas of social, cultural, spiritual importance - heritage values - forest ecosystems and habitat important from a biodiversity perspective, forest areas of good reserve design and forests important for ecosystem services - carbon, water catchments -

Ms FORREST - Is that 'and' or 'or'? Do they have to include all of those things?

Mr BAYLEY - They are the criteria for high conservation values. You do not necessarily need to address all of them.

Dr GOODWIN - They are fairly broad, would you agree?

Ms FORREST - It could be a reserve or just about any forest. That was one of the latter ones you read.

Mr BAYLEY - Forests with import for ecosystem services functions.

Ms FORREST - No, before that one.

Mr BAYLEY - Forest areas that contribute to a good reserve design?

Ms FORREST - Yes.

Mr BAYLEY - This is coming back to the point about areas of regrowth and so forth being included in the high conservation value or the reserve proposal. They do not necessarily have high conservation values here and now that are important from an integrity perspective for the reserve design - the ultimate outcome that we are going to have in 100, 200, 300 years.

CHAIR - A lot of those forests you are now claiming as being HCV forests have been harvested over time, probably three and four times. Does that not indicate to you that the management regime has been sufficient and good enough for them now to be classed as those forests?

Mr BAYLEY - Management regimes have changed significantly. There is no doubt that some areas are regrowth forest because they have logged selectively however many years ago, sometimes going back as far as cross-cut saws and so forth. However, we cannot really compare that management or harvesting process with clearfell, burn and sow. With the clearfell, burn and sow regime, you get an even-aged eucalypt crop that is designed and grown for 50-, 80- or 120-year rotations.

CHAIR - Normally 80 to 100 in a wet sclerophyll forest.

Mr BAYLEY - Yes, for native forest.

Mr HARRISS - But that very contribution, Vica, by you just now confirms what the Chairman has put to you, that that management regime over a number of cuts has delivered a forest which you now claim is HCV. But it suggests to me that the management regime has been sufficiently robust to now deliver HCV values.

Ms FORREST - And should be exposed to the same management in the future.

Mr HARRISS - As a continuation, because in another 80, 100 or 200 years we will still say that that forest, which is cut again and managed on a good regime, delivers HCV values.

Mr BAYLEY - No, I guess when it comes to the regime, the idea of protecting it is that it is not managed on a rotation regime. Ultimately, if it is an area that has been cut before, clearfelled, burned and sowed, if it is within the HCV forest because of the reserve design, because of connectivity or reserve integrity perspectives, the very fact that it will not get harvested again on a 80- or 100-years rotation means that it has an increased chance of getting those values back again, values in terms of biodiversity, carbon storage, water as so forth.

Mr HARRISS - But you are saying they have it now and that is why it has been determined HCV. It is forest with high conservation values now. That is why you are proposing to lock it up now.

Mr BAYLEY - Let us be clear. There are some areas that are classified as regrowth and let us remember that the definition for regrowth is very narrow. Regrowth encompasses areas that have been burnt by wildfire as far back as 120 years ago. The State's tallest tree, almost 100 metres tall, was found in regrowth forest. So the definition of regrowth is very narrow from an ecological perspective.

In terms of some of that other regrowth, such as the example I gave, if it was very selectively harvested 50 to 100 years ago using methods that are not what we see today, then, yes, they may still retain some high conservation values. They may still contain important habitat and important water and important carbon values et cetera and some of those other issues that I spoke about. If you are talking about a 30-year old regrowth forest on the Western Tiers, though not knowing the forest I can pretty much guarantee that it's high-conservation values have been seriously compromised and seriously damaged. It may retain some values and there may be some carbon storage retained or at least recovering, but the high-conservation values have been seriously compromised. The value of putting them in a protected reserve to deliver the reserve integrity and design and in terms of stopping that ongoing harvest is that over time they will recover. They are not going to recover if it is clear-felled and burnt again in 90 or 120 years. It will recover some of them but then it may not.

CHAIR - They may not be clear-felled and burnt, though; they might just be selectively harvested again.

Mr BAYLEY - It may not, but from the perspective that we're putting forward that patch of forest in terms of delivering the best conservation outcome and the best reserve design is better off protected, rehabilitated, restored and in the long term that will deliver the best conservation outcomes and it may well recover all of its high-conservation-value forests.

Mr HARRISS - So back to that area that I was visiting with you a while ago, firstly, have you formed that view about the HCV forests which have now been identified by the ENGOs by a scientific analysis? Then I want to take you back to the question I asked earlier about managing the conservation values within those forests not precluding some harvesting.

Mr BAYLEY - In regard to the process to identify those values, it is a range of processes that go back decades in some cases. It's a range of scientific reports, World Heritage and other formal body reports and community group reports. It is absolutely not necessarily all by a qualified, guaranteed scientist. It is a process by which it reports on or there are various reports that report on those conservation values that I have mentioned before.

Mr HARRISS - So what process have you used to get into the situation now where the current identification of HCV has been delivered?

Mr BAYLEY - We have compiled all of those various reports that have been pulled together - government departments, World Heritage reports, community groups et cetera - and tried to identify, as best we can, out of them, depending on the maps and so forth, the areas of forest that could be deemed HCV. We had a look at this with issues such as reserve design and so forth in mind to try to get the best design possible.

Mr HARRISS - I want to come to that final part of my question about harvesting not being precluded as part of properly managing conservation values. Before we do, didn't the RFA and the various other negotiated outcomes assess, address and deliver the recognition of conservation values in our forests across Australia?

Mr BAYLEY - I don't believe it did adequately. The reserve outcomes that came out of the RFA process were welcome, but I think they have been identified by people such as Professor Jamie Kirkpatrick as being inadequate from a scientific perspective.

Mr HARRISS - So the comprehensive, adequate and representative nature delivered by the RFA didn't satisfy the Wilderness Society at the time.

Mr BAYLEY - Clearly, yes.

Mr HARRISS - Was that one of the main reasons that the Wilderness Society didn't see that process through to the end?

Mr BAYLEY - I wasn't involved in that process.

Mr HARRISS - You'd know about the history, though.

Mr BAYLEY - My understanding is we weren't fully engaged in it all the way through. It's not as if we withdrew or suspended or anything like that; there was a decision made early on that it wasn't going to deliver the best outcomes from a conservation perspective.

Mr HARRISS - Early on? History doesn't confirm that.

Mr BAYLEY - I am happy to take that on notice. I can do some research and come back to you.

Mr HARRISS - Now to the question about harvesting not being precluded so long as the conservation values are managed.

Mr BAYLEY - From our perspective, harvesting does impact on conservation values.

Mr HARRISS - So you're at variance with the rest of the world which identifies HCV forests and acknowledges that harvesting in a sustainable way does not destroy the conservation values? You have already said to the committee that there is a vast tract of land being claimed through this process and you've already said that the conservation values could grow and develop and be confirmed. That suggests to me a moveable feast and that, properly managed, conservation values will be managed and will comply with all sorts of stewardship requirements, whether it be FSC or PEFC. All of those regimes acknowledge that properly identified and managed harvesting is sustainable.

Mr BAYLEY - There are schemes such as FSC, and so forth, that identify that you can manage conservation values while harvesting as well but it is our position that these are publicly-owned forests and that the conservation values of them are so great, and from a public perspective that the public opinion on them rests on having those conservation values formally legislatively protected in reserves such as national parks. We believe that that will deliver additional benefits to Tasmania; logging and managing those conservation values we think will deliver better values to Tasmania than if they were logged and tried to be managed. We have seen no evidence, certainly in the way that Forestry Tasmania currently manages those forests, that it would ever get that kind of certification. It is clearly never going to get that kind of certification and from our perspective -

Mr HARRISS - Which certification?

Mr BAYLEY - FSC certification - the Forestry Woodchip Council.

Mr HARRISS - It won't get FSC with the current management regime?

Mr BAYLEY - Forestry Tasmania - that's right. It's my belief that they would never get it.

Mr HARRISS - And yet the boundaries you've drawn identify HCV forests - we've been managing them to get to that stage.

Mr BAYLEY - We've been over this, though. I've stated to the committee that some of those areas' values have been diminished massively by that management but over time, over a long period of time, if they're not harvested they will recover. But they're included in there from a reserve connectivity and a reserve integrity perspective.

Mr HARRISS - Finally, on that point, is there any native forest left for sustainable harvesting in the State after these lines are drawn, if we accept them?

Mr BAYLEY - The lines, if they are accepted, represent about half of the publicly owned native forest so, yes, there's another half of the existing publicly owned native forest that is available for the transition. Then, depending upon the negotiation and the modelling around speciality timber production, and so forth, there is absolutely an anticipation,

expectation of, and support from us, I might add, for an ongoing supply of speciality timber from that area as well.

Dr GOODWIN - Vica, I want to continue to ask questions about the HCV definition and the process for identifying the areas you've been talking about. One of the things I've noticed with this inquiry so far is that most witnesses - and I have missed a day so I may have missed this - have been unable to tell us what the definition of HCV is. Is this a definition that the Wilderness Society has come up with?

Mr BAYLEY - This is a definition that the environment groups use to identify these areas.

Dr GOODWIN - The ENGOs?

Mr BAYLEY - Yes - capturing, as I mentioned, the perspectives of all the various reports, studies, and so forth, over many years.

Dr GOODWIN - Has that definition, or those criteria, been made public anywhere?

Mr BAYLEY - I think they're published on websites, and that sort of thing.

Dr GOODWIN - In regard to a clear definition of what HCV is, is there somewhere that's accessible to stakeholders?

Mr BAYLEY - Yes, there is. There is a leaflet, such as this one, that Environment Tasmania has produced; there's a similar leaflet that the Wilderness Society has produced. It may not be in exact detail such as this but -

Dr GOODWIN - But it is not fleshed out in the Statement of Principles as to what that definition means, is it?

Mr BAYLEY - It's not and part of the reason for that, I suspect, not having been part of all those negotiations, is that the underlying intention of the Statement of Principles is to deliver a resolution to the conflict over logging in Tasmania. There is a crisis, there are environmental issues around logging; there are social problems around logging and the Statement of Principles has an underlying intention of resolving that conflict. It is our assessment and it is the assessment of many of the signatories that to do that we actually need to protect those forests that we believe a wide cross-section of the community want to see protected.

Dr GOODWIN - In terms of the process of using those criteria and coming up with the areas that you have proposed, you have mentioned looking at various reports and things and areas that have already been identified as having conservation values, how long did that process take to identify the areas that are proposed, who was involved in that process and what was their expertise?

Mr BAYLEY - As I say, there have been reports that go back several decades that have looked into the conservation values of Tasmania's forests - World Heritage reports, the Federal Department of Environment did one some time ago, et cetera -

Dr GOODWIN - Someone must have been collating all of this information.

Mr BAYLEY - Yes, that is right. We have been collating them. We have been consulting with regional conservation groups and other bodies that have expertise in it, caving bodies and so forth, around their knowledge of areas that have conservation values and incorporating them. This is a process that has consulted relatively comprehensively across the environment movement and it is intended to cover all those forests that have justifiable high-conservation values. If we can get the outcome of protecting these areas we will actually deliver an end to the debate and conflict over the public native forest estate.

Dr GOODWIN - So there was not a distinctive start and finish period during which people sat around or whatever and worked out these criteria?

Mr BAYLEY - Part of the problem is that data is very closely guarded by agencies such as Forestry Tasmania. If you FOI data from Forestry Tasmania around the age classes of forests, for example, and other layers that they digitally use, you hit a stone wall. It has been slowed massively by the fact that Forestry Tasmania have not made their data available over many years. As a result environment groups have had to look at as many existing reports as possible, do their own research in some cases, look at other scientific reports and compile it.

Dr GOODWIN - So you have no idea how long that process has taken?

Mr BAYLEY - Some of the first scientific studies into the values of these forests go back decades.

CHAIR - Vica, what about the proposition - I know we looked into the native forest estate here - that another ENGO put to us that the issues are not really on the public native forest estate but most of the important environmental values are actually contained on native forested areas on private land. What do you say to that and is that where the gun is going to be pointed next?

Mr BAYLEY - Private land is a serious issue. I think the gun has been pointed on private land logging for a long time as well and I see our colleagues over there ready to tell you about it. Private land logging is a problem. I think when you actually read the submissions or the criticisms around the values on private land they are largely limited to biodiversity. The biodiversity values of forests on private land are probably represented on private land, but biodiversity is only one of the conservation values that I have outlined in terms of carbon, water catchments, karst, Aboriginal heritage et cetera. Biodiversity is an incredibly important one and that is why protecting biodiversity needs to be a focus. That is why there is provision within the Statement of Principles to flesh out mechanisms to encourage private landowners to protect their forests.

CHAIR - Once again could I put it to you that for a lot of those private landowners there have been harvesting regimes going over decades and even centuries or more.

Ms FORREST - Britton Timbers have been in business for over 100 years.

Mr BAYLEY - Britton's use a substantial amount of public forest as well, though.

CHAIR - Yes, but once again their management regimes have been good enough, you would assume, in most cases to -

Mr BAYLEY - I do not know. Some of them, possibly. Many of them, I dare say not. I know plenty of areas of forest that has been heavily trashed. In fact, on a property that I know very well, it is probably 30 years since it was clearfelled for the woodchip market and it is still very scrubby eucalypt growing back through sandstone rocks. The recovery there is atrocious. We cannot say. In some cases, if a farmer has logged his property for a fence post here and a shed there and perhaps some more commercial application, then possibly yes. Others, absolutely not.

CHAIR - I accept that there were some pretty poor practices in the past but would you not accept that our current forest practices regime has improved and become much more regulatory and improved a lot of those issues in terms of harvesting?

Mr BAYLEY - I think it has improved but I do not accept that it is adequate or delivers a sustainable management of the environment. There are still regular, anecdotal cases where it is breached. There is still the need to prosecute breaches. We had a situation about three or four years ago with the Wielangta court case, whereby it was found in the Federal Court that the logging operations done in accordance with the RFA here in Tasmania were not delivering the protection required under the Federal EPBC laws. So, no, I do not accept that the code is adequate to protect the environmental values.

Mr WILKINSON - In relation to the high-conservation value definition, so far we have asked a number of people in the evidence that we have obtained and nobody has been able to give that definition. I understand, doing a bit of homework, that in the autumn edition of *Wilderness News*, the definition, as reported by you, was 'large, intact, natural forest areas; forests with a high level of ecological maturity' - in other words, old growth; 'forest areas of importance to local, national and international communities; forests and ecosystems with high biodiversity value; and, finally, forests that perform important ecosystem services, like storing large amounts of carbon, connecting ecosystems or catching water'. Does that exhaustively identify your definition of high-conservation value, because I am taking it from the *Wilderness News* of the autumn edition?

Mr BAYLEY - That is a definition that has been produced for our members and whoever else wants to read it. I would not necessarily say it is exhaustive or as expansive as it could be. I think it is similar to the answer I gave earlier to the committee.

Dr GOODWIN - Similar, but I am not sure it is exactly the same as that other one you read out.

Ms FORREST - No, it is a bit different; the forest reserve bit is not there.

Mr BAYLEY - It is not word for word.

Mr WILKINSON - Therefore are we saying that there seems to be no set definition for high-conservation value?

Mr BAYLEY - I have given a definition here and you have read one.

Mr WILKINSON - I have one here and I understand it was a bit different to the one that was given to Vanessa.

Ms FORREST - It is a bit different.

Mr BAYLEY - I think there is a set definition. How you word that definition is semantics, in my view. There is a list of criteria of high-conservation values. How you word it depends on who you are talking to, who wants to know and how much space you have to describe it.

Ms FORREST - Doesn't that create confusion about the whole issue?

Mr WILKINSON - Is that why it is confusing?

Mr BAYLEY - Potentially, it is. But I think we are talking semantics. Let us talk about the principles that underline high-conservations values and I think we have broadly captured in both those definitions.

Mr WILKINSON - I do not think were are talking semantics because take, for example, the third dot point, which is 'forest areas of importance to local, national and international communities.' Depending upon any of those communities, they could say that any forest or any tree is important and therefore should be left alone. Do you agree that it is such a broad definition that virtually encompasses everything?

Mr BAYLEY - That's true. If we want to get to a space where everybody agrees with the level of protection of our native forests, that is something that needs to be considered. The values that people hold of the forests in their backyard and so forth are important and that encompasses heritage values such as Aboriginal heritage, cultural heritage et cetera. It also includes vistas, view fields and other public amenity.

Mr WILKINSON - It could be anything because the local community from time to time may believe it is of importance to them.

Ms FORREST - Importance for what, though, is the question.

Mr BAYLEY - That's right and that is why it needs some justification, depending on the area you're talking about.

Mr WILKINSON - They might say, 'It's high-conservation forest', and you say, 'Why is it high-conservation forest?', and they say, 'Because it's important to us'. We seem to go around and around in circles.

Mr BAYLEY - Then you ask why.

Ms FORREST - It could be because we planted it when we were children at school.

Mr BAYLEY - It could be. We're not necessarily just talking about ecological values; there are cultural and community values.

Mr WILKINSON - I suppose with a legal background what I'm looking for is some ratio decidendi - some reason for a case being decided. Has that been properly tested and has it been supported by the courts of appeal in forestry? That's what I am looking for. Has this definition been supported by any independent group?

Mr BAYLEY - I don't know what you want to call 'independent groups'. Organisations such as the Forest Stewardship Council have definitions around high-conservation values. I can't give you any independent auditor group that says, 'Yes, these are high-conservation values'. This is what environment groups have identified as being the criteria by which the area of 572 000 hectares has been produced; that area has been produced to deliver outcomes in all those areas and ultimately to deliver a resolution to what's been a long-running conflict.

Mr WILKINSON - Is it a resolution, though, where we are saying, 'We will make this broad claim. We realise the claim is going to be reduced and that's why we're making this overarching claim - an ambit claim'?

Mr BAYLEY - No, I don't accept that. We expect, as identified in the principles and by environment groups, that that is the area that will be protected.

Mr WILKINSON - So you won't be happy unless the 572 000 hectares is protected?

Mr BAYLEY - That's what we have identified as needing protecting, so logically we won't be happy unless that is protected.

Mr WILKINSON - Who is going to look after it?

Mr BAYLEY - It is our position that it needs to be managed by a stand-alone environment department within the government, so Parks and Wildlife.

Mr WILKINSON - Do you know the figure that's put on per hectare stewardship of a forest?

Mr BAYLEY - I think it is \$16 or something like that.

Mr WILKINSON - I suggest to you it is \$18-\$20 per hectare. If you add 572 000 hectares to national parks on that formula you are looking at well over \$10 million per annum to care for those forests. Over a decade that is well over \$100 million. Can you tell me how that is to be funded?

Mr BAYLEY - A range of measures. Some of the forests are of World Heritage value and we would want to see the World Heritage Area expanded to encompass those areas. That then derives an allocation from the Federal Government. We see there is great potential in protecting other forests for the State to earn ongoing income from the carbon funds and so forth

CHAIR - That is problematical, though, isn't it, surely?

Mr BAYLEY - Why's that?

CHAIR - Where are the guidelines on how much you are going to earn from carbon?

Ms FORREST - If we lock it up now we could lose that opportunity to get money from it.

Mr BAYLEY - No, I actually don't think that is the case. You need to demonstrate a range of measures in terms of protecting carbon in your forest, but my understanding is that because the RFA is in place and the year 2009 is like the base line, anything that is protected after that period of 2009 is then open. Even if we protect it now and in one year's time some mechanism comes in to derive income, so long as it was not protected in 2009 it is eligible for income. That is my understanding of the rules but they are very complex.

Mr WILKINSON - It seems to be a huge ask for the State to find over \$100 million to care for these forests from even the Feds in this climate over the next 10 years.

Mr BAYLEY - They absolutely need care. There is no doubt the Parks and Wildlife Service is radically underfunded today compared to what it needs to manage our current rate, so I accept that is a large amount of money and that the Parks and Wildlife Service certainly could not do it on its current budget, so yes there needs to be money found.

Mr WILKINSON - Would you be willing, therefore, because in the end that is what it comes down to, to take money away from your core areas of education, health et cetera? Would you be saying by way of priorities that money should be taken away from that in the Budget to -

Mr BAYLEY - No, I don't think that is necessary.

Mr WILKINSON - Therefore there is going to be, it would seem, an underfunding of what is required to properly manage the forest?

Mr BAYLEY - No, what I am saying is that there need to be mechanisms put in place, largely from the Federal level in terms of things such as the World Heritage and an ongoing carbon fund, to enable adequate management of those forests.

Mr WILKINSON - Should that be done first, then, otherwise you are creating something which you can't care for? In other words, you can't purchase a mansion because you haven't the money.

Mr BAYLEY - There are already the provisions around World Heritage, so that is existing; that is a matter of the governments negotiating and coming to an agreement. There is an all-weekend meeting of the climate committee of the Federal Parliament this weekend to try to nut through some of the mechanisms of the carbon fund, so it is happening. It is happening today and that is why it is important to get these understandings so it can be rolled into the thinking and planning. There are opportunities there. Let us not look at this as a glass-half-full-type attitude. Let us look at the opportunities that we have here in terms of protecting our natural environment, resolving this conflict and building a new industry and then take that forward and pitch it and get the outcomes we need in terms of funding, legislative support and other measures that we need to make it real. We should not go into this with a pessimistic mind, because we have a huge opportunity here.

Mr WILKINSON - In relation to a standard for high-conservation-value forests, you are saying that the standard is the one that you have given in the Wilderness Society newsletter and the one to Vanessa; is that right?

Mr BAYLEY - Those are the criteria, yes.

Mr WILKINSON - Have you requested \$3 million as part of the package for the Forest Stewardship Council to develop an Australian standard for high-conservation forests?

Mr BAYLEY - The principles have identified that that needs to be done for the Forest Stewardship Council.

Mr WILKINSON - Therefore if there is no Australian standard what we are after is the \$3 million to prepare an Australian standard, but you are saying that you have already got a standard?

Mr BAYLEY - We have a standard that we think applies for Tasmania, that identifies the forests that need to be protected and there is agreement across those industry signatories and environment group signatories that that presents the framework and the road map in terms of what needs to be legislatively protected in Tasmania. That is based on the criteria I gave you earlier. In terms of FSC, in terms of the work they need to do, in terms of managing values while still logging and certifying them, it is clearly a need that has been identified by some within this group that that standard needs to be developed.

Dr GOODWIN - I have two quick points to make. It concerns me that the parties to the statement of principles, I don't think have a shared understanding of the meaning of HCV, from the evidence that we have heard. In regard to the 572 000 hectares, those areas that you think are HCV areas have all been mapped out. If I pointed to an area on that map, could you tell me which criteria you're relying on to classify it as an HCV area? Could you do that for the whole of that map?

Mr BAYLEY - With reference to supporting information and the reports that I have mentioned, yes.

Dr GOODWIN - Is there a report on that?

Mr BAYLEY - There isn't a specific report that pulls it all together. As I said, there is a range of different reports.

Dr GOODWIN - Don't you think that that would be an important reference document to have?

Mr BAYLEY - That is something that potentially could be worked up if needed, but as it stands at the moment the process identifies that HCV forests, as identified by ENGOs, are the ones that would be protected.

Dr GOODWIN - What I'm trying to get at is that at the moment everyone has to take your word for it that those areas are HCV areas and there is no supporting material that we can rely on, for example, as a committee to support your classification according to your

definition that they are HCV areas. It is pretty much untested; we can't test the veracity of it.

Mr BAYLEY - I can take that on notice and produce something for the committee over time.

CHAIR - Vica, following on from what Jim asked about the cost of management, we haven't really touched on the fire situation. It could be contended that we have not had any really large forest fires here since 1934, or going back to 1898, and as such our forests are probably rather old and seed-rich, ready for the next big mega fire, probably 1 million hectares or so it has been put to us. A single mega fire could burn more areas than all those ever harvested in Tasmania. Wildfires historically burn more forests than harvesting. In recent years, low wildfire amounts burnt and harvested are similar, despite the roughly 90 unplanned wildfires per year and the millions of dollars spent fighting them by FT. There is the possibility of that mega fire, which could cause untold damage, but without that management regime that FT has had in place over many years with other agencies to try to combat that, that must be of some concern if we shut up further areas.

Mr BAYLEY - Let's be clear, fire is something that needs to be managed, both the defence of fire and also the prevention of fire. The majority of the fires that rage in Tasmania are deliberately lit, so there needs to be more work done on fire. There needs to be more work done to manage and mitigate the effects of fire but I think it is very simplistic to mount the argument you have. Many of our forests aren't necessarily designed to burn, including the eucalypt forests. Just because we are logging forests today doesn't reduce the fire risk. Let us face it, at any one time on a high-fire-danger day in February in our commercially logged State forest there are 300 to 400 coupes, little tinderboxes, ready to go up, so logging doesn't reduce fire risk. Indeed, converting tall, old, wet forest into an even-aged eucalypt crop increases the fire risk. Pushing new roads into areas increases fire risk from an arson perspective. The fire issue is not as simple as saying that if we protect all these areas, you are going to lose your capacity to fight the fires and it is going to burn. I think it is really simplistic. If we protect these areas, we absolutely need to make sure that they do not burn.

CHAIR - We could argue that point but the time has come to close it off. Thank you very much for your dissertation today.

Mr BAYLEY - Thank you very much.

THE WITNESS WITHDREW.

Mr PETER McGLONE, AND Mr ALISTAIR GRAHAM, TASMANIAN CONSERVATION TRUST, WERE CALLED, MADE THE STATUTORY DECLARATION WERE EXAMINED.

CHAIR (Mr Hall) - Gentlemen, you are both aware of the privilege afforded to evidence that you give here. We have been all through that and, Alistair, you have given evidence to parliamentary committees before, so you are aware of the rules. You are covered by parliamentary privilege but whatever you say outside may not be.

Mr McGLONE - Yes, I am aware.

CHAIR - Peter, you gave evidence last time on your Pat Malone. Is there anything you would like to add to what you gave the last time?

Mr McGLONE - I could probably do that quite extensively but I think that the most valuable part of the last session that we did not have time for was the questions. I felt that we did not get at all to the Forest Practices Code and particularly the review and the likely impacts of any transition out of native forest logging on reserve management. I am happy to go quickly over some of those issues or go straight to questions.

CHAIR - Yes.

Mr McGLONE - That was a yes to go over them?

CHAIR - Yes, if you just encapsulate very briefly.

Mr McGLONE - With the Forest Practices Code, in 2007 the Forest Practices Authority triggered a review of the biodiversity provisions. That review was suspended in July 2010. In 2009 a review report was submitted to the Forest Practices Authority, prepared largely by a group of non-government, eminent scientists in the field of biodiversity conservation, and I can go over some of those issues raised in that review, if you like.

The Forest Practices Authority have currently posted on their website a statement of reasons that the review had been suspended and that is in relation to a series of policy issues and legislative issues that they expect the State Government to address before they can proceed. I have a copy of that, if you wish.

In terms of reserve management, the Parks and Wildlife Service has for probably decades been starved of resources. We believe that it has been directed by successive governments to focus more and more on visitor services at the expense of active, onground management. It is probably many years behind in active management of fire, of illegal access and a whole range of issue.

The Forest Statement of Principles is likely to deliver, as we heard today, around 532 000 hectares of new reserves, at a minimum. It could, if there is an entire transition out of native forests, be well over 1 million hectares added to the reserve system. This will be presenting a huge array of new management challenges and I think the one that is important to flag is the issue of fire management. Currently, the Parks and Wildlife Service manages relatively small areas of very dense forest and the issue of fire in those

sorts of forest types is very difficult to manage. Into the future, a parks service managing big expanses of dense forest would need to have an injection of not just additional funding but would need to direct that funding into better planning and research capacity as well as better on-ground capacity. That capacity has to be not just in terms of managing the risk of wildfire but to actually deliver the ecological needs of those forest types, some of which may need long-term fire suppression and some made need active burning.

We believe that this will be an historic opportunity to lever significant new resources for the Parks Service through the involvement of the Australian Government. Possibly more important there is a need to actually look at the legislation and organisational structure of the Parks and Wildlife Service. For nearly 10 years, the Tasmanian Conservation Trust has been recommending to State governments the need to reorganise the Parks Service from currently one of seven divisions within DPIPWE into a stand-alone public authority. For example, there is the Forests Practices Authority in Tasmania, and Parks Victoria is a public authority where they are established under their own legislation. They are directed in day-to-day matters via a professional Parks staff who report to a board of experts. The Government, in terms of day-to-day management of the reserve system, would have no role. They would have a role only in terms of resourcing, legislation and directing broad policy.

CHAIR - You are talking about a need to improve the Forest Practices Code. If all HCV forest as proposed at the moment was in a moratorium, why would you then need to improve the code?

Mr McGLONE - It is not just my opinion. For the last four years there has been a review of the Forest Practices Code underway. The authority itself believes that there is need for a review. An independent panel of scientists that they asked to report to them identified I think 42 different recommendations relating to threatened species management, forest retention, water management and the like. Any future I can imagine will involve some native forest logging, therefore we need an improved forest practices system. The biodiversity review also looked at the impact of plantation management as well but that was a lesser issue.

Our prediction is that we will always have a need for a forest industry. For example, there is no current suggestion out of the Forest Statement of Principles process or any of the groups involved that native forest logging will be closed down on private land. Our view - and we went into this last time - is that it is highly unlikely that we would be able to justify entirely transitioning logging out of public native forests either. I was not willing to give you an exact figure but there are probably many hundreds of thousands of hectares of young regrowth forest, for most of which it would be hard to point to a high-conservation value that would necessitate its being reserved.

Ms FORREST - A previous witness talked about this definition of HCV and one of their criteria was along the lines of any area that could be part of a reserve structure. I challenged him in that effectively any forest could be a reserve. The comment was made that if it sits within or near an area that was maybe the edge of the wilderness area that is already classified as such, and the creep that goes on with that, where does it stop? You said that you couldn't see a complete transition out of native forests because it wouldn't

be in the best interests of the native forest in maintaining biodiversity to get right out of it

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Mr McGLONE - I said I couldn't point to a high-conservation value in every hectare.

Ms FORREST - Do you have that same view, that those areas that may be lacking in conservation value but that may be near or adjacent to an area that does should be included for that purpose?

Mr McGLONE - I didn't hear exactly what Vica was saying, but in terms of wilderness conservation we have very strong arguments. I did not bring Geoff Law's report from two years ago which identified areas that should be added to the current World Heritage Area, but I can easily provide a copy. It provides a very well argued, scientifically based argument for which areas have wilderness and World Heritage value that should be included in the current World Heritage Area. Wilderness, I think, is a very special case when you're talking about managing impacts from outside. I am pretty sure, without having read that report recently, that Geoff, with some scientific basis, argued that there was a need for buffers around the World Heritage Area to protect the wilderness and other World Heritage values. With wilderness it is a very compelling argument, to provide buffers.

Ms FORREST - Let me take you to the other scenario that I talked about, a section of the Western Tiers that was logged possibly about 30 years ago. There were claims made that its value was completely destroyed; it was clear-felled and burnt and so on. In those circumstances where you have forests that have been dealt with in that way, you can still include that in a high-conservation area because it might be surrounded by or near other areas that did have value because perhaps they hadn't been logged in such recent times. It might have been 100 years or more since they've been logged.

Mr McGLONE - I'm not exactly sure of the question. I will clarify what I said before, which I think is answering your question. With certain values, such as wilderness, if you put them in a reserve and drew a line exactly at the edge of where that value is that you say is wilderness, and then next door to that you have ongoing industrial activity, forestry activity, farming activity and other human use - roads, potential for fire, grazing - then immediately over that boundary you're going to have impacts. It would be impossible to prevent those impacts, so the very concept of a buffer is very easy, I think, to understand the need for in terms of wilderness.

Ms FORREST - So how do you avoid the creep?

Mr McGLONE - You have a buffer. The buffer may not have those values that you're attributing to the wilderness.

Ms FORREST - Because the buffer is there and not able to be touched, the claim then comes -

Mr McGLONE - It can be managed.

Mr GRAHAM - When we were developing the framework for doing the RFAs, which was done as a national exercise, conservation officials across Australia negotiated what is

called the 'JANIS criteria'. There was general consensus about the three primary drivers of conservation value, one of which was wilderness. It has a gradation - you can analyse a landscape and work out its relative wilderness value. The JANIS criterion for application for the purposes of developing RFAs had a cut-off at high-quality wilderness. In other words there were a whole lot of areas of medium- and low-quality wilderness that did not come into the application of that criterion at all. There was a commitment that those areas outside the high-quality wilderness areas to be managed as wilderness areas also need to be managed in a sympathetic way in order to maintain the high quality. For instance, if you put a road through the middle of the area there will be a diminution of wilderness value away from where that road is. So in order to maintain your high-quality wilderness you need to be thoughtful about what you do in your lower quality ones but there are already things going on in your low-quality wilderness areas which is why they are lower quality. It is a matter of being mindful about how you manage that. For example, one of the things which happened in the RFA - and I do not know whether anyone has already brought it to the attention of the committee - is that very large areas of high-quality wilderness were left open for mining and a special interdepartmental process was established specifically to manage exploration activity in those areas with a view to minimising the impact on the high-quality wilderness parts. The trust doggedly engaged with them and I would say that generally it worked really well. It can be done.

Ms FORREST - The point I am trying to get across is, though, if you have that area that you treat sensitively because of the neighbouring wilderness value land does that then eventually become significant and classified as high conservation so we need to put a buffer around that?

Mr GRAHAM - No.

Ms FORREST - Isn't that what we are seeing here?

Mr GRAHAM - No. That is the answer to your question.

Mr McGLONE - There will obviously be limits. If there is private land outside the buffer you are greatly limited in terms of continuing to expand.

Mr GRAHAM - I understand very clearly what you mean and the answer is no. Maintaining medium- and low-quality wilderness values adjacent to areas of high-quality wilderness is merely a matter of being mindful of what you do on your farm or mindful of what you do in your forestry areas. Those areas are low-quality wilderness because those are already well established uses. One of the things that will significantly degrade is if you go over from native forest covering from time to time to conversion to plantations. Those kinds of changes will degrade your high-quality wilderness areas if they are associated with them. Those kinds of changes will, but continuing with normal life pointedly will not.

Ms FORREST - You are saying that we have buffers in place in areas that were identified through the RFA?

Mr GRAHAM - I wouldn't go quite that far, but generally speaking that principle has been pretty well applied in Tasmania.

Mr McGLONE - They wouldn't be comprehensive and thorough buffers.

Ms FORREST - No, but there are buffers.

Mr GRAHAM - They don't have a planning designation as such.

Ms FORREST - You would be aware, I assume, of the map that Ian Joseph put out identifying new areas of reserves. Do those new identified areas include these areas that have been acting as buffers?

Mr McGLONE - I think the short answer to that is I have read the documentation and I don't think those sorts of questions are answered in the documentation that those groups have provided. I didn't hear all that Vica said and I find it difficult to answer that.

Ms FORREST - We just don't know.

Mr WILKINSON - Peter or Alistair, it appears that, other than from Vica, there is no definition of what is high-conservation-value forest. Are you able to give us a definition or are you saying that is still work in progress?

Mr McGLONE - Sorry, you were absent last time I gave a presentation. My answer was that areas such as threatened species habitat, areas such as threatened and poorly reserved forest communities and wilderness are the nub of what we are most concerned about.

Mr WILKINSON - Sure, but there has to be something broader than that to ascertain what high-conservation-value forest is. Not being disrespectful to Vica, but when he said in the *Wilderness News* that high-conservation forests are large, intact natural forest areas, forests with a high level of ecological maturity or old growth, forest areas of importance to local, national and international communities, forests and ecosystems with high biodiversity value and forests that perform important ecosystems services such as storing large amounts of carbon, connecting ecosystems or catching water. It pretty well takes into account anything you want to say is a forest. Do you agree it is a far-reaching definition and too broad to be able to be properly particularised?

Mr McGLONE - It is far reaching.

Laughter.

Mr GRAHAM - I don't think that is really fair to come to that final conclusion. Those are legitimate criteria. How they are applied is a different matter and I think we would have something to add with respect to how the biodiversity conservation notions are articulated, as Peter just said. We would think it needs a bit of embellishing. How you deal with that is a critical issue. Generally speaking, the last time this was done with any rigour was in the preparation for the RFA process which resulted in the JANIS document. The JANIS document was as pretty good bottom line about what all the governments of Australia could agree on in terms of seeking to deliver conservation protection across forest landscapes in Australia.

Mr WILKINSON - The phrase 'high-conservation-value forest' is a fairly new phrase, is it not, so far as being out in the community?

Mr GRAHAM - It may be so, but it has been around in the technical literature for a while now. I think part of the problem is that within the world of ecological, environment and resource use experts, professionals and academics it is a well-comprehended and applied concept. When it comes to trying to convert it into public policy, regulations and decisions on the ground, that is a much more complicated process. The JANIS document is what I would call the only coherent manifestation of that task that I have seen in Australia in the last 20-25 years.

Mr WILKINSON - So if I want to see a proper scientific and acceptable definition of 'high-conservation forest', I go back to the JANIS document?

Mr GRAHAM - No, you would go and ask the review panel for the review of the Forest Practices Code. To some extent this is a matter which you have inquire of people with genuine expertise and understanding of natural systems in the areas you're interested in.

Ms FORREST - Is that panel still in place? Vica made some suggestion that it was disbanded in 2009.

Mr GRAHAM - Technically it's been on ice for rather a long time, but the process is only suspended awaiting the Government making up its mind on what the forest policy of Tasmania might be.

Mr McGLONE - Ironically, Bryan Green's letter to Tim Morris, that we received a copy of, said:

'I can't answer these questions on the Forest Practices Authority until a forest statement of principles process is completed.'

It is a circular argument because clearly we need a better forest practices system as a part of any plan for the future of our forests.

Mr WILKINSON - The other question I put to Vica in relation to his definition - the Wilderness Society asked for \$3 million as part of a package for the Forest Stewardship Council, as I understand it, to develop an Australian standard for high-conservation-value forests. It would seem that there is this eternal search to find out what the definition is and what we're talking about.

Mr GRAHAM - My understanding is that the current estimated cost of developing a national standard for FSC is \$1.2 million. That is just a standard, the application of it in Tasmania would be a whole bunch of other work.

Mr WILKINSON - The cost of caring for forests - and you would know better than I do - but my homework says between \$18-\$20 a hectare, is that fair?

Mr McGLONE - No.

Mr WILKINSON - What do you say it is?

Mr GRAHAM - We have never agreed with the idea that you can work out management costs on a dollar-per-hectare basis. It is possibly inversely related to the size of a reserve. The current World Heritage Area in Tasmania per hectare, if you worked out what it actually costs currently and what it required, would be a very low cost per hectare compared to some of the reserves that have a lot more management requirement because of human impact, such as reserves on the urban fringe or smaller rural reserves that come under a lot of impact from wood-hooking or other illegal activity. It is what the management requirements of that area are, which could vary by virtue of its ecological nature or the impacts that it suffered from people.

Mr WILKINSON - If care for 572 000 hectares was transferred, are you able to give an indication on average per hectare as to what that would cost? My understanding is that it is between \$18-\$20 a hectare, taking into account the matters that you raise.

Mr GRAHAM - As we started off by saying, we think the basis upon which you were provided with that figure is unfair, unrealistic and unhelpful. We are not trying to hide from the fact that were reserved lands to be reorganised and properly managed, as we advocate, that would be quite a lot of money. We are talking about doing it differently and doing it better. But one of the key things about doing it better is that to cost-task, in terms of dollars per hectare, irrespective of what the management task is for the hectare, is quite misleading. There is a punishing inverse rule which is that the bigger and the further away it is, the cheaper it is. Council reserves are the obvious example. Council reserves take a huge amount of intensive management to deliver the values to the community and everyone is pretty happy with that. Maintaining an exclusion zone within a wilderness area does not take very much. You are talking about several orders of main difference in delivering appropriate management and it is very much our view that one of the reasons that we have been advocating a very significant reinstitutionalisation of the task of managing reserve lands in Tasmania, apart from the fact that it is getting to be half the State, is that you need an institution which is better able to articulate the management task and cost it and get a budget for it. That is one of the things that we have not seen for years in Tasmania.

Mr WILKINSON - As I understand it, you are saying that it is going to be a significant cost but you do not know how significant?

Mr GRAHAM - Correct. But we are not shying away from the fact that we are talking about a significant -

Mr McGLONE - We are talking currently about the parks system being 40 per cent of the State. If you add 532 000 hectares, it bring it basically to 50 per cent of the State. That is a really important part of Tasmania for the State Government to be managing. Currently, they are managing it with, I think the figure is, under \$40 million a year and it is managed as a division of seven divisions of DPIPWE. It has simply not had the priority that it should have had with successive governments.

Mr WILKINSON - How many hectares are they looking after now?

Mr McGLONE - I think it is 2.5 million; 40 per cent of Tasmania.

Mr WILKINSON - You are saying that they are spending \$40 million a year to look after that?

Mr McGLONE - Yes, out of a budget of \$4.3 billion. It is a very small proportion.

Mr GRAHAM - They are spending \$40 million but not very much of it is on looking after that area. If you look at what the money gets spent on, an awful lot of it gets spent on providing facilities for people who visit the area, which is an important part of the mission but the task of looking after the area is woefully under-resourced and has been for many years.

Mr McGLONE - One of our ongoing bugbears is the fact that very little resource goes into actively planning and carrying out burning of natural areas that require it. There is currently only one fire expert employed by the Tasmanian Parks and Wildlife Service to advise on 2.5 million hectares of land.

Mr GRAHAM - This is a really serious problem. Because of the inappropriate institutionalisation of the task on behalf of government, we get really bad management results and it is a very serious problem.

Ms FORREST - We are looking at budget cuts right across the board, though, here. Yesterday in Parliament we handed over 1 700 hectares more in the CLAC process with more to come.

Mr WILKINSON - There were extra hectares, anyway.

Ms FORREST - You could hand them more and more.

Mr GRAHAM - This is exactly our argument. The appropriate response for this is to properly institutionalise the task and if we properly institutionalise the task of providing commercial wood for interested processors, there would be an awful lot of potential resource transferred from one institution to another that would help do that. It does not have to be incremental costs, it just has to be institutional reorganising.

Mr McGLONE - I do not have any doubt that the expertise at the lower levels in Forestry Tasmania could add to and improve the ability of the parks service to manage the reserve system, whether that is fire or weed management.

Mr GRAHAM - We would die for the organisational ability of Forestry Tasmania to be applied to parks. It would be a wonderful thing.

CHAIR - If I can go back to your evidence last time, you talked about the statement of principles process providing no justification for a move from native forest timber production on public land. Can you outline what criteria and evidence would be needed for them to make such a justification?

Mr McGLONE - I hate to just read verbatim what I have written but my submission that I have provided in writing articulates the way that would be dealt with, and I am happy to read -

CHAIR - Just encapsulate that very quickly for me.

Mr McGLONE - Our view is that if logging is to be halted across all State forests, it must be done on the basis of a scientific identification of HCV forests and an arbitrary opposition to commodity-scale logging.

CHAIR - Has that science been done yet? That's the question that's been asked, as well as the definition.

Mr McGLONE - It wouldn't be perfect and there would be need to continue the science, obviously.

Mr GRAHAM - I think this gets back to the biodiversity conservation provisions of the code. That has been shelved for political reasons and is profoundly frustrating.

At the technical level within the industry there isn't a lack of will to come to an appropriate point in terms of comprehending what the biodiversity conservation task is and to be sensitive to delivering that task, but it needs political licence before it can roll and the Government has been told that in words of one syllable, and nothing has happened.

Mr McGLONE - One important thing that I think needs emphasising about why we keep coming back to the need for an improved forest practice system is that our job, as conservationists, isn't to encourage the forest industry per se, it is to protect areas that are important for conservation.

You might recall the comments I referred to last time by scientist, Rod Knight, who has dealt with this professionally for 20 years in the area of identifying high-conservation-value areas. His opinion - and we share it - is that at right at the moment we do not have the ability to map, identify and reserve all high-conservation-value forests. We should be doing the best job we can now in looking at what HCV areas need to go into the reserve system, but that process will go on as science improves, as our ability to identify these values and the impact that logging may have on them improves, and the way we do that is through an improved forest practice system. So it is not a case of only reserving high-conservation-value forests; we need to continue to address that issue into the future.

Mr GRAHAM - A lot of the biodiversity conservation values can be dealt with by way of prescription on uses; it doesn't have to be large areas set aside as a reserve. Recently we had the head of Forestry Tasmania saying they weren't going to put money into looking after wedge-tailed eagle nests anymore. That's just bread-and-butter Forest Practices Code obligation that's been there for years in response to a political decision that we care about eagles and a technical decision that if you actually want to protect eagles, then you need to look after their nests. That means you need a stairway up of 100 to 200 metres at different times of the year. That's normal life. That's completely consistent with ordinary -

Ms FORREST - It happens anyway.

Mr GRAHAM - It happens anyway and it is happening now. But that's one of the rare examples of a successful conversion of a community interest in biodiversity conservation

value into an operational law. There is a very large amount of additional work still left over from RFA commitments that needs to be done.

CHAIR - Was Mr Knight, who you referred to, Peter, one of your employees?

Mr McGLONE - No, he's an independent consultant. I reminded him of this inquiry yesterday - he's just been very busy. He would be happy to come along and give a presentation.

CHAIR - Was he a former employee?

Mr GRAHAM - No. During the RFA, the Public Land Use Commission employed stakeholder mentors. I had the great privilege of working directly with Rod on this as the lead person in the Conservation Trust at the time. Rod was employed by the Public Land Use Commission as the conservation stakeholder mentor, whose job was to make sure that we got organised to participate in the process, and there was a similar mentor for I think four or five other stakeholders.

Mr McGLONE - It might interest the committee to know that currently he is doing work for a number of forestry companies to support their applications for FSC certification.

Ms FORREST - In Tasmania?

Mr McGLONE - Yes. That's where the science has to deliver a real outcome for an industry. It's exciting work.

CHAIR - Peter, you also claimed that more reservation is needed on private land.

Mr McGLONE - Not necessarily reservation, no; there can be a whole range of measures applied to private land.

CHAIR - I thought that was what I picked out of that.

Mr GRAHAM - Full delivery of the RFA commitments would involve it. We have spent \$70-\$80 million already rolling out the RFA on private lands and there's still a way to go to meet those commitments.

CHAIR - There is about 137 000 hectares, as I understand, on private land already reserved. Do you know how much of that land, in your view, contains HCV forest?

Mr McGLONE - The area of private land that's covered by either formal private reserves or covenant last time I checked was 60 000 hectares, most of which was delivered through the private forest reserve program. They are private reserves, if you like. We think there are a whole range of measures, including market-based measures, that can be used to encourage retention and management of forests on private land, while providing an alternative income. So, again, it's not a case of 'log it or do nothing'. You can potentially not log it and earn money through other schemes. Covenant management would be one.

Mr GRAHAM - I think the committee should feel comfortable that, axiomatically, those areas are high conservation value. The basis for securing them was the JANIS criteria

developed for the RFA process in the mid-1990s and the criteria for identifying value that was converted into financial payments to landholders were directly based upon those criteria. Reserve by reserve, just because of the realities of the landscape, sometime you pick up a bit of forest or woodland that wouldn't of itself have qualified as the object of public policy attention, but in order to secure a rational outcome, property by property, boundaries were drawn where they could best be negotiated. Generally speaking, all the drivers for those were core high conservation value.

Mr McGLONE - They were values that, fundamentally, could not survive logging or there would be a high risk of losing those values, such as old-growth dependent species habitat.

CHAIR - Okay, gentlemen, thank you very much.

THE WITNESSES WITHDREW.

Mr ED VINCENT, EXECUTIVE OFFICER, TASMANIAN FOREST CONTRACTORS ASSOCIATION, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Welcome, Mr Vincent.

Mr VINCENT - The native forest industry in Tasmania has underpinned the economy and the community for over 200 years. It has been part of our culture and psyche, but of those 200 years more than three decades have seen conflict in our forests. Society has changed in attitude and the way the industry is viewed is very different now than it was even four years ago. I guess the magistrate's comments that have been made in recent times about rights of protestors who are trespassing on logging coupes is evidence of that. People don't believe the science. It is easy to feel warm and fuzzy about a tree and even the most hard-boiled of my members wouldn't agree that an active logging coupe is the prettiest place on Earth. Human behaviour proves that emotion will overcome logic more times than it doesn't, and that is unfortunately the truth.

In 2007, the TFCA recognised that the native forest industry in this State was not economically sustainable, despite the efforts of defending it that our organisation and others have put in over the previous three decades. Sawlog quality was declining and continues to do so; solid hardwood timber sales across Australia have been in decline for 30 years. Industry profitability has been underpinned by the exports to Japan of pulpwood, but our market share in that market has been declining and is now half of what it was 25 years ago. The Japanese price has declined by 20 per cent over the last decade, and even those prices are substantially higher than those in the rest of the world. While Asian pulpwood demand is projected to increase, the supply increase according to ABARE in 2005 was six times greater. We have received and are facing up to further pulpwood price reductions; it is inevitable. A clear preference has emerged for plantation pulpwood from eucalyptus globulus or acacia mearnsii. I referenced that from the ABARE report of 2005 written by Evan Shield.

In 2007, TFCA called for an industry restructure to take into account the changed world we were facing. Since then we have had direct market activity by ENGOS, the global financial crisis, the tsunami and the high Australian dollar and none of these things have helped our industry. What is the result? Native forest harvest-and-haul operators are estimated to have lost \$145 million in the last five years. That is more than the total investment in hardwood processing in this State, outside Gunns. We cannot sell our residues currently in this State. Today there are 66 hardwood harvest-and-haul contractor businesses that are not operating. There are more than 500 harvest-and-haul employees who are not at work. There is a follow-on impact into other contractor areas within the native forest industry and the timber industry. Silviculture, forest maintenance, roading, road maintenance, seed collecting contractors are not working. There are 70 other forest contracting businesses, outside the harvest-and-haul sector, which today are not working or are working at 10 per cent or less of their capacity. More than 1 000 employees are involved in that sector. Because of the sale, or lack of sale, of residues from the harvest and the processing areas, sawmills and veneer mills are under threat. If there is no change to the current industry course, you can add another 40 harvest-and-haul contracting businesses, 330 harvest-and-haul workers' jobs, 32 sawmills, three sawmills and around 3 500 jobs losses in total. That is why we need

to restructure this industry and transition it. We have almost no time left; it can be measured in days and weeks, not months and years.

The TFCA is involved in the Statement of Principles negotiations and has been for the last 15 months to try to achieve a better outcome for our members than they would otherwise be facing, and for some of those people that will mean exit out of the industry. We have a community that mostly would prefer that we don't operate in native forest. We have ENGO mumbo-jumbo size which, quite frankly, appals me but we need to do something. There is no plan B, not that is going to help 3 500 people who stand to lose their jobs some time between now and the then 12 or 18 months.

People will lose their businesses. They will lose their jobs, they will lose their homes and they will lose their communities. Some, regrettably, will lose their lives. I recall in a previous working environment having to deal with some of those people.

Ms FORREST - Are you talking of people taking their own lives here?

Mr VINCENT - Yes. Unfortunately, Ruth, that is the case.

What do we need? We need exit and relocation assistance for the contractors and their staff who choose to go, who are forced to exit, because the forest contracting sector is a sector where people will be forced to leave, unlike sawmilling where there will be options and they make a decision on whether they go or whether they stay. A large percentage of contractors will not survive in their current jobs and current businesses.

We need fair contracts legislation that ensures contractors are treated ethically. We need a legislated right for contractors to be represented either individually or collectively in contract negotiations to overcome the market forcing balance that exists in this industry. We need licensing of contractors' businesses and their bush bosses so that the people who are operating in the industry understand what they are doing properly, understanding the risks that they are taking either financially or professionally. We need secure, long-term contracts that allow a fair profit on the multimillion investments in high-tech equipment that is required of contractors in today's age. But we don't have much time to do it.

CHAIR - Thanks, Ed. I might ask the first question of you, and obviously you are there to represent your constituency. Certainly, as you have pointed out, there have been some tough times through various factors outside our control, your control or anybody's control, but by the same token, there has been quite a bit of evidence that some sawmills are doing well; they have put infrastructure in place to continue with what they want to do. You did talk about the woodchip export markets. We have had evidence to say that there is still quite strong demand and there is some recovery and China is another player, at a price, I might say.

I am trying to paint a picture to you that therefore there is always going to be a need for forest contractors, even though at a reduced amount of what is there at the moment. You would agree with that proposition - and we had better be careful here that we don't throw the baby out with the bathwater - even though you are trying to chase compensation packages on behalf of your members, and I understand that, but we still need those speciality timber people, the country sawmills and contractors to facilitate the resource.

Mr VINCENT - I personally at any level and the association do not support any proposal which would mean that any more processing or sawmilling capacity is disadvantaged or removed from the system than that which we already know is going - which is Gunns.

CHAIR - Regarding the existing resource, there is another claim for an additional 572 000 hectares. What is your view on that? Would you rather see that claimed HCV remain to be harvested?

Mr VINCENT - As I mentioned, I don't believe their science; I don't believe they have any science. No-one has been able to come up with any alternative which addresses adequately the underlying structural issues that face the industry in Tasmania. We have an industry that is incredibly interlinked; it is a value chain. Unless we can produce our logs at a reasonable price for sawmillers and veneer plants to process, the economies of the industry fall over. Unless those people can then deal with the waste they're producing in a way that is viable - for example, wood fibre for chips or for whatever use - they become unviable. With the forest grower - and in this particular case we're talking about Forestry Tasmania or at the forest-contractor level - unless we have markets for the 75, 80 or 90 per cent, depending on the coupe you're working on, for all the products from that coupe, FT and the contractors become unviable. Like any chain, if one of those links breaks then the whole chain no longer holds up the industry.

CHAIR - We also have quite a significant private forest estate which will still have to rely on contractors, providing they have the markets, to handle that as well.

Mr VINCENT - Yes, that's true, but we also have to be well aware that the whole industry is underpinned by dealing with the residues. If you're in the cattle industry, you don't just produce fillet steak; there is silverside and brisket that you have to deal with and there is more silverside and brisket than there is fillet. You need to be able to deal with the whole product of the animal in the case of the cattle industry or the whole product of the forests in the case of the forest industry.

CHAIR - I accept that. If it were to pass that a Triabunna consortium, hypothetically, were able to keep Triabunna going, and we understand the Artecs of this world are dealing with quite a few residues at this stage, if that could meet the needs of the industry, would that help?

Mr VINCENT - The sale of Triabunna to an operation that had the ability to market at a viable level would be a great thing in the short to medium term. However, those underlying issues - we have a wood demand which is rising at one-sixth of the wood supply - are always going to make pricing and the prices we're able to achieve in the market very problematic. You don't need a very big envelope to work out that at \$83 a bone-dry tonne, which I believe a shipload of chips sold for in China a couple of weeks ago, that is \$41.50 a green tonne, and that is the cost of the harvesting. It doesn't provide for the chipping costs, the wharfage costs or the royalty. That is the commercial reality of where we are.

Ms FORREST - You're saying it's \$41 a green tonne just harvested.

Mr VINCENT - Or thereabouts, yes.

Ms FORREST - That doesn't take into account your planting costs -

Mr VINCENT - No.

Ms FORREST - pesticides or any pruning. We do prune logs.

Mr VINCENT - That, admittedly, was a ship that was sold in crisis times and it was shortly after the impact of the tsunami was being felt. There is about a 20-30 per cent differential between what we have been getting in Australian dollars out of the Japanese market to what we can achieve in any other market. That 20-30 per cent was where our relatively high labour costs for producing chip and our profit and our royalty came from.

Ms FORREST - Does the Australian dollar also impact on that currently?

Mr VINCENT - Dramatically.

Ms FORREST - So there are a number of factors that are impacting at the moment?

Mr VINCENT - Oh yes.

Dr GOODWIN - I have a general question about how difficult it is or will be for forest contractors who do transition out of the industry to find other employment opportunities?

Mr VINCENT - It will be quite difficult. There is some prospect for some to be able to move into different areas of forestry in different parts of Australia, but that will not take up any large number of contractors. For many, it is going to be a career change. Some are approaching retirement age and may choose to go down that route. For others, options include fly-in and fly-out working at Olympic Dam and those sorts of things. I have been involved with the industry since 1973 in one way or another and I find that in the appalling position that we are in, that is the reality.

Dr GOODWIN - In terms of the demographic profile of forest contractors, are they spread right across the age range or is there a significant proportion who are older?

Mr VINCENT - It is a fairly wide age demographic. There is certainly a relatively large percentage, probably more represented than the standard population profile, who are 55 years or older. It is also quite heavier than the standard profile demographic in the 17- to 25-year bracket. But there is number of people in that middle area who are going to be more of a challenge to reskill, retrain and re-employ. That will be a really big issue for the industry and for the community, regardless of what happens.

Dr GOODWIN - You have already been facing it, haven't you, regardless of what comes next?

Mr VINCENT - The situation I outlined before is the situation before we have had any impact of any moratoriums, because at the moment the moratorium has not had any measurable impact on wood flow. This is all external stuff.

Mr HARRISS - You suggested that Tasmania's market share in Japan has declined.

Mr VINCENT - Yes.

Mr HARRISS - Robert Eastment, who would be regarded as a credible pulp and paper analyst, has suggested to the committee that the demand for woodchips in Japan has not declined. What is the major contributing factor to Tasmania's market share declining, against that backdrop?

Mr VINCENT - A number of issues. Tasmania has been primarily a native forest supplier of chips and typically the fibre recovery out of those chips is about 46 to maybe 48 per cent. They are measured as E46 or E48 chips. So it is eucalyptus, 46 or 48 per cent recovery into pulp fibre. Plantation chips, particularly eucalyptus globulus, are around E58. Pulp mill economics, as I understand it, are driven by the costs of producing a tonne of bone dry chip material that goes in, not by the amount of tonnage that comes out. So if you have 17 per cent more pulp coming out of the end of your pulp mill for the same or similar input costs, it's far more profitable. Also, the plantation material produces, in most cases, a better quality of pulp depending on the end-use of that pulp. So that is having an impact.

We have gone from a situation where Vietnam, for instance, 10 years ago didn't have an export pulp plantation industry. Nowadays, it's exporting around four million tonnes of plantation wood, primarily into China, per year. They have a million hectares of eucalyptus plantations in the ground. South Africa has an increase in volume of wood available - much as the rest of Australia. South Australia, Western Australia, around the Grampians area in Victoria, are all growing plantation wood which has a high recovery and a lot of it is coming from MIS schemes, of course. Chile and Uruguay are all now producers of pulpwood, where 25 years ago they weren't or were very small contributors. Australia had 60 per cent of the pulpwood market into Japan 25 years ago and at the moment it under 30 per cent.

Ms FORREST - A further comment that Robert Eastment made after that point that Paul made was that there is a shift back in Japan particularly, though a little quiet shift back, to more native forest harvesting because when you get those high cellulose levels that you talked about they produce more pulp. The lignin is the important part of the tree to produce energy and with the nuclear problems they've had in Japan of late they are rebuilding their pulp mills over there as much to make pulp as they are to generate energy. So in those circumstances clearly native forest has a lower cellulose and higher lignin aspect. Do you think that is an issue for Tasmania? Our percentage of the Japanese market has decline but their demand continues, so do you think we are going to see a swing back? If we transition out and change everybody into other areas, then what?

Mr VINCENT - I think there will be some impact there. How much, no-one can really say at this point. We also need to be aware that the cost of running a pulp mill in Japan, because of their cost and standard of living, is relatively high. The bulk of the pulp mill development is happening outside Japan, whereas 25-30 years ago Japan was a very strong centre for pulp and paper production. It is losing that to countries with lower cost of production.

Ms FORREST - In spite of that, if there is a push for more biofuel energy production - and Robert said that European countries are leading the charge in that; the world view generally is that it be supported as a green energy source - if Tasmania moves down the

path of transitioning out of native forests to such an extent then I don't think we are going to get it put back into production once it's reserved, in spite of the science that may be there. If there is a transition, these things need to be considered and we need to have a period of time that would allow these things to unfold. If so, what time frame do you think is necessary?

Mr VINCENT - I think a lot of things are going to change and evolve over a period of time while this carbon economy evolves. It's in its infancy in Australia at least. That said, we are always going to be under pressure for the distances that we have to cart. We are a high-production-cost country producing a relatively low-quality product which is not wanted at the prices we have been traditionally getting, so the economies of that are always going to be very questionable. Certainly, bioenergy, I think, is part of our future. There is no doubt about that but I think that will be more from within our State. For too long we have had one market for one product for 80 per cent of our forest production. That is a very high-risk strategy.

Ms FORREST - It has proven to be.

Mr VINCENT - It has proven to be and we need to be a little bit smarter than that. We need to have a range of products. We need to have them being produced so that we are shipping something of high value from this State and not low value. That may be pulp - I certainly hope Gunns are successful in getting up their pulp mill - but equally it may be biocrude; it may even be refined diesel. There are a whole host of possibilities out there but, that aside, being able to manage out of a plantation resource seems to me to be a better way of doing it because of the uniformity of product that you are processing. That is one of the reasons we have the situation with hardwood sawmilling decline over 30 years; the plantation grown pine has taken over big chunks of what was traditionally a hardwood market. That particular battle for hardwood framing was lost to the pine industry once they developed high-temperature kiln seasoning for radiata pine. Dry pine prior to that was very problematic and very difficult. It was considered to be nothing more than case grade material. I think it was Bruce Rumble at the CSIRO in the late 1960s who developed a methodology for drying pine and since that occurred we lost a big chunk of hardwood market overnight and have continued to lose that.

CHAIR - If the native forest industry basically disappears and we are left with plantations, as you are suggesting perhaps, there is obviously going to be quite a lot of pressure from the ENGO groups on the harvesting and management of plantations; will that be the next target?

Mr VINCENT - Firstly, I can't ever see native forest harvesting completely stopped in this State. It is certainly not my or the association's position or that of any other industry involved in these talks with the Government. That is the first thing. It will continue to generate something in the vicinity of a million tonnes of residues each year and we just have to be a bit more clever about the way we deal with those and a bit more risk averse to the way we deal with it.

CHAIR - It has been put to us that if you can continually reharvest and manage properly on a sustainable basis the current native forest estate then perhaps environmentally that it is a better outcome than using chemicals, plantations and doing all those sorts of things. It is a natural way of doing thing and it has been proven.

Mr VINCENT - Yes. Regarding the ENGOS' continuing protest action, I think whatever evolves out of this process needs to have steps and milestones that need to be achieved to ensure that those sorts of issues don't occur, that we have a process where there is some skin in the game for people who are -

CHAIR - Given our long history of inquiries and peace talks over decades, do you think, even if the Statement of Principles comes to pass, or the roundtable process may or may not be successful - that is still up in the air, but let's assume it is - do you think we will ever have peace in the forests?

Mr VINCENT - If it's on the basis that there's a huge amount for the environment movement to lose - the reservations that they would like to see in place - if they continue to protest or their protests re-emerge then they've got some skin in the game for the first time.

Ms FORREST - As long as they stay there; it's not over yet.

Mr VINCENT- Oh, no, I don't for a moment think it is, Ruth.

CHAIR - Ed, I appreciate your time, and thank you very much for your evidence.

THE WITNESS WITHDREW

Mr FRED RALPH, Mr IKE KELLY, AND Mr SHANE RICE, DIRECTORS, TASMANIAN COUNTRY SAWMILLERS FEDERATION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Thank you very much, gentlemen. We do appreciate your coming along today to give evidence. When you give evidence it is covered by parliamentary privilege. However, what you may say outside may not be covered by privilege. I think you are aware of that. You have all given evidence before.

Mr RALPH - We have.

CHAIR - Fred, we are on a pretty tight time line because we have to do other things. We have our one term of reference, and that is simply inquire into and report upon the impact of the proposed transition out of public native forest management and harvesting in Tasmania and Fred, you did send through a list of dot points - thank you very much.

Mr RALPH - In terms of those points, Mr Chairman, if any of them are not pertinent, at your discretion, we do not mind not talking to them.

CHAIR - Okay, thank you.

Mr RALPH - To commence, Mr Chairman, can I table a letter and an apology from Mr Glen Bates, who was hoping to be here today? He has put into description, at an enterprise level, that which we are going to be more broadly speaking about today as a sector of the industry that represents and is associated with regional sawmills. It is a condensation of what we are going to say, but it is his submission as an individual, and he has asked me to supply that.

CHAIR - Thank you.

Mr RALPH - Point one, Mr Chairman, is an observation of the state of the industry as it is today. Whilst any industry can tend to be a bit of a mixed bag, what I am describing now I think is the general trend and the circumstance of the industry and that is that it's not in good order. The first issue of concern to us is the situation with woodchips. Woodchips as an income are very important, particularly to green mills but also to mills that have value-adding systems. Our situation is two-fold: in the north mills are selling chips but at a reduced price; and in the south the disposal of chips is an impost on mills because they're having to cart them to a collection point at Triabunna. In both cases that has a fairly dramatic effect on a mill's viability. We are also in a situation where log grade is tending to decline, which exacerbates the chip problem because a greater proportion of the log goes to chip than otherwise would if the log was of higher grade. At the same time, we are presented with a rise in price for logs.

We are also presented with fairly flat and soft markets and as of very recent times we are presented with the difficulty of a new environmental group - and I think they're called 'Markets For Change' - who are now campaigning in front of large firms that are using product that comes out of native regrowth forest. We don't necessarily expect that that is going to affect the public, I don't think they would necessarily care, but the businesses they are protesting in front of are the ones who will care and at some point in time that

will create additional difficulties for us. It is a good thing, I think, that regional sawmills are a very tenacious group of people, and they are. We also have the situation where a number of sawmillers have an overall environment that is not very satisfactory and they're investing their superannuation in their businesses in an effort to keep them going. Normally that is going to be a fairly drastic step -

CHAIR - A bit like farming.

Mr RALPH - Yes, I think that's right, Mr Chairman.

Ms FORREST - Fred, you talked about the grade of the logs declining, is that because they're being harvested earlier?

Mr RALPH - It is certainly a factor, but I will ask Shane to answer that.

Mr RICE - Primarily so, they are not allowing them to grow on. The younger tree has less waste produced as you're trying to recover the timber. The need of going back through the forest on a shorter rotation is presenting a big problem with the sawlog.

Ms FORREST - Which would exacerbate the problem if we took a whole heap more out of the production cycle?

Mr RICE - That's right, yes.

Mr KELLY - I have been in the industry a long time and listened to all the arguments and I think the biggest problem with the resource, which we are trying to sort out, is that most of it is locked up. The best part of our forests are locked up under conservation by anything we can find to lock them up for. That is the biggest problem with our industry with a lower-quality log and more woodchips, the best part of our forests are locked.

Ms FORREST - And not available for harvest?

Mr KELLY - I don't want to steal anybody's powder, but we have thousands of kilometres of roads into those forests which the industry supplied money for over the years and every time something happens they lock some of that up that we've already paid for. Now we are trying to put roads into places where there aren't any. So there's a possible answer to your question.

Mr RALPH - Mr Chairman, that's sort of the base position, and I wanted to go through that. I don't know what your time frame is for transition, or when it's likely to start, so we wanted to present what we see is the situation at the moment.

I would like to talk briefly about log supply and a little about the present system because I think the present system has a fairly far-reaching impact on the industry and I would suggest that in a transition process, the present system would need to be reviewed and probably needs to be changed.

The current system for historical reasons, and I often note criticism of that history, has created a very distinct two-class system of log supply and those classes can be fairly rapidly identified between those who have contracts for wood supply with FT and those

who do not. There's even an argument that we're already in the transition period, we're in the early stages of it now, with all the uncertainty that you would expect. But I think it's likely that the volumes that are going to be available to those who remain in the industry are going to be sufficient to remove that two-class system. The system that still applies has had a fairly heavy influence on a lack of innovation within the industry and I think part of the difficulties that we currently face is a lack of innovation, and a lack of innovation over a very long time.

Perhaps I will describe the current situation in terms of log sales. We have a monopoly seller, and that's not necessarily a bad thing, but logs are essentially being sold into a non-competitive and non-contestable market, and I think that it is particularly the non-contestable portion of that market which has had a dampening effect on innovation.

I think that it's the case that it doesn't matter what industry anybody is in anywhere in the world today, there are only two things that are ever going to save that industry and those are technology and innovation. I think that we need to have a system that enables us to do much better than we have done historically. I know it's very much Ike's argument - and he's been very vocal on this point - that what we have to have in the industry is an even playing field. Ike, can I ask you to speak on that point of an even playing field?

Mr KELLY - In the circumstances where our biggest player is exiting the industry, as we're fairly confident they're going to in the future, we see it, as the Country Sawmillers, that with the log supply agreements we should be able to have a level playing field because of the resource that our big player - I can mention their name in here, Gunns - are going to exit, leaving approximately 180 000 to 200 000 cubic metres of sawlogs behind. The point that we like to make out of it is that we mostly have been having meetings asking what we are going to do with what is left, but that is not quite true, is it? Gunns' resource if they stay in it is still there. What are we doing sitting here saying that this is the bones of what this industry needs, 1 275 000 cubic metres? That is rubbish. The wood is still there.

Why can't we have a level playing field where we are all having caviar instead of some of these smaller millers having the lower-quality logs and trying to compete in an industry exactly the same? Now is the golden opportunity for those who don't have a category 1 and 3 resource to gain that because that timber is still out there; irrespective of what laws are passed and everything else, Gunns are not taking the wood with them. We are not here to talk about their resource or what they are going to do but into the future we see that there is the opportunity for everybody to be on a level playing field.

Ms FORREST - To spread the access, you are talking about?

Mr RALPH - I will put it more forcibly than that. We need a more equitable distribution of the wealth of this industry and that is done through log grading.

Mr HARRISS - Even if with Gunns exiting the industry the Government proposes a reduction in the 300 000 cubic metres, how does that challenge access to the appropriate category logs? They are still there. There can still be there, can't they, even if we go back to 150 000 or 200 000?

Mr RALPH - I think that's right. So how do we challenge access to it? I think, Paul, that we need a price discriminatory market with the greater possibility that the buyer, in this case the miller, has the opportunity to purchase his logs - and not meaning to be sexist, incidentally; most sawmillers are males -

Laughter.

Mr RALPH - at that miller's reservation price. There is a very keen interest in the industry to maintain contracts of supply and I suppose if we took it to the extreme for demonstration purposes of what a totally discriminatory market might be - I guess these days it is Ebay but we are not suggesting that that is the method or anything like the method - but what I am suggesting is there needs to be a more competitive approach with offers and negotiations. In other words, I don't think it is the case that one price fits all and I think there needs to be a recognition that different people within the industry do have different reservation prices. I think if that is done, that will create a lot more competition in the market than currently is the case.

Mr HARRISS - Would you see that through the processes of wood supply agreements?

Mr RALPH - Yes.

Mr HARRISS - Let me go further, so you would see it that way?

Mr RALPH - Yes.

Mr HARRISS - The committee was reminded through evidence earlier today of the change to the market and the supply of wood in the Victorian forest industry so that there is not that certainty, if you like, which is delivered through wood supply agreements. How do you see that or do you have any experience of what has been happening in Victoria once they moved to that situation?

Mr RALPH - We have a little bit of knowledge of it, Paul, but not very much. Firstly, our limited understanding is that overall the system in Victoria has not worked. It has enjoyed success in the auction process of higher-grade logs and it has been a marked failure in the sale of lower-grade logs, and I understand that last year Vic Forests lost \$16 million. That is not something that I think we want to have here. Given our numbers and the shape of our industry - we have a couple of peeler mills and two or three or four reasonable-sized mills and the remainder are regional mills, even though one of those regional mills is the largest mill in Tasmania - I think with that number and the level of knowledge that exists within the industry, we could have a competitive sale system that did not adopt the Victorian model.

Ms FORREST - How do you see that working as a framework? How would you describe that in simple terms being competitive without auctioning like Victoria do?

Mr KELLY - I would like to answer that, if you do not mind.

CHAIR - Certainly.

Mr KELLY - Years ago when we auctioned off some of our category 1 logs and all sorts, we put in our price for it, we employ 15 people, and we were beaten by I think it was 5 cents a cubic metre. Then we had nothing to do for 15 people and the people who did win did not even have a sawmill. So that is how it can happen.

Another point that I would like to make while you are asking that question is that when they auctioned all the 70 000 cubic metres, I think it was, of category 2 logs I can remember John Gay, whom most of us grew up with, saying to FT that it would not work. Of course Forestry Tasmania thought that it would work and so John Gay bought the bloody lot of them.

You are talking about something where we have to have security in our industry or we have no industry at all. We have been encouraged - and I have some notes here that I will leave with you - through life to invest in all sorts of things, millions of dollars worth of investment in this industry. Now here we are sitting here talking about tendering for us.

Mr RALPH - No, I do not think we are, Ike, and I think we have to make that very clear.

Mr KELLY - That was the question, Fred.

Mr RALPH - No, we are not talking about auction.

Ms FORREST - No, just how it will work without?

Mr RALPH - Yes, without, and I am suggesting that it can be achieved, Ruth, at a negotiation level. I also think it can be achieved at some point within a contract period and we tend to think that contracts for supplies should be in the order of 10 years because that gives that degree of security. But at the end of that time, it is then contestable.

Ms FORREST - So you are talking about a 10-year time frame then and then contestable after that?

Mr RALPH - Yes, and I think that would create a sufficiently competitive environment and remove this two-class system that currently exists, and I think in a transition process, Mr Chairman, that is something that you should look at very thoroughly.

CHAIR - Fred, if we have finished with that little patch then we can move on to log reclassification, if that is what you needed, thanks.

Mr RICE - Basically, as we touched on there with the current sawlog supply, the harvesting coupes are becoming younger and, consequently, the logs supplied are younger and with the extra hectares locked up, if it goes ahead and the HCV areas take that, it will exacerbate the problem, in that Forestry will have to through the available coupes at a faster rate of turnover.

CHAIR - You would have a view on that HCV forest. Can you give us a definition? We have been struggling to find one.

Mr RICE - I firmly believe they are just after hectares.

Mr RALPH - The answer is, Mr Chairman, we cannot. My limited knowledge of it is that not only are those areas not determined with the aid of science but in fact there is no scientific definition of them and if I get time, I might say something further on that.

Mr RICE - Basically, what I am going to comment on here is general in nature, as every tree is different and you have to take that into account, but this is just experience over numerous logs. The problem with young logs is the growth stresses that predominantly occur in their vigorous-growing early years and the resulting growth stresses result in bowed and twisted timber, timber with spring in it and so forth. It is a big problem trying to saw young trees. Experience has generally shown that with the older trees, 60 years and better, the growth stresses are generally, but not exclusively, less of a problem by then. The recoverable timber out of each log is greater, you don't have to re-saw as much to try to straighten the timber that you're trying to recover. Young logs can obviously be sawn but your waste factor is far greater. For example, with an older log that has less stress, you get about 35 per cent of waste residue, while with a log that is still growing and has all the stresses you could go up to 70 per cent quite easily. Occasionally you get a log that you can't get recoverable timber out of. As you touch it with a saw it is just popping open and splitting and you can't do anything with it. While my experience is with native forest, I can't see any reason that plantation trees wouldn't react the same; a tree is a tree, after all. I would expect a young plantation tree to have exactly the same issues. It comes to the current grading of the logs which is based more on log size and the defects associated with limbs, hollows and rot rather than the log age. Currently we do get young logs in the category 3 side of things, but because they are a low percentage of the total log intake you cope with each mill the best you can and put them into whatever product you can. Because they are a small percentage, it is just dealt with as it is, but if they become a larger percentage of the log intake, it is going to create big problems for us trying to get good timber out of the young logs.

Dr GOODWIN - Can I ask a quick question about the older/younger log difference in terms of years?

Mr RICE - Because every tree is different, you can't say a 50-year-old tree is better and younger than that they're not good, but generally speaking if you could get a log in that's 60 years and older, you more often than not can recover better quality timber out of it, but that's not exclusive. It doesn't matter on the size. We occasionally get in some quite small logs that cut very good timber but when you look at the growth rings, they are quite old, so it doesn't pertain to the log size, it is just the different growing areas and so forth.

If we could put politics aside for a moment, evidence shows that the best option for everybody - the environment, wildlife, biodiversity, future generations, sawmillers - would be a well-managed and sustainably harvested native forest on a longer rotation. But because we obviously can't leave politics out and we are here at the moment looking at the transition to plantation, and if we are going down that track we need to ensure that the plantation is suitable for our needs. The majority of existing plantation, and it's not exclusive, are nitens, planted primarily for the pulp industry. They don't generally suit timber, although you can cut timber out of that - it is generally construction-grade product, which can be done, despite what others have said. It has been proven it can be done but our biggest problem with that is that with construction-grade timber we would

be competing on a world market against the likes of China, South American countries, even South Africa. If we are just going down the construction-grade path, we would have to try to compete with all those countries, with the obvious cost on us with the workplace regulations, wages and general costs of business. Also the added cost there is there is no longer any direct export shipping out of Tasmania, so we would then have to send it on to Melbourne, and there's no freight equalisation or assistance on export. That's an added cost. I feel there's no way we could compete on price against other players in the world.

CHAIR - Those impediments you describe go across quite a few industries.

Mr RICE - Absolutely, it's nothing particular with the forest industry.

Where we could overcome that problem, if you like, is that for our current timber production as pertains to the 300 000 cubic metres of sawlogs that should be available today, per annum, we would recover somewhere in the vicinity of 100 000 cubic metres of good quality timber - general ballpark figures without going from mill to mill. If this volume of logs available is reduced, obviously our recoverable timber reduces exponentially and so we become nothing more than a niche market supplier on a world scale.

CHAIR - So your preferred option would be - if politics and everything else didn't come into it - to retain the native forest resource, the current area that we have that's sustainably harvested on a 80-year rotation or whatever.

Mr RICE - Absolutely. It would have to be the best option. If in the future carbon credits mean that we lock up every tree that's standing, what would you rather see? A native forest locked up to grow as it was growing, or a plantation locked up? It's just so much commonsense for biodiversity, the whole lot. You don't have the chemical issues with native forest as you do with whatever the plantation is - all the chemicals, fertilisers and so forth. If a disease comes through a particular species, and it happens to be your plantation species, it's all gone. At least with native forest, there are various species still available.

One again, if we have to go down the plantation route, then to have a viable and sustainable sawmilling industry what we would need to do, basically not much more than a niche market, would be to have a Tasmanian timber, produced in Tasmania, using native Tasmanian species. If that comes from a plantation then we need trees put in that plantation that are suitable species to accomplish that requirement. It's no good us trying to compete on the market when some of the biggest plantations in the world for nitens are in China. We can't compete against them, haven't got a hope, and not just in timber but in anything.

If we had a particular product which you could only source in Tasmania, then we've got a chance then to chase up some of the niche markets where the customer is after a Tasmanian product. To do that, we need the Tasmanian species. Of course they could be grown elsewhere but with market branding and so forth that this is a Tasmanian species, grown in Tasmania, produced in Tasmania, that's where our industry would have to go if we go down the plantation path. In saying that, and as I have stressed with the growth

issues in the trees, the plantation logs would then need to be grown out to a sufficient age to relieve that as well.

Mr HARRISS - In the presentation so far, can you identify who in this statement of principles development represents the voice of the Country Sawmillers Tasmania?

Mr RALPH - I do. We're a signatory, and I'm the representative.

Mr HARRISS - That then leads to a question. We have had the Wilderness Society in and a few of the ENGOs. There's a statement here 'that the parties to the principles seek from State and Federal governments interim support for the development of a plan to deliver the principles' - so that's the development of a plan - 'including verification of resource constraints and HCV boundaries'. That suggests to me that the HCV boundaries are not yet set in stone?

Mr RALPH - That is correct. The status of them at the moment is that there is a moratorium on the HCV areas as identified by the ENGOs. Their status is literally within the meaning of the moratorium.

Mr HARRISS - I have read this many times and I thought, 'Hang on a minute, the Wilderness Society have jumped off for the moment, suspended their activity, because they say the Government should have stepped in and immediately delivered the moratorium based on the black lines on the map'.

Mr RICE - Basically, the moratorium has been.

Mr HARRISS - Yes, for 98 per cent.

Mr RALPH - That is right.

Mr HARRISS - This suggests to me, and you have just confirmed your understanding, that the boundaries are yet to be agreed.

Mr RALPH - Correct.

Mr HARRISS - They have been put forward by the ENGOs and of course the head of this agreement says that the parties expect all issues to be delivered, so the ENGOs would expect that. I just see a mutual exclusivity with that process. How can you expect all of them to be delivered and yet we have not decided where the boundaries lie?

Mr RALPH - My understanding of it, Paul, is that the number of points within the principles - and I think there are 16 - will morph into an agreement and that agreement then has to satisfy every one of the points of the principles. In other words, no cherry picking. That is both its strength and its weakness, of course, because it is literally an all or nothing.

Mr HARRISS - But that leads to the tension which I see developing because some industry players have said consistently and understandably that we cannot all expect to get everything out of this; we all have to give ground.

Mr RALPH - I think that is absolutely right, Paul. In any negotiation it is pretty unlikely that you are going to get everything that you want. In terms of the resource it is probably unlikely that the industry will get everything that it would desire, but it is going to have to be somewhere near that mark. There is a resource exercise being performed by FT right now and one of its purposes is to determine what the gap is and then I think it will be up to the signatories to do their level best to close that gap. That exercise is yet to happen.

CHAIR - You may have to cherry-pick a little bit on the agenda.

Mr RALPH - I think we are and I think we could say that to some extent we are in the anticipation period of this transition now. The industry certainly thought that it had a pretty reliable floor in the RFA and even where mills did not have agreements with FT. There has been considerable expenditure on mills and tragically they continue to decline. We did a second survey in 2005 that said we had 46 regional mills and most of them were pretty well equipped - not all but most of them - and in the last five years 20 of those have gone. We are now down to about 26 mills. I mentioned the effect particularly of woodchip, which is just a straight case. Once your margin or revenue starts to drop you have to reduce your marginal costs and that is usually the case of people being put off. That is happening and continuing to do so and so that is having a bit of an economic ripple. I do not think I will expand upon that, Mr Chairman, other than to say that I noted on last night's news -

CHAIR - That is what I meant by cherry picking the best out of your bits and pieces.

Mr RALPH - Yes. The meeting of the councils are most concerned -

CHAIR - Yesterday, I believe.

Mr RALPH - Yes, that is right and I think they would have a far better economic grip than I have. We must see coming into this process that we have to have stability and peace and the capacity for long-term planning. We thought we had it in the RFA and we simply do not.

One of our biggest concerns going into the future in terms of transition is markets. It is not so much sawing timber or even drying it, that's not our big fear; our big fear is markets because if the markets don't want it we are not going to have any businesses. It is standard drill. I think with the kerfuffle going on with this 'Markets for Change' crowd that may put a bit of back pressure on FSC certification of native regrowth forests to protect the product we are going to produce.

The chap from the tourist bureau raised the matter of carbon credits when he was here. He pointed out that if an area was already locked up, you don't get any carbon credits. I think we need to make sure that we don't make that particular error. If any areas are going to be secured, locked up or put in national park or whatever, obviously we want to make sure we pick up the carbon credits on the first instance. He said nobody else had mentioned it. I don't know much about it but I will give him a bit of a back-up. As we head into this transition period, we would like to create a situation of stability in the industry. We currently do not have it. There are a lot of very frightened, concerned and stressed people and at as early a stage as possible we need to stabilise that situation. I

think one of the means by which that can be achieved is to have something that the industry doesn't have and never has had, and that is a plan. We need it.

CHAIR - Are you just talking about the sawmilling industry there, Fred, or the industry per se?

Mr RALPH - The total industry. In terms of support that people and communities are likely to have, I think it would be appropriate if that formed part of that plan. I would urge that the transition process needs to be slow; there can be no speed about it. It needs to be slow and targeted support needs to be targeted broadly. At the moment we tend to look at package assistance for workers and assistance for logging contractors and maybe even compensable exist systems for the regional sawmills, but obviously the damage is going much wider than that. I think we should simply try, do our best and not leave any casualties on the battlefield.

CHAIR - Could you put a time period on that transition, Fred? You said long and slow; how many years do you think?

Mr RALPH - In terms of some of the data we have at the moment, there are going to be very small quantities of nitens available in the next three or four years. We are talking of parcels of about 20 000 cubic metres and I can't really see anybody being interested in that. The first of the sizeable volumes start to come on at about 2030 and I think they're in the vicinity of 80 000-100 000 cubic metres.

CHAIR - Unpruned?

Mr RALPH - If they're unpruned they are no good. It is as simple as that. If we are going to get a category 1 log out of a plantation there are two things it must not have. It can't have knots and it can't have pith. If it has either of those two things, it is just not a millable log. We know from work that we have done that that is the case.

The plan wants to be very long term, maybe 100 years in terms of log supply, maybe out to 30 years in terms of enterprise level, and detail for 10 years for an enterprise. It appears that the large volumes are not going to come on until about 2030 and I really think that is when that transition can start. Eventually I think the intention is that these volumes might get up to about 300 000. Within the planning we need to make the decision: are we going to try to set up a system whereby we maintain the regional mills or are we going to say that the best economic way to process this is two medium-size mills - one north and one south - or maybe even one 300 000 cubic mill. Economically that is probably going to be the best way to do it, but sociologically it is not the best way to do it. These are the decisions that we need to look at and people need to know well in advance.

Mr ROBERT TORENIUS, TASMANIAN COUNTRY SAWMILLERS FEDERATION, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

Mr TORENIUS - I refer to David Ridley, the manager for Ta Ann rotary veneer peeling, this morning making the comment that it was going to take 40 years before the plantation wood was suitable for veneer peelers. For the sawmilling industry it will take even longer. Unless we have access to the native forest estate for our resource now, it will be the end of traditional sawmilling in Tasmania. There are no two ways about it. I know for a fact, having attended the Wilderness Society meetings, that their agenda is to close down all of the native forest, with only small amounts of specialty timbers and some specialty hardwood to come out of there. The transition time is very short and that is just not acceptable. I think this is why they have walked out of the process, because they are just not happy. I cannot see any of the ENGOs agreeing to any of the points in the Statement of Principles. If they are not carried forward, as it is, they will not agree to anything. They will not agree to handing back any of the high conservation areas that they have so-called submitted. It is a very serious set of circumstances we are facing at the moment.

Mr KELLY - I think with all the inquiries we have had in the past, and possibly in the future too, one of the things I would like to see you people consider is that no matter whether we get the 150 000 metres back or 200 000 or whatever, you should be looking at what is going to make this industry viable. There is just so much you can take from people such that they will still remain viable as an industry - and I am talking about an industry, not individuals. FT, for instance, have to have enough income or enough sales or enough of anything to remain viable. We can talk about the ifs and buts and the logs and this and that and whether we are going to get whatnot, but this industry as a whole has to be viable and it has to earn its way in this world or it does not exist. Are there any inquiries that we have been involved in, and you people too, where the industry has gained anything?

CHAIR - Good question.

Mr KELLY - That is my question to you people. I do not doubt that you cannot change it all in one minute but for all my life I have been mixed up with Salamanca and all sorts of things and every time there is an inquiry, and I am sure you people would agree with me, we lose.

Mr RALPH - Into these inquiries there has to be the situation where we let mammon off the chain. We are prepared to lock up too much for no economic benefit.

Mr KELLY - There is no benefit in it.

CHAIR - Thank you all very much.

THE WITNESSES WITHDREW.