

Tasmanian Forests

Interim Report
For Consideration

by Independent Facilitator Bill Kelty

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1. Principles Agreement

TASMANIAN FORESTS STATEMENT OF PRINCIPLES TO LEAD TO AN AGREEMENT

To resolve the conflict over forests in Tasmania, protect native forests, and develop a strong sustainable timber industry.

The parties to these Principles:

- Timber Communities Australia Ltd (TCA)
- The Construction, Forestry, Mining and Energy Union (CFMEU)
- The National Association of Forest Industries (NAFI)
- The Forest Industries Association of Tasmania (FIAT)
- The Australian Forest Contractor's Association (AFCA)
- The Tasmanian Forest Contractor's Association (TFCA)
- Environment Tasmania Inc (ET)
- The Wilderness Society (TWS)
- Australian Conservation Foundation (ACF)
- Tasmanian Country Sawmiller's Federation (TCSF)

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, including verification¹ of resource constraints and HCV boundaries;
- Implementation of the Principles through an agreed, fully-funded package and timeline that maximises benefits and reduces negative impacts;
- Immediate interim assistance for Tasmanian harvest, haulage and silvicultural contractors;
- To determine with industry, a guaranteed sustainable quantity and quality of wood supply within 3 months that is outside of the identified high conservation value forests, for the period of the negotiations, in order to provide certainty for the industry, workers and communities;
- A progressive implementation of a moratorium on the logging of high conservation value forests commencing within 30 days – ensuring that priority, (ie those in the most advanced stages of planning for harvesting) HCV coupes identified by ENGOs² are the first to be addressed. The full moratorium is to be completed within 3 months. Any necessity for any proposed variation to this due to unavoidable planning constraints has to be independently verified;
- To provide exit assistance for industry where required;
- Not to accept new entrants into the Tasmanian industry, nor enter into new contractual relationships beyond parties who are currently in contractual relationships with the state while the negotiations are underway unless by the mutual agreement of all parties;
- Note that no party (including Forestry Tasmania) shall be required to accept a Principle which would otherwise apply to it where to do so would cause a breach of an existing contract or statutory obligation;
- Accept that delivery of these Principles will require joint agreement of the parties to timelines and funding and;
- To develop an agreed stakeholder-led implementation process with a finalised full agreement within 12 months.

¹ Draft verification process document under construction

² ENGO's in this document means those environmental non-government organisation's who are parties to this document

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PRINCIPLES

The parties agree to the following:

General Wood Supply	Provide a sustainable resource supply profile to industry based on an agreed minimum quantity and quality requirement for industry. This will be underpinned by legislation.
Native Forest Wood Supply	Subject to the provisions of the transition, as legislated Native Forest entitlements are handed back, ensure these entitlements will not be allocated nor licensed to new players.
HCV Forests	Immediately protect, maintain and enhance High Conservation Value Forests identified by ENGO's on public land.
Transition	Transition the commodity (non specialty) forest industry out of public native forests into suitable plantations through a negotiated plan and timeline.
Industry	Create a strong sustainable timber industry including the development of a range of plantation based timber processing facilities including a pulp mill. There will need to be stakeholder consultation and engagement with the proponent, ENGO's and the community.
Specialty Timbers	Provide for ongoing specialty timber supply including eucalypt for our Tasmanian high value furniture and craft industries through a negotiated plan and timeline.
Plantations	Support sustainable and socially acceptable plantations including agreed reforms and new agro-forestry outcomes, including pursuing certification.
Private Forests	Encourage and support, but not mandate, private forest owners to: seek assistance for certification; and protect, maintain and enhance high conservation value forests on their properties.
Communities Impacted	Support impacted rural and regional communities, workers, contractors and businesses, through a range of economic development, financial assistance, compensation and retraining measures.
Community Engagement	Engage and involve the broad Tasmanian community in the development and implementation of a durable solution to the Tasmanian forest conflict.
Tourism	Develop Tasmania's nature-based tourism industry in line with these Principles.

Planning	Develop a fully-funded, independent, scientifically-led landscape conservation, restoration and integrated-catchment management program, and associated governance and regulatory improvements.
Government	Reform and support government agencies, policies and legislation as necessary for the implementation of an agreement associated with these Principles.
Climate Change	Seek funding for improving carbon outcomes as a result of delivering these Principles.
Biomass	In Tasmania, only permit plantation forest processing and plantation harvesting residues to be used as biomass for RECs.
Certification	Encourage Forestry Tasmania to firstly obtain Controlled Wood accreditation on delivery of the moratorium, secondly, obtain full FSC certification on resolution of an FSC National Standard and once an agreement based on these Principles has been finalised.
Durability	Undertake to ensure all elements of this agreement are fulfilled on a durable basis.
Legislation	Require State and Federal legislation to implement agreed outcomes arising from these Principles including appropriate review mechanisms, milestones and sanctions.

Signed by the following parties: Dated 14th October 2010

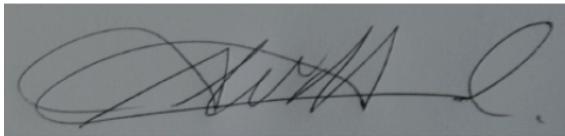


Trevor Richardson for Timber Communities Australia Ltd (TCA)

Michael O'Connor, National Secretary
Forestry and Furnishing Products Division
**Construction Forestry Mining
and Energy Union (CFMEU).**



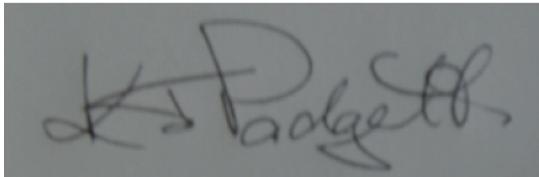
For the CFMEU subject to authorisation by
ballot from Tasmanian members of the
CFMEU Forestry and Furnishing Products
Division.



Allan Hansard for the National Association of Forest Industries (NAFI)



Terry Edwards for the Forest Industries Association Tasmania



Ken Padgett for the Australian Forest Contractor's Association (AFCA)



Edmond Vincent for the Tasmanian Forest Contractor's Association (TFCA)



Phill Pullinger for Environment Tasmania Inc (ET)



David Mackenzie for The Wilderness Society Inc (TWS)



Don Henry
Chief Executive Officer
Australian Conservation Foundation



Fred Ralph for Tasmanian Country Sawmiller's Federation (TCSF)

2. Terms of Reference for an Independent Facilitator

TERMS OF REFERENCE FOR AN INDEPENDENT FACILITATOR TASMANIAN FORESTS STATEMENT OF PRINCIPLES LEADING TO AN AGREEMENT

CONTEXT

During 2010, forest industry, union and environment non-government organisations collaborated to develop the *Tasmanian Forests Statement of Principles to lead to an Agreement* (the Statement). The intent of the Statement is to resolve the conflict over forests in Tasmania, protect native forests, and develop a strong sustainable timber industry.

Governments were not part of the development of the Statement. Signatories to the Statement presented it to the Tasmanian Government on 18 October 2010 and to the Commonwealth Government on 22 November 2010.

The Statement demonstrates strong goodwill between the Signatories and support for developing a detailed Agreement. However, there is considerable detail to be developed before an Agreement could be concluded and it is apparent that there remains a divergence of views between the Signatories and with other stakeholder groups.

THE TASK

The Australian and Tasmanian Governments wish to assist the signatories to the Statement and other stakeholder groups to reach a common understanding and interpretation of the Statement and to develop an implementation plan that would allow an Agreement to be concluded.

TERMS OF REFERENCE

As a high-level independent facilitator the principal role is to act as an honest broker to bring stakeholders together to further develop the principles under the Statement and prepare an implementation plan. The Facilitator's Terms of Reference require him to:

- work with the Signatories and other stakeholder groups to determine how they wish to engage with each other and with governments to develop an implementation plan. This will be guided by the steps outlined in the Statement of Principles;
- work with the Signatories and other stakeholders to develop further detail and reach a common understanding of the principles under the Statement;
- facilitate agreement on, and access to, key data and information that allows assessment of available resources, the long-term industry structure and community (social and economic) implications of implementing the Statement;
- advise the Signatories, other stakeholder groups and governments on areas of common agreement, areas unable to be agreed and potential to reach an enduring Agreement;
- report regularly to both Governments on progress and make any interim recommendations which would assist progress; and,
- facilitate the preparation of an implementation plan that would allow an Agreement to be developed and concluded.

The facilitator will not have authority to commit governments, signatories or other stakeholders to any actions or expenditure.

The facilitator will report back to all parties by the end of June 2011.

The facilitator will be supported by a small secretariat provided by the Australian Government.

3. Process Undertaken by the Facilitator

Since appointment in December 2010 as an 'independent facilitator' by the Tasmanian and Australian governments it has been my intention to act as an honest broker to facilitate the signatories in their attempt to reach agreement.

During the initial stages I met with the signatories and other non signatories/stakeholders such as Forestry Tasmania and Gunns Ltd.

These first few meetings included Michael O'Connor (CFMEU), Greg LeStrange (Gunns), Tom Aldred (DAFF), Charlie Zammit (SEWPaC), Bob Rutherford, Andrew Blakesley and Martin Blake (DIER). I met with Tasmania's Premier at the time David Bartlett in the Cabinet subcommittee which included Bartlett and now Premier Giddings, Bryan Green and Greens leader Nick McKim.

These meetings showed clearly that the industry was struggling and the issue was emotive and divisive with general cynicism around the central issues being the pulp mill most likely the proposal in northern Tasmania, the High Conservation Value Forest (HCVF) claim, industry transition including guaranteed wood supply and regional strategy for the economy in transition.

Initial discussions and meetings with Industry groups, Forestry Tasmania, Private Sawmillers, Specialty Timbers and ENGO's (Environmental Non Government Organisations) were productive and informative with a crash course in timber mills, forestry and many other facets of Tasmania's forestry industry.

We travelled by helicopter across the southern region of Tasmania with Bob Gordon from Forestry Tasmania as chaperone and through the north west with the Wilderness Society showing us the north western Tasmania region including two tourism ventures (Tarkine Wilderness Lodge and Wilderness Walks Lodge). However the central issue that has been raised in all meetings is that of the current Gunns Ltd pulp mill proposal and how the industry and the State can handle such a divisive and emotive issue. The principles states that 'a pulp mill' is acceptable but the general feeling we got as we meet with ENGO groups and industry is that the real question is not 'a pulp mill' but 'The Pulp Mill' at Bell Bay.

3.1. Key issues and questions identified during the process

Fundamental issues are whether the Bell Bay pulp mill is supported, whether native forest harvesting continues and whether there is flexibility in the area of high-conservation values areas to be reserved.

- 1) Is continuation of native forest harvesting part of a future industry under the Principles?

- a) If so, what timeframes – in perpetuity (i.e. continual production from regrowth forests), transition out of all native harvesting over 5, 10, 20 years?
- 2) What is the expected long-term industry structure under the Statement?
 - a) for native and plantation forests
 - b) export woodchip, sawmilling, veneers, specialty timbers?
- 3) Is there agreement on a pulp mill in the industry structure?
 - a) if so, is there agreement that it is the Bell Bay pulp mill?
 - b) if not at Bell Bay – then where in Tasmania or the mainland?
- 4) What areas are considered as high conservation value forests?
 - a) are the boundaries mapped and agreed by all Signatories?
 - b) are they open to discussion and modification?
- 5) Is there confidence that remaining sawlog resources will be adequate in terms of volume, quality and price for sawn timber and veneer producers?
 - a) if export woodchips are not supported then how will harvesting be commercial?
- 6) What restructuring will be needed to reach the future envisaged under the Principles?
 - a) what options exist for economic diversification and workforce re-skilling?
 - b) what investment is required?
- 7) What are the implications for Climate change and the ability for a national Carbon initiative from both a State and Federal government perspective.
- 8) How does Tasmania position itself as an economy in transition and therefore what is the regional strategy that may foster this strategy.

Including but not withstanding we have met with the following parties since being appointed:

- CFMEU – Michael O’Connor, Jane Calvert, Travis Wacey;
- All signatories including - TCA, TFCA, FIAT, NAFL.
- DIER – Bob Rutherford, Martin Blake, Andrew Blakesley;
- Tasmania Premier Bartlett and Forestry Cabinet Sub Committee;
- Tasmania Premier Giddings and Forestry Cabinet Sub Committee;
- Premier Giddings and Deputy Premier Green separately and together;
- Greens Party Room - Green MP’s;
- Nick Mckim Greens leader;
- Jonathan West - The Innovation Centre;
- ENGO’s – Sean Cadman, Paul Oosting, Phil Pullinger, Russell Warman, Vica Bailey, Lindsay Hesketch, Don Henry;
- Conservation Trust – Alistair Graham, Peg Putt;
- Specialty Timbers – George Harris;
- Forestry Tasmania – Bob Gordon, Simon Grove, Hans Drieslma;
- Country Sawmillers – Fred Ralph, Stuart Ralph;

- Tourism Tasmania – Dr Claire Ellis;
- Institute of Forester of Australia;
- Private Foresters – Ian Dickenson;
- Britton’s and McKay’s Timber – Bernard McKay and Glenn Britton;
- ACF- Don Henry; Lindsay Hesketh.
- TWS – Lyndon Schneiders, Vica Bailey, Paul Oosting;
- Greens National – Bob Brown;
- Dick Adams Labor MP;
- Gunns Ltd –Greg Le Strange;
- Regional Development Australia (RDA);
- Jacki Schirmer – Fenner School;
- Liberal Tasmanian Senator Richard Colbreck;
- Furniture Australia – Rohan Wright;
- Tamar Valley Groups –Friends of the Valley, Pulp the Mill;
- TFGA, Private Foresters – Ian Dickenson, Jan Davies, Tom Fisk, John Ford; and
- TAP and The Tasmanian Liberal Party declined a meeting, however the Liberal Party forwarded their 13 point plan that has been included in annexure 1.

3.2. Media Releases

18th February 2011

Bill Kelty, Independent Facilitator

The signatories to the Forest Principles met on Tuesday and Wednesday this week and reaffirmed commitment to the Principles.

They identified the key issues which needed to be considered and established processes to deal with those issues.

These include discussions with Gunns, the state and federal governments, Forestry Tasmania, and the need for independent assessment of regional impacts.

The meeting confirmed that there was substantial goodwill, but a number of keys issues needed to be resolved.

It was also agreed to deal with the range of matters expeditiously because of potential developments.

It was also recognised that the discussion could not be limited to the signatories, and that ongoing discussions would continue with non-signatories.

Statement from Mr Bill Kelty, independent Facilitator, March 11 2011.

A meeting was held yesterday in Hobart convened by Mr Bill Kelty and all parties reaffirmed their commitment to the delivery of the statement of principles.

Following the meeting of signatories it was decided and absolutely committed to by all parties to continue the process with the issue of security of wood supply/ moratorium as priority.

The signatories have formed a reference group sub committee who then meet with Forestry Tasmania and have been able to confirm the following.

Moratorium/ Security of Supply

This is to confirm our understanding regarding the above matter:

1. The ENGOs have identified the boundaries of the ENGO claimed High Conservation Value (HCV) areas.
2. It is agreed that logging will not occur in that area, unless
 - It is necessary to meet existing contracts and
 - for the assurance of wood supply for existing industry(subject to the approval of the reference group)
3. The reference group consisting of Jane Calvert, Sean Cadman, Phil Pullinger, Ed Vincent, Allan Hansard and Terry Edwards and or nominees shall be established to oversee any adjustments or transition within this period. It is understood that the group shall be assisted, if necessary, by Joel Bowden.
4. There is recognition that the group shall have resource to Professor Jerry Vanclay or other available and suitable person/s if independent analysis is required.
5. It is further recognised that there will be additional costs which need Federal Governments to recognise and contribute.
6. It is recognised that there will be a transition period whilst the arrangements for the moratorium are finalised between the subcommittee and Forestry Tasmania
7. The agreement is for a six month period beginning from today's date the 11th March.

If there is no ultimate agreement by the signatories it is understood that this agreement does not prejudice the position of any party.

Let me place on record our appreciation of Bob Gordon and Forestry Tasmania for your support in this difficult process.

I would also like to acknowledge the support of Premier Giddings who has demonstrated a willingness to engage and help secure an outcome at this point.

Bill Kelty

Bill Kelty – Independent Facilitator, Tasmanian Forest Talks.

STATEMENT

Mr Bill Kelty

As stated at Press Conference in Launceston yesterday, March 22nd 2011.

It would be easy to conclude that there is insufficient agreement to establish a workable solution due to many factors including the difficulty of process, the packaged approach, the number of parties involved, and the divergence of views.

However the easy option is not always the right one.

There is a wonderful opportunity at hand but it is a very big task not made easier by procrastination.

There are a number of areas for consideration and these will be outlined in my interim report which will be handed to government by weeks end.

One area specifically would be an independent review of the current Pulp Mill assessment. This would attempt to clarify the main areas of concern within the current assessment of the proposal from Gunns Ltd.

Bill Kelty

End statement.

4. Capacity to Reach Agreement

It would be easy to conclude that there is insufficient agreement to establish a workable solution. This is evidenced by:

- The difficulty of the task itself. The parties are seeking to overcome generations of mistrust and divergent views. The non signatories' views reflect that generational view;
- The agreement requires all aspects to be encompassed as a packaged approach. No one principle can be seen in isolation;
- There remains a strong divergence of opinion on the pulp mill at Bell Bay;
- There are a number of interested parties/stakeholders who are not signatories;
- There is a need for Government at both State and Federal level to provide support in an economy under fiscal pressure;

- There is uncertainty surrounding the economic position of Gunns Ltd, reflected in the volatile and relatively low share price; and
- There is uncertainty surrounding the timing and specific intent of Gunns Ltd's voluntary withdrawal from native forest processing.

However, the signatories remain committed at this point to the process and believe that the chance to establish a workable understanding given the announced intention of Gunns Ltd to withdraw from native forest processing this will be enhanced if:

- 1) There is a clearer understanding of the Forest Resource issues, including the capacity to establish a moratorium, time frame for that and its impacts on wood supply;
- 2) The capacity to deliver the minimum resource requirements to industry to sustain their viability;
- 3) An independent person be appointed to review the current pulp mill assessment. This would attempt to clarify the main areas of concern within the current assessment of the proposal from Gunns Ltd;
- 4) A firm commitment by governments to facilitate regional/community based transition plans arising from the implementation of an agreement;
- 5) A clearer understanding of the restructuring support that would be available to parties by governments;
- 6) The future intentions of Gunns Ltd is better appreciated and understood;
- 7) Understanding the impact an agreement would have on climate change;
- 8) An understanding by signatories and non signatories of what would occur should an agreement not be reached and the ramifications of this;
- 9) Funding support or compensation from the Federal Government to the parties to facilitate their member/constituent engagement in the process and to undertake appropriate analysis; and
- 10) A commitment by governments to deliver formal legislative protection to ENGO HCV forest reserve proposal areas.

It is noted that all parties anticipate that mechanisms will need to be developed and agreed upon for the delivery of all of the principles encapsulated in the Agreement.

5. Proposals for Advancing the Capacity to Establish a Workable Solution

5.1. Forest Resource Issues

5.1.1. Moratorium and Wood Supply

There was a strongly held view by ENGO's and Industry that the moratorium should be in place by March 15th which includes a commitment to wood supply to meet all existing wood supply obligations and protection of ENGO HCV forests as part of the interim outcome.

On March 10th 2011 the signatories agreed to the placement of a six (6) month moratorium date that will now end September 11th 2011. The moratorium; a guaranteed wood supply, an end to logging and roading within ENGO HCV forests, an agreed process for re scheduling operations. Forestry Tasmania at this stage have been able to achieve 98% of the ENGO HCV claim. However, if there is no ultimate agreement by the signatories it is understood that this agreement does not prejudice the position of any party.

The following letter to Bob Gordon, Forestry Tasmania outlines this;

11th March 2011

Bob Gordon

Forestry Tasmania

79 Melville St, Hobart.Tasmania

Dear Bob,

Re: Moratorium/ Security of Supply

This is to confirm our understanding regarding the above matter:

1. The ENGOs have identified the boundaries of the ENGO claimed High Conservation Value (HCV) areas.
2. It is agreed that logging will not occur in that area, unless
 - It is necessary to meet existing contracts and
 - for the assurance of wood supply for existing industry(subject to the approval of the reference group)
3. The reference group consisting of Jane Calvert, Sean Cadman, Phil Pullinger, Ed Vincent, Allan Hansard and Terry Edwards and or nominees, shall be established to oversee any adjustments or transition within this period. It is understood that the group shall be assisted, if necessary, by Joel Bowden.
4. There is recognition that the group shall have resource to Professor Jerry Vanclay or other available and suitable person/s if independent analysis is required.
5. It is further recognised that there will be additional costs which need Federal Governments to recognise and contribute.
6. It is recognised that there will be a transition period whilst the arrangements for the moratorium are finalised between the subcommittee and Forestry Tasmania
7. The agreement is for a six month period beginning from today's date the 11th March.

If there is no ultimate agreement by the signatories it is understood that this agreement does not prejudice the position of any party.

Let me place on record our appreciation of Bob Gordon and Forestry Tasmania for your support in this difficult process.

Yours Sincerely,

Bill Kelty

Forestry Tasmania is undertaking work on behalf of the signatories on the capacity to establish the Moratorium, the likelihood of meeting the key outcomes over the course of the next generation and the required transitional arrangements to achieve those objectives.

The signatories have established a small group to work with Forestry Tasmania on this. This includes representatives from all groups including ENGO's, TCA, Industry and Union. The signatories seek to use the expertise of Jerry Vanclay of Southern Cross University.

It is proposed that legislative change(s) to reduce saw-log volumes that reflect exited saw-log volumes and mechanisms for transition over time are identified and progressed by the State government.



Steve Whiteley
Assistant General Manager
Forestry Tasmania

1st February 2011

Statement of Principles and the HCV Moratorium

Dear Steve,

Thank you for your time and the meeting prior to Christmas and discussions since.

We are working towards, and expect, the agreed moratorium on logging in identified HCV forests ¹ to be fully implemented according to the timelines agreed in the Statement of Principles. It is our expectation that March 15th 2011 will be the last day felling operations in HCV forests should occur.

In addition to this basic assumption, there are a number of things we want to see happen to get positive outcomes for these HCV areas. These include:

- An immediate end to current roading operations in HCV forests;
- No new roading in HCV forest;
- Allow recovery and salvage of already cut logs from HCV coupes where this can be done safely and without further removal of standing trees;
- Modification of any FPP to deliver optimal ecological outcomes as opposed to optimal silvicultural regeneration, e.g. reduction in burn intensity;
- An immediate audit of un-burnt logging coupes from previous years to quantify timber salvage and wood bank opportunities (esp. for special species);

In addition, from the list of 146 HCV coupes provided to us, we note a number of assumptions we do not accept, or anomalies that require clarification. These include:

- A coupe that has been fully roaded but where no harvesting has commenced should not be considered a partially logged coupe. If harvesting commenced on such a coupe we would consider it a new operation;

¹ As submitted to Forestry Tasmania by ENGOs in a digitised shape file format in July 2010, not-with-standing relevant boundary verifications – ENGOs will write separately re. boundary verification process.



- Some coupes that have a road completed but harvesting has not commenced are described as having less than 100% of the coupe remaining. This appears irregular and confirms the need for on ground verification;
- Some coupes on this list do not appear in the 3 year plan published on the web;
- Where snig tracks have been pushed into HCV coupes, but actual harvesting operations have not occurred, these coupes should not be classified as 'open'.

We note that a number of the coupes on the list provided are currently in the 2011/12 and 2012/13 year plans. While FT provided us boundaries of 09/10 and 10/11 logging coupes, we do not have a GIS layer showing the boundaries of the 2011-2013 coupes on this list. Could you email the shape file of these coupe boundaries to Russell Warman at policy@et.org.au.

In addition could you also provide the following relevant information to assist with coupe prioritisation and facilitation of the moratorium:

- forest class layer for State Forest;
- layer of plantations on State Forest;
- full coupe layer for state forest (10 year plan);
- history of clearfell coupes logged in the last 20 years;
- Digital copies of FPP's (at no charge) of all HCV coupes where logging continues in the lead up to the March 15th full moratorium delivery.

Many thanks for this and we look forward to progressing this work with you.

Yours Sincerely

Vica Bayley
Tasmanian Campaign Manager
The Wilderness Society
0400 644 939

Russell Warman
Policy Coordinator
Environment Tasmania
0488 707 017

Phone: 03 6235 8385

Your Ref:

Our File:



2 February 2011

Mr Vica Bayley
Tasmanian Campaign Manager
The Wilderness Society

Mr Russell Warman
Policy Coordinator
Environment Tasmania

Dear Vica and Russell

Re: Statement of Principles and the HCV Moratorium

Thank you for your letter sent last night, outlining a significant number of expectations relating to the implementation of the Statement of Principles.

The scope of this letter goes well beyond the operational matters (recovery of timber from coupes currently under the 39 Coupes moratorium) we had planned to discuss tomorrow (Thursday).

As you would be aware the then Premier at a media conference on December 15, 2010 made clear that implementation of the moratorium and other principles would be a matter for Mr Kelly. We have taken the liberty of forwarding on to Mr Kelly your correspondence.

With this in mind it would be sensible to delay our planned meeting until Mr Kelly has had time to consider the contents of your correspondence.

It would also seem appropriate that the signatories to the Principles address the matters raised.

If however, you see value in meeting to discuss those operational matters referred to earlier, please advise Maria Butcher at maria.butcher@forestrytas.com.au.

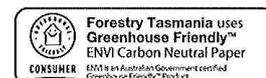
Yours sincerely

Steve Whiteley
Assistant General Manager,
Operations and Special Timbers



79 Melville Street Hobart TAS 7000. GPO Box 207 Hobart TAS 7001.
Phone (03) 6233 8203 International 61 3 6233 8203 Facsimile (03) 6233 8444
ABN 91 628 769 359

www.forestrytas.com.au



5.2. Future Forest Industries

The agreement is based on recognition that there is a capacity for increased value adding of the downstream processing for the timber industry. This involves the need for a diverse range of plantation processing developments and approaches.

5.2.1. Plantation Processing

It is proposed that options for a diverse range of plantation processing developments and investments for Tasmania be investigated and assessed.

5.2.2. The Bell Bay Pulp Mill

One of these options for plantation processing is a pulp mill and whilst there is a divergence of opinion on an appropriate pulp mill for Tasmania, there is currently a specific proposition involving the Gunns Ltd proposal at Bell Bay.

Gunns Ltd has made it clear to the signatories that:

- there has been a change in their approach to working through the issues;
- they do not intend to use native forests as a resource stock and will rely on plantation stock in Tasmania and mainland Australia;
- they are seeking a joint venture (JV) partner with world's best environmental standards and plan to build one of the top three pulp mills world wide;
- Gunns are confident that a significant outcome can be achieved in achieving environmental standards for the mill;
- they recognise community concerns and will seek to more realistically address those claims;
- Hampshire as an alternative site does not represent a viable economic alternative;
- the mill is a vital consideration in improving the financial position of the company;
- Gunns will represent the shareholders in the most effective manner if the mill is not capable of support;
- they understand, as does the preferred JV partner that some dissension is inevitable in a democracy; and
- they recognise genuine community concerns about the Bell Bay Pulp Mill to this day.

However, it must be appreciated that there is considerable concern from some parts of the community about the process used to promote the proposed Gunns Ltd Mill at Bell Bay. Whilst it is recognised that there have been changes in approach there remains a reservoir of cynicism and bitterness which needs to be addressed.

There are many issues which impact on the community and it cannot be assumed that there will not be strong opposition from a variety of sources.

Given the position of Gunns and recognising the degree of community concern it is proposed:

1. The parties, other stakeholders, and the community be given the opportunity to assess the assertions of the company and JV partners. To this end it is proposed that;
 - An independent person be appointed to review the current pulp mill assessment. This would attempt to clarify the main areas of concern within the current assessment of the proposal from Gunns Ltd;
 - Further work is undertaken on the economic and socio-economic impacts of the pulp mill in Bell Bay; and
 - That all stakeholders be given the time to consider, time to participate and time to respond;
2. The views of the community should be appreciated and forums established to present the evidence once the work is completed;
3. Any outcomes would need to be protected by State legislation if there was sufficient agreement to protect the respective position of all the parties;
4. A permanent independent body would need to be established. This should include representatives of the community; and
5. Compensation models be examined for residents and business owners in The Tamar Valley. These must be fair compensation arrangements available for people seriously impacted by the mill.

5.3. The Regional Impact

For any agreement to be stable and durable it must be based on the need for appropriate regional/community based transition plans to be adopted and implemented. To this end the group proposed that Professor Jonathan West, and Dr. Jacki Schirmer (ANU – Fenner School) be used to study and develop these plans with the assistance of Regional Development Australia (RDA) and a group of stakeholders.

5.4. Contribution to Climate Change

The group propose to develop a specific submission of the impact of the agreement and the alternatives to in relation to climate change and carbon tax considerations.

5.5. Discussion on Restructuring

Preliminary discussions should be had to discuss what existing resources are available to facilitate any resultant restructuring.

If it emerges that a workable solution is possible the Parties shall establish a negotiating group under the auspices of the existing group.

It is noted that progress has been made in that a verified boundary of proposed ENGO HCV Forest areas has been undertaken and nearing completion.

It is further noted that various resource scenarios can now be determined working co-operatively with Forestry Tasmania.

During the restructuring process any redundancies and job layoffs should be assisted by the use of retraining and re skilling packages. Worker's Assistance Packages recommended to be coordinated by Forest Works.

Associated mechanisms to support the voluntary exit of logging, harvest and haulage contractors from the native forests sector will also need to be made available. There is an expectation that government resources will be required to establish the mechanism/s, to support the implementation of the moratorium and assist with industry transition/restructuring.

5.6. Views of the Non Signatories

For a workable solution to be developed with the maximum chance of working it would be assisted by understanding the views of non signatories.

In particular, the views of the:

- residents and community groups in the Tamar Valley (Friends of the Tamar, Pulp the Mill, TAP);
- the Private Forestry sector;
- The Institute of Foresters of Australia;
- the downstream impacts on the furnishing trades group;
- other employing bodies; and
- other community groups.

If the process is to continue we are prepared to continue to discuss concerns with these groups and other stakeholders on an ongoing basis. Ensuring that there are mechanisms for broader public participation, engagement and communication about the process will also be critical.

5.7. Political Process

Australia is a pluralist democracy with a well established Parliamentary system. This means that there will be different ideas and different weights given to issues.

If the process is to continue, we would intend to ensure that all the parties should be kept advised of the outcomes so that they can properly frame their responses having regard to their responsibility of representation.

5.8. Is there an alternative to the agreement

There is a higher chance that there will be insufficient support for a workable agreement to be achieved and therefore the lack of a development on an implementation plan by the Facilitator.

The consequences of a failure could be significant for industry, the environment, the community and Tasmania.

If there are two clear conclusions that can be drawn they are:

- Firstly, there has been a tremendous degree of goodwill invested by the parties; and
- Secondly, the industry, community, employees, employers and the State of Tasmania suffer from the continued uncertainty which exists.

If there is no agreement or workable solution possible then the two conclusions should not be overlooked.

Bill Kelty – Facilitator

30 March 2011

6. Annexure 1. Factual position of each signatory group as put by them

6.1. The Construction, Forestry, Mining and Energy Union (CFMEU)

Representatives of timber workers, employers, communities and the environment movement embarked on a consensus building process in 2010. We did this assumedly due to the fact that we believed that a concurrence reached with each other on the specific nature of a Tasmanian forest and forest products industry restructure would potentially deliver superior results to all of our constituents than the results that we could be expected to deliver in the absence of an agreement. To the CFMEU's knowledge, all signatories remain committed to the process so we must assume that all signatories still believe that prospects for a better outcome for their respective constituents reside in the 'Statement of Principles' process.

- In the face of an industry crisis brought on by erratic markets, uncertain wood supply and persistent inability to attract capital investment; a crisis resulting in significant and continuing job losses, CFMEU members supported the union to take a proactive and pragmatic approach. This led the CFMEU to explore possible solutions resulting in coming to an agreement with the environment movement and employers. Generally, we do not believe that locking up forests from timber production makes social, economical or environmental sense. However, we know that consensus does not mean everyone achieves every wish, but rather that it could result in an enduring agreement which resolves everyone's major concerns, mitigating disquiet and leading to mutually acceptable outcomes.

We remain committed to attempting to achieve this through the process.

Any agreement reached as an outcome of the process will be taken back to CFMEU members in Tasmania for a vote by secret ballot and will also be put to the CFMEU National Executive and the ACTU for endorsement.

- We believe the following facts need to be acknowledged by the signatories, non-signatories, governments and the broader community:
 1. The quality and quantity of the Tasmanian native forest resource is in decline.
 - The quality of the native forest resource supplied to all remaining processors is decreasing as the yield is not sustainable.
 - By approximately 2021, 50% of the 300K m3 pa of high quality saw log the state has generally been required to provide the sawmilling and veneer industry is projected to suddenly come from plantations (majority eucalyptus niten species managed under a certain pruning regime), which key enterprises have argued are unsuitable for their purposes given their current operations.

- Gunns' proposal to exit from native forests and not sell their wood supply agreement to the highest bidder presents a once in a life time opportunity to somewhat mitigate the upcoming on stream resource crisis.
2. Tasmanian native forest logging and processing has become economically unviable.
 - The collapse in the value of the native forest residue chip market (especially when containing a percentage of residue of what ENGO's have branded come from 'High Conservation Value' forests) is not temporary but a permanent and structural shift, particularly in the absence of an agreement.
 - State Government agency Forestry Tasmania made an \$8 million operating loss in 2010.
 - The shortfall in residue chip prices for country saw millers is at least up to \$31 per GMT (Green Metric Tonne) for some enterprises, meaning millions of dollars in un-projected and un-budgeted losses per annum for the sector.
 - Crown saw millers face a similar predicament to country saw millers in terms of consequences of the permanent collapse of the Japanese export chip market for native forest processing residues.
 - Much of the harvest and haulage sector is financially exposed and the banks are refusing to refinance.
 - All sectors of the industry are operationally and economically interdependent.
 3. Further job losses in the Tasmanian timber industry are inevitable and will occur regardless of if an enduring agreement is reached or not.
 - Fewer jobs will be lost as the consequence of an agreement that would have otherwise occurred under a 'business as usual' scenario.
 - The current high risk of job losses at some key community enterprises are fundamentally reduced by the very nature of an agreement.
 4. There is capacity in the 'Statement of Principles' for an enduring agreement to be reached which provides the opportunity for inevitable job losses to be mitigated through job creation in a sustainable timber industry and a diversified regional economy.
 - If the CFMEU agrees for Gunns' supply licenses not be re-allocated this will fundamentally reduce the opportunity for reemployment for CFMEU members who have lost their jobs in the native forest harvest and haulage, sawmilling and veneer manufacturing sectors. Alternative economic activity and subsequent employment opportunities in sustainable, safe and well paid union jobs need to be created for these workers and others in the community.
 - The development of strong and sustainable downstream processing and value adding timber industry underpinned by a Pulp Mill can partly provide this outcome.

- Up to 2000 construction jobs will be created in the construction phase of Gunns' Bell Bay Pulp mill.
- Up to 1500 direct and non-direct permanent jobs will be created through the operation of the Pulp Mill.
- The Pulp Mill will underpin the development of a sustainable plantation processing industry by providing a secure market for plantation harvesting and processing revenues.
- The development of diversified regional economies complimenting the development of a sustainable timber industry can also provide safe and well paid union jobs in a variety of sectors as part of a community by community region by region plan for regional Australia
- Skills & retraining assistance, re-employment support and relocation assistance for CFMEU members made redundant will likely be necessary to ensure that they can capitalise on the economic development and new job opportunities created.

We believe that a better outcome can be achieved for our members compared to what they otherwise face through the implementation of the Principles and the achieving our Log of Claims. For this we believe that commitments by the signatories, government and community need to result in:

- Comprehensive support for any union members who are made redundant including a coordinated package with adequate levels of redundancy pay, compensation, financial planning services, skills & retraining assistance, re-employment support and relocation assistance.
- A Pulp Mill at Bell Bay.
- An ongoing supply of suitable timber for current businesses that stay in the industry, with a priority of supply for enterprises which have union agreements for their workers and have shown commitments to safer workplaces.
- Signatory support for investment in the industry.
- Appropriate economic development and diversification in adversely affected communities.
- Fair compensation for voluntary business exits.
- A timely moratorium on the logging of forests which ENGOs submit warrant imminent protection due to them having 'High Conservation Values'.
- Transition, over time of the remaining industry out of native forests into suitable and socially acceptable plantation forests.
- The State and Federal Governments implementing agreed outcomes from the *Principles* through legislation where necessary.

Workers are confronting an industry crisis and an economy in transition through no fault of their own. We are mandated by our members to explore all possible means of reaching a consensus agreement. From our perspective, any enduring agreement must result in an industry restructure which delivers a better outcome for workers, families and communities than they otherwise face.



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Dear Member,

Please consider the enclosed bulletin with the knowledge that in the course of the talks about the future of the timber industry that the enterprise you are employed (Britton Brothers Smithton) is identified by all negotiators as a key pillar in the future Tasmanian forest and forest products industry.

There is broad consensus that there will be no agreement if the mill you work in is not provided a guarantee to receive the timber resource required for the viability of the company and to help ensure your ongoing job security. This outcome is part of the CFMEU's bottom line. We will continue to work closely with Glen Britton to make certain this result.

There is complete recognition in negotiations that there must be a bright future for the company and the community it supports, including for the sanctioning of the provision of the ongoing adequate supply of specialty timber from Tasmanian oak, celery top pine and black wood working circles. In an agreement, this will be a key condition on re-structure and transition, a situation which all parties to the agreement will expect and respect.

Job security in Britton Brothers will be much stronger with an agreement than without for reasons explained in the bulletin. An agreement would provide market access, resource security and a conducive business and investment environment which are the opposite scenarios to what the industry currently faces.

Unfortunately, the agreement will not secure job security in all enterprises like it will in Britton Brothers. With the knowledge that an agreement will help secure your job security, please also consider other workers in the forest and forest products industry which do not have a secure future in the industry and are relying on you agreeing to the resolution which will be voted on later in the year in order to receive a fair redundancy assistance and retraining package. Thank you in advance for your support.

Michael O'Connor
National Secretary
Forestry and Furnishing Products Division
CFMEU



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14th October 2010

Dear Member,

The Union's priority in forestry roundtable negotiations has been securing your job. This has been the most important aspect of the process for the CFMEU.

We have and will continue to work closely with Glenn Britton and Shawn Britton in order to achieve this.

I reiterated last week to Shawn that the Union would die in a ditch rather than sacrifice the Britton Brothers Smithton mill through a negotiated outcome on an industry restructure.

The Union has signed a Statement of Principles conditional on it being supported by the Tasmanian membership through a secret ballot (see enclosed newsletter).

Everyone in the process understands that the CFMEU will only continue to endorse the restructure based on the Statement of Principles if workers at Britton Brothers, their families and their community benefit from the ongoing operation of the Britton Brothers Smithton mill.

Through the process we have received recognition from environment groups that the Britton Brothers Smithton mill must be an essential element of a restructured forest and forest products industry.

As the industry is in crisis, it is our view that significant threat to Britton Brothers can only be avoided through an industry restructure, based on the Statement of Principles.

We are asking you and all other Tasmanian members to ratify the Unions' signature by voting YES to the principles in the upcoming ballot so that we can continue our priority task of protecting your job.

Sincerely,

Michael O'Connor
National Secretary
Forestry & Furnishing Products Division
CFMEU

6.2. Tasmanian Country Sawmiller's Federation (TCSF)

This factual position is prepared against some historical data.

- a. Since 1990 country sawmills have declined in numbers from 85 to 26.
- b. Most country sawmills measure investment in the millions of dollars with the majority of investment occurring during the past 12 years, and in particular, the last five years.
- c. Most country sawmills are green mills.
- d. As private log resource has decreased country sawmills have increasingly relied on Forestry Tasmania (FT) for log supply. Such log supplies tend to be lower grade logs.
- e. Some mills receive logs from surplus log harvesting production – the classic Malthusian trap.
- f. Log consumption varies from 3,000 to 70,000 M3 p.a. with an estimated medium of 10,000 M3 p.a.
- g. All country sawmills sell solids into the Australian domestic market and residues to chip exporters.

Factual Position

- a. The exchange rate of the Australian dollar coupled with a lowering of the international woodchip price for native forest sourced woodchips has generally lowered sawmill woodchip prices from \$67.00 to \$42.00 per tonne. This has had a debilitating effect on sawmill viability, particularly green mills.
- b. There is now strong competition in international markets for the supply of eucalypt woodchips e.g. Vietnam is increasing output from 0.5 million tonnes to 4.5 million tonnes at reported price of AUD 55.00 per tonne.
- c. There are strong alternatives to Tasmanian suppliers of chips within Australia e.g. the green triangle.
- d. Log size (age) and grade is declining while log prices continue to rise.
- e. Most country sawmills have unfulfilled order books but at prices 20 to 30 per cent below value. This is a combination of spot market sales and the price at which imported timber is sold.
- f. Most country sawmills are weary of the forest wars and the uncertainty as to their future which accompanies every enquiry into the industry. The majority of country sawmills would accept a fair compensated exit package if it were offered. G2.
- g. Mills continue to receive adequate volumes of logs but with a sense of 'what will happen tomorrow?'. There is a pervasive sense of uncertainty.
- h. The overall factual position of country sawmills is twofold:
 - i. Adequate resource and economic disposal of mill residues or
 - ii. Compensable exit of the industry

- i. Several country sawmills are confident of their ability to convert plantation logs into boards for kilning but show no enthusiasm to carry out the kilning process.

6.3. Australian Conservation Foundation (ACF), The Wilderness Society (TWS) and Environment Tasmania Inc (ET)

Overall Comments:

- The 3 ENGO signatories are fully committed to the implementation of the Statement of Principles in full
- This is a once in a generation opportunity to deliver a lasting solution to the conflict over forests in Tasmania, if delivered, it will be historic and nationally & internationally significant
- The delivery of this solution is critical to the future of Tasmania's economy, regional communities, community cohesion and natural environment
- The success of the process will require very clear commitment now from both governments to strongly back the implementation of the Statement of principles and start delivering interim outcomes – clear commitments from both governments to the delivery of the principles in full will need to be seen within a short period after the delivery of the interim report.

1. Conduct of the process:

The process by which signatories meet and make decisions is fair and prejudices no one. There are significant areas of agreement and areas where agreement still needs to be reached.

2. Implementation of the principles:

ENGO's believe that Governments needs to demonstrate more willingness to quickly respond to decisions of the signatories.

3. Urgent issues that relate directly to the principles that must be addressed:

- The implementation of a moratorium on logging in the ENGO identified HCV reserve proposal areas.
- The identification of secure wood supplies outside of the HCV areas to meet the needs of industry while the process is underway
- The identification of a compensable exit mechanism and associated packages to reduce the volume of sawlog production in Tasmania
- Legislative change to reduce to agreed sawlog volumes that reflect exited sawlog volumes and mechanisms for transition over time
- Legislatively Securing areas of forest for reservation by the Tasmanian Government
- The commencement of a series of studies to underpin the work of the signatories

These sets of issues are inextricably linked. Progress has been made in that a verified boundary of ENGO areas proposed for reservation as per the Statement of Principles has now been agreed. Various resource scenarios can be determined but these and the

underlying assumptions used to model these scenarios need to be independently assessed. This will require funding.

Financial resources to undertake rescheduling work to progressively implement a moratorium will be needed. This money will need to be provided by either the Federal or State Government. The Tasmanian Government has agreed that a moratorium must be implemented. This implementation of a moratorium is critical for ENGO's to be able to demonstrate to their constituencies that negotiations are proceeding in good faith.

Forestry Tasmania has not acted in good faith in respect of the implementation of a moratorium and interim wood supply arrangements. The failure of State Government to direct FT over implementation of the moratorium, and that it took two and a half months to finally have an admission to the signatories that this was so, points either to failed processes or deliberate obfuscation. Clearly this needs to be addressed for this process to have a reasonable chance to succeed. This situation reflects the institutionalised power of the agency. In the near term the Tasmanian Government must be able to deliver and expect to have implemented clear instructions to Forestry Tasmania. In the medium term the restructuring of this agency will be critical to the success or failure of any final agreement.

Work by the federal government should proceed in parallel to identify a mechanism / mechanisms for compensable exit and the assistance packages for mills, workers, industry participants without contractual rights and contractors still wishing to exit. This work should be undertaken in consultation with the signatories and begin immediately.

ENGO's have provided for information a table that looks at the possible financial scale of assistance (Appendix 1).

The Tasmanian Government needs to agree, at least in principle to the gazettal of new reserves. ENGO's believe that the simplest mechanism is to move these areas from multiple use forests to conservation areas (the most basic reservation class under Tasmanian legislation) with a transparent process for determining final reservation tenure to follow. However ideally these forests should become IUCN protected areas categories I – IV.

Similarly the Tasmanian Government will need to make legislative changes to the Forestry Act to reduce its legal obligations to supply Category 1 and 3 sawlogs. The quantum of this reduction will need to be agreed between signatories following the resource analysis and the quantum of resource that is identified for exit through the compensable exit mechanism. The Tasmanian Governments needs to agree in principle to undertake this reform.

A clear time-table needs to be set-up and started for the legislative protection of the areas for gazettal and legislative mechanisms to enable the reduction of the HQSL quota and a transition.

A budget needs to be identified to undertake a range of consultancies to underpin the work of the signatories.

Governments currently setting budgets need to identify provisions to resource this process and the implementation of agreements.

4. Investment in downstream processing of plantations

It is recognised by the three environment groups participating in the process that the development of a diverse downstream processing sector including a range of plantation processing options is a critical component of a long-term solution to the conflict over forests in Tasmania.

Significant work needs to be done in assessing the opportunities for improved management regimes and diversifying the plantation processing and investment options and opportunities for Tasmania, particularly for the creation of a range of solid-wood products, and particularly in the interests of providing for regional processing jobs in the timber sector.

The three ENGO organisations have met Gunns to discuss their respective policy positions and concerns in relation to the environmental issues associated with any pulp mill proposal in Tasmania, including their concerns and grievances in relation to the current proposal. Gunns has voluntarily sought to impose tougher restrictions on the pulp mill permits for the current proposal. This was welcomed by the ENGO's though we must reserve our judgment until we see any changes made, and it is stressed that this does not imply support or endorsement from the ENGO's for the current proposal. Environment Tasmania's members will be separately meeting with Gunns in two weeks' time.

It is the view of the ENGO's that the abandonment of the initial independent assessment process and the fast tracking of the new assessment process in 2007 has resulted in a critical loss of trust and confidence of the Tasmanian community in both the company and the Tasmanian Government in relation to the current proposal. The ENGO's remain convinced that a proper public process that has the confidence of the Tasmanian community is essential for the success any pulp mill proposal in Tasmania, and / or any downstream plantation processing investment in Tasmania for that matter. There remains very significant opposition to the current Gunns Tamar proposal in the Tasmanian community.

It is understood by ENGO's that investment in downstream processing of plantations in Tasmania, and the Tasmanian forest Industry as a whole, is critically dependant on the

resolution of the Tasmania Forestry conflict and the implementation of a durable lasting Agreement.

5. Transition out of native forest and related other principles.

The work to determine the length of time and resource requirements required to implement a transition will take time and will require that the urgent issues addressed above are dealt with expeditiously. Related to this is the identification of a permanent area of forest to be set aside for the production of specialty timbers for use by the Tasmanian craft and high value furniture industry.

ENGO's have discussed with other signatories the need to examine alternative silvicultural models to provide suitable plantation wood for a range of purposes to ensure that a transition can be effectively implemented. Possible investment models should be explored as part of any consultancy work undertaken.

6. Financing regional transition strategies and non extractive uses of the forest

It is very clear that significant investment will be required to restructure the forest industry and regional economies. ENGO's welcome the engagement of Professor Jonathan West to undertake some of this work.

We have identified a number of possible sources of finance. These include but are not limited to: facilitated investments in new agro-forestry models; avoided forest degradation (carbon) payment; carbon farming initiatives; regional infrastructure and national infrastructure grants and a comprehensive regional economic transition package.

7. Commitment and Support for the development of a National FSC Standard.

Critical in delivering market access for a sustainable forest industry is the need for robust standards. The work of FSC Australia would be rapidly enhanced if the Federal Government could provide some funding support for the National Standard setting process as soon as possible.

8. Public participation, engagement & communication about the process

There is a widespread public desire and need for more information about the Forests principles process, and there will be a need for State & Commonwealth governments to set-up public engagement and consultation mechanisms for relevant parts of the statement of principles to ensure for community wide buy-in and engagement in the solution.

9. Concluding comments

Whilst the process with Bill Kelty, and indeed the ENGO focus to date, has been on some of the critical and time bound issues, it is the view of the ENGO's that the Statement of Principles will need to be delivered in full for the process to deliver a solution that is lasting and wholistic. Mechanisms will need to be developed and agreed upon for the delivery of all of the Principles encapsulated in the Agreement.

Appendix 1 - ENGO’s recommendations on compensation payments for reduction of crown log quota

The compensation cost of an immediate reduction in crown native forest licenses has been assessed under a 50% reduction scenario and a 67% reduction scenario.

Compensation has been calculated for the loss of Category I, Category III and veneer sawlogs at the rate of \$300 per cubic metre. This rate has been assessed against rates used in native forest license buy backs during the last decade in Australia and appears reasonable.

Compensation costs have also been estimated for employee retraining and relocation and for loss of income to harvesting and haulage contractors.

These numbers are, by definition, broad estimates however they give a reasonable feel to the levels of compensation likely to be required.

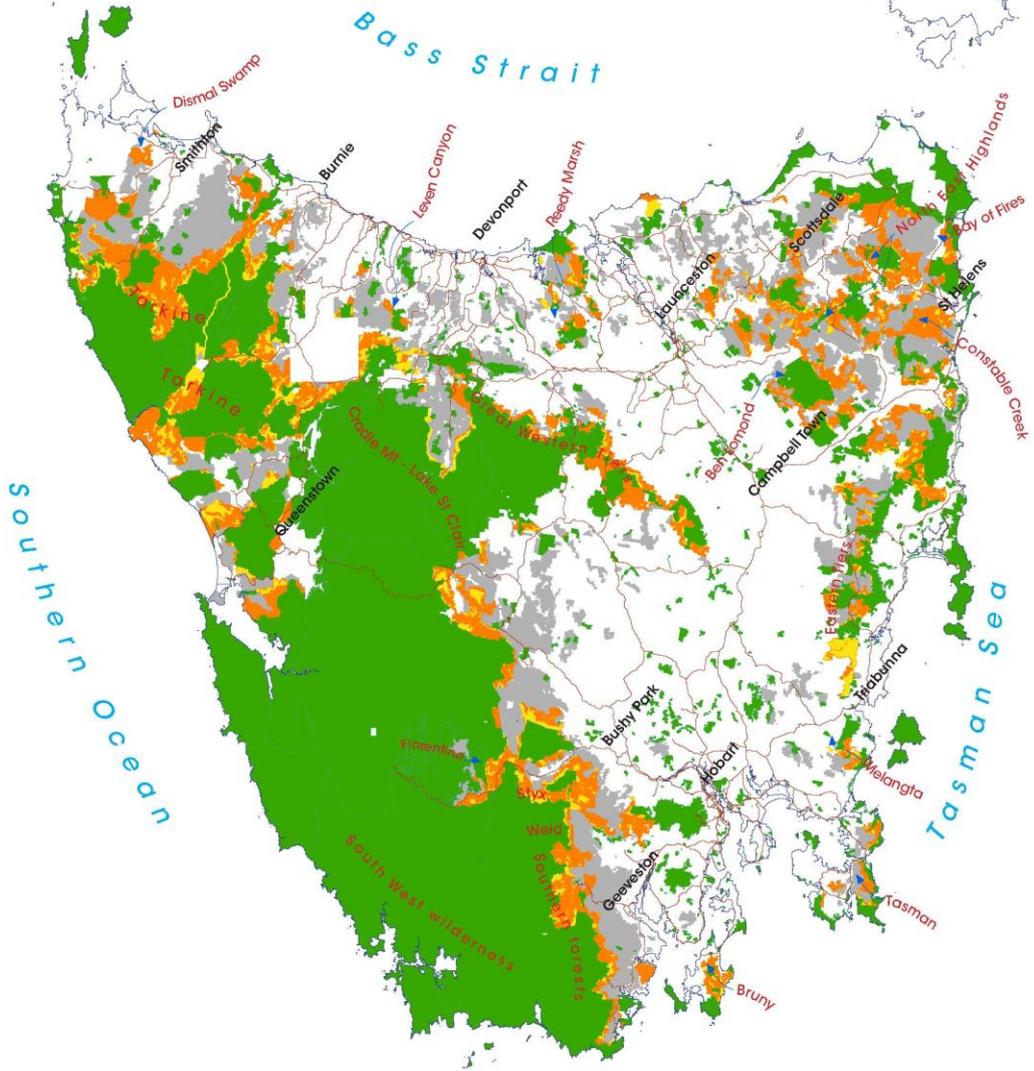
	50% Buy back	67% Buy back
Compensation to mills for loss of crown quota	\$45.0m	\$60.0m
Retraining and relocation assistance to employees	\$14.5m	\$19.5m
Compensation to harvesting and haulage contractors	\$19.2m	\$25.6m
TOTAL COST OF BUY BACK	\$78.7m	\$105.1m

The cost of implementing an immediate buy back is estimated at between \$79 million and \$105 million depending on the level of reduction between 50% and 67%.



Mapped High Conservation Value Forest Reserve Proposals

2010



Legend

- Existing Formal Reserves
- Proposed HCV Reserves
- Proposed HCV reserve (current informal reserve)
- State Forest / Other Public Land

The map shows the ENGO identified forest areas of high conservation value (HCV) that require immediate protection.

They are the outcome of many different and often overlapping processes that have been carried out by governments, community groups, scientists and World Heritage authorities, over many years.

Broadly the following criteria have been applied in determining these areas:

- Large intact natural forest areas;
- Forests with high levels of ecological maturity;
- Forest areas of importance to local, national and international communities;
- Forests and ecosystems with high biodiversity values;
- Reserve design principles including buffering and ecological connectivity; and
- Forests with high ecosystem service importance (eg carbon rich forests, water catchments).

A summary of the specific processes that led to the identification of major HCV areas are shown on the table (right). Consultation with ENGO groups around the state has also contributed to the mapping.

Informal reserves are included as they are considered inadequately protected and their inclusion here reflects the seeking of full, formal, legislated protection.

There are many limitations to the quality of data made publicly available for use in this process and errors will exist, such as areas that have been destroyed or degraded in recent years. In addition it is also likely that areas not identified here that meet the above criteria have been missed and should also be considered when the information becomes available.

Some areas, whose values have been severely impacted by logging, or conversion but are located inside a contiguous area of HCV forest reserve proposal are retained to be rehabilitated as are some areas for establishing connected conservation reserves or delivering world heritage recommendations.

HCV Area	Processes of HCV identification
Proposed extensions to the Tasmanian Wilderness World Heritage Area (TWWHA) (includes Styx and Great Western Tiers, as shown on PFGJ maps)	National Estate listing (Government body: Australian Heritage Commission, 1980s) Helsham Commission of Inquiry 1987-88 and consultants International World Heritage experts, including IUCN, ICOMOS, World Heritage Centre and World Heritage Committee (includes official representatives of Government signatories to international treaty) Panel of Experts (Tas. Forests and Forest Industry Council – conservation groups, industry, scientists in 1990) Tasmanian Department of Parks, Wildlife and Heritage (Government, 1990) Sundry reports on threats to integrity of TWWHA (Australian Government 1993; Australian Government consultants, 1994 and 1995) Great Western Tiers National Parks proposals (community groups, 1990 and 1995) Sundry reports as part of Regional Forest Agreement process (inc. Governments' Panel on World Heritage values, 1997) Tasmania Together process (Tasmanian Government) 2000 Promises by Australian Government, October 2004 Hitchcock report 2008
This is one of the world's great temperate wilderness areas and includes sections of the Great Western Tiers, Upper Derwent, Navarre, Counsel, Florentine, Wedge, Tyenna, Styx, Weld, Snowy range, middle Huon, parts of Picton, Esperance and Lune catchments.	
These are the areas that contain the most timber/pulp resource of all the HCV areas	
Tarkine (includes most of the HCV forests of north-west Tasmania)	Scientific consultants engaged by Tasmanian Conservation Trust (Forgotten Wilderness, 1992) National Estate listing (Government body: Australian Heritage Commission, 1990s) Tarkine National Coalition proposals 1995-2004 (representing the Wilderness Society, ACF and local groups) Calls for World Heritage investigation by IUCN (1990s) Tasmania Together process (Tasmanian Government) 2000 Sundry reports as part of Regional Forest Agreement process (inc. Governments' Panel on World Heritage values, 1997)
Ben Lomond	National Estate listing (Government body: Australian Heritage Commission, 1980s) (part) Submissions to Regional Forest Agreement (TCT, 1996) Tasmania Together process (Tasmanian Government) 2000 Proposed Ben Lomond National Park (Wilderness Society, 2000)
North-East Highlands, including extensions to Blue Tier, Mt Victoria and Mt Arthur reserves and Panama Ridge	Submissions to Regional Forest Agreement (TCT, 1996) Proposal for a North-East Highlands National Park (community group 1998, revised 2008) Tasmania Together process (Tasmanian Government) 2000 Linking Landscapes Project (community groups and TWS 2007)
North-East Tasmania, including Mt Barrow, Mt Horror, Mt Cameron, Constable Creek – Lalla Tier, Fingal Tier, Evercreech, St Patricks River	Linking Landscapes Project (community groups and TWS 2007)
Eastern Tiers, Wielangta, Reedy Marsh, Tasman Peninsula, Bruny Island and other small areas	Scientists as part of Forests and Forest Industry Council, 1990 Community groups, 1990s Tasmania Together process (Tasmanian Government) 2000 Swift parrot breeding surveys and subsequent reports
Leven Canyon and Black Bluff	Community groups 1970s and 1980s Canyon and Bluff Working Group (The Canyon and the Bluff, 2003) and support from widespread community groups, 2003 Forestry Tasmania moratorium 2003

For more information, please contact
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ENVIRONMENT TASMANIA
The Conservation Council



AUSTRALIAN
CONSERVATION
FOUNDATION

MEDIA RELEASE

10 March 2011

Environment groups' statement on start to forest protection

We welcome the announcement made by Mr Kelty and the Premier Lara Giddings today that a breakthrough has been made in relation to an agreement that will not only lead to the protection of agreed areas of high conservation value forests but it will guarantee wood supply for the forestry industry.

"We welcome the start of a moratorium on logging in the agreed high conservation value forests reserve areas but stress that there is considerable work to be done to implement a full moratorium on logging in these valuable forests." said Vica Bayley spokesperson for The Wilderness Society.

"Implementing all of the principles won't be easy, but they provide the best opportunity for a more sustainable future and development path for regional Tasmania. These principles need to be put into action and that is what has happened today" said Dr Pullinger spokesperson for Environment Tasmania.

"Environment groups are heartened by the strong support being shown by the Tasmanian government in beginning work on implementing the first steps of protecting our native forests and reforming and supporting the timber industry," said Lindsay Hesketh spokesperson for Australian Conservation Foundation.

The ENGOs have agreed to work with the contractors, the unions and industry, to implement this moratorium and to ensure future logging occurs outside high conservation value forests.

The statement of principles is the result of five months of discussions, undertaken in good faith, on the future for the forestry industry and native forests in Tasmania.

Contacts:

Vica Bayley, The Wilderness Society

0400 644 939

Dr Phill Pullinger, Environment Tasmania

0428 554 934

6.4. Timber Communities Australia (TCA)

TCA supports the following intentions of the negotiations; (our commitments);

- To ensure that long term compensate-able contracts for the supply of adequate volumes and grades of logs to all remaining current participants in the native forests processing sector are delivered.
- To achieve the construction of a pulp mill at Bell Bay.
- To ensure that forests containing independently determined High Conservation Values are appropriately managed.
- That to the extent that it is driven by the determination of HCVF, any further transition from native forests to plantations occurs only when the substitute resource in the required volumes and quality and at the required locations is available.

TCA's positions in respect of the talks (our conditions) remain as outlined in TCA Board letter to the Premier dated 8th Oct 2010 and include;

1. Any decision to put additional forest areas into reserves must be supported by verification of the conservation values within those areas. This requirement is consistent with the intentions of the "verification" document attached to the Principles as negotiated by TCA. No area should be permanently reserved until such verification has been independently determined.
2. There must be a comprehensive and sophisticated assessment of the regional social and economic impacts of any outcome of the negotiations.
3. There must be comprehensive and sophisticated packages designed, funded and implemented to manage and mitigate the impacts of any adverse outcome of the negotiations.
4. The durability of any outcome to the negotiations must be ensured through;
 - No party having their outcomes "front-ended", that is all agreements are to be implemented only when full agreement is reached, no early implementation.
 - All parties having "structured" incentives to see the whole process through in order to achieve their outcomes.
 - A comprehensive package of complementary State and Federal legislation to secure the outcomes, including formal review mechanisms, resource security and meaningful penalties for breaches of either.

Notes; (our suggestions);

TCA considers that negotiations around areas and volumes should include;

- consideration of a wide range of options including alternate silvicultural management systems,
- certification impacts,
- appropriate productive management options in areas of lesser conservation value within existing and new reserves,
- options for improving access to areas of marginal management viability, for the duration of any transition period
- The use of improved optimisation options in available areas.
- maintenance of economically viable options for utilisation of harvesting and processing residues, including wood biomass

6.5. The Forest Industries Association of Tasmania (FIAT) and The National Association of Forest Industries (NAFI)

Executive Summary

Following the public announcement by Gunns Ltd of their intent to exit the native forest industry of its own volition and the 'Statement of Principles to lead to an agreement on Tasmania's forests' (Statement of Principles), there is a real opportunity for the remaining native forest industry in Tasmania to consolidate and plan for a growing, sustainable future. This future should be based on a continuing reliance on sustainably managed native forests but with a growing proportion of wood supply being sourced from suitable plantations over time.

Key issues

Resource security

- Immediate resource security for the growing processing and the harvest and haulage sectors, their workers and reliant communities is essential in any future discussions on the future of Tasmania's forests and forest industry.
- The industry requires a reconfirmation of the Tasmanian Premier's commitment of 8 October 2010 for the guaranteed extension of wood supply contracts to at least 2027.
- Tasmania's specialty timbers are world renowned for their quality and characteristics for a range of high value purposes, including furniture, boat building, cabinet making and craft purposes. Supplies of these highly valued timbers must also be guaranteed at equitable & commercially viable levels.

Transition

- The Forest industry is prepared to explore the potential of a transition toward a greater reliance on suitable plantations. The level and timing of transition should be determined only after a thorough investigation of the technical and commercial aspects of growing and processing logs of suitable quality and characteristics to meet the needs of the remaining native forest industry.
- Any transition toward a greater reliance on plantation wood should be developed through a negotiated plan, with progress subject to achievement of tangible milestones, for example: any reductions in availability of native forest wood will only be considered once plantations of the right quality and quantity, in the right location and price are available.

Moratorium

- Subject to a guaranteed sustainable and compensable quantity and quality of wood supply from FT to all remaining processors in the industry, the industry is supportive of a progressive moratorium on old growth and other high conservation value forests as identified by ENGO's.
- The suspension of logging of these coupes should continue until these forests have been independently, scientifically assessed and verified for their high conservation values. An

appropriate plan for the future management of verified high conservation value forests will be determined through an appropriate management plan and based on a comprehensive community stakeholder process. Noting that verification of HCV forests does not necessarily mean that forest management and harvesting activities are excluded from the future management of HCV forests.

Industry Growth

- The Gunns Ltd commercial decision to exit from native forest activities in Tasmania of their own volition has already resulted in the loss of around 700 direct jobs in processing and harvest and haulage. There has also been a resulting cost to the remaining industry in terms of investment and market uncertainty. These losses are expected to escalate as Gunns finalizes their exit strategy and divests itself of native forest processing assets and stocks.
- Though the development of the Tamar pulp mill will hopefully assist in addressing this loss, there is still some uncertainty surrounding the finalization of commercial arrangements for the mill and associated timing of construction of the mill.
- However, the job losses and costs associated with the exit of Gunns from the industry can be largely offset through increased investment in the remaining industry – but this will require immediate – long term resource security and a long term plan to grow the industry.
- The future of the industry needs to be assessed recognizing the essential integrated linkage between the sawmilling, veneer processing and the management of harvest and processing residues from these activities.

Requirements from the ENGOs

- ENGO support for the Tamar pulpmill;
- ENGO's to cease targeting of the forest industry in the forests, markets and Boardrooms;
- ENGO signatories to publicly distance themselves from un-condoned activities;
- Development of alternative conflict resolution approaches between ENGO's and Industry;
- Joint promotion activities for forest products; and
- ENGO support for the development of key policies, including mechanisms to facilitate investment in plantations and facilitation of bioenergy from sustainably managed forests.
- Pathway for each processing facility to be endorsed by ENGO's.
- Positive approaches in relevant markets to support the sustainable nature of Tasmania's forest products.

6.6. Tasmanian Forest Contractors Association (TFCA)

TFCA's involvement in the Statement of Principles is as a result of the long held belief of the Association that there was, and is a need for fundamental restructure of the Tasmanian forest industries: i.e. That the industry in its current format was not sustainable either economically, socially or environmentally and especially not for contractors.

The economic basis for this position is clear cut:

- Forest contractors currently represent the largest capital investment, by sector (arguably after landowners/forest growers) with in excess of \$600 million in the harvest and haul sub-sectors alone. (*TFCA Surveys 2006, 2007, 2009, 2010*), carry the largest risk and have accumulated losses of \$145 million between July 2005 and June 2010 (*AFCA Report – Col Shipard - 2010*).
- This sub-sector has the largest recurrent investment in all forest industry sectors, at an average of over \$90 million per annum. (*TFCA Surveys 2006, 2007 2009 2010*)
- The real return for native forest woodchips has declined at an average of 3.9% PA since 1992-93 (*Australian Commodities Vol 10 No.1, March Quarter 2003*)
- While “global import demand for woodchips is increasing”, the “export supply of woodchips will increase even more” leading to a continuing decline in real prices for woodchips. (*ANU Forestry Market Report – March 2004*)

There has been an expansion of the eucalypt plantation estate in lower production cost countries. For example, Vietnam is now an exporter of plantation eucalypt chips.

That the rest of the industry, and governments both state and federal, have not been prepared to accept or act on this information does them no credit.

The facts as understood by TFCA are:

- That the industry needs restructure to cope with the changes, both market, social and environmental.
- There will be a moratorium of so-called high conservation value crown forests, combined with exit assistance for affected businesses, workers and communities.
- There will be an adequate volume of viable hardwood sawlogs provided to that of the processing sector that choose to remain, for these businesses to continue.

TFCA are committed to achieving a number of outcomes through this process including:

- Programs to enable a dignified exit from the industry for forest contractors, their workers and communities.
- Amendment of the state Fair Contracts Legislation and/or the federal Trade Practices Act, to give contractors the right to be represented either individually or collectively, to minimise the current market power imbalance in the industry.

- Licensing of site foremen and contract holders to ensure at least a minimum standard of understanding of the environmental, OHS and other risks that impact on forest contractors
- An improved model for silvicultural contractor engagement
- An environment that encourages “bankable” contracts.

A major issue over the next two years will be the retention of critical skills within the sector to enable survival of the industry into the future.

Gunns Bell Bay Pulp Mill and their decision to exit the native forest is, to some extent separate, while providing the opportunity for an agreement to be forged.

However, it is beyond rational dispute that, regardless of Gunns actions the native forest industry in Tasmania is in deep trouble. The notion that it is “a Gunns problem, not an industry problem” is a denial of a significant number of underlying facts combined with a, possibly deliberate, refusal to accept the interconnectedness of all the sectors of the industry.

The consequences of not achieving an agreement through the current process would be catastrophic for the Tasmanian hardwood forest industry, the communities which rely on it and the state as a whole. This is not an acceptable option.

6.7. The Forest Industries Association of Tasmania (FIAT), The National Association of Forest Industries (NAFI) and Tasmanian Country Sawmiller's Federation (AFCA)



18 March 2011

The Hon. B Green
Deputy Premier
Level 10, Executive Building
15 Murray Street
Hobart Tas. 7000

Dear Deputy Premier,

Forestry Statement of Principles/ Protest Action

The undersigned organisations are extremely concerned at the current round of direct protest action being undertaken by extreme environment organizations in support of positions that are at odds with those being negotiated within the Kelty process. Industry, is engaged in the Kelty process in good faith including consenting to the moratorium proposal floated by Bill Kelty which has already delivered at least 98% of the ENGO moratorium claim.

We are now confronted by protest actions in the forests in support of a more extreme outcome by environmental groups completely at odds with the position advocated by ENGO in the process.

On Wednesday 16 March two separate forest operations were subjected to protest actions by environmental groups that resulted in the contractors ceasing work for the day so as to not inflame the situation and as a result losing all income for that day. These small family owned contractors are the innocent victims in this process and it is unconscionable that they continue to bear the brunt of the extremist guerilla activities of environmental organizations. These actions will also impact on Forestry Tasmania's capacity to provide security of wood supply to industry as any HCV area harvesting is tied to the requirement that wood supply be guaranteed. We understand that the request of Forestry Tasmania by Government made clear that wood supply is paramount and that HCV forest areas could be accessed for this purpose.

The Huon Valley Environment centre in a media release yesterday (16 March) stated that this is the commencement of a 10 day campaign in support of their moratorium claim (<http://www.huon.org/node/1145>) and we can therefore confidently expect even more disruption to the working lives of ordinary Tasmanians and their families. This is unacceptable.

All signatories including the undersigned have recently restated their commitment to working within the Kelty process in our sincere efforts to create an enduring and responsible agreement from the Statement of Principles process but in so doing we reiterated our view that these types of activities will undermine our confidence in the process and will eventually lead to its failure if not addressed.

Continued...

...Page 2

We acknowledge and respect the right all Tasmanians have to freedom of speech and a right to protest but those rights come with caveats that they are to exercised within the law of the land. Stopping innocent Tasmanian forestry contractors from earning a living does not conform with that caveat and cannot be tolerated. It is also inconsistent with the spirit of the Statement of Principles and therefore with the Kelty process.

To maintain the spirit of the Statement of Principles and restore the integrity of the Kelty process, we call on all signatories to demand a halt to all protest actions that directly affect forest industry workers in any way. Without these actions ceasing, in all reality, the Kelty process cannot proceed in the way it was intended. Until we have a clear, unequivocal statement from the ENGO signatories that they do not condone protest actions that harm forest workers in any way, and these protest actions are terminated, we will be keeping our future participation in the Kelty process, including on the subcommittee established to work through issues associated with the moratorium and wood supply guarantee under review.

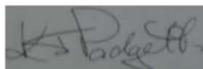
It would be easy to suggest that those ENGO at the table cannot speak for those not directly represented however if that is the case it calls into question the very foundation of the process. We have not seen any leadership by those ENGO that agreed to the moratorium proposal and played a role in its construction in seeking to seek support for it in the broader community rather we have seen the opposite approach in their public statements.

Please be assured that our support for the process remains strong however we would have difficulty in participating in this process whilst we have our arm up our backs through continued attacks on ordinary Tasmanians going about their lawful business. In our view the environmental movement cannot have it both ways, it cannot engage in a process to deliver balanced outcomes aimed at securing both environmental outcomes and a sustainable, viable forest industry whilst they continue to undermine those processes with extremist activities.

Yours Sincerely



Terry Edwards
Chief Executive
FIAT



Ken Padgett
Director
AFCA



Allan Hansard
Chief Executive
NAFI



Fred Ralph
Chairman
TCSF

7. Annexure 2. Non Signatories

7.1. Nick McKim MP - Greens Leader, Member for Franklin, Tasmanian Greens



Nick McKim MP
Greens Leader
Member for Franklin
Tasmanian Greens

Wednesday, 9 March 2011

Mr Bill Kelty
Facilitator, Tasmanian Forest Principles of Agreement
c/- Linfox Private Group
Linfox House
493 St. Kilda Road
Melbourne VIC 3004

Via email: Joel Bowden Joel.Bowden@linfox.com

Dear Mr Kelty,

Thank you for seeking input from the Tasmanian Greens Parliamentarians on the Forest Principles of Agreement process currently underway.

The Greens are of the opinion that due to the financial collapse of the native forest sector the Forest Principles process provides a once-in-a-lifetime opportunity to bring to a close one of the most divisive issues in Tasmania's recent history.

This is the opportunity to conserve high conservation value forests, and transition to a timber industry compatible with community and market expectations of a 21st century industry. It is also an opportunity to diversify and strengthen regional Tasmanian economies and communities.

The Forest Principles of Agreement, and the process jointly established by the Commonwealth and State, provide important parameters which we believe need to be implemented to achieve the above outcomes. These include:

1. The moratorium on logging of high conservation value forests, as identified by the eNGO signatories, to be implemented by the 15th of March 2011. The public statement issued by the Federal Environment Minister Tony Burke and the then-Premier David Bartlett on the 14th of December last year, gave the community a legitimate expectation that the moratorium would be in place by this date.
2. Recognition that there are two parallel processes agreed to be undertaken over three months: the moratorium on logging of HCV forests and an interim wood-supply arrangement for sawmills from outside those HCV forests, including a significant reduction in the legislated saw log quota.

1 of 2

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3. Identified HCV forests should be permanently protected in National Parks, and where appropriate, nominated for World Heritage Area status. Adequate financial resourcing must also be provided for the appropriate maintenance and management of these areas.
4. The Forest Principles of Agreement refers to *"the development of a range of plantation based timber processing facilities including a pulp mill."* Nowhere does the signed Principles of Agreement document mention the current Gunns Ltd pulp mill proposed for the Tamar Valley, and that proposal, which the Greens do not support, should not form part of the implementation of the Principles of Agreement.
5. Implementation of the Principles of Agreement provides the first real and significant opportunity for a targeted and funded regional economic transition strategy to be developed. This strategy would include investment into non-forestry economic sectors in regional Tasmania. To succeed this strategy must include opportunities for rural rejuvenation and regional diversification.
6. A legislated ban on the use of native forest wood for large-scale energy generation, and pulp.
7. Market interference by Forestry Tasmania has been a major contributor to the collapse of Tasmania's timber industry. The Tasmanian Government Business Enterprise Forestry Tasmania should be abolished, and its functions and workforce transferred to relevant state government departments with responsibility for land management.
8. Assistance should be provided to private land holders to protect native forests on their property.

Should the current Forest Principles of Agreement process falter and not deliver as hoped, the global market will intervene regardless and force change in Tasmania's forest sector. However, we believe this would be done without compassion on any strategic vision and would leave vulnerable workers and businesses more exposed than would a managed transition.

On behalf of the State Greens' Party Room, thank you for this opportunity to contribute.

Yours sincerely,



Nick McKim MP
Greens Leader

7.2. Native Forest Industry

Background

Following the public announcement by Gunns Ltd of their intent to exit the native forest industry of its own volition and the 'Statement of Principles to lead to an agreement on Tasmania's forests' (Statement of Principles), there is a real opportunity for the remaining native forest industry in Tasmania to consolidate and plan for a growing, sustainable future. This future should be based on a continuing reliance on native forests but with a growing proportion of wood supply being sourced from suitable plantations over time as sufficient quality and quantity of plantation grown resource becomes available.

There is also a real opportunity to explore whether there is a justifiable scientific or community need to reserve additional areas of native forest to supplement Tasmania's existing and world leading national park and forest reserve system.

In considering its response to the events of the last six months and in preparation for any future process that may arise, the industry thought it important to outline its Vision for the future. The foundation of the Industry's Vision is achieving a balanced triple bottom line outcome –social, economic, and environmental, free of the social conflict of the past. Our vision is as follows:

TASMANIAN FOREST INDUSTRY – VISION

A Vision for Tasmania's forest sector

A sustainable and profitable forest and forest products industry which:

- compliments the maintenance and enhancement of social and ecological values;
- makes a significant contribution to Tasmanian society by value adding timber produced from forests identified for timber production and managed sustainably;
- produces high quality sawn products, veneers, and special timbers; engineered products, solid wood products, commodity grade timbers as well as fiber based products;
- can respond to changing markets and provide renewable and carbon friendly products and services;
- enjoys broad support from the Tasmanian community including the media and political process, recognizing the industry's valued contributions to the economy, social outcomes and forest management for a wide range of our communities legitimate forest values; and
- A forest estate that is managed for balanced triple bottom line outcomes – social, economic and environmental, free of the social conflict of the past.

Environmental outcomes:

To achieve the following based on the best science available:

- Maintain and enhance the biological diversity in our forests;
- Contribute to maximizing the sequestration of carbon;
- Aim to ensure that Tasmanian forests are carbon negative i.e. sequester more carbon than they emit;
- Protect identified values that demonstrably need to be protected;
- Promote management activities in high conservation value forests to maintain or enhance the attributes which define such forests;
- Ensure management activities reduce the likelihood of catastrophic wildfire;
- Promote sustainable forest management and certification of public and private forests; and
- Combat introduced species.

Social outcomes:

To achieve the following:

- Retain the decentralized population demographic of Tasmania (i.e. avoiding the drift of population to the bigger cities);
- Provide worthwhile career paths for Tasmanians who are interested in working in the industry, working outside, working with their hands, contributing to the management of the Tasmanian landscape, maintaining Tasmania's biodiversity, seeing whether Tasmania can become a carbon negative jurisdiction;
- Provide proper packages for adversely effected businesses and their workers including exit assistance, redevelopment pathways, financial assistance and employee retraining for those who are not able to remain in the industry;
- Provide fair, secure and compensable contracts for those who remain in the industry backed by legislation;
- Ensure the forest industry is valued and supported by the wider community; and
- Ensure the forest industry engages effectively with the community.

Economic outcomes:

To achieve the following:

- Ensure continuing industries remain viable;
- Recognize one of Tasmania's most sustainable competitive advantages is the growing of forests;
- Develop a highly skilled and valued workforce operating in a safe environment;
- Establish new age sustainable industries based on sustainable forest production;
- Use the solar energy captured in our forests as a contributor to a carbon neutral economy; and
- Maintain the forest industry as a key driver of Tasmania's economy.

Implementation of the Vision

This paper outlines the Tasmanian forest industry's position on key issues arising from the Gunns exit and Statement of Principles and the requirements for achieving a long term, sustainable and socially durable outcome for Tasmania's forests, the forest industry, its workers and the communities that rely on it. These requirements are also essential for the industry to achieve its Vision.

Key Issues

Resource security

Immediate resource security for the growing processing and the harvest and haul sectors, their workers and reliant communities is essential if any future discussions on the future of Tasmania's forests and forest industry are to proceed. The Tasmanian Premier has recognized this requirement and has guaranteed the extension of wood supply contracts to at least 2027. The industry welcomes this commitment and would also like to explore extensions past 2027 to align wood supply agreements with the renewal and extension of the Tasmanian Regional Forest Agreement (RFA).

Tasmania's specialty timbers are world renowned for their quality and characteristics for a range of high value purposes, including furniture, boat building, cabinet making and craft purposes. Supplies of these highly valued timbers must also be guaranteed at equitable & commercially viable levels.

Requirements:

- Forestry Tasmania (FT) will enter into immediate negotiations with all remaining native forest wood processors (includes crown and country sawmillers) that hold native forest wood supply contracts to extend these contracts to 2027. The contracts must be compensable, will guarantee volume and quality and will have a mechanism to set price and other core contract provisions. Discussions will also explore options for extension past 2027 to further facilitate long term investment plans by the industry and to align contracts with the renewal of the Tasmanian RFA;
- As part of the establishment of long term wood supply to 2027 and beyond, ongoing specialty timber supply including eucalypt should be guaranteed for high value furniture, boat building, cabinet making and craft industries.;
- Sustainable regionally based resource supply profiles outlining minimum quantity and quality requirements will be underpinned by legislation. Our assessment of the minimum resource requirement for the remaining processing industry is at Annexure A, noting that this is a minimum resource requirement and does not include additional resource required for 'growth' of the industry;
- Resource supply pathways for each processing facility must be prepared and signed off by ENGO; and

- Harvest and haul associations will start immediate discussions with the processing associations and FT to develop ‘fair go’ contracts between processors and the harvest and haul sector that recognise the long term certainty required by the harvest and haul sector. These contracts will be implemented once long term wood supply contracts between FT and wood processors are settled.

Transition

The Forest industry is prepared to explore the idea of a transition toward a greater reliance on suitable plantations. However, the level and timing of transition should be determined only after a thorough investigation of the technical and commercial aspects of growing and processing logs of suitable quality and characteristics to meet the needs of the remaining native forest industry and the potential requirements for emerging industries. Any transition toward a greater reliance on plantation wood should be developed through a negotiated plan, with progress subject to achievement of tangible milestones, for example: any reductions in availability of native forest wood will only be considered once plantations of the right quality and quantity, in the right location and price are available.

Requirements:

- A comprehensive assessment of:
 - Quality and quantity of public and private native forests;
 - Quality and quantity and utility of existing plantation resources- particularly the *E nitens* resource; and
 - A mapped resource profile for each processing facility to demonstrate supply capacity to 2027 and beyond.
 - As assessment of the technical and commercial feasibility of establishing suitable plantations. The following questions need answers:
 - what species;
 - where – public – private land and location;
 - how – public or private funding mechanisms; and
 - why – long term economic, social and environmental costs and benefits.

Moratorium and HCV forests – Management of Reserved areas

Subject to a guaranteed sustainable quantity and quality of wood supply from FT to all remaining processors in the industry, the industry is supportive of a progressive moratorium on old growth and other high conservation value forests as identified by ENGO’s. The suspension of logging of these coupes should continue until these forests have been independently, scientifically assessed and verified for their high conservation values. An appropriate plan for the future management of verified high conservation value forests will be determined through an appropriate management plan and based on a comprehensive community stakeholder process. Noting that verification of HCV forests does not necessarily

mean that forest management and harvesting activities are excluded from the future management of HCV forests.

Requirements:

- An accepted definition of HCV;
- An assessment and recognition of existing HCV and other forests already in reservation in Tasmania; and
- A transparent scientific and community stakeholder based process to inform the future management plans for forests that are verified as HCV.

Industry Growth

The Gunns Ltd commercial decision to exit from native forest activities in Tasmania of their own volition has to date resulted in the loss of around 700 direct jobs in processing and harvest and haulage. It has also resulted in cost to the remaining industry in terms of investment and market uncertainty. These losses are expected to escalate as Gunns finalizes their exit strategy and divests itself of native forest processing assets and stocks.

Though the development of the Tamar pulp mill will hopefully assist in addressing this loss, there is still considerable uncertainty surrounding the finalization of commercial arrangements for the mill and associated timing of construction of the mill. However, the job losses and costs associated with the exit of Gunns from the industry can be largely offset through increased investment in the remaining industry – but this will require immediate – long term resource security and a long term plan to grow the industry.

The decision by Gunns Ltd to exit the native forests industry provides an opportunity for the remaining industry to consolidate and plan for future growth in the industry. The Tasmanian native forest industry is already world renowned for high quality eucalypt and specialty timbers for high value uses. The harvesting activities for the sawmilling and rotary peeled veneer industry also creates significant volumes of lower grade pulp logs that are largely processed into woodchips and exported. These two activities are commercially integrated to maximize efficiency, utilization and commercial return. The export wood chips from Tasmania assist in addressing Australia's trade deficit in wood products. The future of the industry needs to be assessed recognizing the essential integrated linkage between the sawmilling, veneer processing and the management of harvest and processing residues from these activities.

The native forest industry in Tasmania has in recent years invested millions of dollars into value added processing in the State. There are significant opportunities for the industry in traditional processing activities (including pulp and paper and engineered wood products) as well as emerging 'climate change' activities such as bio energy. These activities can provide new investment and employment opportunities for timber based communities in Tasmania

and can assist in offsetting some of the employment loss and human cost as a result of the Gunns decision to exit native forest industry. However, these opportunities can only be identified and realized when the future availability of wood supply is known and secured.

Requirements:

- A full assessment of the native forest and plantation resources in the State and the potential to expand the plantation resource; and
- The identification of processing opportunities for the industry in the short – medium and longer term, including traditional processing opportunities and emerging opportunities; such as bioenergy.

A sustainable native forest resource

The Vision for Tasmania’s forest industry can only be realized if the industry has certainty that it is using a sustainably managed native forest resource. The community and many commodity markets are now demanding that our native forests are managed in a ‘proven’ sustainable way. The responsibility for the sustainable management of Tasmania’s native forest is with FT and the Forest Practices Authority. It should be noted that Tasmania’s forests that are used for wood production also provide a range of other community based products and services, such as recreation, biodiversity management and bushfire protection. Though these community service costs are borne by FT and passed on to their customers, there is an argument that they should be covered by the broader Tasmanian community. The full range of community values from our native forests can only be sustainably delivered if we have an efficient and viable public forest manager and forest regulation organization.

Requirements:

- Encourage and assist forest growers in Tasmania to obtain independent third party audited certification to international standards;
- Ensure FT remains a viable forest manager of Tasmania’s public native forests;
- Conduct a review of the Forest Practices Authority & the impact of the Forest Practices Code on wood supply; and
- Fund FT’s community service obligations from Government funds.

Legislation

The development and implementation of a durable long term plan for the future management of Tasmania’s forests and the growth of the forest industry will require appropriate changes to existing State and Federal legislation. The industry supports the bipartisan view of the Tasmanian Government and Opposition for the renewal and extension of the Tasmanian RFA and its conversion to a durable evergreen 20 year agreement. It is the Industry’s view that any agreed plan for the future management of Tasmania’s forests and the growth of the forest industry should be implemented under the

RFA framework to provide long term resource security to encourage investment and innovation.

Outcomes sought from the ENGO's

As a result of the numerous processes to address the forest debate, the forest industry, its workers and communities have undergone considerable human and economic costs. This has been in the hope that there will finally be an enduring agreement between the industry, ENGO groups and the Government on the management of Tasmania's native forests that will bring an end to the conflict in the forests, markets and Boardrooms.

The spirit of the Statement of Principles is to achieve an enduring agreement. However, in contrast to previous processes, just as the forest industry, its workers and communities will deliver outcomes toward an enduring agreement it is also expected that the ENGO groups will do likewise.

Requirements:

- ENGO support for the Tamar pulpmill;
- ENGO's to cease targeting the forest industry in the forests, markets and Boardrooms;
- ENGO signatories to publicly distance themselves from un-condoned activities;
- Development of alternative conflict resolution approaches between ENGO's and Industry;
- Joint promotion activities for forest products;
- ENGO support for the development of key policies, including mechanisms to facilitate; investment in plantations and facilitation of bioenergy from sustainably managed forests;
- Pathway for each processing facility to be endorsed and supported by ENGO's; and
- Positive approaches in relevant markets to support the sustainable nature of Tasmania's forest products.

Carbon Sequestration & Pricing

The Australian government has publicly committed to the establishment of a price on carbon as part of its response to the climate change debate.

Forestry can play an important even critical role in climate integration and adaption through carbon storage and substitution benefits from renewable forest products. The forest industry can significantly assist in the transition to a low emissions future through:

- Carbon stored in sustainably managed forests;
- Carbon stored in durable wood products & substitution for more emissions intensive building materials such as concrete, steel, aluminum and masonry; and
- Green energy produced from forest & processing residues offsetting emissions from fossil fuels based energy.

There is a need to clearly determine and agree the role that the Tasmanian forests and forest industry can play within the carbon debate.

Requirements:

An immediate review of the opportunities for the forest industry relating to carbon storage and substitution benefits, including:

- An assessment of carbon stored in Tasmania's sustainably managed forests and plantations;
- An assessment of carbon stored in wood products and the benefits of substituting these products for more carbon intensive building materials;
- An assessment of the opportunities for green energy produced from forest and processing residues to offset fossil fuels; and
- This review should provide an input to shaping a future plan for the Tasmanian forest industry.

Research & Development

The changes proposed within the industry in Tasmania are significant and will require an extensive, highly focused program of research and development to permit the maximization of benefits to be derived from the outcome on a triple bottom line basis.

The significant reduction in the size of the industry proposed in the current process will lead to reduced capacity of industry to undertake the research and development activities required to underpin a successful implementation program.

The requirements to produce a successful transition from native forest resources to plantation grown resources are not well understood in an Australian and more specifically a Tasmanian context and will require careful scientific work to be undertaken.

The contribution of the Tasmanian forests and forest industry to a carbon mitigation program likewise are not well understood particularly the valuable contribution of different forest types and different age classes of forests; these are issues that need to be understood through rigorous scientific research.

The potential to utilize the existing plantation estate especially the pruned and thinned E nitens resource that is not suited to traditional sawmilling uses for high quality appearance grade products requires extensive evaluation and assessment along with market research. This will be beyond the capacity of the restructured industry in Tasmania to achieve.

Requirements:

- Retain the CRC for forestry centered within the University of Tasmania;

- Funding for targeted research , development and extension activities associated with the growing, processing and seasoning properties of plantation grown wood for high value market sought products;
- Funding to research the capacity of the Tasmanian growing environment to sustain a plantation resource suitable to replace the high quality native forest resource; and
- Creation of an innovation fund that will allow access for potential investors in the industry to develop new processing technologies with an emphasis on a plantation resource.

Industry Lobby Security

The decision by Gunns Limited to voluntarily exit all native forest based activity in Tasmania and the consequent potential significant reduction in the size of the Tasmanian forest and forest products industry creates a significant concern over the viability of existing industry representative bodies.

It is considered to be vital that a capacity for a centralised leadership during the extensive changes envisioned by the implementation of the Statement of Principles is retained and fostered. Industry require a properly resourced representative structure to advise on strategic direction and to liaise with all levels of government over the complex issues associated with a fundamental restructure and repositioning of the Tasmanian industry.

The absence of this centralized leadership will lead to significant fragmentation of direction as individual economic units seek out their own, often competing strategic outcomes within a restructured industry. This will lead inevitably to sub optimal outcomes from the restructure.

Requirements:

- Government assistance in the development of strategic analysis of existing representational structures with a view to ensuring a strong, viable and sustainable industry lobby capacity; and
- Interim assistance to existing representative organizations to ensure an effective role in the negotiation process leading to an implementation agreement.

Marketing and Communication

The current drivers for fundamental change of the Tasmanian forest industry are largely based on perceptions that have led to a reduction in community confidence in the industry. The industry has been the subject of an immense array of enquiries, reviews, analysis and regulation all of which cast the industry in a highly positive light in respect to its environmental, social and economic credentials, yet the community continues to refuse to accept these credentials.

The RFA processes were intended to produce an environment within which the rancor and divisiveness over forestry activities would dissipate. This has not been the result as the parties to the RFA in concert with the industry have not properly communicated the positive advances achieved within the community and just as importantly within our national and international markets.

Failure to produce a comprehensive enduring communication strategy that assures the community and our market of the economic, social and environmental credentials of forestry will ensure that any outcome from the implementation of the Statement of Principles will likewise not lead to the elimination of the divisive debate all parties have committed to.

In particular, international markets look to government assurances at the highest level when confronted with environmental campaigns to be assured of the credentials of an industry placing products into their markets.

It is imperative that any agreement arising from the Statement of Principles be accompanied by a comprehensive and sustained communication and marketing strategy to ensure its long term success.

Requirements:

- The development of a comprehensive long term communication and marketing campaign to provide assurance to the community and markets; and
- Committed funding to the implementation and maintenance of such a campaign including regular market research and testing.

Annexure A - Minimum Industry wood supply requirements

- a. Reduction from a legislated supply of 300,000 m³ to a minimum of 150,000m³ per annum of high quality eucalypt saw logs for at least four commercial scale saw mills, in the three regional wood catchment areas (South, North and North West) progressing to at least 300,000m³ by the end of the transition period.
- b. A minimum of 265,000 m³ per annum of appropriate peeler quality billets for the existing two commercial scale rotary veneer mills (115,000m³ at Smithton and 150,000 m³ at Southwood), progressing to 365,000 m³ per annum by the end of the transition period
- c. Maintain the current level of supply and quality of current grade sawlogs to country sawmills
- d. A minimum of 12,500 m³ per annum of Category 4 sawlog speciality timbers for Tasmania's furniture, craft and boat building industries. This volume to include 10,000 m³ of Blackwood from the Blackwood Working Circle and fenced regenerated Blackwood resource and 2,500 m³ of special species from Special Species Timber

Management Zones (STZs) including an area of 20,000 ha of Eucalypt forest identified in the Forestry Tasmania Special Species strategy to be harvested and regenerated on a minimum 200 year rotation.

- e. continued sales of woodchips to international markets from pulp wood arising from these harvesting and processing operations
- f. Where plantation material is unavailable or untenable, for saw mills or veneer mills, contractors or the grower on a case by case, site by site basis; wood is to be supplied from regrowth forests to ensure continued viability of the enterprise to provide local community outcomes; which is acknowledged by all parties and respected.

7.3. Forestry Tasmania

Summary of Current Position

Forestry Tasmania (FT) is working co-operatively with all Parties to facilitate the Statement of Principles (SoPs).

FT voluntarily agreed to withdraw from 39 coupes specified as priorities by ENGOs as a sign of good faith when the SoPs were released. This withdrawal, which was concentrated in the Huon district, has impacted negatively on current supply of peeler logs to Ta Ann Huon, while rescheduling to new coupes has been organised.

FT has not been presented with any position agreed by the Parties on which any progressive moratorium can be implemented, and there are no currently 'agreed' HCVF areas. As any moratorium is likely to have impacts on the sourcing of supplies to contracted customers (whether volume, location, cost and/or quality) FT can only progress this issue in the context of agreement from all Parties, and agreement from governments as to the broader community impacts and formal acceptance of the financial consequences for FT.

ENGO parties have only today finalised (we trust) their map of claimed HCVF areas, following advice of further amendments over the last week.

There has been no agreement by the Australia and Tasmanian governments that a moratorium must be implemented by March 15, and no direction has been to Forestry Tasmania to implement a moratorium.

The early implementation of a moratorium across the full extent of claimed HCVF areas is likely to lead to an immediate inability to maintain contracted supplies of sawlogs, peeler logs and pulpwood. The costs of rescheduling (roading and harvest planning) will be significant, and the reduction in revenues from reduced supply capacity would severely impact on FTs financial capacity to maintain operations. At a minimum FT would require formal underwriting of these financial impacts.

Gunns continue to require sawlog supplies under their contracts. Even if Gunns relinquish their contract rights, the above position remains, particularly for peeler log supply.

There are opportunities to implement a progressive moratorium as envisaged by the SoPs. This must be based on a stable, agreed map of area claims, and progressive confirmation of rescheduled coupes capable of maintaining contracted supplies, and provision of funding to FT to meet rescheduling costs.

It is unlikely that any progressive moratorium can achieve the full HCVF claim in the short-medium term, including in a three month period, without significant impact on supply

levels. However this can only be confirmed by detailed planning and progressive implementation.

FT has been asked and has agreed to model various scenarios for both ENGOs and for the processing sector. This modelling is progressing but not completed. It is apparent however that it will not be possible to meet industry expectations (ex-Gunns) for ongoing sawlog and peeler supply while withdrawing from production all the areas apparently claimed for protection by ENGOs.

Hon Bryan Green MP

DEPUTY PREMIER

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Mr Adrian Kloeden
Chairman
Forestry Tasmania Board
C/-79 Melville Street
HOBART TAS 7000

09 MAR 2011

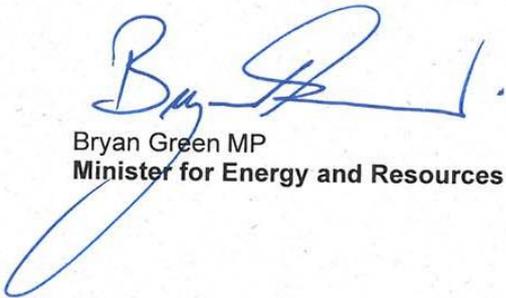
Dear Mr Kloeden 

I write on behalf of the Premier and myself in my capacity as the Portfolio Minister for Forestry Tasmania pursuant to the *Government Business Enterprises Act 1995* to convey our expectations in relation to supporting the development and implementation of a moratorium on High Conservation Forest, and a guaranteed sustainable quantity and quality of wood supply, once agreed by all signatories to the Forestry Principles.

We note that Forestry Tasmania continues to play a highly constructive role in relation to the facilitation process being undertaken by Mr Bill Kelty AC.

We wish to confirm that it is our view that, subject to meeting all of your contractual, fiduciary and legal obligations, Forestry Tasmania should do all in its power to progress these two key issues. In our view this is consistent with the objectives of the corporation as expressed in the *Forestry Act 1920* section 7.

Yours sincerely


Bryan Green MP
Minister for Energy and Resources

7.4. Furniture Makers

The furnishing industry is a major manufacturing sector employing over 103,000 people across the whole industry Australia wide (FurnitureTrend 2010). Victoria and Tasmania represent around 30% of that total. The domestic freestanding area of the industry represents almost half the total. This part of the industry is under severe pressure, with over 50 business closures (Vic/Tas alone) in the past five years. Profit margins as a percentage of sales are around 5% (FurnitureTrend 2010), which is very low by manufacturing benchmarks.

The hardwood sector is probably close to 50% in number of employees. Timber is around 25-35% of their manufactured cost (including labour). A survey of members taken in the past week shows a very high sensitivity to timber costs increases, due to the inability to pass on cost increases. The threat of import substitution is the obvious issue. Simple arithmetic will show that an increase of 10% wipes out most of their profit, and 20% threatens their existence. This is consistent with the responses given by members in the survey.

We contend that the proposed cut of 50% of Tasmania's native logging will have a substantial effect on the price of quality hardwood, of the order of 20%. This will be a natural reaction to the combined effects of a sharp reduction of supply, and a significant sawlog cost increase from Forestry Tasmania (we believe this may be as high as 30-50% due to a need to cover fixed costs). Tasmanian hardwood is heavily used by our members, with an average around 50%, but higher amongst the larger hardwood manufacturers. The Timber Merchants Association (Victoria) support our belief that quality native hardwood prices will rise sharply in Victoria as a result. This is due to the volume of quality Tasmanian hardwood sold here.

Given our members sensitivity to timber price increases, Furniture Australia Vic/Tas believes the net effect of the proposed agreement will be devastating for a number of our members and very harmful to many. It is difficult to quantify as there has been no similar event in the current context, but we think the jobs losses may number in the thousands.

Views have been expressed that plantation hardwood could start to replace native hardwood from ten years' time. This is simply not the case. We believe there is abundant evidence that this is only true for the lower grades of timber. Even the experts say a very specific silviculture regime is required and this has not been properly applied yet. That would leave a minimum 25 year gap. This is also untested in Tasmania to time of harvest. As it stands all of the product that is better quality and higher value add downstream, requires hardwood of at least sixty years regrowth.

Furniture Australia Vic/Tas is resolved to fight this flawed attempt to resolve a complex issue. We need a “green” and sustainable forestry industry from which to source Australia’s unique and beautiful timbers, they are a key point of difference to imported product. We also need that industry to be of an economic scale and able to get full recovery of the logs harvested.

The “Statement of Principles” gives veto power to groups that have not shown a grasp of the science and economics that underpin a competitive industry. We believe the government needs to ditch these negotiations and restart on a rational basis, a process that will produce the best solution for Tasmania and Australia – not one that best serves a single corporation.

Furniture Australia Vic/Tas formally requests a seat at the negotiating table, as an industry that will be impacted by the results of the negotiations

7.5. Tasmanian Private Native Forests

Introduction

The “Statement of Principles” (SOP), signed on 14 October 2010, states that the document and its implications do not apply to the State’s privately owned and managed native forest. Private forest owners in Tasmania acknowledge and agree that change needs to occur in the management of the State’s native forest estate and that a number of parties have to date put in a considerable amount of work to this end.

Private forest owners, along with a number of other groups, will be affected if changes such as those contemplated in the SOP were to be implemented. To date, these groups have not had the opportunity to have an input to the discussion.

These groups, including private forest owners, are keen to contribute to explain matters such as:

- How they believe changes such as those contemplated in the SOP would affect them (and the State); and
- That they believe there are better options for the State.

Importantly, private forest owners acknowledge that it is time to update our forestry industry operating model. The historical model is outdated and needs updating and rejuvenating. Private forest owners are excited about potential opportunities that exist for their native forests to contribute to a revitalised industry with expanded market opportunities and social engagement. They regard their forests as real, tangible assets for their families and future generations, their local communities and the Tasmanian community at large.

Private native forests

There are an estimated 1,600 private owners who collectively manage over 850,000 hectares of native forest, a little over 27% of Tasmania’s native forest estate. Taking into account discounts resulting from forest practices controls, voluntary reservation and other owner intent matters, it is estimated that up to 60% of this estate is potentially available for timber production and has contributed significant resource to the conventional forest products industry in the past, with potential to continue to do so, while contributing significant positive environmental and social outcomes. This does not take into account the potential that is now developing to expand the product-range from these forests to contribute to new industries around carbon and sustainable energy production, to name just two, along with increased social and environmental outcomes.

Many private forest owners view an integrated approach to forest management as a matter of course, where commercial utilisation is balanced with providing other non commercial

values. Importantly, through their ability to actively manage their native forests for commercial outcomes they, and the community in general, have benefited from the following positive outcomes:

- a diversified and expanded source of income to farming enterprises, providing financial stability in times of down turns in traditional agricultural markets;
- additional income that has underpinned the expansion of farming enterprises such that they still exist, are now more viable and employ more people;
- real and tangible assets that have been used for security for farm development loans;
- resources for existing industries to assist them remain viable;
- worthwhile, real employment opportunities for Tasmanians who are interested in working outside while contributing to the management of the Tasmanian landscape;
- real employment opportunities in rural communities, assisting the retention of the decentralised population demographic of Tasmania;
- a significant reduction in Tasmania's carbon footprint;
- the maintenance, and in many cases enhancement, of biodiversity values;
- the control of forest fuel load build up that in turn has assisted in protecting people, property and the environment from catastrophic wildfires;
- the control of pest and weed species ; and
- a large proportion of our forest landscape, so important to Tasmania, is managed essentially at no cost to the State as a consequence of having (in the order of) 1,600 on site managers.

And this doesn't take into account the impact of the potential opportunities that are emerging to engage in new industries around carbon and sustainable energy, among others. It is obvious that private native forests contribute significantly to the stability of rural Tasmania, and by default to the State as a whole, and have the potential to contribute even more in the future. But this is because these forests are a valuable asset. If something was to happen that had a negative impact on the commercial value of these forests (which in a worst case scenario could mean they actually became a liability rather than an asset for their owners) the impact would be wide spread. All of the positive benefits that they provide would be under threat as would their potential to contribute even more in the future.

The risk and the impact

The stated intention of the signatories to the SOP is that private forest owners will not be impacted by the outcomes of the initiative. This clearly implies that the asset value of private native forests will not be impaired. However, it is impossible to quarantine the private estate from the outcomes of this initiative because the impact cannot be restricted by land tenure boundaries.

Any implementation of the SOP will have inevitable and significant impacts on private native forest owners and managers in the following ways:

1. *Short term – possible intensification of forestry operations*

The loss of the State forest resource will place pressure on private forests to provide additional resources necessary to maintain the productivity and competitiveness of the forest products processing sector. In the short term, assuming no decline in market demand or processing capacity, it is likely that many private forest owners will respond to this opportunity and justifiably view the transitional period as an opportunity to release capital value and reduce their exposure to further sovereign risk, by harvesting their native forests. The forest clearing activity associated with introduction of the Permanent Native Forest Estate (PNFE) policy highlights this reaction. The existence of the PNFE controls will reduce this impact but the risk is real nevertheless and government may come under considerable pressure to relax the controls.

An intensification of activity in response to increased sawlog demand from private native forests will undoubtedly generate additional pulpwood over and above that generated by harvesting operations in the more sawlog-rich State forests which will require either a market (currently limited export), or have to be burnt (creating additional smoke hazards). Failure to secure a market for pulpwood may result in an increase in the application of selective harvesting regimes in forests where this type of silviculture is not appropriate, in order to maximise the yield of higher value products and restrict the yield of pulpwood. This will result in a degradation of the forest quality and associated reduction in their ability to adequately regenerate, along with a reduction in the environmental value of such forests.

Restricted access to State forest and associated post harvesting residue may also increase pressure on private native forests as a source of firewood. This may provide a nominal, potentially unregulated and unsupervised market for low quality, dry and dead wood – often considered a high value conservation/habitat resources. Increased pressure to supply firewood is likely to target individual stags, paddock trees and other readily accessible timber with associated reductions in property biodiversity values.

However, ultimately the private native forest estate simply will not have the capacity to replace the forest production from State forests from either a volume, product mix or product quality perspective. An attempt to do so, even in the short term, will result in degradation of the quality of the private estate and severely put at risk the values and benefits these forests provide.

6. *Mid to longer term – restriction of forest operations, loss of forest asset value*

The reduction in State forest resources is likely to result in processing and manufacturing rationalisation, amalgamations and ultimately closures, not to mention an almost certain cessation of investment in new processing facilities.

A reduction in access to markets, combined with the generally lower quality mix of forest products available from private native forests, will result in reduced operational activity and reduced prices. A complete cessation is unlikely as demand for firewood, special (low volume) timbers and on-farm material will drive some level of production, albeit insignificant.

Under this scenario, the capital value of such forests will diminish – these once valuable assets will potentially become liabilities for their owners. As a consequence, all of those values and positive outcomes that have accrued in the past to the forest owner, and the community in general, not to mention the new and emerging opportunities and positive outcomes, will be put at risk and almost certainly lost.

A loss in asset value is likely over time to reduce the viability of many farming enterprises and their future will be at risk. In addition there will be increased pressure to find alternative land uses for the forested land.

Alternative uses, perhaps with the exception of a carbon market, will become more difficult to achieve because of the restrictive regulations that are in place. This scenario could see private native forest owners in a situation of having to manage and maintain a forest estate with no commercial value in order to meet community expectations about landscape and amenity values. Ultimately, this would be untenable and the forests will, one way or another, degrade, lose their environmental value and gradually disappear.

The opportunity

But none of this needs to happen; the asset value of our private native forests can easily be maintained and as a consequence these forests can continue to assist underpinning the viability of our rural communities and contributing significantly to the State from an economic, social and environmental perspective.

We simply need to:

- Recognise that in Tasmania we have a distinct natural advantage – we can grow trees very well – and native forest management and utilisation is the most environmentally benign method of growing trees that can produce a wide range of

truly sustainable products for our community while providing employment opportunities and sound environmental outcomes.

- Recognise that, considering Tasmania’s demographics, we do not have the capacity to fund the management and maintenance of large areas of our landscape from the public purse and recognise that 27% of our important forest landscape is managed “free of charge” by 1,600 on-site managers.
- Recognise that the private forest estate does not have the capacity to replace the production from State owned forests from a volume, product mix or product quality perspective and that the ongoing existence of a viable, private native forest estate is dependent upon a continuation of active management of State owned native forests.
- Recognise that active forest management provides opportunities to maintain, and on occasions enhance, the ecological diversity and regeneration capacity of native forests.
- Recognise that Tasmanian farmers are committed to sequestering more carbon through their agricultural and forest management activities and understand that should their native forests become worthless, and hence a liability, that the inevitable progressive demise of these forests will potentially expose government to considerable deforestation linked carbon imposts.
- Recognise that through the imposition of the Permanent Native Forest Estate Policy private forests owners have been locked into the ongoing commercial management of their native forests with severe restrictions on their capacity to convert these forests to plantations and that any reduction in their capacity to commercially manage these forests could expose government to considerable claims for compensation.
- Realise that the active management of all our native forests, private and State owned, has contributed significantly to the well-being of all Tasmanians in the past in ways that many in the community don’t appreciate (forest products – wood, honey, water; recreation – drives in the forest, bush walking and other active recreation pursuits; employment; wealth generation; environmental protection – control of weeds, pests, wild fire) because these forests have a commercial value.
- Understand that if we destroy or even impair the commercial value of our native forest estate all the benefits we have derived in the past will be lost and, importantly, significant additional benefits that will accrue from new and emerging industries will never be realised.
- Accept that there is a need to update our forestry industry operating model and acknowledge that the old model is out of date and needs updating and rejuvenating but that this must be done without destroying the opportunities that the sustainable, commercial management of our native forest estate can continue to realise for Tasmania.

7.6. Bob Brown – Greens Leader National

In a letter Mr Brown wrote to Greg L'Estrange of Gunns on February 8th 2011 Mr Brown writes that the Australian Greens,

“oppose the Gunns site and configuration at Bell Bay as well as the improper manner in which it was adopted. So I hope the new, more environmentally friendly will you outline is also able to be sited outside the Tamar Valley in a region where it will gain community acceptance. That would be a winner.”

The following letter was sent on the 6th of March 2011.

6 March 2011

Mr Bill Kelty
c/- Linfox Private Group
Linfox House
493 St Kilda Road
Melbourne VIC 3004

Forestry principles process – March 2011

Dear Mr Kelty

Thank you for seeking our comments on the forest principles process. We are keen to assist in the outcome of this process and following is our position on the implementation of some of the immediate agreement parameters.

1. A moratorium should begin on 15 March as the signed agreement between all the parties made clear.
2. All forests identified as High Conservation Value should be reserved in national parks and nominated for World Heritage status to complete the current World Heritage Area.
3. A rapid phase-out of logging in other native forests be implemented, except for agreed areas to be set aside for sustainable selective logging of high-quality, specialty timbers.
4. Private land-holders with native forest should be assisted to protect it.
5. Any pulp mill built in Tasmania should be closed-loop chlorine free, use plantation feed, have a social licence, and be subject to the same planning and company laws that other businesses in Tasmania are subject to.
6. Forestry Tasmania should immediately make publicly available its data.
7. Forestry Tasmania should be wound up as a government business enterprise and its functions and workforce transferred to relevant government departments with responsibility for land management.

Yours sincerely

Senator Bob Brown, Australian Greens Leader, Senator for Tasmania
Senator Christine Milne, Australian Greens Deputy Leader, Senator for Tasmania

A comprehensive economic assessment for the Tasmanian economy of the direct benefits of the proposed Gunns pulp mill

**A report for the
The Wilderness Society (Tasmania) Inc.**

**Prepared by the
National Institute of Economic and Industry Research
ABN: 72 006 234 626**

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JANUARY 2008

While the National Institute endeavours to provide reliable forecasts and believes the material is accurate it will not be liable for any claim by any party acting on such information.

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Executive summary

This study has two objectives, namely:

- (i) to review the Allens Consulting Group (AC) findings commissioned by Gunns Ltd. in relation to the impact of the proposed pulp mill; and
- (ii) to re-estimate the economic impact on the Tasmanian economy taking into account additional information that has become available since the Allens Consulting study.

The findings

In relation to the Allens Consulting findings, this study concludes that they are not credible in terms of what would be expected from the MMRF-Green Model that was claimed to be used for the study. Specifically:

- the gain in Tasmanian gross state product is too high for the increases in employment which is caused by:
 - private consumption expenditure being at least double the level that could possibly be justified; and
 - the impact inflows into Tasmania being at least half of what could be expected given that Tasmania is a small open economy with limited capacity to satisfy domestic demand.

This study concludes that, in the absence of a credible defence by Allens Consulting of their findings, the results can only be explained by:

- (i) errors made in using the MMRF-Green model for analysis; and
- (ii) unjustified adjustment of the model results that make the case for the pulp mill more favourable.

This reduces the assessed consumption benefit to 2030 in terms of the MMRF-Green modelling framework by at least half, to the order of \$1.4 billion, excluding the construction benefit.

The next adjustment to the Allens Consulting results is that they have under-estimated the opportunity cost of the logs consumed in the pulp mill from existing forestry resources. In part this is probably due to only valuing the opportunity cost at woodchip value added and ignoring the use of the logs for high value added timber exports. Secondly, they do not consider the logs from the new plantations (fully employed after 2020) to have an opportunity cost in terms of forestry products, or the agricultural land that will be used to support the plantation development. Allowing for this reduces the consumption benefit by up to at least \$1 billion, to around \$0.4 billion.

This report reduces the consumption benefit at the mean of expectations by another \$0.7 to -\$0.3 billion. The difference between the \$0.4 billion and the -\$0.3 billion is due to this study taking into account the economic costs of:

- lost tourism;
- risk of chemical spillage;
- risk of Gunns change of ownership from undertaking a high risk investment;

- blow-out in capital costs;
- deaths and sickness from environmental damage; and
- risk of closure of existing pulp and paper mills.

The -\$0.3 billion loss is at the mean of expectations. At the 25 per cent probability benchmark the net consumption loss is estimated at -\$0.6 billion, with only a 25 per cent probability that the consumption benefits of the operating phase will be greater than \$0.2 billion. If anything goes wrong with the mill the maximum cumulative Tasmanian consumption loss is estimated at -\$3 billion, and if everything goes right the gain is assessed at \$1.3 billion. That is, there is no chance that the AC estimate of consumption gains from the operational phase of \$2.8 billion will be reached.

If the gain from construction is factored in, at the mean, the conclusion is still that the consumption gains to existing Tasmanian residents will not be positive.

1. Background

The proposed Pulp Mill at Bell Bay in Tasmania's North East (or the mill) has been one of the most controversial industry projects since the proposed damming of the Franklin River in Tasmania's South West in the 1980s. Gunns Limited (Gunns) is proposing to develop a bleached kraft pulp mill in the Bell Bay Major Industrial Zone, south of George Town at a cost of \$1.7 billion¹. The proposed pulp mill will, in the initial stages, produce about 820,000 air dried tonnes (ADT) of pulp and will have the capacity to produce up to 1.1m ADT of pulp for domestic and international markets. Gunns estimates that production of this quantity of pulp will require between 3.2 and 4.0 million green metric tonnes of pulpwood per annum (plus wood required for energy production).

Proponents of the mill, including the Tasmanian Government, the Federal Government and Opposition, have stated that the mill will create jobs and economic benefit for Tasmania. To date, the only substantive economic evaluation of the project has been undertaken by Allen Consulting Group (AC) for the proponent Gunns as part of the company's Integrated Impact Statement.² ITS Global was commissioned by the Tasmanian Government to undertake a review of the social and economic benefits of the Gunns proposal³. This study was to fulfil the requirements of the *Pulp Mill Assessment Act 2007* - legislation that was drafted and passed after Gunns withdrew from the Resource Planning and Development Commission process in 2006, "ITS Global did not and was not required to perform any new economic modelling or social impact analysis"⁴ ITS Global largely repeated the economic claims of the original AC report and summarised public submissions received by the RPDC process prior to its inquiry being halted.

The RPDC received more than 790 submissions. ITS Global found⁵ that of the non-pro forma submissions, 523 were generally negative, 94 were neutral and 81 were positive. Almost half, 255, of the submissions related to economic issues. Of these 255 submissions 158 were negative, 28 were neutral and 69 were positive. The consultants listed as 'high concern' submissions to the RPDC stating that the AC evaluation did not assess, did not adequately assess or ignored:

- potential negative impacts or externalities
- risks associated with the project
- impacts on tourism
- constraints in the labour supply
- environmental impacts
- the value of intangibles (such as the Tasmanian brand).

¹ Gunns Limited News Release 17 October 2007

² The Allen Consulting Group: *The Bell Bay Pulp Mill Economic Impact Assessment Report* May 2006 Report to Gunns Limited.

³ ITS Global: *Review of the Social and Economic Benefits of the Gunns Limited Pulp Mill Project* June 2007.

⁴ *Ibid* pg 9.

⁵ *Ibid* Appendix II pg 110 - 112.

They also listed as 'high concern' submissions relating to the potential negative impact of the project on:

- other business sectors such as marine industries, aquaculture industries, tourism and agriculture
- intangible assets such as the Tasmanian brand
- Tasmania's dependence on forests and forest industries
- vulnerability of the Tasmanian economy to fluctuations in world pulp markets.

Other studies have attempted to assess all or some of these issues. For instance the submission of Naomi Edwards to the RPDC⁶ and a report prepared for the Tasmanian Round Table for Sustainable Industries Project to which two economic consultants contributed.⁷ These reports point to a number of indicators that underline concerns expressed in the submissions summarised above.

This study

This report should be seen as by necessity preliminary. New field work has not been undertaken for this study. Instead, it re-evaluates material already on the public record in reports prepared for the RPDC process, for the Tasmanian Government and released publicly in recent months. The main contribution of this study is to comprehensively model all data in a comparable probability framework, so as to provide a more complete picture of the direct economic impact of the Gunns project on the Tasmanian economy. NIEIR has used its econometric model of the Tasmanian economy to highlight the inconsistencies between the AC study and important aspects of the material available for policy makers. This study represents the first modelling assessment to include material that has become available more recently, or was not evaluated by the AC report, or is the result of changes in the broader economic environment since the AC report was prepared.

Since 2006, the Australian economy has continued to grow strongly with the major concern today being inflation, tight labour market conditions and skills shortages. The net benefit of the mill to the Tasmanian economy will be the difference between the mill scenario and the scenario without the mill, which describes the alternative uses of the logs not consumed by the mill.

This study, therefore, examines two scenarios: a business as usual base case (excluding the pulp mill), a mill scenario and an alternative scenario. The mill scenario will endeavour to include a number economic impacts not considered as part of the AC evaluation such as the impacts of tourism; the impacts on other forestry enterprises; impacts on aquaculture; and impacts on agriculture. It will also critically re-evaluate the distribution of benefits from the proposed mill in the form of profits, wages and salaries, taxes and purchases of goods and services, and will consider the government contribution to the mill. In the alternative scenario the same level of government subsidies will be used to develop alternative value-added businesses in Tasmania that are consistent with the Tasmanian Government's economic development agenda, maximise long-term investment in the Tasmanian economy, are consistent with the Tasmanian brand and minimise impact on other industries. The net direct impact on the Tasmanian economy is the difference between the mill scenario and this alternative scenario.

⁶ Edwards, Naomi *Too much risk for the reward - an analysis of the pulp mill returns to the people of Tasmania*, Submission to the Resource Planning and Development Commission, September 2006.

⁷ Tasmanian Round Table for Sustainable Industries Project (TRTSIP): *Sustainable development in Tasmania is the proposed pulp mill sustainable?* Launceston Environment Centre August 2007.

2 Inconsistencies in the AC study

The AC results are internally inconsistent because they imply implausible values for productivity and consumption.

In order to demonstrate this NIEIR ran its inter-regional Local Government Area (LGA) based model of Tasmania without capacity constraints. The model is an input-output model for each LGA (some of the smaller LGAs have been aggregated) linked by an inter-regional trade flow matrix for each industry, and subject to broad economic constraints, notably those governing trade and financial relationships between Tasmania and the rest of the world, but for the purposes of this run devoid of labour or capital capacity constraints. A ten household-type consumption model generates total household consumption expenditure. The industry structure is based on the two digit ANZSIC classifications with the benchmark data year based on 2006. The data has been adjusted for trends to 2005. This run was for purposes of comparison, and yields a much higher benefit from the investment than NIEIR deems plausible taking all factors into account; it will be referred to as the NIEIR unconstrained run. A more plausible, constrained assessment is given in Chapters 3-6.

The AC report uses the Monash University's Centre of Policy Studies MMRF-Green Model, which is stated to be the "*most comprehensive economic model available in Australia and is highly regarded in terms of robustness of its assumptions and the overall credibility of its results*".⁸

The "comprehensive" and "robustness" claim is based on the fact that the model is a computable general equilibrium (CGE) model which, in addition to input-output relationships, takes account of capacity constraints operating in the economy at the national level (though not at the Tasmanian level). The proponents of the CGE class of models argue that NIEIR's models are inadequately constrained and therefore always over-estimate the impact on the economy compared to CGE models. In Appendix 1 of this report NIEIR gives a summary of its rebuttal of this claim in terms of analysing the impact of the Australian Formula One Grand Prix on the Australian and Victorian economies. This rebuttal involves challenging both claims: first, the claim CGE models are realistically constrained and second, the claim that NIEIR's models are unrealistically unconstrained.

However, what concerns us here is not the credibility of the MMRF-Green Model as a model class, but the credibility of the results in terms of the MMRF-Green Model itself. To do this it is useful to compare the results with the NIEIR unconstrained results.

2.1 What is the direct impact on the Tasmanian economy from the pulp mill?

The first step in examining the credibility of the MMRF-Green Model results is to calculate the direct shock to the Tasmanian economy. This simple estimate is not reported in the AC report. However, it can be estimated from what information is available.

In 2005 prices, a pulp mill of 0.82 million ADT would generate \$500 million in gross output at the factory gate, that is, excluding shipping costs.

⁸ ACG Report P.1.

The AC report states that in 2015, as a result of the new pulp mill, the existing Tasmanian wood and paper industry (i.e. excluding the new mill) would generate \$92 million less in national real value added and \$56 million less in real Tasmanian value added (AC Report Table C4). From the Australian Bureau of Statistics' (ABS) Australian Input-Output Tables, 2001-02, the pulp and paper industry's value added to output ratio is 0.28, or 0.33 to allow for the higher ratio for wood products. Hence, the decline in output from the existing wood and paper industry nationally is \$279 million and \$170 million for Tasmania. Therefore, the net expansion in Tasmanian wood and paper products is (500 - 170) or \$330 million.

2.2 The MMRF Model does not produce a lower impact on the Tasmanian economy than the unconstrained NIEIR model

To test the MMRF-Green modellers' claim that the model is credible because it produces a conservatively low impact on the economy, NIEIR ran its inter-regional input-output model of Tasmania without labour or capital capacity constraints. The results in comparison with the MMRF-Green Model are shown in Table 2.1.

The most striking aspect of the comparison is the impact on Tasmania's gross state product (GSP), which is similar at around \$460 million. However, the AC employment impact is less than half the NIEIR result, while the consumption impact in the AC study is 52 per cent more than the NIEIR results. The divergence is obvious.

As can be seen from the Appendix analysis, the expectation would have been that the more heavily constrained MMRF-Green Model should have produced a lower GSP impact, along with the lower employment impact. This produces inconsistencies that render the results unbelievable. The most obvious inconsistency is that the marginal gross state product per person employed for the MMRF-Green Model is \$0.36 million in 2005 prices per person employed. For Tasmania the average GSP per person employed is \$0.07 million in 2005 prices, or a differential of 5 to 1. A differential of 2 or 3 to 1 may be plausible but not 5 to 1. Closer inspection indicates that this unbelievable result is caused by:

- (i) the consumption response being far too high
- (ii) the import response by the Tasmanian economy being far too low.

Table 2.1 The Tasmanian pulp mill - a comparison of two models		MMRF-Green Model	Unconstrained Model (NIEIR)
Direct impact on wood and paper	2005 \$ m	330	330
Tasmanian gross state product (market prices)	2005 \$ m	467	460
Tasmanian private household consumption	2005 \$ m	215	141
Total Tasmanian employment	Number	1,300	3,203

Note: The MMRF-Green Model results are for the 2015 year.

23 The consumption response for the MMRF-Green Model is far too high for a credible model

NIEIR agrees with the statement in the AC report that 'consumption... is essentially determined by total household income.' However, it is not possible to check this derivation in the AC report since no estimates are given for the changes in household income, and it is therefore necessary to supply the connection. The obvious route is via the increase in employment. In the MMRF-Green Model results the increase in consumption expenditure is \$165,000 per additional person employed. This is unbelievable. Even for the 300 direct pulp mill employees the total estimated labour cost is \$130,000 per employee. After on-costs and income taxes this would allow a consumption increase at best of around \$70,000 per employee. This is for the highly productive mill which would have to be reduced by at least one third to capture the contraction in wood and pulp products in the AC findings directly stemming from the Mill. The consumption increase for downstream employment would be significantly less than this, at around the Tasmanian average. The NIEIR model estimate of \$44,000 per employed person is close to the Tasmanian average of \$31,000 of consumption generated per person employed and hence much more realistic.

The only other major source of income from the pulp mill would be from its gross operating surplus. However, it is expected that this will be fully accounted for by interest payments at around \$130 million, by income taxes and by payment of dividends to non-Tasmanian residents. Very little of the gross operating surplus would be available for consumption expenditure in Tasmania.

The AC results include a substantial figure for induced investment in Tasmania - over \$100 million a year. This helps to explain the unexpectedly large increase in GSP although the import content of this should be high largely offsetting the impact in a credible model. In any case employment from this investment appears to be included in the reported increase in employment, and the induced investment therefore does not generate employment incomes to explain the large increase in consumption.

On a credible distribution of income, the consumption increase, given the 1,300 employment increase, should have been around \$57 million, not \$215 million. (This is derived using the NIEIR estimate of consumption per employed person.) Even if an allowance of \$30 million is made for possible other unexplained stimulus, this would mean that the MMRF-Green model has over-estimated consumption expenditure by at least \$125 million.

24 The import inflows into the Tasmanian economy for the MMRF-Green Model are too low to be credible

The total import flows into the Tasmanian economy induced by the pulp mill are not reported in the AC study but they can be estimated. For 2015 the increase in consumption is reported at \$215 million, the increase in investment at \$106 million, and the increase in Tasmanian GST at \$467 million. International export flows are reported at \$213 million, but interstate exports should be added to this. If the total product of the mill is exported from Tasmania, total exports both international and interstate will come to \$330 million - the gross value of production, calculated above. Using the national accounts identities, total exports can then be calculated as consumption plus investment plus exports less gross state product equals \$184 million. Given that international import inflows are reported at \$91.0 million this implies that interstate imports are \$93 million. Interstate exports would be the difference between the \$330 million and the reported international exports of \$213 million, or \$117 million. The import to GSP ratio is thus estimated at 0.39. The only rationale given for this low ratio is the claim that many of the inputs to the mill will be locally sourced (AC report page 33). However, this is unlikely to apply to the increase in reported consumption or investment.

For 2005 NIEIR estimates the Tasmanian total import to GSP ratio to be of the order of 0.8, or double the implied MMRF-Green estimate. Given the incorporation of "capacity constraints" in the MMRF-Green Model, one would have expected it to deliver an outcome well above the average 0.8, say at least unity. An import to GSP ratio of unity would have reduced the Tasmanian GSP impact for the MMRF-Green Model to \$191 million, with a further reduction to around \$130 to \$140 million if the consumption impact is adjusted downwards by \$125 million. This would make the results "consistent" with the unconstrained NIEIR model results. That is if the employment increase in the MMRF-Green model was a third of the NIEIR models result then it would also be expected that the GSP increase in the former would also be a third of the latter. This is also what was obtained in the comparison of the unconstrained NIEIR model with the MMRF model, which is similar to the MMRF-Green Model, for the Formula One Grand Prix study.

In brief, the MMRF-Green Model results are unbelievable in terms of the results obtained for more or less the same model when used for another study.

25 There are a number of possible explanations for the MMRF-Green Model results

There are a number of possible explanations for the unbelievable MMRF-Green results. These include:

- (i) simple error in inputting data into the model
- (ii) serious specification errors in the model (e.g. allocating gross operating surplus from the pulp mill to the Tasmanian household sector)
- (iii) unexplained adjustment of the results to bring them more in line with client expectations based on simple multiplier models
- (iv) some other credible explanation which AC may provide.

However, there is a clue in the write-up which favours the unjustified adjustment possibility. Knowing the consumption results were not credible, but perhaps hoping to deflect any future criticism, the following statement is in the AC report.

"The increase in expected disposable income would be expected to support an increase in consumer confidence. This is further reflected in higher rates of private consumption." (AC, page 24)

Unfortunately there is no justification for this. The doubling of consumption expenditure from what a credible model would produce can only be financed by a fall in the savings ratio. The recent Tasmanian net savings ratio has been at most zero and generally negative. This means that the fall in the savings ratio could only be financed by additional borrowings. After 20 years this sustained increase in borrowings would result in net additional Tasmanian household debt of \$2 billion and debt service payments of \$0.26 million per year. This would eventually have the effect of driving consumption expenditure levels below the levels that would have prevailed in the absence of the pulp mill.

In short, if a convincing explanation from Allens Consulting is not forthcoming, it will have to be assumed the overall MMRF-Green Model results were adjusted by adding \$125 million to consumption and GSP with further adjustments to GSP from reductions in the import propensity of the Tasmanian economy.

3. The impact of the pulp mill on the Tasmanian economy - methodology

Dismissing the MMRF-Green Model results out of hand does not, however, lead to a rejection of the case that the pulp mill could make a significant contribution to Tasmania's economic activity. There are many factors which will determine this, from the opportunity cost of wood to the special costs of risks associated with the project (including the effect of labour capacity constraints on construction costs - see 4.3 below).

Figure 3.1 lists the factors which together determine the net economic benefit of the pulp mill. The pulp mill will create demands for factors of production, such as logs, labour, materials and services. The mill surplus will be the difference between revenue and costs of factors of production. Revenue will be determined by mill output, the US\$ price of pulp and the Australian/United States exchange rate. However, only part of the surplus will directly impact on Tasmania. That part of the surplus which will directly impact on Tasmania will be what is left over after payments for interest, taxes and dividend payments to out-of-state shareholders.

The direct risks of the project are well documented in the debate over the mill and are listed in Figure 3.1.

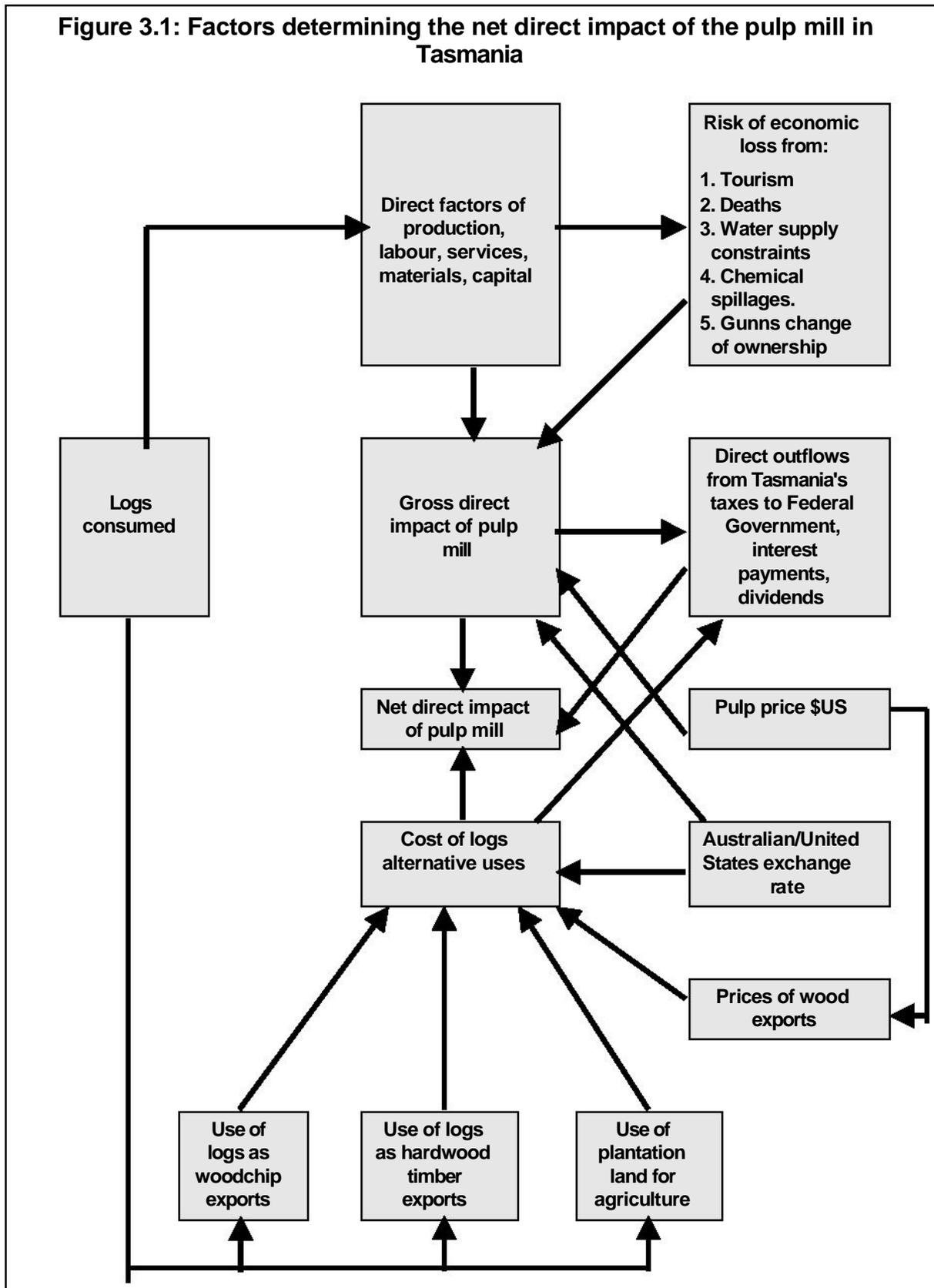
The gross impact of the mill must then be adjusted for the alternative uses of the logs consumed by the mill and for alternative uses for the plantations created to support the mill. These alternative uses include woodchip exports, dressed hardwood exports or agricultural production.

A great deal of uncertainty surrounds many of the factors that will determine whether or not the mill will be an economic positive for the Tasmanian economy. Hence, the approach taken in this study is to formally include this uncertainty in the analysis. This is done by specifying an appropriate probability distribution for each factor that is subject to uncertainty. The system is then simulated to find the joint probability distributions of the key variables of interest and in particular the sum of the discounted sum of the direct impact on the Tasmanian economy. Unless the direct benefit is positive there is no way a positive indirect benefit can be obtained from any credible model.

In any one year there will be a range of possibilities. Except for the case where a discrete probability distribution is justified, as would be the case for risks just as chemical spills into the sea, this study adopts the trigen distribution as the preferred representation of possibilities. The trigen is a triangular distribution which has the advantage that its parameters can be expressed by five easily interpreted parameters. These five parameters are:

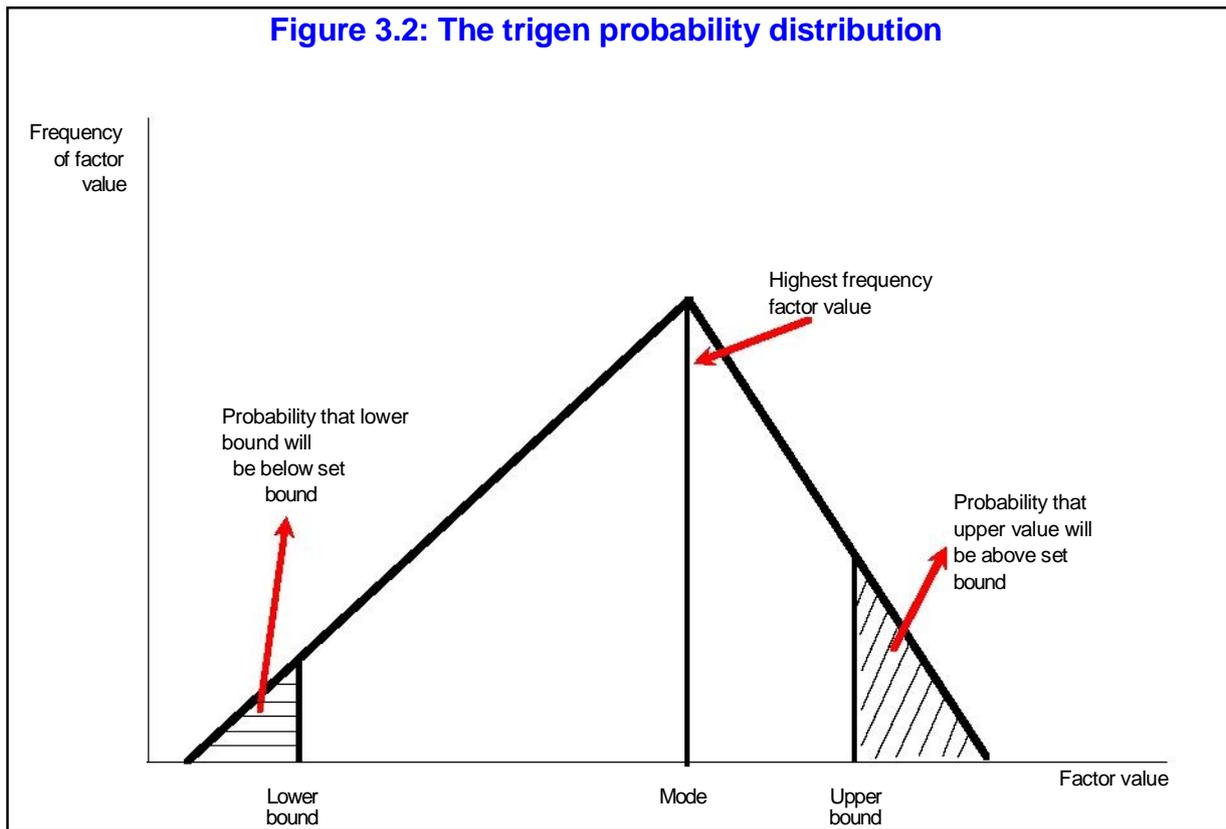
- (i) lower bound
- (ii) mode
- (iii) upper bound
- (iv) probability that values will fall below the lower bound
- (v) probability that values will exceed the upper bound.

Figure 3.1: Factors determining the net direct impact of the pulp mill in Tasmania



The trigen distribution is used to describe the uncertainty around the pulp mill price, the exchange rate, the scale of alternative uses of the logs, the discount rate applied, etc.

For some risks a trigen distribution is not suitable and a discrete distribution is employed. For example, for chemical spills the parameters which describe the distribution for a given year are the probability that the one-off event will occur and the cost (in million dollars) of the event.



4. The drivers of the gross benefits of the pulp mill - mill scenario outcomes

This section discusses the issues surrounding the drivers of the gross benefits of the mill and, if appropriate, the parameters of the probability distribution employed for each driver.

4.1 The US\$ pulp price

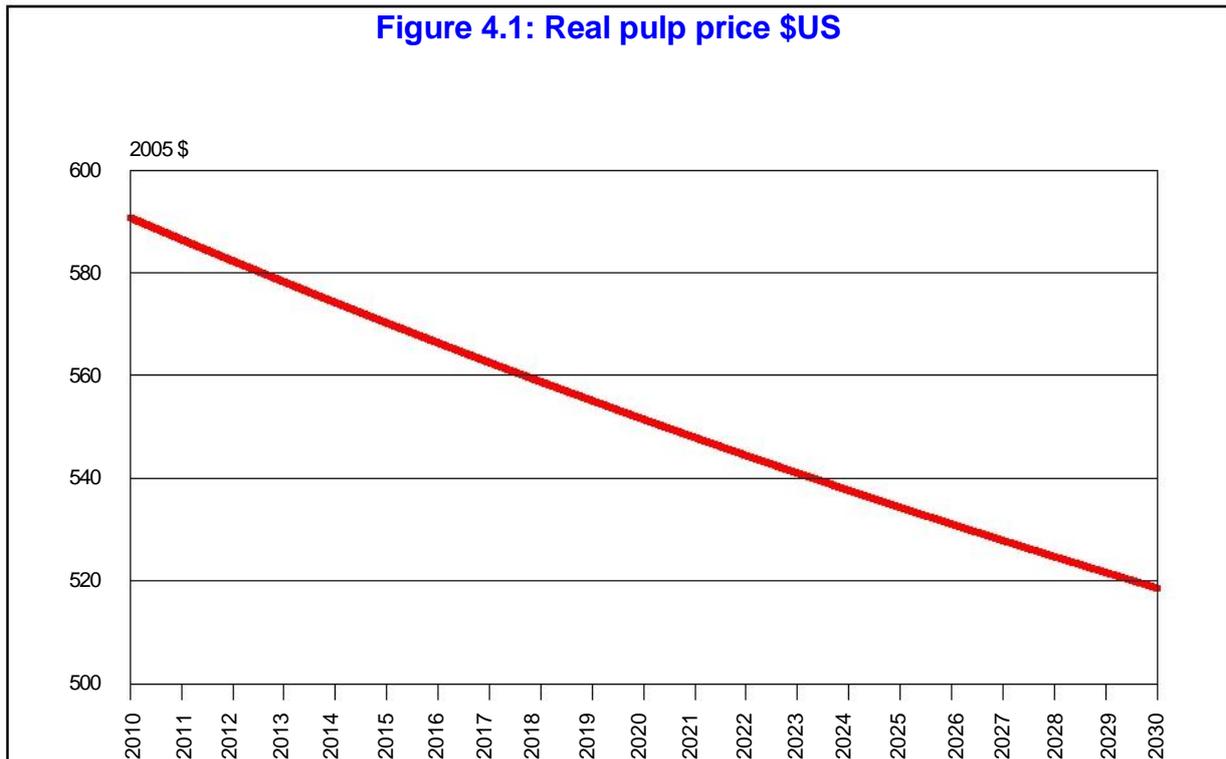
The CommSec study in October 2006 assumed that pulp prices would fall to US\$520 in late 2009. However, this was before the commencement of the long run devaluation of the US\$. For this study the trigen parameters are:

Lower bound	\$510 \$600
Mode	\$650
Upper bound	5 per cent
Lower bound probability	85 per cent
Upper bound probability	

The higher upper bound probability (that is, a 15 per cent chance that the upper bound outcome will be exceeded) is to allow for more upside risk than downside risk around the bounds. In addition, the prices are in 2005 prices which, in effect, further adjust prices up by 15 per cent compared to the CommSec study.

For each year to 2030 a trigen distribution is specified for the pulp price. The CommSec study, following historical trends, assumes that the real price falls by 1.5 per cent per annum from 2010 onwards. For the lower bound the assumption is for a fall of 2 per cent per annum. However, for the mode the assumption is less severe than the CommSec study with a specified fall of 1 per cent per annum. For the upper bound the assumption is a constant real pulp mill price of US\$650 per ADT from 2010 to 2030. The bound probability settings are held constant at the initial year levels.

The outcomes of these settings for the expected value of the US\$ pulp price are given in Figure 4.1. The expected pulp price falls from US\$595 in 2009 to US\$551 by 2020, or a real fall of just under 8 per cent over the decade. By 2030 the pulp price reaches a level of US\$519. The average annual fall in the real pulp price is 0.7 per cent per annum, or half the CommSec assumption.



4.2 The Australian/United States dollar exchange rate

The CommSec study assumed a long run \$A/\$US exchange rate of 0.72. However, there are risks that the exchange rate could be both lower and higher than this assumption. In any case, by 2009 or 2010 current trends indicate that the Australian dollar will be considerably higher than 0.72 cents.

For 2010 the trigen parameters are:

Lower bound	0.81 0.85
Mode	0.93
Upper bound	15 per cent 85
Lower bound probability	per cent
Upper bound probability	

By the 2017 to 2020 period the lower bound falls to approximately 0.67, reflecting the vulnerability of the Australian economy for a low long term exchange rate due to its:

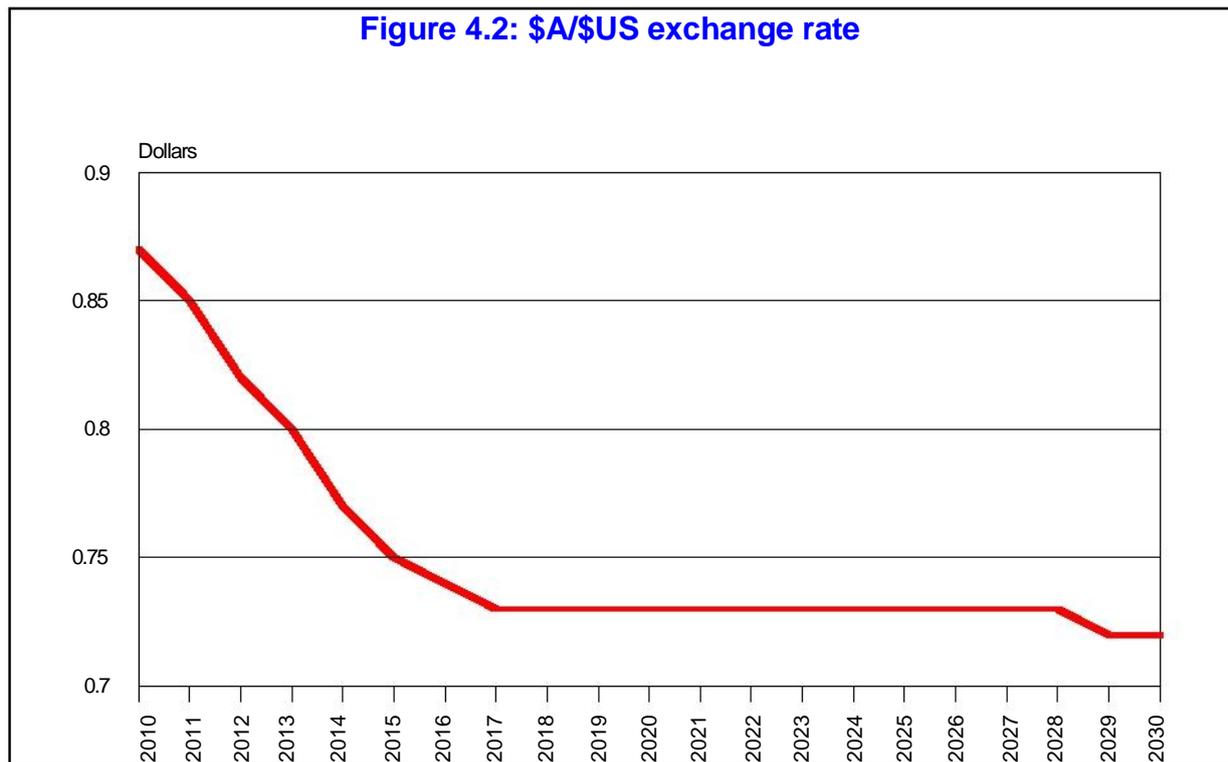
- (i) high current account deficit
- (ii) high net international debt
- (iii) exposure to a high carbon price.

By 2030 the lower bound falls to 0.62.

Between 2010 and 2017 the mode exchange rate falls steadily to 0.71, where it remains until 2030. By 2015 the upper bound falls to 0.80, near which it remains for the remainder of the horizon to 2030.

As Figure 4.2 indicates, by 2016 the expected exchange rate is 0.73. The expected exchange rate remains near this level until 2030.

The combination of the expected US\$ pulp price and exchange rate outcomes considerably increase the profitability of the mill, compared to the CommSec study. Moreover, the distributions for the pulp price and exchange rate are jointly modelled with a correlation coefficient of one linking them. That is, when the exchange rate is high so will be the pulp price and visa versa.



4.3 The capital cost

The current capital cost is estimated at \$1.7 billion. However, construction activity is at historically high levels and real costs are rising significantly. Hence, the trigon distribution parameters for the capital costs are:

Lower bound	1,750
Mode	1,900
Upper bound	2,200
Lower bound probability	5 per cent
Upper bound probability	90 per cent

The expected cost is \$1,985 million. Interest costs are set at 7 per cent of the capital cost, reflecting the higher risk margin that is likely to prevail in 2008-09 because of the sub-prime crisis in the United States compared to what was expected to be the case when the CommSec study was done.

4.4 Other direct costs

The structure of direct costs (that is, wood, labour, services, etc.) follows the CommSec study, including the dynamics of expansions to 1.05 ADT as the plantation input reaches 80 per cent and the decline in unit wood costs and chemical costs also result as the plantation input reaches 80 per cent.

At start-up the log impact will be 20 per cent plantation and 80 per cent native forest. The plan is that this will be reversed by 2018 with 80 per cent of the logs from plantation and 20 per cent from native forest. This has been challenged in that the rate of plantation expansion is unlikely to enable this target to be reached.⁹ Hence, for 2018 the trigen distribution for the share of plantation log into the mill is:

Lower bound	0.4 0.7
Mode	0.8
Upper bound	2 per cent
Lower bound probability	98 per cent
Upper bound probability	

This gives an expected impact of 62 per cent plantation logs in 2018. Whatever the 2018 outcome is, the time profile of plantation log input approaches the 2018 linearly from the 20 per cent in 2010. At the latest the mill is expected to reach the 80 per cent benchmark by 2024. Again, this is approached linearly from the 2018 outcome.

No probability bounds are placed around the individual direct cost components. However, an aggregate for direct unit operating costs or contingency bound is applied. The factor value for this distribution is the rate of growth of real unit operational costs per annum above the expected value. The trigen probability distribution parameters are:

Lower bound value	0.0 per cent per annum 0.4
Mode	per cent per annum
Upper bound	0.9 per cent per annum
Lower bound probability	2 per cent
Upper bound probability	98 per cent

The cost contingency only influences the level of subsidy from the Tasmanian Government, not the mill's direct profitability.

That part of depreciation or replacement investment that is directly spent in Tasmania is set at \$79 million.

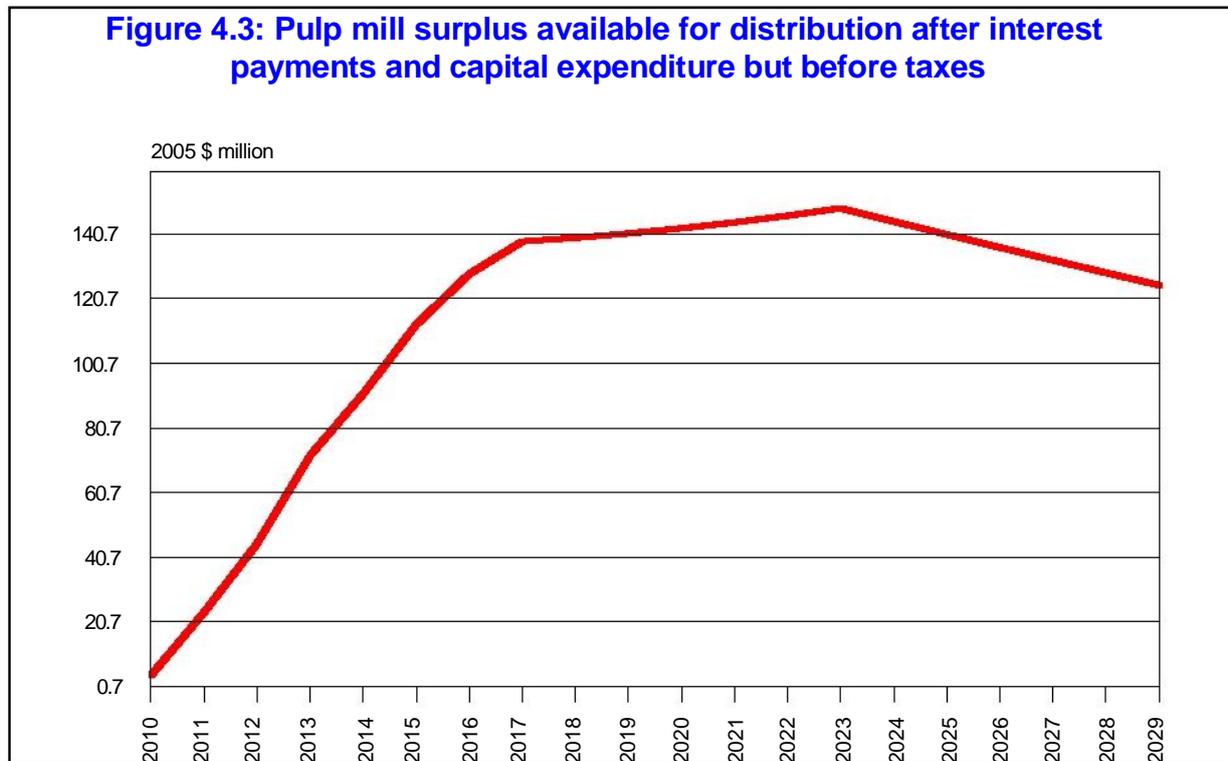
4.5 Subsidy from Tasmanian Government

The current planned subsidies for the mill are ignored because they are assumed to be applied in equal measure in the alternative scenario. The application will be to develop alternative uses of the logs that would have otherwise been consumed by the mill. Subsidies from the Tasmanian Government are triggered in the current analysis if the cash flow from the mill after interest payments, direct operating costs and replacement investment falls below zero.

⁹ C. Beadle, "Chasing an Elusive Harvest", 2007.

Figure 4.3 indicates that this does not happen for the mill case as the surplus available for distribution after direct costs, interest costs, energy savings and replacement investment is between \$100 and \$150 million until late 2016.

If dividends are payable, 20 per cent of the dividends are assumed to flow directly to Tasmanian households.



4.6 Tourism

A survey of 700 tourism operators in Tasmania revealed that 34 per cent believed the mill would directly affect their businesses in a negative way while 58 per cent believed it would affect Tasmania's 'clean, green' brand.¹⁰ TRTSIP says that Tasmania finds it difficult to attract first time visitors but is 'incredibly good' at attracting repeat visitors. It quotes a visitor survey showing that of nearly 200 000 additional visits between March 2003 and March 2007, more than 165 000 were repeat visitors. ITS Global points out that tourism contributed 6 per cent of Tasmania's Gross State Product in 2004; that in 2006 Tasmania attracted approximately 870 000 international and interstate visitors who generated 1.07 overnight trips and 4.8 million day trips and; spent \$1.8 billion supporting direct employment of 23 000 and indirect employment of 15 500 Tasmanians¹¹. *Tourism 21 - Strategic Plan for Tasmanian Tourism Industry*, June 2004 sets a goal of developing the industry into a contributor to the Tasmanian economy of even greater significance. A key component of this strategy is the Tasmanian tourism brand 'the unforgettable natural experience' that provides 'a range of visitor experiences based on the core appeals of nature, cultural heritage and food and wine'. The delivery of the strategy has led to cluster and touring route strategies to

¹⁰ TRTSIP 2007 p15.

¹¹ ITS Global 2007 p79 attributed to Tourism Tasmania.

focus on traveller interest on nature, cultural heritage and food and wine. The Tamar Valley is part of the touring route strategy and contains a number of designated routes. Approximately half of the interstate and international visitor trips to Tasmania in 2006 (448,000 persons) visited the Tamar Valley.

The most significant impact on tourism during the construction phase of the mill will be a 'crowding out' effect resulting from demand generated by the influx of construction workers. This influx is also likely to change the character of the accommodation, restaurant and entertainment industry due to the prevalence of single males in the construction workforce. It is also expected (and anecdotal evidence suggests this has already started to happen) that many people who moved to the area for the amenity and lifestyle will move out in anticipation of the mill adding to the change in character. ITS Global acknowledges that; (1) additional heavy vehicle movements between Georgetown and Bell Bay could disrupt the tourism experience of visitors using the East Tamar highway, (2) that a number of businesses marketing lifestyle, food and wine experiences immediately west of the construction site on the Rowella peninsula will be impacted by loss of visual amenity and noise, (3) the experiences of visitors could be lessened by loss of visual amenity associated with construction of water pipelines (Trevallyn dam to Bell Bay) and effluent pipe (Bell Bay to Four Mile beach). During the construction phase, these losses are likely to be offset by demand generated by the influx of construction workers. However, as noted above, this demand will affect the character of the industry and the area.

Once the project moves to its operational phase, the benefit of the additional demand created by 2 900 construction workers will disappear. The industry would need to refocus and attract back the lifestyle tourists that were 'crowded out' during the construction phase. However, it will have to do so after the character of the hospitality industry had been changed by the substantial influx of single male construction workers during the construction phase. It will also have to regenerate this momentum after the expected loss of 'social capital' - people who had been attracted by the amenity of the area but decided to move out because they expect (rightly or wrongly) that this will be lost as a result of the mill. Most operators are concerned that the 'brand' of the region will be damaged. It will need to rebuild this 'unforgettable natural experience' brand quite possibly, according to ITS Global, in the face of direct and indirect impacts of emissions, odour and effluent on the image of the regional area. A further issue the area would need to deal with in attracting tourists back after construction would be a 36 per cent increase in heavy vehicle traffic on the East Tamar Highway. It is acknowledged that this traffic 'is likely to be associated with a corresponding increase in accidents involving log trucks in the region as well as the number of associated fatalities.'¹² In terms of State impact of these developments, the issue is whether tourists would still travel to Tasmania in the same numbers or shift their travel plans to other 'lifestyle' experiences such as New Zealand which compete with a similar brand.

We note that the AC report is positive on tourism on the ground that tourists will be attracted to see a 'state-of-the-art pulp mill'. This may provide a partial offset to the negative effects listed above.

The trigon distribution parameters for the tourism and cost are:

Lower bound	\$4.7 million annually \$20
Mode	million annually
Upper bound	\$47 million annually
Lower bound probability	2 per cent
Upper bound probability	95 per cent

¹² ITS Global 2007 p 38.

4.7 Other pulp and paper mills

The AC study identified Wood and Paper Products (excluding the new pulp mill) as having the largest negative deviation from the base case in modelling commissioned for the Gunns IIS. Results of that modelling show a negative impact peaking at \$91.6 million in 2015 for Australia and \$55.5 million for Tasmania. This is the largest absolute deviation in dollar terms of any industry. AC says that "because of the constraints on the availability of logs for woodchips in Tasmania, increased pulp production by the mill would result in a reduction in

other forms of secondary log₁₃ production. Thus the project was assumed to result in the reduction of woodchip output." The assumption is that export of pulp would be generated at the expense of woodchip exports from Tasmania although which woodchips plants would close had not been identified in the AC report. However, given the Tamar Valley chip plant is the least likely to be affected, the locations most likely to see the loss of plant would be Burnie and Triabunna both in the north of Tasmania.

While the impact on woodchip processing is significant, this is essentially a reallocation of production from one part of the industry and state to another and has been taken into account in the Gunns modelling. However the AC modelling did not take account of the likely impact on existing pulp and paper capacity in Tasmania. Two mills that are the most likely to be impacted are operated by Australian Paper at Burnie and Wesley Vale. These mills employ approximately 660 people directly and are responsible for a further 650 jobs indirectly. The two plants are operated as related economic units and together generate approximately \$240 million in economic activity of which \$105 million is directly attributable to Tasmania (\$40 million labour, \$45 million supplies, \$20 million other)¹⁴. Australian Paper has faced a difficult couple of years with these plants and is currently generating returns well short of targets, and short of the level of returns which have been seen in previous years. Low customer demand (driven by a high Australian dollar) resulted in shutdowns early in 2007 and 40 people being laid off in late 2007. The company is said to be refocusing efforts on key brands and narrowing down their brand portfolio. It recently sought to gain Forest Stewardship Council certification for the plants but was rejected because it was unable to access certified input from Tasmania and has recently attempted to highlight 'carbon neutral' product which is possible through the plant's reliance on hydro electricity. In fact, these plants are responsible for approximately 10 per cent of Tasmania's electric power consumption.

NIEIR believes the proposed Gunns mill could be the last straw for these plants due to constraints on wood supply and the risk of losing key technical staff. It is understood Gunns will be unable to supply the Wesley Vale pulp mill with 30 thousand tonnes of pine woodchips from August 2008 due to the pine plantations being logged out and converted to eucalypt plantation (suitable for the new mill). Australian Paper will find it difficult to replace this supply in Tasmania with softwood pulpwood supplies expected to decline by more than 20 per cent as pine plantations are converted to eucalypt plantations. Forestry Tasmania, supplier of 70 thousand tonnes of hardwood chips, will come under pressure from 2010 to meet commitments to the Gunns mill. Forestry Tasmania's pulpwood production has been above its sustainable harvest level for three out of the last four years¹⁵ and it has recently agreed with Gunns to supply more than half of this production to the new mill (1.5 million tonnes from "sustainable" pulpwood supply of less than 2.8 million tonnes). Forestry Tasmania says the remaining 1.3 million tonnes will supply existing contracts with other customers including the

¹³ The Allen Consulting Group 2006.

¹⁴ Australian Paper company presentation.

¹⁵ Forestry Tasmania; Sustainable Forest Management Report 2005 - 2006 July 2007 p18.

Australian Paper mills¹⁶. However, it is expected that Forestry Tasmania will come under pressure to meet a greater proportion of the 3.2 to 4.0 million tonnes required by the Gunns mill (plus 500 thousand tonnes of bio-fuel). Robert de Fegely in his commentary on pulp wood supply for the proposed mill analysed Gunns export woodchip records for the past 10 years and found that the average volume of woodchips exported was 4.00 mGT and for the past five years this figure was 4.6 mGT¹⁷. He said that average pulpwood supply in Tasmania over the five years to 2004 - 05 was 5.3 mGT per annum and at the end of this period was just over 6.0 mGT. In other words the requirement for the Gunns Mill was between 57 per cent and 72 per cent of total pulpwood supply in Tasmania. The mill is highly dependent on growth in hardwood pulpwood supplies from plantations that will start to become available from 2010. However, total hardwood pulpwood supply from plantations in Tasmania is not expected to exceed 4.0 million cubic meters until after 2020.¹⁸ Forecasts of forest yields can be unreliable and subject to environmental factors including climate change.

NIEIR expect that in the absence of a significant change in the competitiveness of the two mills there is a probability that a combination of sourcing difficulties and loss of key personnel will contribute to the Australian Paper mills in North Tasmania closing from 2010.

A discrete probability distribution is specified for the risks of the two existing mills closing. The discrete probability function incorporates a 20 per cent probability that the two mills will close at a direct cost to the Tasmanian economy of \$120 million, at some date after 2012 because of the activity of the Gunns mill.

4.8 Fisheries and agriculture

A number of implications from the mill development relating to fisheries and agriculture have been identified by critical studies¹⁹. These include:

- Loss of exports from the Tasmanian fishing industry should there be a spill or other significant pollution event associated with the mill. It is estimated²⁰ the industry contributes \$472 million to the Tasmanian economy and generates 7000 jobs. A major spill could reduce this income considerably. Given the nature of material being released into the ocean the likelihood of this occurring during the life of the mill is high. TRTSIP estimates the value of this risk to be 10 per cent of production over the life of the project. NIEIR believes that the loss would be 25 per cent in the year of the event, 10 per cent in the subsequent year and 5 per cent in the third year after an event. The likelihood of one major event over the life of the project would be very high and as a result has included such a scenario. The likelihood of a second event is moderate and hence has included 50 per cent of a second event.

- Loss of brand image for both agricultural production and fisheries. As with the tourism industry, a proportion of operators in both industries see the 'clean, green' image of

¹⁶ Forestry Tasmania; Pulp Mill Wood Supply Agreement Fact Sheet October 2007.

¹⁷ Robert de Fegely; Export Witness Statement 2006.

¹⁸ Bureau of Rural Sciences; Australia's plantation log supply 2005 - 2049, 2007.

¹⁹ TRTSIP 2007 and Naomi Edwards 2006.

²⁰ TRTSIP 2007 p 17.

Tasmanian produce as being an important attribute. These operators expect to see some loss of brand value as a result of both the mill and the publicity that would surround its construction. TRTSIP believes the loss of brand value could amount to 2.5 per cent of production for aquaculture and viticulture.

- Commentators have also pointed to the loss of productive agricultural land as a result of conversion to plantation forestry. NIEIR believes this is only relevant where the change of production has a direct impact on the value of production from that land. Assuming land is priced appropriately so that alternatives are available to different actors wishing to use the land for either agriculture and tree plantations, it is assumed that the loss of production from the land is the same as the value of the subsidy available to those establishing tree plantations. TRTSIP²¹ estimates the NPV of this subsidy to be \$204 million.
- As noted in the discussion on tourism, anecdotal evidence would suggest that there is already an outflow of people from the region. Locals comment on the large number of boutique agricultural establishments (particularly wine) for sale as people, fearing the mill will impact their lifestyle or their product, seek to relocate to other areas. There is a fear this will cause a loss of social capital making the region less productive due to loss of experience and expertise.

The discrete probability distribution for the annual risk of a channel spill is 1 per cent for a once-off annual cost of \$40 million. This is conservative in that two spills over the life of the plant would have substantial compounding effects.

4.9 Health

ITS Global identifies at least two health impacts from the mill; air quality and road accidents from log trucks. TRTSIP has attempted to estimate a financial impact from these issues. It estimates that the cost (both health and lost work time) of respiratory ailments as a result of the mill would be \$350 million over a 24 year period and the cost of log truck accidents over the same period would be \$39 million.

The trigen distribution for annual health costs for the study is:

Lower bound	\$2 million annually
Mode	\$12 million annually \$24
Upper bound	million annually
Lower bound probability	15 per cent
Upper bound probability	90 per cent

The undiscounted cumulative expected cost over 20 years is \$220 million. The cost profile is conservative with the TRTSIP cost estimates occurring at a relative low probability rating. The main reason for this is a downward adjustment in the cost of a death.

²¹ TRTSIP 2007 p 47.

4.10 Risk of change of Gunns ownership

The cost of the mill seems to be creeping up having been given as \$1.5 billion at the time of the RPDC IIS and now being given as \$1.7 billion in company literature. Some suggest this difference results from costs imposed on Gunns as a result of delays in gaining approvals. Current reports suggest the mill could be 100 per cent debt funded through loans raised on international markets thereby generating an interest bill of more than \$180 million per annum for the new plant. Some reports suggest as much as a third of the cost could be raised by Gunns issuing equity. While the cost of equity is likely to be cheaper than debt there would still be a cost through returns to equity holders. The vast majority of Gunns shareholders would be on the mainland or overseas. Although not canvassed through the media, a third option would be for Gunns to link with a larger global partner in order to spread the debt burden across a larger organisation. It is believed that a large Asian producer may be interested although that is purely speculation. Nevertheless, whatever option eventuates, it is likely that the mill will have a significant expense as a result of capital raising and that almost all of this service expense will flow overseas. The cost is expected to be spread over the first three years with a peak in Year 2.

The mill represents a high risk to Gunns. If the exchange rate moves the wrong way, compared to the pulp price and construction costs blow out considerably, given the likely high international gearing, Gunns may well be forced to merge. This transfer of ownership may be to a pulp competitor or a wood supply competitor. If a wood supply competitor, the source of the logs may well come from plantations outside Tasmania. Certainly a new owner may not have the same interest in developing the forestry products industry in Tasmania as Gunns.

Hence, the risk of change of Gunns ownership is set at 10 per cent, with an annual direct cost of \$200 million to the Tasmanian economy. The risk of change of ownership applies at all times between 2010 and 2030.

4.11 Water supply constraints

The mill will use a significant share of Tasmania's available water resources. Climate change may result in a contraction in supplies for agricultural uses. Accordingly, the trigen distribution for lost agricultural production from constrained water supplies is:

Lower bound	\$2 million
Mode	\$15 million \$25
Upper bound	million
Lower bound probability	10 per cent
Upper bound probability	65 per cent

5. The alternative uses of the wood - scenario 2

The alternative uses of the logs for the mill are:

- (i) woodchips
- (ii) hardwood exports
- (iii) remaining unutilised.

The new plantations that will be created to support the mill have the same alternative uses or opportunity costs.

5.1 Hardwood exports

At least 25 per cent of logs recovered from regrowth forests or plantations are suitable for timber exports, ranging from rough sawn logs to plywood/veneer. The 25 per cent benchmark is adopted here. Compared to the pulp price, prices per tonne range from 30 to 40 per cent higher for low value added logs to around 80 per cent for high value added timber. Accordingly, for the analysis of this study, the hardwood export price of the alternative use of the mill logs is set at 40 per cent of the pulp price in 2010, after which it steadily increases to 80 per cent of the pulp price by 2030 as the value adding capacity of the Tasmanian forestry product industry expands, in part driven by subsidies that would otherwise have been employed by the mill. This also captures likely real falls in pulp prices relative to hardwood timber export prices.

5.2 Woodchip exports

The residual after hardwood exports could be exported as woodchips at a price equal to 23 per cent of the pulp price. Note two gross tonnes of logs equals one tonne of woodchips. It should be noted that the outflow of the gross surplus from Tasmania for hardwood or woodchip exports is assumed to have a similar ratio to that of the pulp mill surplus.

5.3 Alternative export volumes

Securing markets for alternative uses of the logs that would have otherwise been utilised by the mill will take time. Hence, the assumption is that from start-up 40 per cent of the logs will be able to be used for hardwood or woodchip exports. Uncertainty surrounds the future build-up in the share of the cumulative log stock that otherwise would have been utilised by the mill. Accordingly, for 2030 the following trigen distribution is specified to cover the range of possibilities for that share of the cumulative log stock that otherwise would have been utilised by the mill that is commercially utilised.

The parameters of this trigen distribution are:

Lower bound	40 per cent 50
Mode	per cent
Upper bound	100 per cent
Lower bound probability	10 per cent
Upper bound probability	100 per cent

The mean expectation from this distribution is that 60 per cent of the cumulative stock of logs that would have been consumed by the mill by 2030 are found alternative commercial uses.

5.4 An alternative case

One criticism of the above approach is that it considers that logs from the new plantations that Gunns are installing to support the mill have an alternative use or opportunity cost. This is because, in the absence of the mill, construction of new plantations to at least 150,000 hectares may cease.

To allow for this a no plantations case was designed with the logs available for alternative uses constrained to exclude supply from new plantations. By 2021 at the latest, the log supply to the mill is planned to be from the new plantations, giving a ceiling green log tonnage available for alternative commercial uses of 54 million tonnes. For this case the trigen probability distribution parameters are modified to change the percentage of the total that is commercially utilised by 2030 for forest products. That is:

Lower bound	70 per cent 90
Mode	per cent
Upper bound	100 per cent
Lower bound probability	10 per cent
Upper bound probability	100 per cent

For case 2 the alternative use of the logs consumed from new plantations will be the opportunity cost of lost agricultural production. The area involved is at least 150 000 hectares.

Again, from the responses to the mill there is uncertainty surrounding the likely losses in agricultural production per hectare. The cost estimates in the literature are in terms of value added per hectare, when the appropriate comparable estimate is revenue per hectare.

The trigen distribution parameters for the lost revenue per hectare from the new plantations are:

Lower bound	\$500 per hectare
Mode	\$1,000 per hectare
Upper bound	\$1,400 per hectare
Lower bound probability	15 per cent 99
Upper bound probability	per cent

The mean export loss is \$845 per hectare per year. The total opportunity cost from lost agricultural production will build up as the new plantations expand at a rate of 17,000 hectares per year. The opportunity cost of lost agricultural production also applies for case 1 until the logs are harvested for the mill or for alternative wood product uses.

Using the negative value added data in AC Table C.4 for Tasmanian agriculture and wood/pulp and interpolating between benchmark years the total discounted opportunity cost for the logs used in the proposed mill from the AC study is around \$1.5b in 2005 prices. The opportunity cost from this study from the above assumptions at the mean of the distributions is at least 2.8 times the AC study results. This is because the AC study has not considered the opportunity cost of high value added wood exports and after 2020 considers the opportunity cost from the new plantations to be zero including any lost agricultural production from the land used to support the new plantations.

6. The proposed mill: Net direct benefit to the Tasmanian economy

The output variable of interest is the discounted cumulative net direct benefit of the mill to the Tasmanian economy. The output will be in the form of a probability distribution that is the product of the joint simulation of all the individual probability distributions specified above.

6.1 The discount rate

A variety of discount rates have been used to assess the mill. One argument is for a low discount rate to reflect the fact that decisions made today cannot be easily reversed, resulting in the locking in of long run costs. Another argument is that because of the uncertainty surrounding the project a relatively high discount rate should apply. However, this would result in minimising any long run costs.

Accordingly, a trigonometric distribution is also specified for the discount rate. The parameters are:

Lower bound	3 per cent
Mode	5 per cent
Upper bound	7 per cent
Lower bound probability	5 per cent
Upper bound probability	90 per cent

6.2 Case 1: The direct economic benefit on the Tasmanian economy

Figure 6.1 gives the cumulative ascending simulated distribution for the net impact. The range is from a minimum of -\$6.6 billion, in 2005 prices, to \$3.2 billion. The maximum negative outcome would be when there is a chemical spillage every year, negative factors simultaneously take values at the upper end of their individual distributions, while positive factors are all at the lower end of their distributions. The mean is -\$0.6 billion. The 25/75 per cent probability bounds are -\$1.4 to \$0.5 billion. The 5/95 per cent bounds are fairly tight, reflecting:

- (i) the strong correlation between the US\$ pulp price and the exchange rate
- (ii) the fact that a large proportion of the surplus will flow outside Tasmania.

Figure 6.2 shows the relative importance of each factor to the outcome. By design the exchange rate and pulp price offset one another. The next most important driver is the per cent of the mill log cumulative impact that is harvested for commercial use. The greater the percentage, the less the benefit from the project.

Figure 6.1: Case 1 - Distribution for cumulative discounted - direct economic impact on Tasmanian economy - 2005 \$ billion

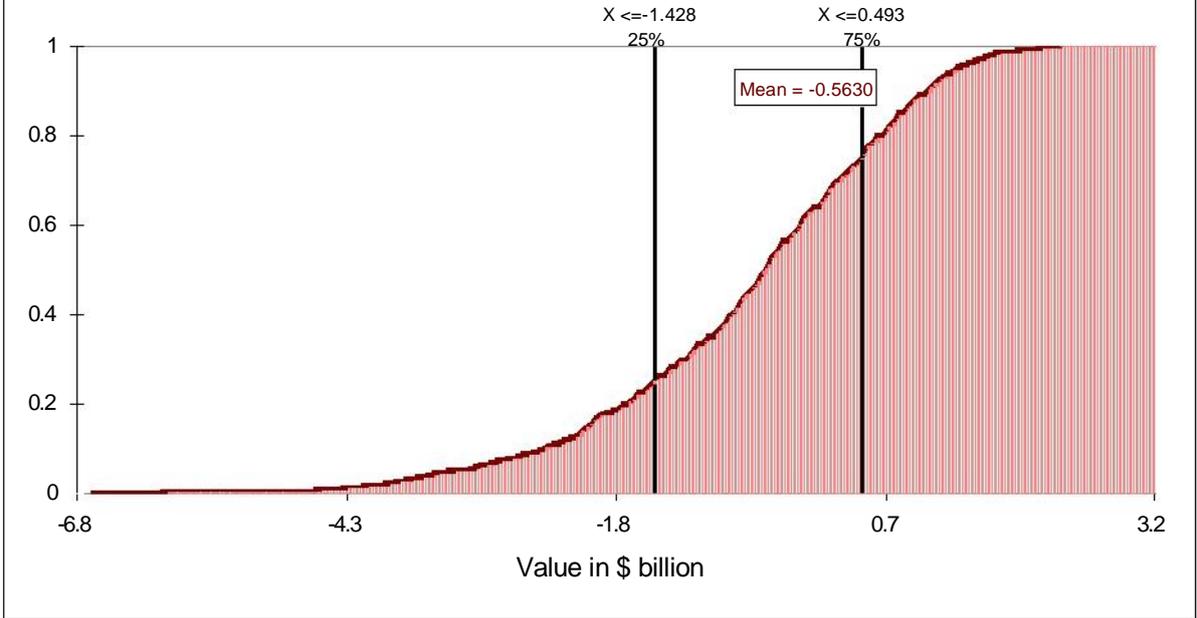
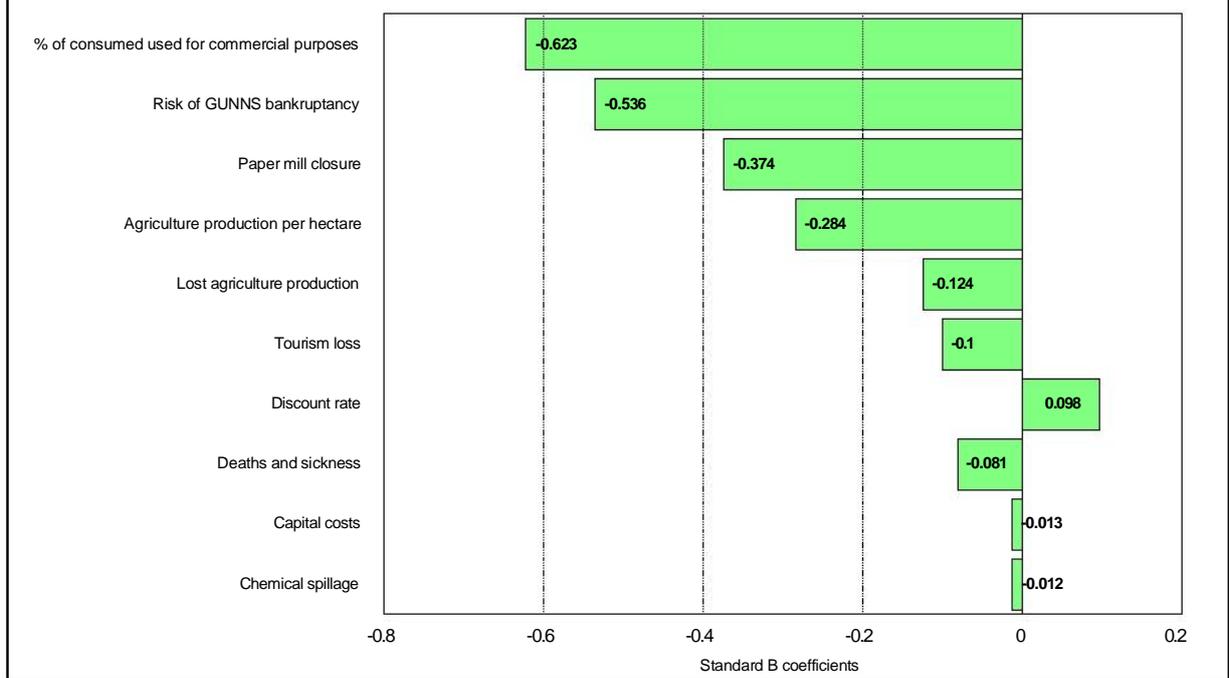


Figure 6.2: Standard deviation change in cumulative discounted net direct benefits for one standard deviation change in drive factors

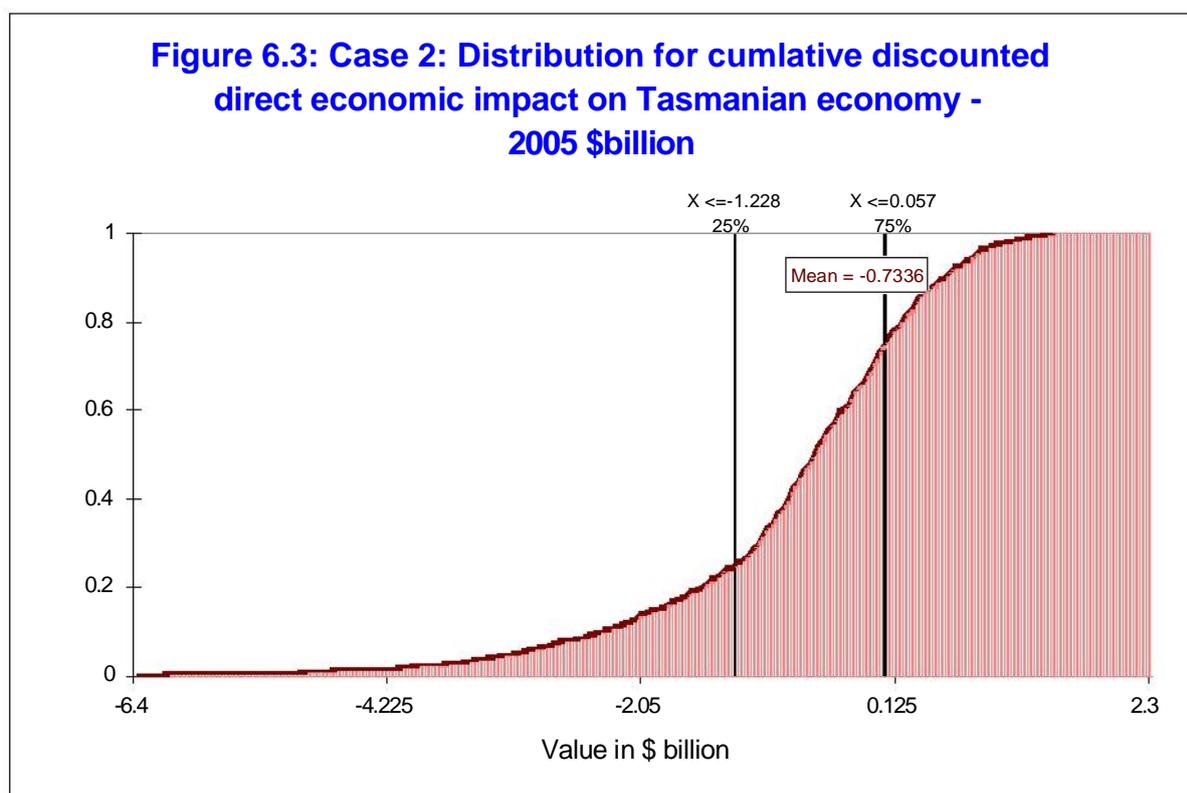


6.3 Case 2: The direct economic benefit to the Tasmanian economy

Case 2 is for the case where, on harvesting, the opportunity cost of the logs is not wood exports but lost agricultural production.

From Figure 6.3 the expected net benefit is $-\$0.7$ billion, with a 25/75 per cent probability range from $-\$1.2$ to $\$0.1$ billion. This is less favourable than case 1, though not significantly different. The reason for this is that the lower stock of logs for alternative wood uses under case 2 is offset by the fact that a greater percentage of logs will be harvested for commercial uses by 2030. In other words, it does not make any material difference whether or not the new plantation logs are treated as having wood product alternative uses or agricultural product opportunity costs.

Note the probability distribution for case 1 and case 2 are drawn from joint probability simulations of 100 iterations.



7. Conclusion

This study has ignored the construction impact and focussed on the operational benefit of the proposed mill. Using the results from the NIEIR model of Tasmania, the direct and indirect consumption benefit will be of the order of (141/330) or 43 per cent of the direct benefit. However, the cumulative discounted consumption benefit from the operation of the mill for the Tasmanian economy will be of the order of -\$0.3 billion to 2030. This stands in contrast to the \$3.3 billion of consumption benefits assessed by the AC study or \$2.8 billion if the estimated \$0.5 billion construction benefit in the AC Report is deducted.

It should be noted that the ranges of consumption benefit discussed in the Executive Summary are obtained by applying the 0.43 ratio to the data in Figure 6.1 as well as applying the 0.43 to the difference between the AC estimate of opportunity cost of the logs and the estimate made by this study. That is the at least \$1 billion estimate given in the executive Summary.

If the AC construction consumption benefit is added to this study's operational benefit estimate, the total consumption benefit is of the order of \$0.2 billion. However if half the construction benefit is captured by temporary imported labour to Tasmania and if most of the operational benefit is captured by existing Tasmanian households (NIEIR's view) then there would be no gain to existing Tasmanian residents in terms of consumption from the totality of the project.

Appendix 1: NIEIR models versus Monash models

Below is the summary of the critique NIEIR made of the MMRF model which is published in the Victorian Auditor General's Report into Government Support for Major Events, published in May 2007.

The basic NIEIR critique is that the MMRF models are far too constrained to be credible. This is a minor issue in this study because the MMRF-Green Model employment aside is far too expansionary to be credible in terms of its own constraints. Thus, a reading of the supplement below will give the reader what would have been expected from the Monash model for the pulp mill study if it was to be consistent with previous studies.

It should be pointed out that the MMRF-Green Model does allow some increase in Tasmanian employment from existing Tasmanian residents compared to the MMRF model results below, which allowed for no increase. However, this only represents 15 per cent of the total employment increase for Tasmania and, therefore, does not fundamentally alter the comparison of the two Monash models. The zero increase at the national level is retained.

Supplement to the NIEIR response to the Auditor General's report

NIEIR's response to the second last draft of the Auditor General's report is published in the final report. This attachment complements this response.

The core charge of NIEIR against the report is that it is a polemical document, long on argument but short on facts to support the arguments. Where facts or estimates are used, more likely than not, they are used misleading. In short, the report is unprofessional, the Auditor General has failed in his core responsibility to provide factual and unbiased advice to the public free of vested interest influence.

1. There is not a shred of evidence to support the report's assumption of revenue constraints

The foundation stone of the report is the assertion that because CGE models assume full employed resources nationally, they are somehow more plausible. Yes, Australia is currently experiencing capacity pressures in the construction sector in at least two States. Yet despite this the industry continues to grow rapidly in Queensland and Western Australia.

A plausible model, like the NIEIR IMP model, would be one which allows the influence of skill shortage capacity constraints to operate individually at the industry level depending on the severity and not assume just because one or two industries are capacity constrained then the whole economy must be.

As pointed out in the NIEIR response, the assumption of full employment implies that there is not one hour of additional work available to support the AFOGP or other major events anywhere in Australia. That is, there is not one hour of work available anywhere in Australia from:

- more overtime from the full time employed;
- more hours of work from the part time employed;
- the unemployed;
- those of working age outside the workforce who would work.

Table A.1 shows that based on available statistics, there was 2.6 million available workers nationally, or 0.7 million in Victoria, who would be willing to undertake and, in most cases adequately provide, the generally low and semi-skilled services required to support the AFOGP.

Nationally, employment opportunities NIEIR estimates to be created by the AFOGP represents 0.1 per cent of the available labour.

As NIEIR pointed out in its response, Australia's low workforce participation rate compared to some other countries is consistent with Australia's inability to provide adequate employment to the working age population compared to other countries. That is, the estimates in Table A.1 of unutilised labour are also validated by benchmarking Australia to other countries.

Finally, putting aside the macro issue of available labour and simply looking at the seasonal pattern since the level of activity in the December quarter for the tourism related industries is higher than the March quarter, then the inference is that if the Victorian economy can support Christmas it can then also support the March event.

NIEIR	overtime available (expressed full time equivalent) persons	Part-time who would prefer more Persons not have been looking for work	employment in terms of from AFOGP in the labour force who wanted work	Unemployed (NIEIR)	Total	NIEIR Victorian hours who as percent of available labour
Victoria	66.1	123	303.7	204	666.2	0.5
Australia	268.6	495	1165.3	782	2593.2	0.1

Sources of Victorian labour to support AFOGP (per cent of total)	Interstate migration	un-employment	outside the workforce	Total
	5.9	48	46.1	100

MMRF	Additional overtime (expressed in terms of full time equivalent) persons	Part-time available who would prefer more hours who have been looking for work	Persons not in the labour force who wanted work	Unemployed (NIEIR)	Total
Victoria	0.0	0.0	0.0	0.0	0.0
Australia	0.0	0.0	0.0	0.0	0.0

Sources of Victorian labour to support AFOGP (per cent of total)	Interstate migration	un-employment	outside the workforce	Total
	100	0	0	100

Notes to Table A.1

The Data in the table is taken from Australian Bureau of Statistics Catalogue No. 6220.0, 6265.0 and 6291.0. The unemployment rates are derived from social security data and explained in NIEIR's "*State of the Regions*" report. The additional overtime is derived from the peak average hours worked for full time employed before March quarter 2005 less the actual hours worked by full time employed in the March quarter 2005. The components do not add to the sum because an allowance has been made between the overlap between the ABS estimates of those outside the workforce who want a job and the NIEIR unemployment level.

The NIEIR reports on the AFOGP do not report the sources of the additional employment. However NIEIR, in other similar events, does do this, e.g. the evaluation of the Australian Tennis Open.

2 The implication of the Auditor General report is that much of government policy is pointless

The Auditor General's report model based evaluations is not specific to the AFOGP. What has been evaluated is the benefits of tourism expenditures generally, whether for the AFOGP or safari tours of North Queensland. The results also apply to any other source of exports that generate less \$ per employed person than the mining industry.

Education services exports would perform particularly poorly. The implications of the report reflect the views of extreme right wing political economists.

3 There are no capacity constraints in the Victorian tourism industry

The Auditor General's report assumes throughout the report that the AFOGP must impose capacity constraints and price pressure on the Victorian tourism sector that will result in crowding out of activity.

When checked against the facts, there is no evidence for these assumptions whatsoever. The facts which the Auditor General's assertions can be checked against are the:

- rate of growth;
- productivity; and
- price behaviour,

of the Victorian tourism industry which is taken to be represented by ANZSIC industry H, or accommodation, cafes and restaurants.

Figure A.1 shows these series. The first is the cumulative four quarter output growth rate for the Victorian tourist industry. Over the period since 1996, the average annual rate of growth has been 4.7 per cent per annum, well in excess of the average gross state product growth rate of 3.6 per cent per annum over the same period.

The second series is the rate of growth of the real price of Victorian tourist sector. It is the implicit deflator of the Victorian consumption of accommodation, cafes and restaurants, divided by the overall Victorian implicit consumption deflator. The series was adjusted for the differential impact for the GST over 2001 and 2002.

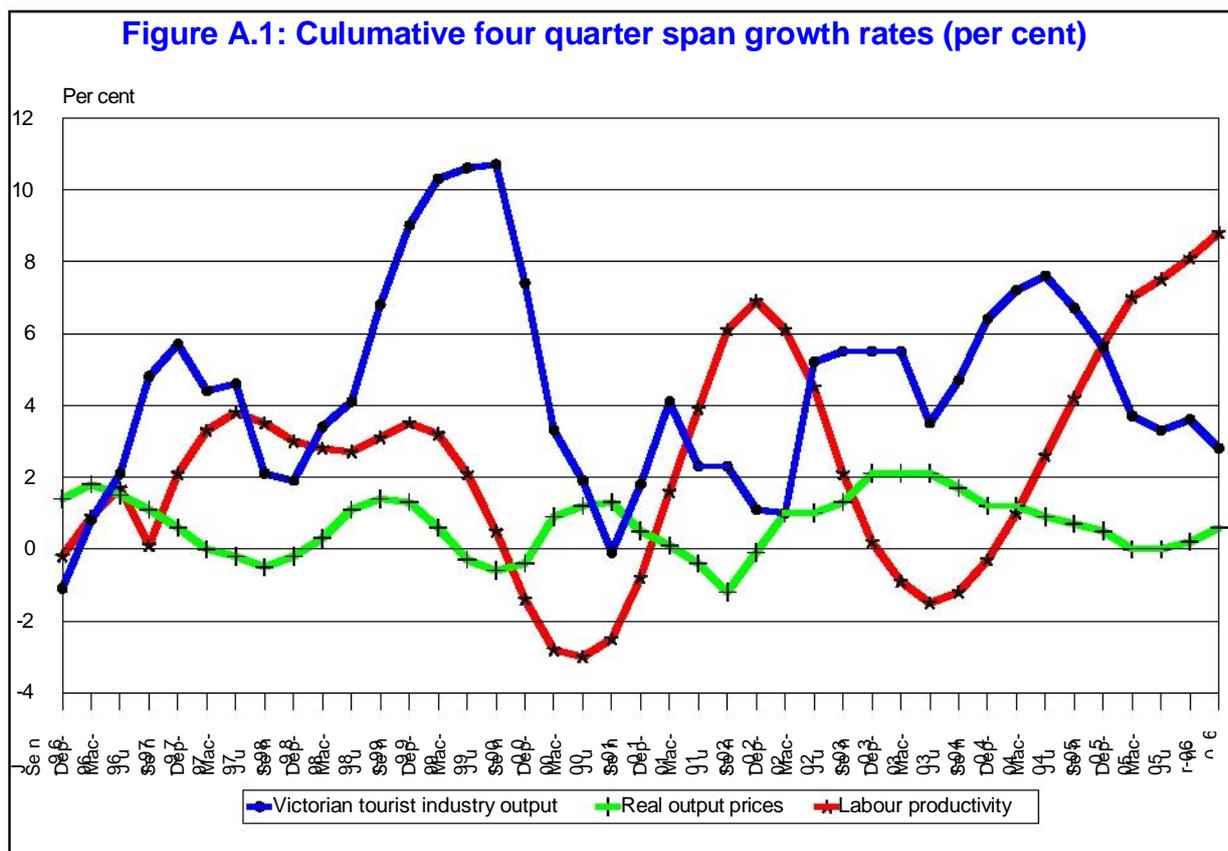
Now the expectation would be since the overall Victorian implicit consumption deflator is biased downwards from:

- the high labour productivity growth of goods industries;
- the China effect on goods prices; and
- the hedonic price adjusted for electronic equipment,

that the rate of growth of the real tourism price index would be significantly greater than the overall deflator. In fact, the average rate of growth of real tourism sector prices in Victoria is only 0.7 per cent per annum.

More importantly, real price growth tends to decline (below the 0.7 per cent trend) when output growth is relatively low and vice versa. Thus, in the late 1990s when output growth was high, in excess of 10 per cent per annum, the real tourism industry price fall.

The reason for this is because productivity growth in the Victorian tourism sector is positively related to output growth. That is, the sector is subject to increasing returns of scale. For every 1 per cent increase in output growth, productivity growth (output per member) increases by around 0.6 per cent. Of special importance is that the data shows no capacity constraints for the Victorian tourism industry around March 2005.



Source: Derived from ABS Catalogue No. 5220.0, 5206.0 and 6291.0.

The Auditor General's report assumes decreasing returns to scale in much of the analysis. As pointed out in NIEIR's reply, this fact alone invalidates all of the Auditor General's conclusions.

Prima facie, a significant amount of the credit for good recent outcomes for the Victorian tourism industry must go to tourism policy in general, and the activities associated with organising major events in Victoria.

A competent Auditor General's report into the value of major events would have investigated these statistical series thoroughly, not ignored them or assume industry conduct which is a myth.



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**Economic Assessment of the Gunns Pulp Mill
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Economic Assessment of the Gunns Pulp Mill 2004-2008

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Abstract

This paper outlines the process for evaluating the economic effects of Gunns proposed pulp mill in northern Tasmania. Removal of the project from the Resource planning and Development Commission had two important effects. First, assumptions underlying the proponent's impact statement could not be tested in public hearings. Second, important parts of the RPDC economic assessment criteria were never addressed. In the end, the review process was structured so that only one outcome, favourable to the proponents, was ever possible.

Introduction

Speaking in support of the Pulp Mill Permit on 30 August 2007, Legislative Councillor Mr Jim Wilkinson concluded that 'I am satisfied that the pulp mill proposal has been assessed against the guidelines established by the RPDC and against the conditions that were imposed by various regulators according to the law'. Some seven weeks earlier the economic consulting firm ITS Global had completed its review of the social and economic benefits of the mill. It is clear from the Hansard record of the debate that many Councillors relied on the conclusions of this review in supporting the granting of a permit for the mill, but it is a matter of speculation as to whether Councillors other than Mr Wilkinson believed that the RPDC guidelines had been met. The review by ITS Global, however, leaves no doubt as to its position - it noted that since Gunns had withdrawn from the RPDC assessment process, the guidelines for the draft IIS were 'defunct'¹.

For the Lennon government it was self-evident that the large investment associated with the mill would benefit Tasmanians. In 2004, well before any formal assessment process had begun, Economic Development Minister Lara Giddings said that

'There are clear benefits for Tasmania in developing a pulp mill. The benefits can be measured in terms of jobs and economic growth through the downstream processing of our timber resource and we are determined to do all we can to see a modern pulp mill facility using world's best practice in Tasmania.'

The government was true to its word. Significant funds from Commonwealth and State governments were spent to facilitate development of the mill proposal and to persuade Tasmanians of its merits. The Tasmanian government lobbied for continuation of tax concessions under managed investment schemes so as to ensure the financial viability of the mill and, after the mill permit was legislated by the Tasmanian parliament, for Commonwealth infrastructure funding for transportation of pulpwood around the state.

The effect of withdrawing the mill from the RPDC assessment process was that these and other expenditures or tax concessions, together with possible externality costs, were never quantified by either the proponents or reviewers of the IIS. This made it inevitable that the assessment process would find 'clear economic and social benefits' from building the mill.

The focus of this paper is on the adequacy of the economic assessment of the pulp mill project - both through the RPDC process and the subsequent ITS Global review commissioned by the Department of Premier and Cabinet. The story begins with an outline of the RPDC assessment criteria, followed by a section illustrating the pro-mill environment of political spin in which the assessment took place. I then analyse the assessment process in two stages. The first stage comprises three sections which examine the economic modelling strategy underpinning Gunns' IIS, the welfare measures derived from it, and whether the IIS met the RPDC guidelines. The second stage deals with events after submission of the IIS - the peer review reports of the IIS, the ITS Global review, and the modelling conducted by the National Institute of Economic and Social Research.

It is just possible that, had a more critical assessment been completed, a broad consensus might have been reached in which a formal benefit-cost analysis showed the mill to be of net benefit to the residents of Tasmania. This is not what happened. The last section of the chapter concludes that, at the time Mr Wilkinson spoke, the economic assessment of the pulp mill was incomplete in a number of important respects - consideration of subsidies for the

¹ ITS Global (2007), p.8.

² Press release by Minister Lara Giddings announcing the establishment of the Pulp Mill Task Force, 18 August 2004.

mill had been sidelined; important modelling assumptions had not been scrutinised; the possible cost of environmental externalities had been excluded; and benefits accruing to Tasmanian households had been misrepresented.

RPDC Assessment Criteria

The role of economic assessment in approving major developments appears to be straightforward - evaluate social benefits and social costs and, if the latter exceeds the former, approve the project. Practical implementation of this assessment is, however, always contentious and no more so than in evaluation of Gunns' pulp mill proposal.

A number of issues make assessment problematic. Which costs and benefits are relevant? How should they be measured? Who bears the costs and who enjoys the benefits? Who scrutinises claims made by proponents and opponents?

Final Scope Guidelines produced by the RPDC in December 2005, address the first two of these questions. Section 2.1 specifies that the introductory section of the IIS

'... should describe the pulp mill in the context of international pulp import and export markets and the predicted benefits and costs of the pulp mill with respect to Tasmania and Australia. Provide a descriptive and quantitative analysis of the benefits and costs of the pulp mill, including but not necessarily limited to, an assessment of the pulp mill impacts on the Australian balance of trade and associated services and markets. This should include a summary of overall conclusions of the net pulp mill impacts based on environmental, social, economic and community costs and benefits.'

while Section 8.4 requires the proponent to detail

'... any government supplied benefits that have or will be supplied to the proponent to make the project viable or reduce its risk exposure (including direct government financial or infrastructure contributions, or tax concessions). The proponent should take account of the timing of payments and costs, including the costs of additional monitoring to all levels of government over the life of the project and anticipated contributions. Any anticipated forms of public subsidy, both direct and indirect, shall be identified and described. Any costs to be borne by public expenditure for the management of social, environmental and economic impacts of the pulp mill project should be individually detailed'.

The third question on distributional issues is sidestepped by implicit use of the so-called Kaldor-Hicks criterion in welfare economics, whereby a project is approved if the aggregate benefits exceed the aggregate costs. This amounts to the requirement that the benefits should be large enough that those that benefit could, *in theory*, compensate those that bear the costs. Precisely how this is to be achieved is left unspecified but the political process has a role to play. Private remedies may also be available if the losers to access the legal system to enforce compensation for damages should they occur, although there is some uncertainty as to whether this course is ruled out by s.11 of the PMAA .

Procedures for projects of State Significance address the fourth question. Under these procedures, there are four opportunities for review of the proponents' draft IIS against the

³ RPDC Final Scope Guidelines, December 2005, p.8. This section is unclear as to the relevant constituency - is it Tasmanians, or Australians? This is important because, as is detailed subsequently, most of the economic impacts modelled in Gunns IIS derive from a diversion of resources from mainland Australia to Tasmania.

⁴ RPDC Final Scope Guidelines, December 2005, p.64-65.

RPDC guidelines - peer review reports on the IIS initiated by the RPDC; submissions and hearings on the IIS; submissions and hearings on the RPDC's draft assessment report; and approval of both the Tasmanian Premier and the Australian Government Minister for Environment and Heritage.

Spin

Assessment of the mill was accompanied by a drumbeat of overblown claims as to the importance of forestry in the Tasmanian economy. Lobbyists such as the Construction, Manufacturing, Forestry and Engineering Union (CMFEU) and Timber Communities Tasmania, a lobby group largely funded by the forestry industry, lost no opportunity to argue that forestry underpinned growth in the Tasmanian economy while simultaneously stressing the need for government handouts to sustain further growth.

Given their constituency, such behaviour is understandable and appears to have been successful. In 2007, for example, 24% of survey respondents thought that forestry had 'made the greatest contribution to the growth of Tasmania's economy in the last few years' - second only in importance to tourism. It is hard to reconcile this response with the reality that Tasmanian woodchip exports had declined since 2000, and forest contractors had, in 2007, asked the Commonwealth for a \$93m package to help them exit the industry.

While it might be difficult for the general public to discount repeated but erroneous claims, more is expected from the responsible ministers. But Bryan Green, then Minister for Infrastructure, Energy and Resources, was infected by the lobbyists' enthusiasm for forestry and wood products industry. For example, in his submission to the Australian Government's review of taxation treatment of plantation forestry, he claimed that 'these industries contribute ... 23 % of Gross State Product ... and directly employ around 10,700 people (1 in 13 workforce participants)'.⁷

These claims, which appear to have been sourced from a CFMEU website, were wildly inflated. Schirmer (2008) estimated employment in the forestry and wood products industry to have been 6300 in 2005-06 which, given the Tasmanian workforce of 222,000 persons, is 2.9% of the total. That is, the industry employed one in 35 workers, not one in 13 as claimed by Minister Green. Data on value added in the forestry and wood products industry are not compiled by the Australian Bureau of Statistics, but even in the unlikely event that workers in the industry were twice as productive as the Tasmanian average, their contribution to Gross State Product would have been 5.8%, not 23% as claimed by Minister Green.

The same attitude prevailed in characterising the results of the IIS. Consider three examples, one from Gunns' advertising, and two from responsible ministers.

The Gunns example is taken from a series of advertisements during the 2007 federal election campaign, one of which made the claim that the mill 'will provide governments with an extra \$1 billion in revenue to fund health, education and other community services'. This claim is worth analysing at some length, as it is misleading in several important respects.

⁵ Enterprise Marketing & Research Services Pty Ltd (2007).

⁶ Department of Agriculture, Fisheries and Forestry (2007).

⁷ Department of Infrastructure, Energy and Resources (2005), p.2.

⁸ Gunns Limited (2007), 'Inconvenient facts the Greens will not discuss', *The Mercury*, p.10, 7 November.

The CoPS model results are that the mill generates an increase in tax revenues for all levels of government with a discounted present value of \$834m⁹. Perhaps it was just a rhetorical flourish by Gunns to 'round up' to the nearest billion dollars, but there are other difficulties.

The first is that while IIS tabulates revenues (other than income taxes) generated in Tasmania as State government revenue most of these revenues accrue, in the first instance, to the Commonwealth government; only \$170m are State and local government taxes. The CoPS modelling logic, however, is based on *marginal* rather than *average* effects. This means that treating GST revenues generated in Tasmania, as a State tax overstates the allocation of GST revenues that Tasmania would receive *consequent on the construction of the mill*. The Commonwealth Grants Commission allocates Australian GST revenues to the states in a complicated way, but the essential point is that the process generates a proportion - in its most recent allocation, Tasmania received around 3.6% of the total - which is used to calculate GST revenue shares. Applying the marginal logic of CoPS modelling, therefore, Tasmania could expect to receive 3.6% of the total change in Australian GST revenues.

Using year-2030 figures from the IIS as an example, GST collected in Tasmania is estimated to rise by \$28.7m, while for Australia as a whole, the increase is \$19.7m. Assuming unchanged Grants Commission proportions, therefore, the increase in GST revenue which Tasmania could expect to receive in year 2030 would be 3.6% of \$19.7m, or less than \$1m, not the \$28.7m figure tabulated in the IIS. Although the same Grants Commission formula does not apply to Commonwealth income taxes, the same general argument applies. So a more realistic interpretation of the CoPS results is that the present value of tax revenues accruing to local and State governments in Tasmania is of the order of \$200m, not \$1000m, as claimed by Gunns.

Unfortunately, the confusion does not end there. Both the IIS (and the subsequent ITS Global review) overlook one of the modelling assumptions of the CoPS model, which is that government expenditures are held fixed and the budget balance is unchanged. This assumption is implemented by the modelling requirement that all tax revenues are given back to households as a lump-sum transfer who, in turn, spend the transfer in the same way as other components of household disposable income. So, in the IIS, there are *no* tax revenues available to be spent on 'health, education and other community services'.

Having considered the Gunns example of spin at some length, turn now to two other examples, from Treasurer Aird and Premier Lennon.

Answering a question from the Legislative Council member for Rumney on 19 April 2007, Treasurer Michael Aird heralded an era of supercharged growth for Tasmania, claiming that

'... if the pulp mill is developed, it will give a lift to the economy of 2.5 % growth every year. When you consider we have around 3.5 % growth now, the 2.5 % growth that can be achieved by building the pulp mill will give a huge lift to the general wellbeing of the State. ... It is not quite a doubling but it is still quite an impressive figure and it would be a sustainable figure right through.'¹⁰

This answer is highly misleading as it suggests that the mill would lead to a sustained annual growth rate of around 6 %. As will be described in more detail in the next section, IIS modelling does *not* report annual growth rates of Gross State Product (GSP). What it does is

⁹ In the IIS discounted present values apply to the relevant annual flows from 2007 to 2030, expressed in constant prices; a discount rate of 5% is used. ¹⁰

Legislative Council Hansard, 19 April 2007.

<http://www.parliament.tas.gov.au/HansardCouncil/isysquery/a034df15-27d1-4cf0-9669-0336f97a8104/10/doc/>

to calculate the difference in the *level* of GSP with and without the mill. The pitfalls of Mr Aird's analysis are easily demonstrated over the three-year construction period by taking his assumption of 3.5% annual growth without the mill, together with the IIS results for the effect of the mill on the level of GSP. Combining these two sets of numbers and expressing the resulting aggregate as a year-on-year percentage change gives the following sequence of growth rates: 2007: 4.86%, 2008: 4.91%, 2009: 2.90%¹¹. In terms of year-on-year growth rates, the 6 % figure is never reached and in 2009 the year-on-year growth rate is, inconveniently, *lower* than the 'without-the-mill' growth rate of 3.5 %.

Premier Lennon tried a different approach to spruiking the benefits of the mill. In April 2007 he wrote to the Tasmanian public with the claim that the mill would mean 'an extra \$870 each year for every Tasmanian household.'¹² The derivation of this figure was never revealed but the public required no coaching to recognise the implication of the Premier's claim - that all Tasmanian households would get an equal share of the spoils - was nonsense.

Did the IIS address the RPDC Guidelines?

The RPDC guidelines did not require Gunns to undertake a formal cost-benefit analysis. Rather, section 8.4 requires that any past, present or anticipated public-supplied benefits, together with costs of environmental monitoring and management, should be enumerated.

Readers of section 8.4 of the RPDC guidelines might reasonably have concluded, for example, that tax benefits such as those provided by managed investment schemes (MIS) fall within the ambit of the IIS in the sense that they provided 'benefits to make the project viable or reduce its risk exposure'.¹³ It also appears that governments and industry implicitly agreed with this position. Consider the following:

- In 2005 the Tasmanian Government argued for continuation of MIS schemes because

'The Tasmanian government is concerned that a policy change by the Australian Government could undermine investment decisions and jeopardise crucial investments. For example, if a policy change resulted in a significant reduction in plantation development in Tasmania, the outcome could place at risk the proposed Gunns pulp mill ...'¹⁴

- Recording the favourable outcome of the inquiry into MIS schemes, the Commonwealth Department of Agriculture, Fisheries and Forests noted that

'A number of planned key project proposals, valued at several billion dollars, depend directly on further expansion of the MIS plantation sector. They include the Gunns pulp mill in Tasmania, the Protavia pulp mill at Penola in the Green Triangle,

¹¹ If the level of GSP is given a base-period value of 100 in 2006, a 3.5% growth rate for the following three years gives values of 103.5, 107.12 and 110.87. The IIS reports (Table C1, p.56) that these three values will be higher by 1.32%, 2.71%, and 2.12% respectively, giving a 'with the mill' sequence of GSP levels over the three years of 104.86, 110.03 and 113.22. Year-on-year percentage changes based on this sequence give the numbers cited in the text. ¹² Lennon (2007).

¹³ Although the following discussion is focussed on managed investment schemes, Round Table for Sustainable Industry (2007) identified a number of other areas involving significant government subsidy.

¹⁴ Department of Infrastructure, Energy and Resources (2005), p.2.

expansion of the Visy pulp mill at Tumut in NSW and the PaperlinX pulp mill upgrade at Maryvale in Victoria.¹⁵

- This outcome was enthusiastically endorsed by Gunns who noted that

The industry has lobbied tirelessly to ensure that the government fully understands the significant benefits of the expanding forest industry to regional and rural Australia. Over \$4 billion worth of value-adding processing plants are being planned or developed in regional areas around Australia on the back of MIS funded plantations including Gunns Ltd's \$1.4 billion pulp mill at Bell Bay.¹⁶

The IIS response to the RPDC requirement in section 8.4 was, however, brief. While acknowledging that 'Gunns has also benefited from Commonwealth Government R&D support with respect¹⁷ the project, and the Commonwealth Government's Managed to Investment Scheme', and that the company had 'been in discussions with Governments with respect to support for common user, public benefit infrastructure aspects of the project' these benefits were not quantified or included in formal modelling because 'nothing had been contracted with the Tasmanian or Commonwealth Governments'¹⁸.

Were it to rely on contracts with individual taxpayers the Australian tax system, of which the tax rules for MIS schemes are a part, would be unique. In any event, the IIS apparently had no difficulty in modelling tax payments generated by the project, so is difficult to see why the same exactitude could not have been applied to benefits received from the government.

Perhaps the IIS omission of subsidy calculations relied, instead, on the argument that MIS and TCFA benefits were available to Gunns Ltd and the forestry industry, but not contingent on construction of the pulp mill. But again it is difficult to see how Section 8.4 restricts attention to contingent forms of assistance.

Treasury (2007) was also keen to avoid any quantitative estimates of subsidies to Gunns, and hence¹⁹ pulp mill. To achieve this outcome, its advice to Minister Turnbull had it both the ways. On one hand it argued that only costs and subsidies contingent on construction of the pulp mill should be counted - or in other words the 'avoidable cost' logic of cost-benefit analysis, rather than the approach outlined in the section 8.4 of the RPDC guidelines - should apply. On the other hand, the same document argues that it was not possible to conduct a cost benefit analysis of the mill and that attention should focus on the viability of the mill - with the implication that section 8.4 should apply.

The CoPS model and Gunns IIS

Now turn to a description of the model used for the economic impact study included in Gunns IIS.²⁰ Known as the Monash Multi Regional Forecasting (MMRF) model, it is one of a number of models developed over the last 25 years by the Centre of Policy Studies (CoPS) at Monash University. During that time, CoPS has earned a strong international reputation in the area of computable general equilibrium modelling.

¹⁵ Taken from 'Forestlinks', Department of Agriculture, Fisheries and Forests, August 2007 (emphasis added).

¹⁶ Gunns Annual Report, 2006-07 and Gunns Plantations Limited, *Newsletter*, Spring 2006. ¹⁷ IIS, p.33. ¹⁸ IIS, p.33

¹⁹ Department of Treasury and Finance (2007).

²⁰ In this chapter, 'IIS' refers to the MMRF model-based report prepared for Gunns by the Allen Consulting Group (2006).

Tools of the CoPS kind comprise a large set of computer-coded algebraic equations which represents demands and supplies of both goods and services and labour for industries, households and the government, and the way in which these evolve over time. These models have undoubted strengths because they attempt to calculate impacts of major projects or policy changes in a consistent way - for example, the enforcement of budget and resource constraints ensures there is no double counting of costs and benefits. They offer a considerable advance over older input-output models because they incorporate the adjustment of firms and households to changes in relative prices, rates of return and incomes²¹. Nevertheless, it is important to ask whether the structure of the model, and the way in which the specific project was modelled, captured all the important economic aspects of the mill, and whether the model outputs met the RPDC guidelines.

The CoPS model describes²²

- the output, demand for intermediate inputs, employment, and capital investment decisions of competitive firms. Firms are differentiated by industry (54 in CoPS-Green) and produce differentiated products (58). Each industry is disaggregated by State (8) and sub-State region (56);
- the spending and saving decisions of households. There is a single 'representative' household in each State, so the model is not intended to analyse income-distribution issues;
- the spending, taxation and budget balances of State and Federal governments; • the response of real wages to deviations from the long run equilibrium rate of unemployment, and the determination of rates of return in the 54 industries in each State. Changes to these prices induce movements of labour between industries and/or States, and induce changes in the rate of investment in the State-specific industries. While productive capital equipment and agricultural land are assumed to be industry-specific, the model does not differentiate between different skill or occupational classifications of labour.
- international exports and imports of the 58 products (differentiated by State), together with the income flows consequent on changes in borrowing from abroad.
- the evolution over time of output, the stock of productive capital, and employment in each industry.

Modelling of this kind is computing- and data-intensive, and for users not familiar with the underlying specification it tends to be something of a 'black box' with heavy reliance placed on the good reputation of the CoPS modelling program. Basing an impact assessment on the CoPS model however, does not immunise users against the 'garbage in, garbage out' problem, or ensure that model outputs are interpreted in a useful way.

The starting point for the IIS is to transform the business plan for the mill into a time profile of industry and State-specific demands for additional capital investment, employment and for the outputs of other industries²³. In turn, these changes to the input variables lead to changes in the output variables - model outputs represent the induced changes to the 'no pulp mill' or baseline case, which is typically a neutral scenario in which all industries and regions are growing at their long-run equilibrium rates.

²¹ It is now generally recognised that the older input-output approach to impact assessment tends to overstate the impact of new projects because it ignores the relevant resource and budget constraints, and so ignores the response to consequent changes in relative prices and rates of return.

²² Parmenter et. al. (2001) and IIS, Appendix B provide more detailed descriptions of the MMRF model.

²³ See IIS, p.18. The business plan was not a public document. It does not appear to have been scrutinised in the peer review or the ITS Global report.

Now consider the changes that take place in the pulp mill case. In the first instance, increased demand for capital and labour needed to construct and operate the pulp mill is met by increased labour supply (in response to a higher real wage); increased supply of goods with which to produce the required capital equipment; and increased borrowing from abroad (which appreciates the real exchange rate).

These changes have knock-on effects to households, government, and to other industries. For example, appreciation of the exchange rate reduces profitability in industries exposed to international competition. Similarly, the rise in the real wage reduces profitability in labour-intensive industries. These 'crowding out' effects mean that, over time, a significant impact of the pulp mill is to attract resources away from other industries and/or States.

In the long run, this reallocation effect is almost the whole of the story as far as labour is concerned, because the long run equilibrium of the model is one in which total Australian employment reverts towards its baseline level. Employment in Tasmania rises, largely as a result of migration from the mainland - in the long run, the IIS model solution implies that 84 m % of the increase in Tasmanian employment is satisfied by interstate migration. Australian GDP is higher, however, because there is more installed capital in the long run. But the reallocation story is important here too. The entire rise in production occurs in Tasmania - by 2030 real Tasmanian Gross State Product is \$675.8m higher than in the baseline, but in the rest of Australia, real GDP is \$351.6m lower.

The Welfare Measure derived from the CoPS model

While the CoPS model provides a wealth of detail regarding the induced effects on various industries and regions, the bottom line in the impact assessment is 'are Tasmanian households better off?' The IIS welfare measure is based on the change in aggregate private consumption expenditure, and the IIS results indicate that in the long run this aggregate is 2.49 % higher in the 'with the mill' simulation than in the baseline case. However, many economists would argue that

- Government consumption expenditures yield private consumption benefits. In other words, publicly-provided consumption goods are a close substitute for some categories of private consumption expenditure. For example private health expenditures are a close substitute for publicly-provided health services; public and private expenditures on schools are close substitutes, and so on. So if an aggregate consumption measure is to be used to gauge welfare effects, it should be based on a measure which includes both welfare-enhancing components of consumption, rather than just private consumption expenditure by households.
- Per capita measures are a more relevant basis for welfare measurement than state-wide aggregates.

To calculate the impact of these two points, it is necessary to estimate the change in welfare-enhancing consumption and population from their baseline levels.

Consider the change in welfare-enhancing consumption first. Conservatively, assume half of general government consumption expenditure yields private consumption benefits. Then, based on national account data for 2005/06, private final consumption expenditure is 85% of welfare-enhancing consumption.

The IIS assumes that there is no change to real government consumption expenditure, and IIS (Table C.1) indicates that in 2030 real private consumption expenditure is 2.49% higher than it otherwise would be, so the increase in welfare-enhancing consumption is 85% of this figure.

²⁴ IIS, Table C2, p.56.

Now consider the change in population, which is related to the number of persons migrating from the mainland to Tasmania. In the CoPS model, the basic measure of the quantity of labour demanded is total hours worked. Other important quantities such as household disposable income (which determines the demand for housing, for example), are based on a measure of wage income which is, in turn, calculated by multiplying 'hours worked' by the hourly wage. While this might be regarded as a deficiency of the model, employment in terms of persons is essentially a memo item, albeit one which turns out to be important in discussing per capita measures of welfare. The average employment impact in the operating phase (2007-2030) is an increase in the number of hours of 2.0% over what it otherwise would be. The IIS assumes that of this increase in total hours worked, 0.7% is satisfied by an increase in the number of persons employed, and the remainder by an increase in the numbers of hours per worker.

This assumption is contentious. There may well be an increase in working hours during a period of intensive construction activity, but it is highly unlikely that this would be sustained in the long run, at least at a significant state-wide level. So a reasonable alternative assumption is that in the long run employment increases by the same proportion as the increase in hours.

Although the change in State population is not reported in the IIS it is reasonable to assume that by 2030 the State population will increase by roughly the same proportion as the increase in employment satisfied by interstate migration which, from the IIS, Table C.2, can be calculated as 84% of the total increase in Tasmanian employment in 2030.

Although both assumptions - the change in State population and the extent to which government consumption expenditure yield private consumption benefits - seem reasonable, they could be challenged. Using the CoPS model assumption as to the increase in employment numbers, the long-run change in per capita consumption is 1.5%; on a more reasonable long-run assumption, the per capita consumption benefit is just 0.43% higher than it would have been without the mill.

Peer Review

The peer review of the economic component of the IIS was undertaken by ACIL Tasman as a sub-contractor to Beca AMEC Limited. The ACIL Tasman report endorses the CoPS model as being appropriate for an impact assessment of this kind and, while it appears not to have scrutinised the underlying commercial-in-confidence project parameters, is generally supportive of the modelling assumptions. However, it notes that, while not likely to be sufficiently important to change to overall positive impact assessment provided by the IIS,

The model could have been extended to include at least one alternative discount rate and alternative assumptions about renewable energy credits. These would have reduced the size of the estimated impacts but in ACIL Tasman's judgement they still would have been positive. The analysis could also have been extended to cover evaluations of environmental externalities (after allowing for their mitigation).²⁵

The first of the three issues noted above - the choice of discount rate - is often a contentious part of cost-benefit evaluation. The discount rate does not alter the actual stream of costs and benefits generated by the model - rather, it is important because any welfare evaluation needs to calculate the net present value, or the difference between the present value of the stream of benefits and costs. If costs are incurred early

²⁵ Beca AMEC Limited (2006), p222.

in the life of the project, and benefits accrue later, it is possible for changes in the discount rate to change net present value from being positive to negative. Such a change would change the decision whether to accept or reject the project.

The discount rate is less important in an assessment of the kind included in the IIS, however, because it is not a cost-benefit study. All that is involved in the IIS is the present value of a sequence of positive numbers such as the model's solution for the annual increases in consumption expenditures. So, while different discount rates yield different present values, the present value will remain positive regardless of the choice of discount rate, and this is essentially the conclusion of the ITS Global review.

The second two points are not so easily dismissed. An important component of the mill is the plant generating electricity from biomass which, under the Mandatory Renewable Energy Target (MRET) scheme, is assumed to attract revenue from the sale of renewable energy certificates. The IIS estimates²⁶ impact of these sales on Gunns profits to be more than the \$33m per annum in real terms. However as in the case of MIS schemes (which both the IIS and ITS Global excluded from consideration), MRET revenues are not subject to a contractual agreement with government. So the peer-review suggestion that the IIS results be evaluated against alternative assumptions for renewable energy certificates is important. It is not, however, even mentioned in the ITS Global review.

The third point is concerned with the economic evaluation of environmental externalities. This issue has been central to the public debate. For various reasons it has never been allowed to intrude into economic assessment process for the mill. In his expert witness statement to the RPDC Mr Jon Stanford, the Allen Consulting economist for the IIS, wrote

'We did not model the economic impact of any significant adverse environmental impacts because we were not advised that there would be any such impacts.'

For the Tasmanian Treasury, the rationale for exclusion was different. Their argument, provided in a letter to Malcolm Turnbull, then Commonwealth Minister for the Environment and Water Resources, was that

'A formal cost-benefit analysis cannot be done for a major industrial project; that is, a quantification of all the externality costs and benefits to obtain a net present value of the project. Rather, assessment processes identify the major economic, environmental and social impacts of the project and if, the overall assessment is that the project is viable, the regulatory regime is then prepared to address potential risk and externality costs'.²⁸

This position is at odds with best practice elsewhere, as various applied studies attest. A decision to allow private-sector construction of a nuclear power plant is a familiar classroom example. In that case environmental externalities are a central part of the economic impact assessment, and must be included in a formal cost-benefit study. Kennedy (2007) provides a recent example of this type of analysis in the UK. A second example is provided by the cost-benefit analysis of the Gordon-below-Franklin dam which, far from being too difficult, is used as a case study in the Commonwealth's *Handbook of Cost-Benefit Analysis*.²⁹

²⁶ This is a significant component of profits from the mill. The IIS assumes the \$1.45b mill is debt-financed. The real interest rate assumed in the IIS is not reported, but assuming it is, say, 5%, the modelled real interest cost is \$72.5m per annum. In other words, the assumed receipts from the sale of energy certificates cover around half the estimated interest cost. ²⁷ Stanford (2006), p.14.

²⁸ Department of Treasury and Finance (2007), p.6.

²⁹ Department of Finance and Administration (2006), ch.8.

A major problem with the Treasury position is that 'viability' (whether from the perspective of the private-sector proponent or society as a whole) is not independent of the costs of the regulatory regime. At the time of writing, for example, construction can proceed but operation of the mill is subject to Commonwealth approval for effluent disposal. If the Commonwealth minister assesses environmental externalities to be sufficiently large the regulatory regime may, in the end, require installation of a tertiary treatment plant costing several hundred million dollars. In that event, the Treasury position is silent as to who should bear this cost - is it the regulator or the proponent? If it is the latter, is the project still privately viable?

The ITS Global report

Following its withdrawal from the RPDC process, Premier Lennon decided that the assessment of the economic and social benefits of the mill pulp mill could be outsourced to a consultant. Whatever the merits of the argument regarding cost-benefit analysis, the brief prepared by the Department of Premier and Cabinet foreclosed the issue by omitting any reference to environmental issues. ITS Global, a firm specialising in international trade strategy, were awarded the \$270,980 contract and in line with the brief, note that³⁰ their report is not a cost-benefit analysis and that it does not assess any environmental issues .

The ITS Global consulting brief required it to review the project and to report on whether it would result in a net social and economic benefit for Tasmania. It was required to take into account materials provided to the RPDC by Gunns, the public and government agencies, as well as a CoPS study of an earlier mill proposal. It was left open to ITS Global to propose and conduct any additional research for the review. In the event, the review did not incorporate any additional research. As noted earlier, issues raised in the ACIL Tasman peer review were left to one side³¹.

Issues raised in public submissions were similarly glossed over. One of these concerned risk. Edwards (2007), for example, argued that volatility in the world price for pulp exposed the Tasmanian economy to a degree of volatility (through Forestry wood supply contracts and other interactions between the mill and the wider economy) that should be considered in the assessment. Others argued that the assumptions in the Jaakko Pöyry business plan for the mill should be subject to a sensitivity analysis.

On the latter point, it is difficult to overstate the extent to which assumptions made by consultants, using essentially the same model, can lead to radically different outcomes. A graphic illustration is provided by comparing two assessments of Gunns pulp mill - the Centre of Policy Studies (CoPS) report prepared for the Tasmanian Treasury in 2004, and the Gunns IIS report, also based on the CoPS model, but prepared 18 months later. Both these reports analyse the impact of a pulp mill on the Bell Bay site, with construction spread over a three year period (2005 to 2007 in the first case, and 2007 to 2009 in the second). The three-year sequences of construction costs are given in the first row of Table 1, and model-generated outcomes for the change in Tasmanian consumption, investment and employment are given in the next three rows.

³⁰ ITS Global (2007), p.8.

³¹ Although not available to ITS Global at the time, the review prepared for the Commonwealth Minister for the Environment and Water Resources also raised 'a number of areas of potential concern regarding robustness of the results', some of which had been highlighted in public submissions. See Department of the Environment and Water Resources (2007).

Table 1 Construction-period impacts from two studies based on the CoPS model.

	Treasury report			Gunns IIS report		
	2005	2006	2007	2007	2008	2009
Construction Investment (\$m)	100	500	400	435	870	145
Real Consumption (\$m)	202	1052.3	468.4	105.9	231.5	162.1
Real Investment (\$m)	254.4	1198.1	697.6	509.5	1066.9	285.7
Employment (thousand persons)	1.7	8.4	2.1	1.7	3.4	1.4

Source: Centre of Policy Studies (2004), Table 2; IIS (2006), Table C2

Note: Data for the CoPS study are expressed in 2001 prices; data for the IIS study are expressed in 2005 prices.

The construction-cost profiles differ slightly in the two reports, and so some differences in model outcomes can be expected. The model-generated outcomes are, however, significantly different³². Compare these results over the three-year construction period:

- In the first report, a cumulative investment of \$1b generates a cumulative increase in consumption of more than \$1.7b; in the second report, a cumulative investment of \$1.45b generates a cumulative increase in consumption of just \$0.5b. In other words the 'consumption multiplier' in the first report is *five times* as large as in the second.
- In the first report, the \$1b investment generates a peak-period increase of 8.4 thousand jobs; in the second report, with a larger investment, the peak-period increase in employment is 3.4 thousand jobs. The employment multiplier is *three and half times* as large in the first report as in the second.
- In the first report the induced increases in consumption and investment are roughly the same; in the second report the investment response is up to *five times* as large as for consumption.

Clearly, these differences are large, and one might have expected the assessment process to provide an explanation as to how the CoPS model could generate such markedly different results. ITS Global took both studies into account, as required by the consulting brief. In a 116-page report, its comparative analysis of the two studies is recorded in a single sentence, noting that

'Although the two assessments used somewhat different assumptions - notably for the timing and length of the assessment period as well as the³³ construction and operating costs of the mill - they obtained *broadly similar* results.'

A common tactic adopted by the government boosters of the mill was to dismiss the arguments of the sceptics, on the grounds that they were based on uncertain or speculative data. No doubt claims made by the sceptics were subject to uncertainty, but the boosters' tactic glossed over the uncomfortable reality that the same applies to CoPS results. This uncertainty, or risk, is of two types - what I will describe as 'model' uncertainty and 'assumption' uncertainty.

Consider model uncertainty first. The CoPS model is credible, well-documented, and is widely used in impact assessment. However it is based on estimates of a very large number of parameters, each of which is subject to its own uncertainty. It is standard practice in econometrics, and recommended practice in cost-benefit studies and business planning, to

³² Table 1 provides comparative results over the three-year construction period. However, the long-run results are also markedly different. For example in the 2004 study the long-run percentage increase in consumption is twice as large as the long run increase in Gross State Product; in the 2006 study, these two variables increase by virtually the same percentage. ³³ ITS Global (2007), p23, emphasis added.

recognise this uncertainty by presenting results as lying within upper and lower confidence limits³⁴. In realistic applications these calculations can be complex but are nevertheless essential if users are to judge the degree of uncertainty around model outputs, and to judge how uncertainty about particular parameters, which may be important in specific applications, affects the overall result.³⁵ It is not yet standard practice in CoPS modelling, but the methodology for applying this approach analytically was developed twenty years ago; with the development of more powerful computers similar results can be obtained using Monte Carlo techniques.³⁶ In the absence of this information the IIS must be regarded as providing 'best estimate' outputs from the CoPS model, but users are given no guidance as to the width of the confidence bands surrounding these estimates.

Now turn to 'assumption uncertainty'. This relates to the assumptions which must, of necessity, be made about inputs into the model. In preparing the IIS, analysts will have made a number of these, including assumptions

- required to translate the business plan for the mill, prepared by Jaakko Pöyry, into a form which can be represented in terms of variables in the model,
- about external conditions such as the world real interest rate, world prices and demand for paper pulp and woodchips, and the distribution of profits from the mill,
- about the proportion of the construction workforce initially located in Tasmania, and the proportion satisfied by migration,
- as to how much of the labour input is satisfied by an increase in hours, and how much is satisfied by an increase in the number of people employed.

Many of these assumptions involve uncertainty. The job of the analyst is to make judgements about the most likely outcomes, and to present them in a transparent way. The point is not to criticise the fact that one has to make assumptions in order to generate solutions from CoPS-type models - that is an inevitable part of the analysis. The issue is, rather, that a review of the IIS might reasonably have been expected to provide some assessment of whether the assumptions were reasonable and the sensitivity of model results to changes in assumptions.

I have discussed the ITS Global review at some length because it was, in a sense, a substitute for the public hearings which would have taken place had the RPDC process been adhered to. Although the reviewer was able to enquire into the underlying modelling assumptions, or to propose that additional research be carried out, it did not do so. Instead, the review amounted to little more than a summary of public submissions to the RPDC and a lengthy restatement of the conclusions drawn by the IIS. Inevitably, given that the IIS is not a cost-benefit analysis, it came to the conclusion that the net benefits of the project were positive.

National Institute Review

Legislation for the pulp mill permit had passed the Tasmanian parliament by August 2007, and Commonwealth minister Turnbull had given conditional approval for the mill in the last weeks of the 2007 federal election campaign. So the report of the National Institute of

³⁴ See for example, ch.9 of Campbell and Brown (2003), which is a standard reference on cost-benefit analysis.

³⁵ An everyday example might help to illustrate the point. Suppose I go to the hardware store to buy paint, but I am uncertain both as to the dimensions of the area to be painted and the porosity of the surface, which determines the required number of coats of paint. Although the calculation is straightforward the number of tins to buy is uncertain. If I am sure I need only two coats, it is uncertainty as to the area that matters; but if I measured the area exactly the purchase is only sensitive to the assumed number of coats.

³⁶ See Pagan and Shannon (1985, 1987).

Economic and Social Research, which appeared in January 2008, was too late to have much impact on the debate.

The model on which this report is based is not as well documented (at least in the public domain) as the CoPS model on which the IIS and ITS Global reports are based. So it is difficult to make an assessment as to the reliability of the results, which showed no net benefits from the pulp mill. However, the model is notable for its attempt to include, in a probabilistic way, costs of adverse external outcomes identified by Edwards (2007) and the Round Table for Sustainable Industry (2007) that were not included in these earlier studies.

Conclusion

From the time of Lara Giddings' launch of the pulp mill task force in August 2004 the IIS, the peer reviews and the ITS Global report all failed to quantify *any* costs or subsidies associated with the viability of the mill, monitoring of outcomes, or consequential infrastructure costs. Similarly, these reports were unable to quantify a single dollar of prospective externality costs.

By fast-tracking the process and excluding considerations detailed in section 8.4 of the RPDC assessment guidelines, the government promoted an assessment methodology which could produce only one result - that the mill would increase household consumption spending and gross state product. The only question of interest was the size of these effects. But even with this blinkered approach, which puts the economic outcomes in the best possible light, the benefits were meagre. Drawing on the analysis of this paper, results reported in the IIS suggest that welfare-enhancing per capita consumption was likely to be less than half a percentage point higher than it would have been without the mill.

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Copies of the above mentioned papers and a list of previous years' papers are available from our home

site at <http://www.utas.edu.au/ecofin>

7.7. Australian Forest Growers (AFG)

Is concerned that recent developments associated with the forest industry could have the potential to unravel the many positive outcomes that have been achieved over the last 30 years, particularly within the private native forest sector.

It is important that the recent evolution in thinking and activity in relation to private native forests be understood in the light of past achievements. To this end, the following provides a brief outline of the change in attitude over the last three decades – quite a recent history given the life cycle of plantations and managed native forests.

Analysis of the history of private forestry within Tasmania shows that prior to the development of substantial markets for non-sawlog material in the early 1970's, landowners largely regarded native forests as an impediment to maximising their full agricultural income potential. Generally, markets for sawlog could be accessed when such material was available. However, the inability to market the residues generated by this activity, together with an increased proportion of remaining standing trees less suitable for sawlog production, led to a progressive degradation of the private forest estate overall, an historic pattern which was also widespread in forests elsewhere in Australia.

Following the commencement of the export woodchip industry in Tasmania in the early 1970's, a market for residue material did develop and, consequently, many landowners took the opportunity to clear their land of degraded forest to expand other agricultural activities. Fortunately, within the first decade of this expanded forest utilisation, both the government and the industry recognised the importance of private native forestry's contribution to the overall resource requirements of the Tasmanian forest industry. Various actions were subsequently introduced to encourage private forest owners to embrace sustainable forest management as part of their overall long term property planning strategy. This encouragement also included seeking to expand the resource base by having landowners add plantation establishment and management to activities they might consider when developing property management outcomes.

Industry addressed this objective by ensuring field staff were available to encourage landowners to view sustainable native forestry and plantation development as part of the ongoing management planning for their properties. The state government created a Private Forestry Division within the Forestry Commission, together with a specially selected council of appropriate representatives, to advise the Minister for Forests on issues relating to the achievement of sustainable private forest management and growth in resource availability from this sector. Upon the Forestry Commission being transformed into a government business enterprise, the private forestry division became a separate identity, Private Forests Tasmania (PFT), with the advisory council becoming a Board of Directors. Throughout this

period of change, strong support and encouragement of enhanced private forest management has also been provided by AFG.

Forest Growers is the national association representing and promoting private forestry in Australia representative organisations such as Tasmanian Farmers and Graziers Association (TFGA) and Australian Forest Growers (AFG), the latter both nationally and in Tasmania. These activities have achieved a very positive outcome for Tasmania with the majority of private forest owners strongly committed to managing their forest estates on a fully sustainable, intergenerational basis, thereby actively providing a positive mix of economic, environmental and social benefits to the community.

AFG is therefore particularly concerned with some of the current developments associated with plans outlined in the recent **“Tasmanian Forests Statement of Principles to lead to an Agreement”**.

We note that this document has been developed over recent months and signed by representatives of a number of industry related organisations, none of whom represents private non-industrial forest owners. Also, at least in the case of AFG, their peak representative body, no invitation to participate was offered.

The opening comment of the document states that the aim of the process was to resolve the conflict over forests in Tasmania, protect native forests and develop a strong, sustainable timber industry. AFG is intrigued by the reference to resolving conflict, as this industry has participated in recent times in a number of enquiries and assessments, all of which have analysed the science of various claims and considerations, and have resulted in outcomes embraced by industry to improve its sustainability. Whilst the Principles outlined in the document are intended to apply further restrictions on access to public (as opposed to private) native forests in Tasmania, AFG believes that if implemented there will be significant impacts on the future of private forestry in Tasmania.

Firstly, if the decision to reduce access to public native forests is to be determined by ENGO's, what assurance do we have that such decisions will be based on relevant science? Overall, the publicity relating to this process has implied that a large proportion of public native forests will be removed from access for wood production. Primarily it is AFG's strong view that the right of access to the private native forest estate must be in no way further encumbered, whether by reduction of access to the resource or by limitations on alternatives for use of the resource. Even if private native forest access does not change, there is risk that market access for wood products of private native forests could diminish significantly. This may occur as a result of either a marked reduction in current processing capacity (whether by perceived insufficiency of resource or by corporate determination to exit the current native hardwood milling sector) or by denial of access to resource utilisation

options (including the export of wood chip and/or providing biomass feedstock to the developing renewable energy market).

One possible negative implication for private native forestry concerns the principle relating to forest biomass for energy production. The Principles Agreement states that only plantation forest processing and harvest residues will be permitted for use as biomass stock. However, positive sustainable management of native forests will also generate residues during harvesting and for the foreseeable future, these will only be suitable for woodchip or biomass utilisation. As markets for biomass energy products such as electricity and ethanol develop, it could be both economically and environmentally preferable to direct residues to such markets rather than be totally dependent on the woodchip sector - which will always be subject to changes in demand and availability. AFG rejects any attempt to limit the market options of any forest resource, especially by seeking to determine what the best market use for a resource is via regulation. Once a forest resource is legally and sustainably harvested, it must be entirely up to the owner to choose their preferred market options. Restrictions as proposed in relation to limiting utilisation of forest biomass from native forests for renewable energy production are no more than political.

Australian Forest Growers is the national association representing and promoting private forestry in Australia wedges against the legitimate use of legally and sustainably sourced product. It is also inconsistent with recent developments within renewable energy markets of Europe and North America. AFG also wishes to reinforce its support for the role Private Forests Tasmania (PFT) has played in helping to achieve the positive outcomes delivered by the private forestry sector to Tasmanian economic, environmental and social wellbeing in recent years. AFG strongly believes that the need for such an entity continues, particularly in view of the changes which are occurring and are predicted to occur within the forestry sector. The Tasmanian and Australian economies stand to benefit from an increase in sustainable forest resource availability and product manufacturing growth made possible directly through the support of government and private partnerships which are most evident in agencies such as PFT.

The focus on forest certification outlined in the list of principles also reinforces the need for such an entity to be available to assist the private sector in achieving this goal. While AFG supports the option of certification being made available to the sector, it must be recognised that the cost burden of certification is substantial on small private growers. As there is currently no market premium available, and none foreseeable, small growers cannot be expected to bear such a cost alone. Further it is AFG's view that there is already sufficient regulation in the forest industry, especially in Tasmania, such that added certification is not necessary to demonstrate either legality or sustainability and thus it becomes a marketing tool only. Finally in this context there should be no differentiation in the Principles between currently recognised certification schemes.

AFG also notes that if changes occurring within the forest industry in Tasmania result in private landowners being unable to access appropriate markets for the full range of products, their interest and incentive in sustainable management of these forest estates will diminish, thus leading rapidly to the further loss of environmental, economic and social contributions. Should this occur we run the risk of returning to a time when private forestry was of a minor or a negative value to property owners and to Tasmania. Equally should the resolution of the Principles in any way result in the erosion of access to native forest on private land then growers will require substantial compensation for such losses, including the value of the standing timber resource and perpetual management fees.

In summary, AFG is vitally concerned that any changes enshrined in the Tasmanian Principles of Agreement process, or following from it, do not impact on private forest growers' access to their private native forest resource; that utilisation of the resource must not be restricted by purpose (e.g. by precluding the utilisation of biomass for renewable energy uses); that forest certification does not become a requirement additional to the existing Code of Practice; and that it be understood that any reduction of processing capacity is highly likely to have a deleterious impact on market options for privately owned resource.

AFG would be pleased to provide a further understanding of our concerns at your convenience.

Warwick Ragg **Chief Executive**

7.8. Pulp the Mill – Tamar group

The following is a brief overview of Pulp the Mill's position regarding the Forest Principles Agreement.

PULP MILL

In regards to the wording "a pulp mill" in the Forest Principles Agreement, there is a common serious misunderstanding among many people that this means the Tamar Valley pulp mill, and that the success of the Agreement depends on the construction and operation of this pulp mill.

What needs to be understood is that the overwhelming majority of people in Tasmania are opposed to the Tamar Valley pulp mill. The main reasons for this opposition can be summed up as follows:

- The design and efficiency of the mill has never been scientifically examined by independent experts. Nor has the effect it will have on the surrounding environment. This was because the proponents withdrew from the assessment (RPDC) when they were told that the design of the mill was 'critically non-compliant' with environmental protection and other regulations.
- There has been no cost benefit analysis of this pulp mill proposal. Harm to other businesses has not been assessed.
- The legislation for the mill was corruptly fast-tracked through Parliament. In fact the essence of this legislation was designed and drawn up by lawyers outside Parliament who were acting for and being paid by Gunn's. During the passage of this legislation the members of the Government party and the Opposition party were told they could not vote against or amend the legislation, but must vote for it.
- Our basic objection to the design and siting of the mill is because of the effect it will have on the environment – particularly the Tamar Valley. The type of pulp mill being planned is based on a modified Kraft bleaching system. This produces a foul smell that can be detected for many kilometers from the processing plant. This will adversely affect most parts of the Tamar Valley and the city of Launceston (total population around 100,000 people). It will cause massive destruction to the tourism industry, vineyards, farms and the health of residents. Launceston and the Tamar Valley's air shed already has one of the worst air qualities of anywhere in Australia.
- There will be a massive increase in the number of log-carrying trucks on all the roads leading to the mill which will have a huge disrupting effect on normal traffic flow, seriously jeopardizing our road safety.
- The water for the proposed mill has to be fresh, clean and filtered. It will be taken from the main water supply lake (Trevallyn Lake) which is the source of all drinking and other water used by the residents of the West Tamar and parts of Launceston. The average capacity of the lake is about 8 gigalitres. However the mill will use 26

gigalitres of clean, filtered water every year – that is 26 million tonnes. Gunn's will receive this water at massively-reduced rates, far less than most householders. This water will be contaminated after being used by the mill by becoming too toxic to use for any other purpose. It will be pumped into the sea at the rate of 64 thousand tonnes every day of the year. This will cause havoc to all forms of marine life – in the same way that other, similar Kraft-based pulp mills have destroyed all life forms in rivers and the sea in other countries.

- Most of the plantation forests to supply this mill are now situated on Australia's most fertile soils in North-western Tasmania – otherwise perfect for food production - in districts with a consistent, reliable rainfall. The trees – Eucalyptus nitens – are grown specifically for paper pulp. The wood can be used for other purposes but being from a fast-growing species is inferior to other timbers.
- The number of employees in this highly-mechanized, computer-controlled mill will be relatively small. They will need to have special skills that are not available locally, so most employees will come from elsewhere and will be sending much of their wages out of the State. We believe few locals will be able to find skilled work at the pulp mill – apart from the construction phase.
- There should be no more corporate welfare for Gunns. Other Tasmanian private companies get zero compensation when they fail, why should Gunns and forest industry contractors be compensated? Other businesses have to bear the costs of their own mistakes. The industry has obviously been heading for disaster for at least 30 years and depended on public subsidies for much of that time.
- Gunns' revised mill process requires a new mill assessment.
- Marine Impacts - some issues appear to have been ignored although final reports have not been made public - again excluding public participation / information.
- **There is widespread and massive mistrust towards Gunns and Tasmanian Government because of the fact that we have been repeatedly lied to about the pulp mill process. This mill will be stopped. Be assured, if construction begins, the pulp mill campaign will escalate into a situation bigger than the Franklin campaign. The Labor government in Tasmania will undoubtedly fall as a result of this.**

FORESTRY ISSUES

- There should be no more tax dollars wasted on the Tasmanian forestry industry which is in crisis because of its own malpractice. Why support forestry jobs when there is no concern shown for jobs in other industries (such as in ACL Bearing which closed, with the loss of over 200 jobs with NO compensation)? No compensation is being offered to businesses which would be destroyed by the pulp mill.
- Gunns has stated publicly that they do not consider non-plantation timber to be of economic use - they should not be compensated to stop logging such forests if they have already made a business decision to stop anyway.

- The forestry industry has proven to be financially nonviable despite long term Government Subsidies. No more public money should be spent on this failed industry.
- The Forest Principles Statement did not represent the wider environmental movement.

7.9. The Institute of Foresters of Australia (IFA)

Tasmanian Division, has considered the signed “Tasmanian Forests Statement of Principles to Lead to an Agreement”. The IFA understand the principles are seen as a starting point for negotiations, and as such provide a basis for final agreement. As Australia’s only representative professional forest management organisation, the IFA is committed to working with all parties to achieve an outcome that strengthens the communities support for forestry, builds a lasting resolution to differences, and supports ongoing forest based industries and communities in Tasmania.

As a preliminary position statement we have considered the Principles that we believe we can provide comment on.

To access IFA Policy Statements visit: <http://www.forestry.org.au/ifa/g/g0-ifa.asp>

IFA COMMENT ON RELEVANT PRINCIPLES

General Wood Supply

Native Forest Wood Supply

The IFA has developed robust native forest wood supply policies and support their use as a basis for negotiation. Native forest wood supply should not be mandated by legislation. The public forest manager must have flexibility to respond to changing technology, environmental requirements, social attitudes and market conditions. Wood supply agreements should be the mechanism through which industry has security of supply.

High Conservation Value (HCV) Forests

Immediately protect, maintain and enhance High Conservation Value Forests identified by ENGO’s on public land.

The IFA believes that the scientific value of forests must be assessed by people with professional qualifications in forest management. Any determination must be by an independent process and meet an international definition which is agreed to at the national level. The IFA supports the establishment of a panel of international forest management and conservation experts (including professional foresters) to make recommendations on what is HCV. This process should also consider how well forest communities deemed HCV outside reserve, are already well represented and protected in current reserves, and how these values are equally assessed against community and economic values. A process for determination of HCV should be overseen by the federal government as the implications of such approach have national application.

Transition

Transition the commodity (non specialty) forest industry out of public native forests into suitable plantations through a negotiated plan and timeline.

It is not clear what the meaning of commodity (non specialty) forest industry means. On a global scale the eucalypt timber industry in Australia produces highly specialised, unique forest products. It can be demonstrated that plantations can only replace some timber products from native forests in a very restricted set of circumstances. Experience from a similar strategy adopted in Queensland has not been successful in substituting plantation timber for native forest sources. Tasmanian native timbers are unique and provide specialist products which are unable to be replicated under plantation management regimes. Commodity bi-products are a consequence of management and manufacture, and as such should be determined by market drivers. There is no need to include this in the framework – other than to allow the market to determine this direction.

Industry

Create a strong sustainable timber industry including the development of a range of plantation based timber processing facilities including a pulp mill. There will need to be stakeholder consultation and engagement with the proponent, ENGO's and the community.

This should be market driven and as such Governments and ENGO's should not be determinants of outcomes.

Specialty Timbers

Provide for ongoing specialty timber supply including eucalypt for our Tasmanian high value furniture and craft industries through a negotiated plan and timeline.

Supply of Specialty Timbers at a volume and price that supports existing and new businesses and craft industries is very important and needs to be integrated into any future forest supply plans.

Plantations

Support sustainable and socially acceptable plantations including agreed reforms and new agro-forestry outcomes, including pursuing certification.

The development of integrated farm and agricultural based plantation developments must provide financial returns for land managers based on diverse markets and certainty. Need to consider the structural and social issues. Eg: Plantations on 10% of farms- how to fund and ownership of trees. The true cost of sawlog from plantation sources must be considered.

Private Forests

Encourage and support, but not mandate, private forest owners to: seek assistance for certification; and protect, maintain and enhance high conservation value forests on their properties.

The IFA note that the agreement is focused on public native forest management and as such private forests should be excluded from any principles or negotiations. Where the community determines that private land requires reservation to meet conservation, landscape or other community service benefits, the State should be required to either purchase the land in question at fair market rates or compensate the landowner for loss of asset value. Such land should not be subject to local government rates.

Communities Impacted

Support impacted rural and regional communities, workers, contractors and businesses, through a range of economic development, financial assistance, compensation and retraining measures.

The IFA consider that the Tasmanian social fabric incorporates forestry, forest based businesses, employees and the forest dependent communities. Consequently, a full socioeconomic study is required to fully assess the impacts associated with implementing the agreement, and these impacts must be mitigated so as to minimise adverse outcomes. This would not be necessary if there had been a well structured national and complimentary State forest policy. In addition, the ongoing political interference in forest management, especially resource allocation and pricing has been shown to be a constraint on sensible decision making. Subsidies and compensation packages may be necessary to fix short term problems, but the long term consequences need to be taken into account. We are part of the community!

Community Engagement

Engage and involve the broad Tasmanian community in the development and implementation of a durable solution to the Tasmanian forest conflict.

A well enunciated forest policy is the only solution. There is only a conflict in the eyes of a vocal minority. Successive inquiries, independent reports have generally supported current forest practices and regulatory structures. The Tasmanian community must be fully engaged, provided with transparent, accurate, factual information, and then given the opportunity to determine what level of the agreement is acceptable and to be implemented.

All parties must abide by this outcome.

Planning

Develop a fully-funded, independent, scientifically-led landscape conservation, restoration and integrated-catchments management program, and associated governance and regulatory improvements.

The IFA recognise the benefits of an integrated catchment management approach can only be achieved where controls over all urban, industrial, agricultural and natural land use practices are regulated within a level field, and as such support an independent review to ensure best practice are being implemented across all tenures. There should be acceptance that some public land tenure may need to change.

Government

Reform and support government agencies, policies and legislation as necessary for the implementation of an agreement associated with these Principles.

In terms of implementation of forest science, Tasmania is well served. The structures to support this must be maintained.

Climate Change

Seek funding for improving carbon outcomes as a result of delivering these Principles.

Support the principles of the IPCC and the Garnaut Report, and reputable, science based international climate mitigation initiatives, which recognise the benefits of integrating active forest management and forest products in mitigating climate change. If market mechanisms are in place at national and international level there is no need for public funding.

Sustainability needs to be considered in terms of “global accountability”, and not just from a local viewpoint. Locking up forests in Tasmania for perceived carbon credits, and importing products from overseas, does not fit well with global sustainability of our resources. In addition, many of these countries we are importing from, have poor forest management practices, and we are, by default, condoning those.

Biomass

In Tasmania, only permit plantation forest processing and plantation harvesting residues to be used as biomass for RECs.

Recognise international initiatives in the use of biomass from sustainable resources.

Certification

Encourage Forestry Tasmania to firstly obtain Controlled Wood accreditation on delivery of the moratorium, secondly, obtain full FSC certification on resolution of an FSC National Standard and once an agreement based on these Principles has been finalised.

The IFA has a robust policy on voluntary certification and consider such initiatives should remain market driven and not mandated by government.

The Institute of Foresters of Australia

ABN 48 083 197 586



4 November 2010

Premier of Tasmania
Mr. David Bartlett
GPO Box 123
HOBART TAS 7000

Dear Mr. Bartlett,

The Institute of Foresters of Australia represents over 1,300 professional land managers across Australia, and over 200 in Tasmania. Our members are employed by statutory organisations, educational and scientific institutions, private businesses and public departments.

Our members are employed across a wide range of land management activities, including water and fire management, biodiversity and heritage protection, commercial and recreational activities, forest management and wood production, and policy and market development.

In September, the Tasmanian Division of the Institute of Foresters of Australia released a position statement on the then yet to be finalised industry/ENGO discussions. The IFA position remains sound and should be considered in any response by the Government.

A Tasmanian Forest Statement of Principles to Lead to an Agreement (the Principles) was signed on Thursday 14 October 2010 by representatives of the Tasmanian and National forest industry and Environmental Non-Government Organisations and presented to you on 20 October 2010.

I am confident you will agree that the signing of the Principles, while a significant milestone, is the first stage in a process.

As Australia's only representative professional forest management organisation, the IFA is committed to working with all parties to achieve an outcome that strengthens the communities support for forestry, builds a lasting resolution to differences, and supports ongoing forest based industries and communities in Tasmania.

Consequently, I seek your commitment that progressing these Principles will from now on fully involve representation from the IFA as involvement of professional representative organisations is standard practice for Governments when developing industry policy.

National Office, PO Box 7002, Yarralumla ACT 2600, Australia
Phone: (02) 6281 3992 Fax: (02) 6281 4693 Email: ifa@forestry.org.au

I take this opportunity to advise you that over the coming weeks, the IFA will be holding meetings with its members to develop an interim response to these Principles and I will advise you accordingly.

Consequently, it would provide a level of comfort to member if I could indicate your support for the participation of the IFA in future discussions, and a commitment to ensuring a full policy response will be developed only after robust and transparent scientific and factual assessment of the social, economic and environmental impacts and benefits associated with implementing the Principles.

I look forward to a positive and quick response.

A handwritten signature in dark ink, appearing to read 'R. Shoobridge', is centered on the page.

Richard Shoobridge
Chairman Tasmanian Division
Institute of Foresters of Australia
Ph: 0409 992 687

7.10. Fine Timber Tasmania Inc.

Fine Timber Tasmania is a not-for-profit association, with membership reflecting all components of the special timber supply chain; growers, processors, makers and retailers. It is the owner of a Chain of Custody certificate, certified to AS4707 and recognised under the Australian Forest Certification Scheme. This provides an assurance of the legal and sustainable origin of logs, being a key selling point for high value timber products.

The FTT Chain of Custody is managed on behalf of Fine Timber Tasmania Inc by Tasmanian Quality Assured and independently audited by Global Mark, an assurance of quality and integrity. The system is growing in acceptance and now has the main special timber processors either as licencees accredited to use the system or applicants. It is present in high profile sites such as the Salamanca Market where a majority of woodcraft stalls have applied to become licencees. It is becoming a requirement of entry into discerning markets within Australia and internationally.

Furniture manufacturers, designer makers and other commercial users are joining as the system grows in acceptance as an assurance that wood purchased or within product is legally sourced from sustainably managed forest certified to the Australian Forest Certification Scheme.

Statement of Principles: Concern

The views and opinions of Fine Timber Tasmania, reflect those of many users of Tasmanian Special Timber.

There has been significant recognition of Tasmania internationally through our unique special timber. Tasmania's forests are home to some of the worlds most precious and beautiful timber species which have an iconic association with the State. They are part of Tasmania's unique brand and are highly regarded both within Australia and throughout the world for their decorative and other specialised applications.

They are part of Tasmania's history and its future, having social and economic significance for Tasmanians that is much greater than the relatively modest volume harvested each year. The Tasmania Wood Design Collection has gained international recognition and is a show case of excellence in design and use of our special timber.

Any further reduction in the area of all native forest for wood production is a concern for special timber users. The majority of the "iconic" special timber: myrtle, sassafras, leatherwood, celery top, come from rain forest or the understorey of tall wet eucalypt forest. Blackwood comes from many forest types including the Blackwood rich swamp forest types of the far NW. Huon Pine is a special case and is only available from a very

restricted source of historically logged forests, Teepookana Plateau, dam and flood salvage material.

The TCFA increased the reservation of HCV Old Growth (tall eucalypt) to approximately 80%, 973,000 ha leaving 20% to be managed for multiple values including wood production.

Non clear falling silviculture, variable retention, has been developed to manage the majority of the tall eucalypt. Minimal area harvesting has been designed by a community based design group to harvest in the Special Timber Management units.

Reduction in native forest harvesting will as a minimum decrease the volume of special timber available and increase its cost to the user. Contraction to a special timber only native forest harvest will make special timber uneconomic for all, the managers, harvesters, processors and users.

It is vital that special timber is available around the state in concert with the regional location of special timber users.

The Statement of Principles

There are many elements of the SOP that cause concern for the ongoing sustainable supply of commercial volumes of quality affordable special timber.

- General Wood Supply: any reduction will impact
- HCV Forests: any further reduction will significantly impact
- Transition: transitioning out of native forest will have disastrous impacts
- Industry: Special Timbers provide a signature for the forest industry.
- Specialty Timbers: Must be sustainable, quality, affordable, available
- Communities Impacted: High cultural, social and economic impact across the State
- Tourism: direct impact, as special timber strongly associated with Tasmania, The Brand.
- Certification: Fine Timber Tasmania Chain of Custody

The Sector

Given the already limited availability of special timber rich native forests any further reductions will put at risk the significant gains made in developing Tasmania as an Island of excellence, a design lead island.

Current special timber wood supply supports

- 2,000 people employed in Tasmania's woodcraft sector,
- 8,500 people using special timber as a hobby or semi-commercially.

Milling and processing: \$17.25 mill.

- 31 enterprises,
- 160 people

Designing and production: \$39 mill.

- 250 enterprises
- 1,750 people

Retail, galleries, tourist attractions, accommodation and market stalls: \$14 mill.

- 140 people

(Farley et al 2009, A Review of the Tasmanian Woodcraft Sector)

The review demonstrates clearly that Tasmanian special timber is:

- culturally very significant with 2.6% of Tasmanians involved, 37% higher participation than the national average.
- socially and economically very important from a relatively small volume of wood.
- value added through design, making, manufacturing and marketing excellence.
- Chain of Custody support for wood sourced from legal and sustainably managed certified forests.

Special Timber Management

Forestry Tasmania's Special Timber Strategy has provided for a strong, robust and sustainable Special Timber supply supporting a special timber using industry including processors, timber merchants, furniture manufacturers, designer makers, craft makers/manufacturers, hobbyists and retail.

The Special Timber Strategy is a comprehensive plan aimed at producing a long term supply of special timber applying appropriate silviculture, trained and accredited contractors improving utilisation, recovery, processing and marketing. The development of Fine Timber Tasmania's Chain of Custody is an integral component of the success of the strategy.

Tasmanian Community Forest Agreement, TCFA has resulted in special timbers production (sawlog and craftwood) declining from 22,390 cubic metres in 1999/2000 (Brueckner Leech 1999) to approximately 12,500 cubic metres in 2008/09.

The reduced area of native forest containing special timber has increased the cost of access, harvest and added to the cost of material supplied. Further reductions will make the limited volumes uneconomic to harvest and process.

Any further reductions in the limited area available for special timber production will jeopardise the strategy and the ready availability of quality material around the State.

Huon Pine: A Special Case

The area of Huon Pine available for harvest is so minimal that any further reduction will threaten the viability of this iconic wood. Huon Pine was neglected in the RFA and there is potential to enhance the area available rather than reduce it. Addition of cutover forests between Queenstown and Strahan to the cutover production area of Teepookana Plateau

would add considerably to its commercial sustainability. Biological sustainability has been established with all areas “salvaged” (i.e. old logs on the ground) regenerated by planting and natural regen.

More than 85 per cent of Tasmania’s Huon pine is already contained within the Statewide reserve system. The main area for production is the Teepookana Plateau, south of Strahan, an area heavily cut over during the first half of the 20th century. The objective is to maximise the recovery of useable timber and restore harvested areas so that they remain as Huon pine forest.

Summary

Tasmania’s Special Timbers provide a unique palette of colour, texture and wood properties within a relatively small island, available in small volumes to the wood using sector and population.

Our Special Timbers and design excellence are internationally recognised.

The relatively small volume of special timber available is socially, culturally and economically significant.

Tasmania leads the world with its Forest Practices System, Special Timber Management Strategy, Fine Timber Chain of Custody , Tasmanian Wood Design Collection and education in design and making.

Any reduction in native forest harvesting will affect special timber availability.

Reduction in rainforest and HCV Old Growth, tall wet eucalypt forest will have disastrous consequences.

Reduction in the already small area available for Huon Pine salvage, the Teepookana Plateau, will severely impact the availability of Huon Pine.

Fine Timber Tasmania Inc is committed to a sustainable supply of available, affordable, legally sourced special timber from certified sustainably managed native forests.

7.11. Friends of the Tamar Valley Inc

Friends of the Tamar Valley Inc



Outline of facts and impacts relating to the proposed Pulp Mill in the Tamar Valley, Tasmania

Friends of the Tamar Valley Inc is comprised of members of the Tamar Valley community and generally has as its purposes promotion, encouragement and education relating to the protection and enhancement of the natural environment, economic and social issues in the Tamar Valley, Tasmania. The public officer can be contacted on friendsofthetamarvalley@gmail.com.

November 2010
(2nd edition)

A. INTRODUCTION

This document succinctly outlines facts and impacts relating to the proposed pulp mill in the Tamar Valley, Tasmania. It does so by reference to many of the economic, social and environmental issues, and is designed to allow the reader to quickly understand or be reminded of those issues.

B. ECONOMIC ISSUES

1. Impact on local economy

The Tamar Valley is a picturesque valley and a popular tourism destination, with more than 20 vineyards lining the shores of the Tamar River.¹ Tourism is worth about AUD\$465million annually to Launceston and the Tamar Valley.²

The pulp mill will cause the loss of well over 1000 jobs, with 1044 jobs lost from the tourism industry and at least 175 jobs from local fishing businesses.³ Conversely, the pulp mill would create just 280 jobs.⁴

The economic report prepared for Gunns by Allens Consulting Group has failed to meet Australian Treasury guidelines for economic appraisal. It only addresses potential economic benefits of the proposed pulp mill. It ignores the economic costs of the proposed pulp mill. As a result, the report fails to identify whether the pulp mill will actually generate a net economic benefit for Tasmania.⁵

Since the pulp mill proposal was first mooted, there has been a massive reduction in promised employment numbers at the mill.⁶

2. Lack of economic benefits

The pulp mill would likely cost the Tasmanian economy AUD\$300million over its life or, at worst case scenario, AUD\$3billion.⁷

¹ <http://maps.google.com.au/maps/ms?hl=en&ie=UTF8&t=h&msa=0&msid=103455232846024107012.0004659d63be3d5b1818a&z=9>

² Australian Government, Department of Resources, Energy and Tourism, Tourism Research Australia, *Regional Tourism Profiles 2008/09, Tasmania, Launceston and Tamar Valley Region* (can be found at <http://www.ret.gov.au/tourism/Documents/tra/Regional%20tourism%20profiles/TAS/Tas%20-%20Launceston%20-%20FINAL2.pdf>)

³ Launceston Environment Centre, *Tasmanian Round Table for Sustainable Industries Project*, August 2007 (can be found at [http://www.lec.org.au/pdfs/TRSIPreport2\(Aug07\).pdf](http://www.lec.org.au/pdfs/TRSIPreport2(Aug07).pdf))

⁴ ITS Global, *Review of the Social and Economic Benefits of the Gunns Limited Pulp Mill Project*, 26 June 2007 (can be found at http://www.justice.tas.gov.au/_data/assets/pdf_file/0004/82282/Final_ITS_Global_Report.pdf)

⁵ *Op cit n3*

⁶ ABC news, *Lack of training stymies local pulp mill jobs: analyst*, 20 march 2008 (can be found at <http://www.abc.net.au/news/stories/2008/03/20/2195328.htm>) and ABC News, *No surprises in downsized pulp mill work force*, 20 March 2008 (can be found at <http://www.abc.net.au/news/stories/2008/03/20/2194968.htm>)

⁷ National Institute for Economic and Industry Research, *A comprehensive economic assessment for the Tasmanian economy of the direct benefits of the proposed Gunns Pulp mill*, January 2008 (can be found at <http://www.wilderness.org.au/files/nieir-jan-08.pdf>)

The pulp mill would not be able to match the costs of new low-cost producers in South America that can produce pulp at almost half the price it would cost the proposed pulp mill owner.⁸

The government has already directed significant taxpayer subsidies to the proposed pulp mill. The government has not disclosed all subsidies. Currently known subsidies already outweigh any government income from the project.⁹ Based on, among other things, the long tradition of government subsidies to the Tasmanian logging industry, the regard in which the project is held in government and industry circles and the size of the investment, subsidies are likely to be ongoing.

C. SOCIAL ISSUES

The Tamar Valley is home to about 100,000 people.¹⁰

The pulp mill would be in the Tamar Valley air shed¹¹ with its inherent meteorological inversion layer.¹² An inversion layer is a layer within which an atmospheric property is inverted and leads to pollution being trapped close to the ground.¹³

1. Odour

Pulp mills are associated with odour problems¹⁴ and are a cause of significant community concern internationally.¹⁵ Odour is not only a nuisance factor. It can also adversely affect health.¹⁶ Odour through fugitive emissions from hundreds of sources within the pulp mill's complex would drift to homes, businesses, farms and wineries in the vicinity of the mill.¹⁷ The fugitive odours will be detected in the air up to 55kms away.¹⁸ Bad smells and noxious odours from pulp mills cause nausea, headaches and difficulty with breathing. In high concentrations they are

⁸ CommSec <http://www.abc.net.au/news/stories/2007/09/21/2040325.htm>

⁹ Naomi Edwards, BSc (Hons) FIA FNZSA FIAA MAICD, *Too much risk for the reward - an analysis of the pulp mill returns to the people of Tasmania*, September 2006 (can be found at <http://www.twff.com.au/documents/research/nerpdc2006.pdf>)

¹⁰ Launceston City Council website, home page, accessed on 18 October 2010 (can be found at <http://www.launceston.tas.gov.au/lcc/index.php?c=283>)

¹¹ Launceston City Council, *Submission to the Resource Planning and Development Commission*, 25 September 2006 (document available by email request to friendsofthetamarvalley@gmail.com)

¹² The Australian Branch of the Australian Medical Association, *Position Statement, Proposed Tamar Valley Pulp Mill*, 25 September 2006 (can be found at http://www.onlineopinion.com.au/documents/articles/473_Australian_Medical_Association-Tasmania.pdf)

¹³ Encyclopaedia Britannica, definition of inversion layer (can be found at <http://www.britannica.com/EBchecked/topic/586707/temperature-inversion>)

¹⁴ Ministry of Agriculture and Finance, New Zealand, *Managing and measuring pulp mill odour emissions* (can be found at <http://www.maf.govt.nz/mafnet/publications/rmupdate/rm7/rm0703.htm>)

¹⁵ *Op cit* n12

¹⁶ Jaakkola JJ et al, The South Karelia Air Pollution Study: changes in respiratory health in relation to emission reduction of malodorous sulphur compounds from pulp mills. *Arch Environ Health*. 1999 July-Aug;54(4):254-63

¹⁷ Dr Warwick Raverty (can be found at <http://tapvision.info/node/117>) 18 Dr Warwick Raverty (can be found at <http://tapvision.info/node/573>)

likely to result in eye and respiratory tract irritation that become more severe as the exposure time increases.¹⁹

Human senses can detect pulp mill odours when the odour-causing substances are at extremely low levels.²⁰ The inversion layer in the Tamar Valley would exacerbate the impact of odour.²¹

2. Pollutants

The pulp mill will release pollutants into the air including small particles, sulphur dioxide and oxides of nitrogen.²² The Tamar Valley already has a significant problem with air quality and a pulp mill will only aggravate the issue particularly given the Tamar Valley inversion layer.²³ Tasmania has the highest rate of asthma in Australia which has been linked to poor air quality.²⁴ Air containing particulate matter can trigger asthma attacks and chronic obstructive pulmonary disease lung attacks.²⁵ There are already an estimated 8 additional deaths per year in the Launceston area as a result of air pollution.²⁶ The pulp mill could cause an increase in the already existing morbidity and mortality from atmospheric pollutants.²⁷

3. Water vapour and road traffic

The issue of white-out fog has not been assessed in respect of the proposed pulp mill. The proposed pulp mill's high output of water vapour at ground level could produce a whiteout fog on the East Tamar Highway, as was produced by the Bowater paper mill in Tennessee, which led to 12 people being killed and dozens more being seriously injured in a multi-car pileup on a neighbouring freeway.²⁸ With the massive increase in log trucks forecast for all the major Tamar Valley carriageways including the East Tamar Highway which leads directly to the proposed pulp mill site, school buses and other local traffic will face a lethal hazard.²⁹

4. Log truck traffic

¹⁹ S R Young, Georgia-Pacific Consumer Products (Camas) LLC, Camas, Washington, *Questions and answers about kraft pulp mill odour*, June 2008 (can be found at <http://www.gp.com/camas/enviro/MANUAL75.pdf>)

²⁰ *Op cit* n12

²¹ *Op cit* n12

²² *Op cit* n11

²³ Sweco Pic, *Assessment of the Gunns Limited Bell Bay pulp mill against the environmental emission limit guidelines*, 25 June 2007 (can be found at http://www.justice.tas.gov.au/_data/assets/pdf_file/0003/82281/Final_SWECO_Report.pdf)

²⁴ *Op cit* n 21

²⁵ News Limited, *Tassie's asthma rate alarm*, 30 July 2008 (can be found at <http://search.news.com.au/related/id%3Astory%7C24105655/0/Tassies-asthma-rate-alarm/?us=ndmnews&sid=5012672&as=news&ac=travel&r=related>)

²⁶ *Op cit* n19 and American Lung Association, *Particulate matter*, April 2000 (can be found at

http://www.lbamspray.com/00_Health/Particulate%20Matter%20-%20American%20Lung%20Association%20site.htm

²⁷ Tasmanian Air Quality Strategy, June 2006, p80

²⁸ Australian Medical Association Tasmania, position statements (can be found at <http://www.amatas.com.au/issues/>)

²⁹ ABC interactive business network, *Bowater's Calhoun mill at centre of fog-related highway pileup dispute* (can be found at http://findarticles.com/p/articles/mi_qa3636/is_199408/ai_n8710570/)

²⁹ Dr Warwick Raverty, *Mill disaster: the uncanny similarities (white out fogs)*, 1 December 2008, (can be found at www.tasmaniantimes.com)

If the pulp mill were to proceed, there would be a significant increase in log truck traffic.³⁰ An increase in road traffic is likely to cause an increase in road fatalities, air emissions and noise.³¹

5. Assessment

The proposed pulp mill was initially subjected to a proper assessment process by Tasmania's Resource Planning and Development Committee (RPDC).

Shortly after the RPDC said that the information Gunns had submitted was "critically noncompliant", Gunns announced that it was withdrawing its pulp mill proposal from the RPDC.³² Shortly thereafter, then-Premier of Tasmania, Paul Lennon, introduced a Bill in the Tasmanian Parliament which would fast track approval of the proposed pulp mill.³³ As a result, the Pulp Mill Assessment Act 2007 was enacted and the project approved. This process resulted in a lack of proper assessment of the proposed pulp mill.³⁴

D. ENVIRONMENT & HERITAGE

The proposal is to build a chlorine dioxide bleaching pulp mill in Tasmania's beautiful Tamar Valley.

1. Marine Environment

The pulp mill will dump 64,000 tonnes of effluent into Bass Strait every day.³⁵ The effluent will contain dioxins and furans, which are the most toxic chemicals known to science. The dioxins and furans build up in the food chain contaminating marine life which will have a flow on effect to Tasmania's fishing industry.³⁶ The impact of the effluent is exacerbated by the slow flushing Bass Strait, meaning much of the dioxin may settle in a small area surrounding the outfall and build to dangerous levels in a short period of time.³⁷ The dioxin level that would trigger closure of the mill equals the amount of dioxins emitted in a year by the entire Swedish bleached pulp and paper industry, which produces about seven times more bleached pulp than the proposed pulp mill will produce.³⁸ Effluent from a pulp mill would wash up on Tasmania's northern beaches within hours of being discharged, in the same manner that faecal matter

³⁰ GHD, *Northern Tasmania pulp mill transport and traffic impact assessment report*, March 2006 (can be found at http://www.gunnsulpmill.com.au/iis/V15/V15_A43.pdf)

³¹ *Op cit* n12

³² <http://www.wilderness.org.au/campaigns/gunns-pulp-mill/pulp-mill-fast-track>

³³ Hansard, Tasmanian Parliament, March 2007 (can be found at <http://www.parliament.tas.gov.au/HansardHouse/isysquery/bf05192c-87c5-4f17-ac9d-c477f388598b/3/doc/>)

³⁴ The Australian, *PM's pal dams pulp mill proposal*, 15 August 2007 (can be found at <http://www.theaustralian.com.au/news/pms-pal-damns-pulp-mill-proposal/story-e6frg6ox-111114186180>)

³⁵ Gunns' referral under the EPBC Act (April 2007) (can be found at http://www.environment.gov.au/cgi-bin/epbc/epbc_ap.pl?name=referral_detail&proposal_id=3385)

³⁶ Environment Australia, *Air toxics and indoor air quality in Australia*, 2001 (can be found at <http://www.environment.gov.au/atmosphere/airquality/publications/sok/chapter1.html>)

³⁷ Dr Stuart Godfrey, *Inadequacies in the hydrodynamic modelling performed for Gunns IIS*, 2007 (can be found at <http://www.environment.gov.au/epbc/notices/assessments/2007/3385/pubs/att-b7-3.pdf>)

³⁸ The Age, *Swedes cast doubt on mill standards*, 15 October 2007 (can be found at <http://www.theage.com.au/news/climate-watch/swedes-cast-doubt-on-mill-standards/2007/10/14/1192300601241.html>)

washed up on Sydney's northern beaches. Easterly winds would be able to move an effluent plume into the mouth of the Tamar River in less than a day.³⁹

2. Threatened Species

The proposed pulp mill will have a significant impact on threatened species. For example, any pollutants carried by the Australian Grayling (such as dioxins from the pulp mill consumed by the fish) would be ingested by its predators, such as the White-bellied Sea Eagle and the Tasmanian Wedge-tailed Eagle, which are listed threatened species. No work has been done or is intended to be done on the food chain issue.⁴⁰

3. Forests

The pulp mill's surplus electricity will be sourced from biomass,⁴¹ which means that native forest may be burnt to power the pulp mill.

Research from leading scientists at the Australian National University has found that Australia has some of the most carbon-dense forests in the world, with the potential to sequester carbon equivalent to 25% of our current annual emissions over a 100 year time frame.⁴² When burned, forest biomass emits more greenhouse gases per unit of energy than fossil fuels.⁴³

4. Water

The pulp mill will consume 26 to 40 billion litres of fresh water each year.⁴⁴ This is almost as much as the combined use of all water users in Northern Tasmania.⁴⁵

Research shows that plantations can reduce stream flow by over 50%.⁴⁶ Meanwhile, north-east Tasmania can expect a forecast reduction in rainfall of 8% over 30 years due to climate change.⁴⁷ This means that public water supply will be put under enormous pressure by the proposed pulp mill.

5. Culture and heritage

The Tasmanian Aboriginal Land and Sea Council⁴⁸ officially opposes the proposed pulp mill because of its impacts on Aboriginal culture and heritage. These impacts to important heritage sites will occur at both the proposed pulp mill site and in the forests that will be logged to feed or power the mill.

³⁹ *Op cit* n37

⁴⁰ Report of Dr Charles Meredith filed in Federal Court proceeding Lawyers for Forests Inc v Minister for Environment & Gunns Limit

⁴¹ Gunns Limited, *The facts*, undated (can be found at http://www.gunnspulpmill.com.au/factsheets/The_Facts.pdf)

⁴² Brendan G Mackey, Heather Keith, Sandra L Berry and David B Lindenmayer, *Green Carbon: the role of natural forests in carbon storage*, 2008 (can be found at <http://www.wilderness.org.au/files/GreenCarbonReport-synopsis.pdf>)

⁴³ Cnet news, *Study finds biomass power not carbon neutral*, 11 June 2010 (can be found at http://news.cnet.com/8301-11128_3-20007484-54.html)

⁴³ Cnet news, *Study finds biomass power not carbon neutral*, 11 June 2010 (can be found at http://news.cnet.com/8301-11128_3-20007484-54.html)

⁴⁴ Gunns Ltd, *Bell Bay Pulp Mill Draft Integrated Impact Statement* (can be found at <http://www.gunnspulpmill.com.au>).

⁴⁵ Annual Reports, Esk Water and Cradle Coast Water

⁴⁶ Jackson et al, *Trading water for carbon with biological carbon sequestration*, 23 December 2005 Vol 310 Science

⁴⁷ Tasmanian Government, *Draft Climate Change Strategy*, October 2006 (can be found at

[http://www.dpiw.tas.gov.au/inter.nsf/Attachments/PMAS-6UF3SU/\\$FILE/TasClimateChangeStrategy-DraftOct06.pdf](http://www.dpiw.tas.gov.au/inter.nsf/Attachments/PMAS-6UF3SU/$FILE/TasClimateChangeStrategy-DraftOct06.pdf))

⁴⁸ Tasmanian Aboriginal Land and Sea Council submission to the RPDC

7.12. Treeroots

This was a meeting of invited grass roots members of the Tasmanian forest sector. People from all regions of Tasmania , from local government, communities, land owners, forest growers and managers, scientists, craft and furniture makers and designers. They include sawmillers, workers, harvest, haulage, and silviculture contractors. Professional scientists, ecologists, foresters and engineers also contributed to the grassroots meeting.

They came to Campbell Town to express their support for continued sustainable native forestry and to state their concern over the secret process to develop a Statement of Principles to lead to a new agreement to replace the Regional Forest Agreement created by the National Forest Policy Statement.

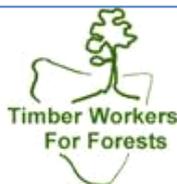
They called for greater community input on the issue and published a communiqué that was widely reported in Tasmania's media.

Campbell Town Communiqué 4 February 2011

We eighty six people from all parts of the Tasmanian forest sector, unanimously agree that:

1. Tasmanian native forestry is perfectly sustainable in the short and long term.
2. Tasmanian native forestry is backed by science and ideally suits the State's conditions,
3. Tasmanian native forestry supports many thousands of people and is a substantial part of the State's economy.
4. We are extremely concerned that the future of native forest management could be considered without effective community engagement.
5. We will continue to promote these arguments until the broader community can have their say on the economic, social and environmental values of native forest management.

7.13. Timber Workers For Forests Inc.



Timber Workers For Forests Inc.

Open letter to Mr. Bill Kelty

Contact:

Frank Strie, President
82 Brady's Lookout Rd.
Rosevears, Tas. 7277
PH: (03) 63 944 395
M: 0417 312 927
info@twff.org.au
www.twff.org.au

2nd March 2011

Dear Mr Kelty,

As you are aware there are many NGOs who might have been able to make valuable contributions to the 'roundtable' discussions but were never offered the opportunity to even make written submissions let alone participate fully.

Timber Workers for Forests Inc is one such group. We are an independent group established by timber workers who share concerns about forestry practices here in Tasmania. We represent a broad range of people from the timber industry and have contributed to the 'forest debate' in a constructive manner for more than a decade. We invite you to visit our website www.twff.org.au where we have published a number of original research papers and other relevant information.

We note that many of the participants in the 'roundtable' have withdrawn from the process and, given the outcomes, this seems hardly surprising.

Had we been invited to participate, we would probably be amongst them.

Having not been invited to participate in these 'secret discussions' we have mainly learnt of the outcomes from media reports and get the impression that the whole exercise has been driven by a desire to create an impression of 'social license' for the proposed Gunns' pulp mill.

We are strongly opposed to the mill as proposed, and have reservations about the suitability of any large scale pulp mill in Tasmania.

It is very clear to us that most ENGOS appear to expect that all harvesting of native forests should cease and it equally clear to us that this is an ambit claim which is nonsense.

The plantation trees which the ENGOS propose to use in place of our native forests can never supply quality timber. They were intended for pulp and fibre production and that is all they are really good for.

Further, when carbon accounting begins, solid timber produced from native forests will contain the smallest amount of embodied fossil energy of any wood product. If only as a consequence of these two facts, the **commercial management** of native forests must be allowed to continue.

Please note, however, that this does not mean we are advocating the status quo of clearfell, burn and sow - quite the contrary. It is clear to us that this practice is unsustainable and must cease immediately.

The clearfell, burn and sow regime adopted by the industry is based on a PhD thesis written in the 1950s by PhD student Max Gilbert. The industry has cherry-picked Gilbert's work, conveniently forgetting that the regime he proposed as the best way to regenerate eucalypt forest, would (as he said) result in the demise of the special species.

Research work at Warra8G has clearly demonstrated that selective harvesting of wet eucalypt forest can be safe, profitable and results in satisfactory eucalypt regrowth.

Forest management in the future must embrace a full understanding of the way mixed forests work and how they can be managed in perpetuity to maintain healthy ecosystems and ongoing employment - not destroyed and converted into virtual monocultures to be mined for short term profit.

To this end, the 'ProSilva' approach **originally emerged and developed by** European forest **managers** is a system which could form the basis of an Australian forest management system which "harvests the interest while maintaining the capital".

Nowadays, there is considerable, active and valuable information exchanges happening between progressive forest management countries see:

<http://www.iufro.org/download/file/6260/4585/10500-ljubljana10-abstracts.pdf>

We advocate changes to forest management that will allow for a perpetual supply of special species timber and high quality eucalypts as well as structural timber.

We believe that this approach would not only **optimise** ongoing employment in the forestry sector but go a long way towards healing the divisions within our community.

We would be happy to participate in any discussion that genuinely seeks to create a truly sustainable forest industry here in Tasmania.

Yours sincerely

Frank Strie, FWM*
TWFF President

* FWM = Forstwirtschaftsmeister - Master Forester (Germany 1983)

7.14. Tap into a Better Tasmania

TAP is a broad based community organization that for five years has resolutely opposed the establishment of a world scale pulp industry for Tasmania. The grounds for opposition are social, economic and environmental. Perhaps the most compelling argument revolves around the financial risk of a high cost producer like Tasmania, competing against much cheaper producers in Asia and Latin America and what that might mean for the people of Tasmania who will be locked into subsidising an industry 'too big to fail'.

TAP has over the years organized rallies on water and land involving flotillas of boats and up to 12,000 people. TAP has organized numerous public meetings, petitions (the largest ever presented to the Tasmanian parliament), demonstrations, has done much futile lobbying of politicians, developed a Voter's' Block and has established a strong media presence.

Many members of TAP have sacrificed years of their lives to ensure the community has a voice.

OPEN LETTER TO MR BILL KELTY from TAP INTO A BETTER TASMANIA

February 27th 2011

SUBJECT: FOREST PRINCIPLES

Dear Mr. Kelty,

We note that you have volunteered your services as a 'facilitator' – or 'honest broker' in the words of the PM - of the forest principles negotiations in Tasmania, which for brevity I shall call the 'roundtable'. TAP Into A Better Tasmania understands that you are prepared to meet with members of the public and community groups.

TAP Into A Better Tasmania has not received an invitation to meet with you nor will we be seeking a meeting.

You should not regard this as a reflection on you as an individual, but a judgment we have made regarding the legitimacy of the 'roundtable' negotiation process in which you are now a major participant. We do not intend in any way to recognize or endorse a deeply flawed and illegitimate process.

The 'roundtable' process, from its inception, did not include community representation. Instead community representation was deliberately excluded because those who established the process realized that community representation would raise issues that

were required to be excluded from discussion, even though those issues were of paramount importance to the future economic, social and environmental health of Tasmania and all Tasmanians.

In this essential element of community representation, the 'roundtable' process ignored the broader ramifications of Tasmania's holistic future. The 'roundtable' process is not only illegitimate because it is secret, elitist and un-representative, but because it fails to take into consideration the costs of adopting a policy program such as this without adequate analysis of its impacts on the overall future of Tasmania and of ordinary Tasmanians.

This must not be allowed to happen. You would know that secrecy is corrosive and breeds suspicion, but the 'elitist' self-selection and anointing of 'roundtable' negotiators behind the scenes, has no public credibility, and must be rejected by an open democracy such as ours aspires to be.

Representation

Some conservation groups either walked out of the negotiations or refused to sign up to the 'principles' because the agenda of the three dominant environment groups, TWS, ACF and ET was perceived to be too narrow and exclusive.

It needs to be emphasised in the strongest possible way that while various parties, in attempting to promote their own agenda, claim that the forest negotiation are community driven, this is far from the truth. As with the fast track pulp mill approval process engineered through the Tasmanian parliament in 2007, destined to be recognized as one of the worst abrogations of parliamentary process in Australia since 1856, if not the worst, the community was deliberately excluded from the 'roundtable' negotiations.

There are forest workers and former forest workers who do not believe their best interests are represented by either the 'astroturf' organizations of FIAT and TCA, or the CFMEU which has for years blatantly toed the Gunns line, rather than fight for the rights of its members. "What is good for Gunns is good for our members", has not served union members very well at all. Gunns has been very forthright in its willingness to shed hundreds of workers over the last few years, while continuing to suck subsidies from the taxpayers' coffers, which should have been directed to the interests of public health, housing and education.

Who could ever forget that notorious betrayal of Labor history and principles when, in 2004, the leadership of the CFMEU, on stage in the Albert Hall in Launceston, committed the union to support the re-election of John Howard?

Meanwhile the Gunns business model has failed, the industry has collapsed and the jobs are gone.

Any resolution to the turmoil in Tasmanian forestry requires, as a first principle, the input of a range of technical expertise and scientific knowledge. Were there any hydrologists, foresters versed in alternatives to the way forestry has operated in Tasmania, ecologists, botanists, economists, complex systems analysts, medical experts, forensic accountants etc. informing the 'roundtable' negotiations?

No.

In fact, efforts by some experts to provide informed input were scorned or ignored.

The way the 'roundtable' forest negotiations have been set up and run goes to the heart of integrity in public affairs. TAP is deeply dismayed that the ALP and the Greens enthusiastically endorse such an unethical process.

It would appear that Tasmanians are addicted to shoddy process and seem incapable of learning the lesson from previous scandals and failures.

FSC

It is our contention that the 'roundtable' negotiations undermine the FSC (Forest Stewardship Council) process.

TAP Into A Better Tasmania is a member of the Social Chamber of FSC. As you are aware, FSC has three chambers: social, commercial and environment. Representation of the first chamber is absent from the 'roundtable' and of the remaining two chambers we have argued, above, that representation is limited and partial.

Timber Communities Australia (TCA) – formerly Forest Protection Society – was represented at the 'roundtable'. The representation of TCA in FSC Australia Social Chamber was constructively criticized and formally disputed. TCA is far from a true community group. It is an industry construct, industry funded front group. In other words it is an 'astroturf' organization.

The CFMEU's role in FSC speaks volumes for how this organization behaves. Michael O'Connor, then head of the forestry division of the union, now head of the whole union, wanted the CFMEU to control the Social Chamber of the FSC rather than being one equal voice of three. When that move failed he took the union out of any involvement with FSC.

While FSC is not perfect and has its critics, FSC is a standard that world markets are insisting on for forest products. It is also a point worth making that the FSC process is as good as the stakeholders make it.

It is a mistake to consider the TWS/ET 'roundtable' solution to Tasmania's forest mining mentality as lying in a switch to monoculture tree plantations, essentially for fibre, represents community views. By no stretch of the imagination can it be accepted that the TWS/ET advertising campaign, said to be \$600,000 through a front group Our Common Ground, promoting the agenda of the plantation industry, has the support of the public.

Furthermore, TWS/ET must know that monoculture plantation establishment by forest conversion after 1994, which is the bulk of Tasmania's hardwood plantations, cannot be eligible for FSC certification.

It would require a complete paradigm shift in management, planning and practice, such as restoration management, to be at all likely to be considered for the FSC process.

This narrow and all too simple ENGO 'solution' will imprison Tasmania on the wrong side of history. Regardless of the social and environmental consequences of committing Tasmania to a future as Plantation Isle, the economic consequences will be extremely damaging.

TAP does not regard monoculture tree plantations as the solution to anything. Rather, they are the problem.

The 'roundtable and the pulp mill

It cannot be ignored that the catalyst for the establishment of the 'roundtable' was the sequence of events following the collapse of Gunns shares in the early months of 2010, the replacement of John Gay and the resulting dramatic policy shifts by Gunns, signaling their exit from native forest to monoculture plantations as the basis for a complete focus on building the Tamar valley pulp mill.

This was the context within which the 'roundtable' was set up and its membership determined. The 'roundtable' was the vehicle, where Gunns imperatives and decisions sat front and centre throughout the whole process, driving the agenda and the outcomes of the 'roundtable'.

There will be no peace in Tasmania about forestry issues while these imperatives remain, driving forest industry policy into an economically unsustainable focus on pulp.

There is a general apprehension in Tasmania is that the 'roundtable', from the industry point of view, is about ensuring the delivery of public money from the Federal Government coffers into the pockets of the industry.

The twenty odd million dollars of exit packages so far delivered is but a drop in the ocean

compared to the hundreds of millions of public money that the industry has already swallowed up in order to be 'more sustainable' or to 'retool' or to 'exit with dignity'.

An industry grown flabby on subsidies thinks the solution to its woes is more public money.

From the industry point of view, while the 'roundtable' is centered on the delivery of the Gunns pulp mill, Gunns is a heavily indebted company that has sold off most of its cash flow assets to reduce debt, and is in survival mode. Yet the Prime Minister, egged on by a chorus of Labor politicians, is considering funding the pulp mill with money that belongs to the citizens of Australia.

As you are the 'honest broker' and will, I presume, be reporting back to the Prime Minister, please pass on this message. If any more public money is gifted to Gunns the hostile reaction in Tasmania will be tremendously exacerbated. Divisions within Tasmania will deepen further, in much the same way as has occurred, and continues now, at the site of the Botnia mill on the Argentine-Uruguay border.

There will never be peace if the corrupted pulp mill policy proceeds.

For governments, picking winners invariably means picking losers.

Conclusion

The road to peace in Tasmania does not rest with a narrowly constituted 'fixit' group secretly seeking a balance of self-interests, while behind the scenes political manipulation is rampant, despite denials to the contrary. Only a properly constituted, broadly represented, fully informed, open and public process has a hope of coming to any resolution.

TAP Into A Better Tasmania would only consider participating if these conditions were met.

What is needed is a fundamental overhaul of resource allocation principles including forest management systems, which see forests as a durable long-term resource requiring the best possible care. Only such an approach will provide the social and economic balance leading to peace in the forest, the population, the workforce and the involved businesses.

As the 'honest broker' you are ideally placed to put the third option of a multiple bottom line of a forest and business management approach on the table as a realistic way out of the tunnel vision of EITHER old growth clear felling OR fibre monoculture plantations. The third option models are increasingly cutting edge world- wide

Finally, here is a quote from Tasmanian resident Peter Brenner, who was formerly Head of Information of the Swiss Timber Information Council (Lignum).

“It has been and is impossible to this day to represent the strong desire in many of the general community to move towards forest management methods that answer to multiple bottom lines, are truly sustainable over centuries, provide quality jobs throughout the State, increase biodiversity, enhance quality and quantity of scarce water, avoid the use of dangerous chemicals and fertilisers, retain the viability of rural communities and offer an aesthetically pleasing environment for residents and visitors.”

Yours Sincerely,

Robert McMahon

<http://www.tapvision.info>

7.15. Department of Economic Development, Tourism and the Arts – Tourism Australia

Department of Economic Development, Tourism and the Arts TOURISM TASMANIA

Level 2, 22 Elizabeth Street, Hobart TAS 7000
GPO Box 399 Hobart TAS 7001 Australia
Ph (03) 6230 8235 Fax (03) 6230 8353
www.discovertasmania.com



Bill Kelty
C/o Joel Bowden

joel_bowden@linfox.com

SUBMISSION to Bill Kelty in respect of Opportunities to Stimulate Regional Tourism Growth in areas of Tasmania likely to be impacted by Altered Forestry Practices

Subsequent to your recent meeting with Tourism Tasmania representative Dr Claire Ellis, Tourism Tasmania has considered key issues with the Tourism Industry Council of Tasmania (TICT) in the development of this paper which outlines areas where support is needed to assist in developing tourism opportunities for regional communities impacted by altered forestry practices.

Please note the TICT may also directly submit its own comments either through a meeting with you or by direct submission.

The range of benefits tourism brings to regional communities and relevant supporting data were covered in our earlier discussion and below is a brief summary.

This paper focuses on key tourism industry opportunities to drive growth and industry requirements / parameters for that to occur and thus deliver economic and social benefits for regional communities specifically and the state overall.

Background

Tasmania's tourism industry is an important part of the State's economy, is highly dispersed across the regions, and has strong social and environmental flow-on effects. Tourism is currently directly responsible for 4.98% of the State's GDP with a direct employment contribution of 6.15%. Both rates are significantly higher than all other states.

Continued new product is vital for further growth. Currently the industry appears to be increasingly supply constrained. However, while there is strong interest in investing in Tasmania from a number of tourism developers, there appear to be significant impediments and this investment may not be realised. A range of regional tourism investor support programs exist in other States to help ameliorate these issues.

Tasmania has a relatively dispersed population and visitation to regional areas is a critical issue. Recent data across Australia indicates a softening of the tendency for visitors to disperse. Tourism plays a significant role in virtually every municipality across Tasmania and ensuring there are strong reasons for visitors to travel to different parts of Tasmania, not just Hobart and Launceston, is becoming more important. Therefore developing the right variety of products and experiences to deliver to visitor expectations in regions is vital as significant employment and community vibrancy is created from visitor expenditure.

Importantly the Tasmanian community is also highly supportive of the growth of the tourism industry as a driver of local economies based on research undertaken by both Tourism Tasmania and the Tourism Industry Council of Tasmania (TICT).

Key Requirements to facilitate regional tourism growth in areas likely to be impacted by altered forestry practices.

The requirements in this paper were developed after considering the best ways tourism can support the key principles of:

- maintaining and caring for our high conservation value forests into the future,
- the sectoral transition issues for the forestry industry, and
- creating alternative means to maintain the vibrancy and liveability of small regional communities across Tasmania.

Investment Attraction:

- Identify agreed parts of newly reserved land that can be utilised for tourism developments (developments may be infrastructure related or less tangible such as permitting 4WD tours, biking and standing camps in certain areas)
- Develop an investor friendly approach to fast track investor ideas and concepts in these areas (similar to Land Bank and Nature Bank from WA but more entrepreneur-driven).
- Conduct market research to identify new forest based product opportunities and/or specific support for market testing investor propositions.
- Land management should be carefully considered and land tenure issues be focussed on creating tourism friendly outcomes. Hence the management of these tourism-designated land areas should be kept separate to Parks & Wildlife Service current land management policies which may inhibit commercial development.

Funds Required and Timing - \$900,000 over 3 years (yrs 1 to 3).

New Investment Support

- Provide a Regional Tourism Infrastructure Fund recognising that the cost of developing new tourism businesses in remote or regional areas is significantly higher than in cities due to a lack of public infrastructure provision.
- Provide a series of support mechanisms for new operators that are tailor-made to each operator's needs. This may include:
 - cooperative marketing support and advice for new forest based tourism operations to ensure they rapidly attract significant visitation and are able to create the economic flow on effects for nearby towns.
 - a shared marketing approach for the tourism ventures that may include eco-accreditation.
 - interpretation skills and material to assist visitors understand the changing nature of Tasmania's use of its forests

Funds Required and Timing - \$30m over 6 years (yrs 3 to 8) with a delayed implementation to allow the Investment Attraction process to have occurred.

Affected area support - increasing the tourism appeal

- Commit to long term transition funding for identified areas and / or towns. It must be recognised that sectoral transition in areas such as job dependency and the development of new businesses servicing visitors takes time to create sustainable permanent adjustments.
 - Funding should support Council implementation of 'tidy town' type upgrades, seed funding for business growth to provide improved services, attractions and activities in affected towns.
 - Tourism and service skill / training support.

Funds Required and Timing - \$3m over 10 years (years 1 to 10).

State-wide requirements

- Ensure the land manager of newly reserved areas has sufficient ongoing annual funding to:
 - sustainably manage the new lands in terms of fire, weed and conservation management requirements etc including administrative costs.
 - appropriately provide and maintain public infrastructure including road access to key points of interest, and core facilities such as walking tracks, interpretation, signage, toilets, picnic facilities, camping facilities etc and market these recreational opportunities.
- Enhance Brand marketing to continue to strengthen Tasmania's position as a global leader in nature based tourism, particularly through any sectoral forest-use transition period.

Funds Required and Timing – unclear for first dot point subject to quantum of reserves and number and style of visitor facilities built but \$8million per year tentatively budgeted for ongoing management and \$6m for three years to construct access roads, walks, interpretation, picnic facilities, toilets etc at points of interest, \$98m over 10 years (years 1 to 10); Brand / marketing \$14m for 5 years (years 1 to 5).

If a Pulp Mill is constructed – impact management on current northern tourism businesses

- Provide a support program for current tourism operators to assist in the rapid change in the dynamic of the current tourism industry in the area surrounding the Pulp Mill if constructed. Factors to be considered include real or perceived changes in the availability and cost of commercial accommodation, activities and experiences available, the impact of recreational activities of the construction workers and the longer term business decisions around a possible 'boom and bust cycle'.

Funds Required and Timing – Brand / marketing \$3m for 4 years (years 1 to 4).

Governance

To manage this forest-based tourism support package a model similar to that used to manage the tourism funds made available from the sale of Spirit of Tasmania III is recommended. Hence a partnership approach between environmental groups, the new land managers, TICT and Tourism Tasmania is recommended to be established.

The first step would be to create a proper plan to ensure actions met key priorities and created measureable agreed outcomes.

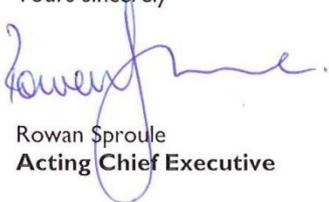
The partnership should work closely with local Councils and regional tourism bodies to ensure the forest-based tourism developments and town re-vitalisation work supports and complements the

wider tourism actions of the area. In addition, the outcomes of this program should be clearly considered within the wider regional development planning to ensure labour force/ skills development and wider issues essential for tourism are planned and managed in an integrated manner. Funding is required to manage the grant aspects, auditing and administrative aspects.

Funds Required and Timing –\$950,000 for the life of the program

Attachment: Summary table of Costings.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rowan Sproule', written over a circular stamp or seal.

Rowan Sproule
Acting Chief Executive

10 March 2011

7.16. George Chandler

165 Windermere Road,
Windermere, Tasmania 7250.
Ph. 0363281341
Mob. 0419544266

Mr. Bill Kelty.

Re INPUT TO FOREST ROUND TABLE DISCUSSIONS

The Forest Round Table is a two legged stool which is in danger of falling over because the balancing leg of community voice is missing.

The health of the community has been ignored by both participating parties.

Gunn's mill.

- Will pollute the already heavily polluted air of the Tamar Valley.
- Such a huge mill requires large scale plantations requiring repeated aerial application of pesticides and herbicides which make their way into the drinking water of the majority of the population.
- Many community concerns were expressed to the RPDC.
- These health concerns were ignored in the fast track approval process.
- **Since 2007 medical research here and overseas has uncovered serious health risks associated with exposure to these pollutants.**

INTELLIGENT, ETHICAL LEADERS ARE ABLE TO ABSORB FURTHER INFORMATION AND ACT APPROPRIATELY

Please see attached document referring to some of the medical discoveries relating to children's health.

Please do not hesitate to contact us should you require clarification of any matter raised above.

George Chandler

Jennifer Chandler

B.A. Soc. Wk., Dip. T and A., TTC.

B. Ed., Dip.P.E., TTC.

7.17. Florentine Protection Society



Florentine Protection Society

Patron: Steve Biddulph

8 March 2011

Mr Bill Kelty
Facilitator for
Tasmanian Forests Statement of Principles to lead to an Agreement
c/- Joel Bowden
Linfox House
Level 3,
493 St Kilda Road
Melbourne, 3004

Dear Mr. Kelty,

We are writing to you to urge your support for the implementation of the Moratorium scheduled to commence on 15 March 2011.

The Florentine Protection Society is a member of Environment Tasmania, one of the environmental N.G.O.s which are party to the historic Tasmanian Forests Statement of Principles. The Florentine Protection Society has amongst its objects –

- (a) To preserve, conserve and protect old growth forests situated in Tasmania, including the forests of the Upper Florentine Valley, for the benefit of the community.
- (b) To preserve and protect native fauna and flora whose natural habitat is Tasmanian old growth forests, including those fauna and flora living in the Upper Florentine Valley.
- (c) To educate the public about Tasmania's natural environment and environmental issues, particularly in relation to old growth forests.
- (d) To protect and promote the environmental, social, cultural and economic qualities of old growth forests in Tasmania, including the old growth forests of the Upper Florentine Valley.
- (e) To educate the public about wise use of Tasmanian resources, including high conservation value forests.
- (f) To support the activities of other groups with like objects to the Association, such as organisations which conserve Tasmania's natural environment or national parks.

We urge you to take note of the following points :

1. As a member of one of the parties to the Statement of Principles we were fully briefed on final discussions and negotiations before we endorsed that Statement. We wish to stress to you that ***the moratorium was an integral part of the Statement*** . It is not something which Bryan Green can just talk away and pretend it never happened.
2. Tasmania has been polarised by the forestry debate for about 30 years now. We hope that the implementation of the moratorium will bring that phase of our history to an end. The cycle of environmental destruction and degradation, loss of habitat for our wild-life, mindless wrecking of eco-systems, and loss of carbon stores, etc., can cease

2. if the parties to the Statement of Principles all honour its terms. We now have a historic opportunity to move into a new era of sustainable forestry practices.
3. There is no social licence for the current pulp mill proposal. We are most concerned that issues around the pulp mill are being linked to this agreement. You will no doubt be aware of current discussion informally that Gunns need to keep the pulp mill proposal “alive” so that their bottom line does not reflect a “loss” on the basis of cumulative expenditure on the mill proposal. One outcome of this lack of transparency is that there is not a proper open debate on the real issues, including Gunns’ options for their contracts if there is no government buyout.
4. This in turn means that there is a lack of trust in relation to possible future actions by Gunns, the State Government, and Forestry Tasmania. At best there is a “smoke and mirrors” approach designed to protect Gunns’ financial interests, and at worst there is an agenda to undermine this agreement through deliberate mis-interpretation of what has been agreed.

We hope that as you have been appointed to a position of independent arbitrator on some of these issues that you take these points into consideration to ensure that the Statement of Principles and the subsequent agreement being developed is honoured in both deed and spirit and that the moratorium takes effect as scheduled.

Yours sincerely,

Austra Maddox
Vice President (Florentine Protection Society Inc.)

7.18. George Harris

The Statement of Principles – A contribution

To: Mr. Bill Kelty
From: George Harris
Date: 08/03/2011

Dear Mr. Kelty,

Thank you for the opportunity to contribute the following to your efforts in facilitating progress on the Statement of Principles:

I am a designer and manufacturer of furniture and handcrafted products for retail sale in Tasmania's unique Special Timbers from our native forests.

I am one of 2,000 Tasmanians that are specialty artists, wood turners, wooden boat-builders, furniture designers and manufacturers, and who depend upon Tasmania's native timbers. These timbers are managed on a sustainable basis through Forestry Tasmania's Special Timbers Strategy.

I do not believe an agreement can be reached under the Statement of Principles that I would have any level of happiness with.

I do not believe an agreement can be reached that is in the best interests of the Tasmanian community.

I do not believe an agreement can be reached that is in the interests of myself or any other person of similar interests currently working, or likely to engage in similar work at any time in the future.

The Principles provide for "*ongoing specialty timber supply including eucalypt for our Tasmanian high value furniture and craft industries through a negotiated plan and timeline.*"

Yet they also require that they "*Immediately protect, maintain and enhance High Conservation Value Forests identified by ENGO's on public land*"

A simple overlay of the maps within the Special Timbers Strategy showing Special Timbers distribution with those of the Wilderness Society and Environment Tasmania showing HCV forest identified by ENGO's reveal that the area sought would not make it possible to deliver any Special Timbers, let alone an on-going long-term supply.

I believe the process that delivered the current task was flawed, and that the Statement of Principles itself is a seriously flawed document.

While I believe that peace in the forests and an end to conflict over forestry issues would be a nice situation to be in, I believe that an understanding of the nature of the conflict and its motivations would lead any observer to conclude that such a set of circumstances, with an acceptable level of equity, cannot be delivered by negotiation, and certainly none that would have any level of permanence.

In such circumstances, I am completely opposed to bargaining away any further assets, especially those that I consider so precious: our Special Timbers.

I am disgusted that others in the bargaining process are seeking to negotiate assets on my behalf for which they have such little regard.

I believe these negotiations were entered into in circumstances of distress, and that Special Timbers are the ant that gets trampled when the elephants are stampeding to save themselves.

Not only should no surrender of territory or entitlement be contemplated, but there can be no surrender of territory or entitlement without compensation, and it is clear that the federal government have indicated that no further money will be available to provide compensation. Equally it is clear that the state government is not in a position to offer any compensation. No one, as far as I am aware, is entering this negotiation from the timber industry side with a preparedness to bargain away territory for no compensation, (or at least I hope that is the case!), and no one associated with Special Timbers that I know would regard anything as suitable compensation for trading away access to Special Timbers for generations to come.

Consequently, I could not support an agreement and I believe abandonment of the process should be considered.

Such abandonment of the process should be accompanied by a move to seek support on the floor of the Tasmanian House of Assembly for an affirmation of support for the native forest-based timber industry, for the support and extension of the RFA and the RFA process, and support for the Special Timbers Strategy and the Special Timbers sector, and a rejection of the concept that a transition from a native forest-based timber industry to a substantially or entirely plantation-based timber industry is either necessary or desirable.

A Labor state government with an honest and accurate understanding of its true constituency would support the native forest-based timber industry, as would a Liberal government from its support for the business sector, and the Greens members would be left where they deserve to be – alone and friendless. On a good day the Legislative Council would carry unanimously any motion in support of the timber industry, and on a bad day it would still be at least 13 – 2. So what is their problem???

Your's sincerely,
George Harris

Annexes: The timber industry including Special Timbers
 Location and growth rates
 Special Timbers Strategy
 The ENGO's and HCV
 World Heritage Area and nominated WHA extensions
 Gunns, The Wilderness Society and the Tamar Valley pulp mill
 The Wilderness Society and tax free status

The timber industry

I have a concern for the whole timber industry, not just one part of it. In Tasmania it is important to understand that no part of the industry stands completely on its own, and some of the smaller parts could not survive without proximity to the mainstream activities. Many see the timber industry just in terms of the supply of a commodity, but there are areas in the application side where the source of the timber, its characteristics and the story behind it are important. This is especially so in the furniture and woodcraft sector, and in the boatbuilding sector.

Special Timbers

Special Timbers are unique and endemic Tasmanian timbers that are found in limited quantities in particular areas of our native forests. They are highly prized by woodworkers for their decorative qualities and their application to specific purposes, and include Blackwood, Myrtle, (especially Tiger Myrtle), Musk, Celery-top Pine, King Billy Pine, Huon Pine, Blackheart Sassafras, and numerous others.

These species are the basis of a manufacturing industry that directly employs 2,000 people in FTE (full time equivalent) positions, and a further 8,500 people engage in related activities either as a hobby, or to a limited commercial extent. (Farley & Bishop, 2009) These timbers cannot be substituted by any other timber. Special Timbers occupy iconic space in our artistic, cultural and heritage landscape.

Special Timbers are an inalienable part of an industry that comprises furniture designers and manufacturers, wood turners, sculptors, musical instrument makers, wooden boat builders, and the craft shops and galleries that are an iconic element of our tourism and visitor experience. These have put locations like Strahan, Richmond, Geeveston, Stanley, and Salamanca Place on the map. They have given outlets like the Design Centre in Launceston and the Tasmanian Wood Design Collection a well deserved international reputation. The combination of stunning materials, brilliant design, and flawless execution have raised Tasmanian made timber products to the equal of any that can be found anywhere on the planet.

The recent Australian Wooden Boat Festival in Hobart is a reminder of just how special our boat building timbers are.

Huon Pine, Celery-top Pine and King Billy, which only grow in Tasmania, are recognised

internationally as among the finest boat-building timbers available.

This festival is not just about museum pieces, magnificent though they are, it is just as important for new work, for keeping skills alive, and for creating new opportunities.

The making of musical instruments is emerging as a significant activity in Tasmania, and many makers are using Special Timbers. It is believed there are sixty active makers, and an exhibition in Hobart in 2009 displayed the work of forty musical instrument makers, past and present.

Instruments currently being made in Tasmania include guitars, (both electric and acoustic), violins, harps, drums, recorder, clarinet, and recreations of medieval designs in string and wind instruments.

There are instrument makers in Tasmania reproducing medieval designs whose entire output is being commissioned and sold in Europe over the internet.

Considerable interest in Tasmanian Special Timbers is developing in America, and is resulting in sales and exporting of timber blanks for guitars as well as the work of local guitar makers.

Location and growth rates

Special Timbers exist in limited quantities in specific areas. These are usually in the wetter areas, and most that remain are locked up in existing reserves.

There is one truism concerning our Special Timbers: You cannot harvest them where they do not grow! Another is this: You cannot manage a reserve as if it was a production forest, and you cannot manage a production forest as if it were a reserve!

Most Special Timbers have slow to very slow growth rates. Blackwood can produce a saw log in 80 to 90 years. Myrtle and Blackheart Sassafras require at least 200 years, and preferably longer. It takes at least 400 years to get a good Celery-top Pine. Huon Pine and King Billy Pine can take 800 years to reach a suitable size, and the oldest Huon Pine was measured by core sample to be 3,300 years and still growing.

This makes an absolute nonsense of the claim by Environment Tasmania in their recently released timber industry policy that Special Timbers should be grown in plantations! Huon and King Billy have a strong natural defence in that their oil is a fungicide and insecticide. This greatly slows their susceptibility to rot and decay, and they can lie on the forest floor for a very long time. The opposite is the case for Myrtle and Sassafras, which deteriorate rapidly, and must be forwarded to a saw mill without delay or degradation will begin to occur.

The long existing policy of delivering Huon Pine in low quantities without felling living trees is appropriate, and possible because a significant amount was placed in long term storage

from harvest in areas that were flooded in hydro-electric power development schemes, (Gordon-Pedder and Lake Burbury), and a significant amount remains available from salvage on the Teepookana Plateau near Strahan, and other areas, aided by the natural durability of the timber.

Most of the remaining area on the Teepookana Plateau has been targeted by the HCV lock-up. This is utterly unacceptable.

The ENGO's participating in the Statement of Principles process have a misguided idea that Special Timbers can continue to be available from salvage off the forest floor following harvesting operations, and in some cases years after the event if regeneration burning for some reason has not occurred. This is wrong for two reasons. Firstly, anything that meets the specifications of a Category 4 saw log, (Special Timbers), would have been recovered because of its value to the feller and harvesting contractor, and secondly any out-of-specification (defect) log would have deteriorated to the point of minimal value, including to the end user, especially if it had been left for any period of time, unless it was Huon Pine in which case it would have been recovered anyway.

This misguided idea arises from a completely discredited report written in 2004 by one of the founding members of Timber Workers For Forests. (a misleading name for a group opposed to the traditional industry) This report refers to an audit conducted by this person on residue left after logging on Coupe EP074D. Logging on this coupe had been completed, but the coupe had not been closed, and regen burning had not at that stage occurred. The TWFF report indicated that on this single coupe an amount of 65,440 cubic metres of Special Timbers was left behind. This is more than five times the total yield of Special Timbers across all coupes in the whole state for the year 2008-09! At the time one commentator suggested there would have to be trees growing on top of trees to generate that much timber, even before harvesting and removal of saw logs!

The request by The Wilderness Society and Environment Tasmania for an immediate audit of un-burnt logging coupes from previous years to quantify timber salvage and wood bank opportunities (esp. for special species) indicates that this erroneous and misguided concept still drives their thinking.

Special Timbers Strategy

A considerable effort was made by Forestry Tasmania in developing the Special Timbers Strategy, which was officially launched in March 2010 following an extensive consultation process. Submissions were invited from interested persons following a period of display of the Strategy in draft form during 2009. The Strategy adopted the STMU's (Special Timbers Management Units) from the RFA and added around 20,000 hectares of mature eucalypt forest in recognition that such timber should be managed under the same regime as Special Timbers for the qualities of the timber, which include burl and fiddleback grain features prized by woodworkers. This mature eucalypt forest is also rich in Special Timbers.

The essence of the Special Timbers Strategy is to provide an on-going long-term supply of Special Timbers with three objectives: to sustain the resource, maximise value recovery, and to promote Tasmanian Special Timbers to the world. These are consistent with the 2008 Sustainability Charter, and involve non-clearfelling harvesting techniques and rotations of 200 years or greater.

It is unacceptable that any incursion be made on the capacity or intent of the Special Timbers Strategy.

A simple overlay of the maps within the Special Timbers Strategy showing Special Timbers distribution with those of the Wilderness Society and Environment Tasmania showing the claims of HCV forest reveal that the area sought to be included in the moratorium would not make it possible to deliver any Special Timbers, let alone an on-going long-term supply. A reduction in area leading to a reduction in the quantity of Special Timbers that can be supplied in a sustainable manner is completely unacceptable.

The ENGO's and HCV

The area available under the Special Timbers Strategy was derived from the STMU's (Special Timbers Management Units) identified in the RFA, (Regional Forest Agreement), which applied clear and defined criteria for determining reserve boundaries and areas of high conservation value.

This was a scientific process that was available for all to scrutinise.

In areas of state forest that were generally available for timber production, a more detailed examination involving on-ground evaluation is available to determine the exact layout and procedures in accordance with the Forest Practices Code to produce a Timber Harvesting Plan. These procedures are accepted as an accurate means delivering all requirements, including the scope and intent of the EPBC Act.

However, this is obviously not acceptable to the ENGO's, who prefer their own process, and their own criteria, whatever they are.

It is felt by most in the timber industry that the decisions that permitted and encouraged the ENGO's to nominate whatever they felt to be HCV forest without any reference to any established criteria, or any requirement to justify the criteria they might happen to use, or any questioning or inquiry as to what that criteria might be have been a major flaw in the process.

Anecdotes circulating about how ENGO representatives have been observed discussing areas and drawing lines on maps have left industry people flabbergasted. How people's working lives, investments, and industry futures can be determined by such a means is utterly unsupportable.

The fact that areas of re-growth, and areas containing actual plantations can be described as HCV forest and included in areas nominated for reservation is reprehensible.

World Heritage Area and nominated WHA extensions

The ENGO's have nominated additional reserve areas on the basis that they think it is appropriate to extend the World Heritage Area boundaries. This is despite a recent request by ENGO's and Greens members of parliament to extend the boundaries having been assessed by a visiting delegation from the WHA Committee in 2008 and comprehensively rejected.

One of the grounds for the ENGO's seeking to extend the boundaries was to provide a buffer around the WHA. However, it is quite clear in the documentation of the declaration of the WHA that the current boundaries contain buffer zones within them that protect the values and the elements that led to the nomination in the first instance.

Consequently, any move now to extend the boundaries on this basis is absolutely rejected.

Gunns, The Wilderness Society and the Tamar Valley pulp mill

Gunns is a company that has been around for a long time. During the 1980's it was a medium level timber and saw milling company. At that time the conservation movement had become established and had won major victories in its No Dams campaigns. These campaigns were winding down, and a number of people were discovering they had paid occupations that were more fun than real jobs, and new campaign areas had to be developed around which fundraising activities could succeed. It was discovered that these new organisations depended upon a model of perpetual conflict, and it was a strategic and tactical error to participate in the final resolution of a conflict. The longer a conflict could be drawn out the better.

The forests and forestry campaigns were ramped up as the No Dams campaigns wound down. Many small to medium timber companies were worn down by the campaigns. Many sold out or closed, and at this point Gunns decided to go on an acquisition drive, and it became a large and successful company. It bought up many distressed assets across all facets of the timber industry, including hardwood and softwood mills, veneer plants, woodchip mills, and ultimately acquired and developed a plantation estate. It became the only company on the ASX 200 to be listed as headquartered in Tasmania. It thought it could withstand the sustained attack of the environment movement.

Meanwhile, the Wilderness Society and other related groups participated in the Forests & Forest Industry Strategy, which ultimately delivered the signing of the RFA in 1997 after a process lasting six years. The Wilderness Society participated for the whole of that time, but withdrew at the last moment on the last day when the signatories had picked up the pens to sign the documents. It had extended the conflict as long as it could in that process, but has continued ever since, and has won more concessions than would have been possible if it had signed the RFA. It continues to attack the RFA to this day.

It seems every time they come around, we give them something. The RFA was substantially bastardised by a political campaign during the 2004 federal election in a process that resulted in the 2005 Tasmanian Community Forest Agreement. That agreement was a substantial capitulation, and in that agreement we locked up more forest than we ever should, including areas of very valuable Special Timbers. In that agreement over 80% of the Myrtle that was available at that time was locked up. And here they are again!

The difference here is that this time they have been tempted to actually sign something, although it was not an agreement, but a process to lead to an agreement. Any piece of paper they were likely to sign was never going to be a piece of paper that the timber industry would like the look of, and boy is that the case!

For years now the Wilderness Society and others have run a comprehensive campaign against Gunns, demonising the company in the process. They have sought to sabotage Gunns' international markets, and have picketed and bullied the offices of their customers in Japan. They have sought to promote FSC as their preferred certification scheme, having taken over and manipulated the Environmental Chapter of FSC in Australia. Some of the Wilderness Society representatives that have participated in the Statement of Principles negotiations are the same people who have shaped the development of FSC in Australia.

In contrast to what occurs overseas, FSC in Australia has more plantation area under certification than native forest, and it is much more difficult to achieve FSC certification for native forest harvesting. It seems that it is not designed to be available, rather, it is designed to be not available!

The Wilderness Society and others have campaigned solidly against the Tamar Valley pulp mill proposal, and have been instrumental in the mill now seeking to be entirely plantation fed. In addition, it is likely that significant areas of plantation that Gunns owns will not be able to gain FSC certification under the provisions that have been written into FSC in Australia.

The conservation movement has been split in Tasmania over opposition to the Gunns Tamar Valley pulp mill proposal. It will be a real test of the Wilderness Society to see how it negotiates the rest of the Statement of Principles process under these circumstances. Its support for this proposed pulp mill may be a price too high, even in exchange for the maximum amount of forest going into new reserves. It is a bad deal for the timber industry: too much forest for a neutered pulp mill.

The biggest issue for the native forest-based saw milling industry is the market for its residue in the fibre sector. If the existing saw mills, which are flourishing after having bounced back from the recent downturn, cannot dispose of their residue for a reasonable return, they would have to close in a matter of weeks. The original pulp mill proposal was seen as an opportunity to have a market for the residue that could compete with or even replace the faltering export market.

So why would the native forest-based saw millers support a loss of resource for a pulp mill that will not do them any good in any other way?

The Wilderness Society and the elected Greens do not support native forest sourced saw mill residue being put to any commercial purpose. They are opposed to its export as chips, its use in an on-shore pulp mill, or its use in renewable energy generation. This is utterly reprehensible. This is contrary to the requirements they place on every other industry – maximise the use of waste, recycle waste products, extract maximum value, etc. It is unacceptable that once a log has been fairly and properly classified as a saw log, its by-products cannot be used in this way. No movement on these issues is sufficient justification for saying not one additional square metre should go into reserves.

Would I trade any percentage of the already restricted Special Timbers for the pulp mill, a pulp mill, or any pulp mill? No way!

The Wilderness Society's behaviour and tax free status

The Wilderness Society is registered as an Environmental Organisation, and as such has tax free status on its income similar to that of a charity. As such it is one of the few organisations that can act in a manner that can be described as a secondary boycott. This behaviour has long been not available to trade unions and other organisations. However, The Wilderness Society is alleged to have been engaging in activities that should cause its tax status to be revoked. One of the proscribed activities is to engage in those of an overtly political nature. It is widely believed that The Wilderness Society has been channelling money into other groups, and guiding the activities of those groups. These groups include The Huon Valley Environment Centre and Still Wild Still Threatened. It was recently alleged that the Wilderness Society established Our Common Ground as a front group, and funded its recent television ad campaign against forestry activities to the tune of \$600,000

Following pages: An article from 'The Truth' newspaper, (Melbourne), of June 6, 1946, documenting the story of the Heather girls, who were harvesting timber in the area Senator Christine Milne recently demanded be vacated as it was designated HCV forest.

... a selected article, for the record

Amazing Story Of Girls Who Work Mill In Deep Tasmanian Bush

WHEN Truth first heard of the Heather family in Tasmania we were frankly sceptical. The idea that three girls—one only 16—could fell giant trees, haul the huge logs to the mill over more than a mile of track which they had helped to lay, and generally assist in the conduct of their father's timber mill at Cockle Creek, as capably and efficiently as the team of grown men they replaced during the war, seemed more like a subject for Ripley. But seeing is believing, and we take off our hat to the pioneer spirit and the physical toughness of this Tasmanian family whose record is unparalleled in Australia.

STORY FOR RIPLEY

WE met them at the end of an 80-mile journey, 20 of which were over a rough bush track passing the ghost-town of Catamaran.

Literally miles from anywhere, Cockle Creek is reached either by road or sea. The latter route is the one most favored, a fact which Truth can appreciate after travelling over the tortuous bush road, which, girded by dense undergrowth and gnarled gums, offers little incentive for travel to the tourist or casual sightseer.

Truth was greeted by Mrs. Heather and her eldest daughter, Dulcie. Mr. Heather, it was explained, was absent at the doctor's.

Nearest doctor was at Dover, about 27 miles distant.

Mrs. Heather was quite pleased to give all the information we required about her daughters. She took us to the mill, where she went into a detailed description of its working, and then asked if we would like to see her other daughters, who were in the bush felling trees.

"Felling trees?" we gasped.
"Oh, that's nothing," she replied; "they don't think that's very hard work."

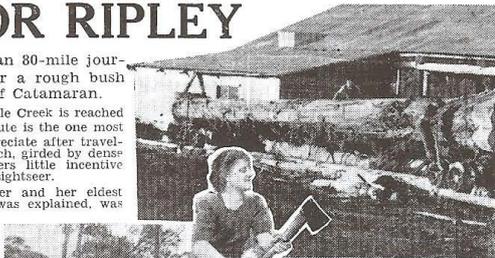
We said we would like very much to see these daughters, so Dulcie was detailed to lead us to the spot.

"How far do we go?" we asked.
"Not far," replied Dulcie; "about 1½ miles. We walk up this tram track."

DULCIE'S STORY

We looked at the tram track. Built from logs cut into 24 feet lengths, it stretched, apparently interminably, up the side of a hill, to disappear in the undergrowth. At places, the track was about 10 feet from the ground, and was a masterpiece of bush craftsmanship.

"It's what the tractor runs along, to haul logs to the mill when they have been cut," Dulcie explained. "My father, brother, two sisters and myself built it in eight months. We constructed it by hand-labor, with the aid of a horse. In some places we couldn't use the horse, so rolled and handled the logs into position by ourselves."



(Above) Rolling off a log at the mill. (Left) Part of the 1½ miles from track constructed by the family. Each log is 24 feet long and cross beams 12 feet long. (Inset) Jean with axe she uses to fell forest giants, stripping bark to fall on boughs and make a platform.

"It gets a bit high here," said Dulcie. "You'd better walk on the ground if you feel uneasy."
We managed a hollow laugh. "It's all right," we replied gazing down at 10 feet of air between us and the ground; "we're enjoying it."

We edged over the danger point while Dulcie, hands in pockets of her slacks, strode out as if walking along a main thoroughfare.

The top of the track was reached without mishap. There was no sign of Dulcie's sisters or brother; but, suddenly, there was a loud crash.

"That's they," said Dulcie. "They've just felled a tree."

Again we gazed at the track and noticed the 12-foot cross bars which were placed at intervals of 12 feet, and the sturdy uprights which supported the track where it passed over the small gullies.

Dulcie stepped nonchalantly on to the track and began to walk along the log runners, striding out without the least hesitation. Gingerly we followed, our photographer bringing up in the rear.

She looked at the soggy ground. "They went that way," she said. "There are their footprints."

We followed her into the dense scrub, under an overhanging canopy of knotted gum boughs and autumn-tinted leaves. There, we found her sisters who, with their 18-year-old brother, George, were boiling the billy for their midday meal.

Nancy, the second eldest, is 20. Dressed in a pair of black slacks, blue, open-necked shirt, and bushman's vest, she leaned on her razor-sharp axe, as she displayed the log she and her sister and brother had just felled.

Ninety feet long it was, and 12 feet around the base. Nancy said it took 11 hours to bring down.

Pretty, 16-year-old Jean, dressed in shy at first, the girls became more talkative under the mellowing influence of a cup of billy tea which they sipped as they discussed their lives.

They were quite happy doing bush work, said Nancy, although they missed some of the attractions of city life.

Their father used to employ 24 men, George explained, but, because of the war and manpower shortages, the girls had taken on the job of working the mill and doing the bush work.

Dances? Yes; they went to dances,

Dulcie said; but not very often, as the nearest town, Southport, was about 15 miles away.

"When we go, we don't get home until about four o'clock," Jean explained.

They had been doing bush work only since last November, but for three years they had worked in the mill. For eight months they had been building the tram track for hauling logs to the mill.

During the evenings, they listen to the radio, sew, knit, or do fancywork. Asked if they found axe work hard on their hands, Jean said it was at first, but they became hardened and now do not worry a bit about them.

She held out her hands. Blackened with sap from the trees, they were hard and firm without being calloused.

"It makes it a bit hard for sewing," added Nancy, "but as we make all our own dresses, you can see it doesn't affect us much."

We asked Dulcie what she did.

Her sisters laughed as she replied: "Oh, I don't do much of the hard work. I do the tallying, keep the records, do the book-keeping, and help in the mill when it's necessary."

They explained how the hauling was done from the bush to the stand where the logs are placed on trolleys, which are pulled by the tractor to the mill.



When the logs reach the mill, the girls and George cut the logs with the cross-cut saws into 14, 16 or 18-foot lengths.

These are loaded on to the breaking-down frame which splits them in the middle.

Mr. Heather and Jean work the Canadian carriage which cuts the wood into fitches of any size required. Jean and George are the tailers-out, and Nancy drives the 32-horse-power engine under the control of her father, who holds a first-class ticket. Dulcie operates the docker which trims the timber ends.

During fine weather, the girls and George fell trees, working in the mill when the weather is too bad to go into the bush.

Three times a week one of the girls rides the horse the three-mile trip to Catamaran for the mail.

Starting work at 7.30 in the morning, they finish at 5.10. These are the union hours, they explained.

Nancy added: At present we work 44 hours a week, but, like many others, we hope that this will soon be reduced to a 40-hour week.

With typical feminine modesty, none of the girls would reveal what wages they received, nor would Dulcie reveal any of the figures for the mill.

On returning to the mill, Mrs. Heather continued the story.

When her daughters and son finish at night, they feed the horses, fowls, and pigs, and milk the cows. Each has an allotted task. They finish about the same time and never squabble about doing more than each other.

"We don't suffer from the petty bickerings which spoil the harmony of many families," she added.

As Truth departed, the girls waved goodbye. Their sunbrowned faces and healthy appearance dispelled any doubts we had about their mode of life and their unfeminine occupation.

Smoke-oh! (Left to right): Dulcie (23), Nancy (20), Jean (16) and George (18) — who run the Heather timber mill at Cockle Creek as a family affair.

Extract from the Truth
June 6, 1946

7.19. Diversity Tasmania

DIVERSITY TASMANIA

patterns through space and time

to Joel Bowden / Bill Kelty

Thanks for your invitation to express our interest as a stakeholder in the future of Tasmania's native forests and their interreliant communities. We confirm our wish to be a genuine participant in the process and the solutions. Diversity Tasmania, as a broad based and statewide not for profit organisation, has been advocating for the "public interest" (often opposed to self or stakeholder interests), for and on behalf native forests, communities, society, and diversity and interrelations generally since 1990.

We see the current Statement of Principles (SoP) as the determination of "interested" or narrowly focused professional or nonconsultative parties. It has serious shortcomings due to misguidance, misdirection and some trickery, and that regardless of goodwill, the SoP is inadequate and flawed. It will not, as it stands, lead to a resolution of conflict and a better society, or enable a sustainable high value added timber industry within a broader diverse economy, or adequately protect the ecologically required conservation areas.

However, with a fresh approach, broader representation and better guidance, all is not lost. Resolution of meaning, interpretation and intention of the SoP will be difficult, and those issues not covered, resolved or thought through are problematic. Of note are the issues of scale and value, increased pressures on areas outside ENGO's HCV areas and on private land, resolution on other priority areas of ecological conservation, legislative reform covering all facets and practices, fairness, independence and effectiveness of planning and regulation, and resource security, conversion and transition.

You seemed to indicate that you were not currently seeking detailed analysis by us, nor full exposition of our views on the way forward. Actually, we perhaps incorrectly assume that while of interest they are not your current concern, rather that your role is as a facilitator, to bring people together in a better fashion that they might work things out. We are interested in meeting with you in the near future, with the view to positively contribute as a genuine stakeholder group, and with others to develop these principles further and to develop a plan for implementation. We would not take on this task lightly as we see its size and the difficulties involved, but we see that the current momentum is best not lost or there may be no significant future forest industry outside tourism and a bleak future for rural tasmania generally, and we are committed to acting for the forests and the greater good.

There is however an overdue stumbling block. There is no future for this process with the current participants if there is not an immediate public declaration, an actual demonstration of good faith by the signatories, that all logging and associated activities in the HCV designated areas is ceased, and that this declaration should be clearly supported by government. Any delay can only be construed as voiding the value of their signatures. Then the important further work can progress, and then we could optimistically and positively contribute.

Diversity Tasmania has authorised me to coordinate and represent on this issue. As such, I can be approached directly by you at the email address you initially used or phone 0417 384 713 , and trust you will treat these as private and for no other purpose. It is preferable and more appropriate, unless there is need for strict confidentiality, to contact via the email address : diversitytasmania@yahoo.com.au . I am based in Northern Tasmania and look forward to meeting with you for preliminary discussions.

Cheers - Tony Elkin

7.20. Tasmanian Conservation Trust



tasmanian conservation trust inc



Upper Meander Catchment Landcare Group



The Environment Association (TEA) Inc

Caring for Home

Established 1990

Reedy Marsh Forest Conservation Group

Hon David Bartlett MP
Premier
Parliament House
Hobart Tas 7000

24 December 2010

Dear Premier,

Tasmanian Forests Statement of Principles

On 28 November 2010, representatives of the undersigned conservation organisations met at the Grange in Campbell Town to discuss their views on the document: 'Tasmanian Forests Statement of Principles to Lead to an Agreement' (SoP), dated 14th October 2010 and presented to you on 19th October 2010.

A total of ten individuals, including representatives of eight conservation organisations, attended the meeting. A number of other conservation organisations expressed interest in attending but were unable to attend on the day.

The meeting was called to provide a forum for those groups and individuals that are not represented by the three environment groups who negotiated and signed the SoP. All those groups who attended do not endorse the SoP in its current form.

The meeting gave all those present an opportunity to make comments on and discuss every one of the principles and other sections of the SoP in significant detail.

The meeting agreed we would write to you outlining the broad position of the organisations represented in relation to the SoP.

At the 28 November meeting we agreed that:

- The SoP promises some important outcomes for forest conservation, in particular forests in wilderness areas.
- The SoP has many serious weaknesses and omissions, however we did not completely reject it.
- The SoP fails to present a complete plan for the conservation of forests nor is it likely to lead to a resolution of the conflict over forestry in Tasmania – two goals our organisations strive to achieve.
- The SoP is a first step that we hope can be built on by governments, industry, rural communities and conservation groups.

- We welcome your government's promise of 'broad community consultation' in developing a strategy to meet the laudable goals of the SoP . We seek inclusion in the process to work constructively with the State Government and other stakeholders to deliver a better outcome.

Those who met on the 28 November agreed to continue meeting to establish a forum for further discussion and potentially to provide input into future government consultative processes in relation to the SoP. Other interested organisations will be invited to participate in future meetings.

Representatives of our groups would welcome an opportunity to meet with you to discuss the matters raised in this letter. Please contact Peter McGlone at the Tasmanian Conservation Trust, 191 Liverpool St, Hobart 7000, phone 03 6234 3552, mobile 0406 380 545 or email tct6@bigpond.com to arrange a meeting or for further information regarding our concerns. The TCT has undertaken to disseminate any response to this letter to the undersigned organisations.

Yours sincerely,



Peter McGlone
Director
Tasmanian Conservation Trust



Andrew Ricketts
Convenor
The Environment Association (TEA) Inc.



Annemaree Woodward
Reedy Marsh Forest Conservation Group



Kevin Knowles
Upper Meander Catchment Landcare Group



Neil Graham
President
Western Rivers Preservation Trust



Tony Elkin
Diversity Tasmania



Phil Parsons
President
Tasmanian Arboretum

cc

- Hon Bryan Green MP, Tasmanian Government Minister for Energy and Resources
- Hon Brian Wightman MP, Tasmanian Government Minister for Environment, Parks and Heritage
- Senator the Hon Joseph Ludwig, Minister for Agriculture, Fisheries and Forestry
- Hon Tony Burke MP, Minister for Sustainability, Environment, Water, Population and Communities
- Hon Nick McKim MP, Leader of the Tasmanian Greens
- Hon Will Hodgman MP, Leader of the Tasmanian Liberals

Hon Julia Gillard MP
Prime Minister of Australia
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

12 January 2011

Dear Prime Minister,

Tasmanian Forests Statement of Principles Agreement: Biodiversity Review Panel report provides a potential process for defining High Conservation Value Forests

The Tasmanian Conservation Trust welcomed your media release of 7 December 2010, 'Statement of action on the Tasmanian forestry principles', in which you committed your government to a number of actions as initial steps in progressing implementation of the Tasmanian 'Forests Statement of Principles Agreement' (FSoPA).

The TCT is greatly encouraged by your announcement that, as part of the proposed due diligence assessment of the Tasmanian forestry industry, your government will seek clarification of 'detail and definitions contained within the Statement of Principles including High Conservation Value forests' (HCVF). The TCT shares your government's apparent concern that the FSoPA has failed to define this key term.

The TCT wrote to you on 18 November 2010 identifying numerous key shortcomings of the FSoPA, most critically the failure to properly address the need for protection of native forests for biodiversity conservation, principally found on private land. However, we also acknowledged that the FSoPA promises a very good outcome for the protection of HCVF on public land, mainly in wilderness areas. In summary the FSoPA promises good outcomes for wilderness protection but poor outcomes for biodiversity protection.

The FSoPA fails to include a comprehensive and scientifically based definition of HCVF or outline a process for the identification of HCVF. If not addressed, this failure will undoubtedly leave much of Tasmania's HCVF, predominately the high biodiverse forests on private land, unrecognized and unprotected.

The FSoPA also fails to acknowledge the need for an ongoing process to assess conservation values of forest areas which remain available for logging, incorporating new knowledge regarding forest values and the impacts of logging.

The purpose of this letter is to point out that a process for identifying HCVF has, in large part, been created by the April 2009 report to the Tasmanian Forest Practices

Authority (FPA), 'Review of the biodiversity provisions of the Tasmanian Forest Practices Code'. We have attached the 'Overview of key findings and recommendations' section of the report but the complete report is available on line at:

[http://www.fpa.tas.gov.au/index.php?id=40&tx_mininews_pi1\[showUid\]=30&cHash=9c6346860f488d88d22dfaafdddef941](http://www.fpa.tas.gov.au/index.php?id=40&tx_mininews_pi1[showUid]=30&cHash=9c6346860f488d88d22dfaafdddef941)

We have also enclosed an article which summarises the report's background, recommendations and the TCT's response to it.

The report was produced by the Biodiversity Review Panel, a group of eminent and independent Tasmanian forest ecologists and forest managers. It was commissioned by the FPA to provide a thorough scientific review as part of the ongoing, but currently suspended, review of the biodiversity provisions of the Tasmanian Forest Practices Code.

The changes recommended in the Biodiversity Review Panel report, if implemented, would provide a much improved framework for the identification and conservation of forest biodiversity through the Tasmanian Forest Practices System.

In July 2010, the FPA suspended the review of the Forest Practices Code while it sought clarification from the state government on matters of future forest policy.

We urge your government to work with the Tasmanian Government to ensure the policy matters, which have held up the review of the Forest Practices Code, are addressed urgently and that the review is re-started and completed as soon as possible.

Rather than re-invent the wheel in respect of defining HCVF, the Australian and Tasmanian governments need only implement the recommendations of the Biodiversity Review Panel report.

An improved regulatory framework, including amendment of the Forest Practices Code, coupled with reservation of currently identified HCVF on public land and provision of incentive programs to protect HCVF from logging on private land (as per our 18 November letter), would provide a complete and scientifically defensible strategy for conservation of HCVF in Tasmania.

Yours sincerely,

Peter McGlone
Director

Enclosed:

- 'Review of the biodiversity provisions of the Tasmanian Forest Practices Code', 'Overview of key findings and recommendations', pages 1-19, report to the Tasmanian Forest Practices Authority, April 2009.
- 'Review of the biodiversity provisions of the Forest Practices Code', Tasmanian Conservationist, June 2009.

Cc Senator the Hon Joseph Ludwig, Minister for Agriculture, Fisheries and Forestry
Hon Tony Burke MP, Minister for Sustainability, Environment, Water, Population and Communities

Hon Tony Burke MP
Minister for Sustainability, Environment, Water, Population and Communities
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

27 January 2011

Dear Minister,

Tasmanian Forests Statement of Principles Agreement and the need to protect swift parrot breeding habitat in Tasmania

The Tasmanian Conservation Trust is concerned that the critical breeding habitat for the nationally endangered swift parrot (*Lathamus discolor*) is not being considered for protection as part of the 'Tasmanian Forests Statement of Principles Agreement' (FSoP).

We urge you to work with the state government to ensure that the implementation plan currently being developed for the FSoP recommends the protection of swift parrot breeding habitat.

While we have been told by Senator Joseph Lugwig that he is the 'Australian Government minister responsible for forestry matters' (letter to the TCT, 20 December 2010), you have portfolio responsibility for conservation of threatened species listed on the schedules of the EPBC Act, including the swift parrot. More specifically, you have responsibility pursuant to section 269(2) of the EPBC Act, to work with state governments to implement threatened species recovery plans adopted under the EPBC Act.

You may be aware that the national 'Swift Parrot Recovery Plan', adopted under the EPBC Act on 26 March 2002, lists as an objective:

To implement management strategies at the landscape scale to protect and improve priority habitats and sites resulting in a sustained improvement in carrying capacity

The TCT is a representative on the National Swift Parrot Recovery Team which has a role of coordinating the development and implementation of the recovery plan. Over several years it has become increasingly clear from the briefings we receive while attending these meetings that current state government policies and programs are failing to adequately protect even the most important breeding habitat in Tasmania.

It has also been made clear at the recovery team meetings that the over-riding priority for conservation of this species on a national basis is protection of breeding habitat, which is found only in Tasmania. We understand that the 'Draft National Recovery Plan for the Swift Parrot *Lathamus discolor*', currently in preparation, formally recognises this as the highest priority objective for the species.

With this in mind it appears that the FSoP could be an historic opportunity to secure the vital breeding habitat of the swift parrot. However the areas which have been proposed for protection, by the conservation organizations which are signatories to the FSoP, are predominately wilderness areas found in parts of Tasmania which include very little of the swift parrot breeding habitat.

We have attached a January 2011 map which shows swift parrot breeding habitat (map provided to the members of the recovery team by the Tasmanian Department of Primary Industries, Parks, Water and Environment) and a July 2010 draft map of proposed reserves produced by Environment Tasmania as an input to the FSoP process.

The ET proposed reserves (the areas shaded dark brown and light brown on the map) would incorporate very little of the swift parrot breeding habitat. We have only been able to do an elementary analysis based on over lapping the two maps, but it is clear that very little of the identified important breeding areas (IBAs) are proposed for reservation. Excluding the Maria Island IBA, which is entirely within an existing national park, no reserves are proposed for four of the other eleven IBAs. Also, we estimate that 5% or less of the identified nesting habitat within the remaining seven IBAs is proposed to be reserved.

Based on figures we have received from the Tasmanian Government we know that 47% of high and medium density breeding habitat is found on private land and none of this is included in the reserve proposals of Environment Tasmania, which relates only to forests on public land.

Clearly the proposed reserves were not planned with the swift parrot's habitat in mind and would, if obtained, not achieve a significant outcome for the species. While this letter focuses on the swift parrot, it appears that threatened species generally were not taken into account in the preparation of these reserve proposals and we hope you share our concern regarding this omission.

The TCT wrote to you on 18 November 2010 identifying numerous key shortcomings of the FSoP, most critically the failure to properly address the need for protection of native forests for biodiversity conservation. To address these short-comings, we recommended a number of measures, principally the allocation of funding for a private forest incentive program to protect areas of high biodiversity on private land, including threatened species habitats, and that any proposed transition of logging

out of public native forests be based on the identification and protection of high conservation value forests as a priority.

If these measures were implemented and adequately funded, swift parrot breeding habitat would undoubtedly be viewed as having the highest conservation value and therefore be given the highest priority for protection on public and private land.

We strongly urge you to support these proposals, as a means of protecting swift parrot breeding habitat and other important biodiversity values, and ask that you encourage the state government to endorse them as a key element of the implementation plan currently being developed for the FSoP.

The TCT believes that, as the Australian Government minister with responsibility for conservation of the swift parrot and other EPBC Act listed threatened species, you have a clear portfolio responsibility to support programs and policies which aim to improve the protection of key habitat. Furthermore, your support for these programs and policies does not clash with Senator Ludwig's role as minister responsible for forestry policy.

The private forest conservation program that the TCT proposes would be voluntary and, rather than restricting land owners' opportunities to log their forests, would simply offer an alternative source of income to logging.

We also believe that it is your role as environment minister to ensure that the FSoP implementation plan includes scientifically based definitions and processes for determining high conservation value forests and therefore priorities for protection. Without any doubt, the breeding habitat of nationally listed endangered species such as the swift parrot should be accepted as having the highest conservation value of all forests and we seek your support in having this recognised.

Yours sincerely,

Peter McGlone
Director

Enclosed:

- 'Swift parrot breeding habitat and important breeding areas', produced by the Tasmanian Department of Primary Industries, Parks, Water and Environment, January 2011.

- 'Draft Environment Tasmania reserve proposals', produced by Environment Tasmania as an input to the Tasmanian Forests Statement of Principles Agreement process, July 2010.

Cc

- Chris Tzaros, Chair, National Swift Parrot Recovery Team, C/- Birds Australi

7.21. Clive Stott

9 Alpine Crescent
Grindelwald
Tasmania. 7277.

7th March 2011
Without Prejudice

Mr. Jim Wilson

Plantation Standards and Services Manager
Gunns Ltd.
76 Lindsay Street
Launceston
Tasmania. 7250

Dear Sir,

Plantation Burning Policy

I refer to your recent email and telephone call regarding Gunns Limited Proposed Plantation Burning Policy.

You are seeking my input into this policy; acknowledged the amount of time I have invested on this issue; and would like my comments as to where Gunns Limited have got to so far with the Policy.

I note you mention, "*Gunns Limited are in the process of developing a policy on plantation burning in Tasmania.*"

This tells me Gunns are admitting to NOT having a policy on plantation burning in the past if as you say Gunns are at this point developing 'a policy'.

Plantation Burning Policy:

In this day and age a burning policy is simply out of tune with community expectations.

In recent years much has been learnt about the harmful effects of smoke and it is now believed to be more harmful than first recognised.

The Precautionary Principle must be applied and burning should be stopped at the source. Deliberate burning means deliberate pernicious smoke.

Low intensity fires do not mean low intensity smoke; quite the opposite in many cases.

1 Low intensity fire:

Where have you got to so far?

Sadly nowhere if the Principles of this policy are to use low intensity fire.

Low intensity fire is capable of causing large quantities of toxic smoke which can be inhaled for long periods of time.

Please visit <http://www.cleanairtas.com> and follow the links to learn about the harmful effects of smoke.

Gunns cannot control smoke travel or dangerous levels of smoke in some areas once a fire is lit. A simple wind change can put vulnerable people's health and lives at risk.

Vulnerable people in our community are those with for example, respiratory disease such as asthma or COPD; cardiovascular disease; some diabetics, the young, and the elderly.

A great proportion of our (aging) population are vulnerable people.

Plantation burning does not show Gunns are sensitive to avoiding smoke emissions, and maximising carbon storages as claimed.

Gunns recognises burning is not the way of the future and yet wants to keep using smoky low intensity burns.

Low intensity burns drive people indoors against their will, and restricts their right to free travel in Tasmania.

Harmful toxins from accelerants used to light the fires can adhere to breathable particles and cross over into the blood stream.

2: All plantations managed by Gunns in Tasmania

Where have you got to so far?

Gunns undertake burning with, or for, other agencies in Tasmania. Smoke is smoke. Mention has not been made of this in the document.

There have been recent changes, but Gunns I believe, still own or manage plantations on the mainland.

If this is correct these operations need to be considered by Gunns when it comes to the use of any fire in any State for the following reasons:

- i) It has been determined by EPA Tasmania that mainland smoke is known to affect the lives of people in Tasmanian.
- ii) PM2.5 particle pollution from burns can travel up to a 1000km and stay airborne for weeks.

5: Revision - A new version will be issued whenever significant changes occur:

Where have you got to so far?

If it suits, this policy document could be thrown out by Gunns tomorrowand I hope it is. It carries no weight, can be changed at will, and is worded to allow Gunns to keep burning where ever, and whenever, they like.

Gunns are not exempt from our over-riding and principal Environmental Management and Pollution Control Act (EMPCA -1994):

The fundamental basis of EMPCA is the **prevention, reduction and remediation of environmental harm.**

While this is defined very broadly in section 5 of the Act as:

"any adverse effect on the environment (of whatever degree or duration) and includes an environmental nuisance" (the latter is defined as 'the emission of a pollutant that unreasonably interferes with, or is likely to interfere with, a person's enjoyment of the environment')".

This includes deliberately lit low intensity fires.

From the amount of time I have invested in this issue I do not believe Gunns Limited will ever receive a social licence to cause deliberate pernicious smoke in Tasmania from plantation related burns.

I also believe plantations have spread like a cancer across Tasmania.

I feel we must be mindful of how they are managed when we have the highest rates of asthma and non-skin cancer in Australia.

I would be happy "...to meet somewhere for a coffee..." when Gunns Limited totally removes the Plantation Burning Policy from their Plantations Policy and Procedures Manual because they manage their plantations without the use of fire, and without using polluting bioenergy plants as well.

Yours sincerely,

Clive M. Stott

<http://www.cleanairtas.com>



PLANTATION BURNING POLICY

1 Purpose

Plantation harvest residue management is a significant impediment to reforestation success within Tasmania. In order to achieve the required standards of reforestation, successful strategies must be adopted which are sensitive to avoiding smoke emissions, enhancing forest soil nutrition and maximising carbon storages.

In the past, some plantation establishment operations have utilised high intensity or broadcast burning techniques. The use of high intensity and broadcast burning techniques within Gunns' Tasmanian plantation operations ceased as of the 22nd of February 2011.

This document outlines the policy to be adopted by Gunns Limited from February 2011 onwards.

2 Scope

All plantations managed by Gunns Limited within Tasmania

3 References

- Gunns Limited Plantations Policy and Procedures Manual
- www.gunns.com.au

4 Procedural Principles

Harvest residues from previous plantations will be managed without the use of broadcast or high intensity burning with strategies such as but not limited to;

- Alterations to residue placement during harvesting operations;
- Utilisation of infield chipping in harvesting operations where appropriate; and
- Utilisation of specialised site preparation machinery which enables effective cultivation within unburnt harvest residues.

As a responsible landowner and forest manager, Gunns Limited will be sensitive to fuel hazards identified by stakeholders and where appropriate may utilise low intensity fire on small areas under controlled and transparent processes.

5 Revision History

This document is identified as '*Plantation Burning Policy*'. A new version will be issued whenever significant changes occur.

Version	Changes	Date
V1.0	Original	February 2011

Author:	Jim Wilson
Authorisation:	Greg L'Estrange
Signature:	
Date to be revised:	February 2011

7.22. Huon Resource Development Group

Huon Resource Development Group Policy on forest use and sustainable development

Our group is based with its focus on supporting developments in the Huon Valley based on the sound management of our natural resources.

Mission Statement

Supporting progressive development in the Huon Valley through the democratic representation at all levels of Government ensuring a vibrant and sustainable community

Introduction:

The group is committed to encourage and support industries which use Tasmania's natural advantages to provide for the well-being of its citizens and to increase wealth in a sustainable manner while maintaining the health and diversity of natural ecosystems.

For almost 200 years industries based upon our natural assets including forestry, farming and fishing have provided a proud heritage for the Huon Valley. The area is renowned for its produce, fruit, wine, seafood, mushrooms and gourmet delicacies. The Franklin Wooden Boat School demonstrates how Tasmania's fine timbers are turned into boats, the Geeveston Forest and Heritage Centre promotes the history of forestry in the region.

The Huon Valley has embraced its heritage while forging ahead with newer industries, agriculture, viticulture, forestry; tourism and aquaculture thrive side by side.

The forest industry is based on the natural advantages Tasmania has of soils of moderate to high fertility for forests, adequate rainfall, outstanding renewable timber resources with rapid growth rates and proximity to ports.

However in recent years the management of our forests, the value adding and downstream processing of timber has become a political issue. The Huon Valley's local economy was almost destroyed with the overturning of the recommendation of the Helsham inquiry that only 27,400 ha of forest had World heritage value, instead a political deal by Canberra to appease the greens resulted in 600,000 ha being added to the World Heritage Area in 1989.

The Regional Forest Agreement that was signed in 1997 reserved a further 293,000 ha of native forest. This agreement, to last for 20 years, created certainty to see a proposal to develop an investment ready site at Southwood in 2001. The Southwood supporter's group (the forerunner of this group) was formed to promote the sustainable benefits of this development.

After the planning permit was issued in 2002, the group affiliated with the national grassroots organisation, Timber Communities Australia. The Southwood site currently hosts a regrowth sawmill, selling the sawn product into the Australian market, a rotary peeled veneer plant selling product into south east Asia and a modern log segregation

facility to maximise the return from each log delivered to site. All are employ locals.

Another exciting step in the development will be the provision of renewable power- bio energy, generated from the forest residues after harvesting for sawn timber and pulp wood from local multiple use forests. This will have major benefits in reducing the fire risk in the forests, and reducing the need for large fuel reduction burns and resultant smoke.

Having the power station on site will mean costs are minimised for those investors seeking to produce product for the international market place. Plants like laminated veneer lumber planned in the longer term will mean value-adding the timber that fails to meet sawlog requirements rather than exporting it as wood chip.

Projects like Southwood and traditional sawmilling enterprises will have long term benefits to communities within the valley, providing our native forests, supplemented by plantations, are managed under principles of sustainability based upon the scientific evaluation of our forests.

Whilst the Huon Resource Development group addresses issues such as road infrastructure, aquaculture, farming and tourism, a major focus is on forests and the employment that their sustainable management can create.

Many newer settlers to the Huon Valley admire the forests for their scenic, landscape and intrinsic values, not realising that the forests result from both wildfire such as those massive fires in 1898, 1914, 1934 and 1967 and from silvicultural regeneration. well managed forestry is compatible with scenic and landscape values.

This policy seeks to advance opportunities for value adding, diversification and product innovation; by outlining principles governing science-based native forest harvest, addressing social and environmental perceptions and ensuring balance with economic outcomes, to provide a sustainable future for this and future generations of the Huon Valley community.

Fire and forests

1. Tasmania's landscape, including its forests, has always been modified by fires.
2. After the arrival of the first settlers in Tasmania about 40,000 years ago fire frequency increased, as it did in all places around the world when humans first arrived.
3. Tasmania's eucalypt forests are a product of fire and ecosystem disturbance. Forest growth begins with seed germinating after fire and in their natural state forests are 'destroyed' by fire, allowing a new cycle of growth to begin.
4. Fire is a natural part of the eucalypt ecosystem and fires are inevitable - one cannot 'save' a eucalypt forest.
5. Even in rare cases of the interval between fires being longer than the lifespan of eucalypts (about 400 years) the eucalypt forest is not preserved or 'saved' - it gives way to rainforest.

High conservation value forests

1. The high conservation value forests in Tasmania have already been defined and mapped and identified by foresters and forest scientists. They are those forests

containing rare or endangered species of animals or plants or unusual associations of plants, or vegetation that was once widespread but is now of limited extent.

2. Most high conservation value forests are already set aside and managed as national parks and forest reserves.
3. Those high conservation value forests not already set aside are mostly found in the drier eastern part of Tasmania or in areas now dominated by agricultural production. Many are on private land.
4. Much of the HCV forest is within the Tasmanian Wilderness World Heritage area, where an independent Mission investigating whether the area's boundaries should be expanded due to threats to HCV forests, found in 2008: "Considering the representation of old growth forest, including of the tall Eucalyptus forest within the area covered by the TWWHA and its management plan, as well as in the other reserves in Tasmania, and the fact that potential threats from production forestry activities are well managed, the mission does not recommend any change to the boundaries of the property to deal with such threats"

The sustainable forest cycle

1. The highest value sawn timbers are found in Tasmania's wet eucalypt forests which support the taller trees such as *Eucalyptus regnans* and *Eucalyptus obliqua*. These forests cannot be selectively harvested – they only regenerate in areas cleared of competition, where harvesting residue is burnt and an ash bed created. Evidence shows that wet forests can be grown sustainably (probably forever) by clearfell, burn and sow methods, in harvest cycles of about 80 years.
2. Most medium to high altitude moist forests are dominated by *Eucalyptus delegatensis*. These forests can be selectively harvested and the better trees have timber quality similar to that obtained from *Eucalyptus regnans* and *Eucalyptus obliqua* forests at low altitude. Ground disturbance during harvest, or a light burn, is sufficient to induce regeneration. Partial (selective) harvest can be repeated at intervals of about 30-40 years.
3. Dry forests (mostly in the east) generally contain lower value timber trees and have lower timber yields. Dry forests can be selectively harvested but growth rates are slow and the partial harvest cycle is about 40-60 years.
4. Commercial native forests managed on long cycles have more intact ecosystems and greater biodiversity than commercial plantations.

Ecological determinants of wood quality

1. Recent technical innovations mean that second-grade native timber, with lower quality than that required for sawn products, can be rotary peeled for the manufacture of veneer products such as plywood and flooring rather than used for lower value woodchips.
2. Special species timbers (e.g. myrtle and sassafras) are used by specialist furniture makers and craftspeople. Trees providing these timbers cannot be harvested in isolation as they typically form a small percentage of the total

timber harvest in clearfelled wet eucalypt forests, which require a burn before regeneration will occur.

3. Further technical research and investment is likely to lead to a higher percentage of wood from native forests being used for high value products.

Sustainable forest practices

1. All native forest harvest is governed by the Forest Practices Act and requires a Forest Practices Plan. Each plan must take into account special values relating to biodiversity, soil and water, geosciences, landscape and cultural heritage.
2. Forest Practices Plans are prepared by professional foresters, who, in addition to their training in forest management, have undertaken courses in forest practices and are accredited by the Forest Practices Authority. Many Forest Practices Plans require specialist advice from the FPA.
3. Most areas planned for harvest ('coupes') are about 50 ha or less in size, and typically about 20% of the area of each coupe is set aside in un-harvested reserves for special values, for example, to protect streams and riparian areas, to protect rare species, to provide habitat for fauna living in tree hollows, or to protect archaeological sites.
4. Foresters inspect coupes during and after harvest to check that all provisions in Forest Practices Plans have been adhered to, including provisions for adequate regeneration.
5. In any one year about 15% of coupes are inspected in detail by the Forest Practices Authority to ensure that the Forest Practices Plans for these coupes have been fully complied with. Results of these compliance checks are published annually.
6. The high standards of planning, or on-the-ground environmental checks, and public reporting provided by the Tasmanian Forest Practices system exceed the requirements of international forest certification schemes being considered for Tasmania.
7. The FSC system has no code of practice, lacks any detail tailored to Tasmanian conditions, and contains no provisions for on-ground planning, specialist supervision or compliance checks. Applied in isolation it would provide a lower level of environmental protection to Tasmanian native forests than the Forest Practices Code.

Native Forest Harvest and the Community

- Native forest harvest provides several thousand jobs for forest planners, harvesting contractors, truck drivers, sawmillers, wood processors and trained firefighters in Tasmania. Jobs are concentrated in small and large regional centres such as Huonville and Geeveston. There is potential for a catastrophic effect on regional areas of Tasmania if native forest harvest is curtailed.
- The forest road network including the associated infrastructure (bridges and culverts) not only provides for forest harvest but allows access for services important to the community, e.g. access for firefighting, tourists and beekeepers.

This access is largely financed out of income gained from sales of forest products.

- Many foresters are professionally trained in firefighting in forests. In the fire season firefighters are on call to control forest fires and, if necessary, to protect houses and lives. Forestry companies also man fire towers and patrol forests during the fire season.
- The cost of firefighting, of fire patrols and of maintaining equipment such as fleets of fire trucks is largely financed out of income by Forestry Tasmania and the other commercial companies.
- If firefighting costs were not supported out of income from the sale of wood products, the cost of maintaining the road network, bridges and fire towers, and of providing fire patrols, fire trucks and trained personnel would fall entirely to the state. In practice it would probably be financed from greatly increased fire insurance levies or taxation. Alternatively, firefighting capability would be allowed to run down, to save costs.
- Maintaining access to forests is essential if potentially catastrophic fires, capable of devastating small communities and semi-rural suburban areas around major towns and cities, are to be avoided. Without this access, community safety would be severely compromised.

Forest Management provided by the Regional Forest Agreement (RFA) and the Commonwealth Environment Protection and Biodiversity Conservation (EPBC) Act

The RFA ensures that almost half the State's native forests are not subject to timber harvesting. This is 5 times the international bench mark set by the green groups such as WWF and the IUCN and by the Convention for Biological Diversity. This outstanding environmental achievement was recently confirmed by the independent review of the EPBC Act that found:

“As a consequence of the Tasmanian RFA, 79 per cent of old growth forest and 97 per cent of high quality wilderness is in reservation. This exceeds the global target of effective conservation of 10 per cent each of the world's ecological regions, set out under the Convention for Biological Diversity.”

The reviewer noted that “These achievements, which often go overlooked or unremarked in debate, deserve greater public recognition.”

Yet the Statement of Principles and the latest green demands will place at risk these achievements.

Flaws in latest Green Demands

For the 2004 Federal election the Australian Conservation foundation and the Wilderness Society identified 240,000 ha of forests to be added to the reserves system. In a compromise the Federal Government agreed to reserve about 140,000 ha of this forest, making a total of over 1.4 million hectares of public forest reserved.

The same green groups have now found 600,000 ha of forest outside the formal reserves; apparently only 120,000 ha are in 'informal reserves'. Despite assessments

carried out under the Regional Forest Agreement process and the World Heritage commission and their management under the RFA and EPBC Act, the green groups have labelled these forests as having high conservation value and demanded their lock up so the new total to be reserved is 1.9 million ha of the 2.2 million publicly owned native forests.

The ENGOs have failed to identify forests already reserved that could be exchanged for these new demands.

Conservation values have been defined by the Convention of Biological Diversity and were reflected in the JANIS criteria used to create a Comprehensive Adequate and representative Reserve System, together with ecological sustainable forest management under the RFA in 1997.

The HCVF concept was initially developed by the Forest Stewardship Council (FSC) for use in forest management certification and first published in 1999. The FSC International standard defines it as:

High Conservation Value Forests are those that possess one or more of the following attributes:

- a) forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia); and/or large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance
- b) forest areas that are in or contain rare, threatened or endangered ecosystems
- c) forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control)
- d) forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health) and/or critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).

There has been no independent check of these proposed HCV forests, or "due diligence" undertaken. Calls for their reservation are also at odds with continued forest management including production outlined by Principle 9 the FSC.

The Statement of Principles process proposes that the forest industry will be allowed to harvest some of the balance 300,000 ha, mostly regrowth from past harvesting since 1960, for a short period of time, until the young plantations planted since Helsham and RFA can produce sawlogs for any remaining sawmillers!

The irony is, that plantations produce a very different product and environment than Tasmania's highly productive native forests. Our sawmills will need to convert from a specialty product to a commodity competing with plantations from the tropics and the developing world. Even the recently commissioned rotary veneer peeler plant at Southwood will not be able to use the less dense and more flexible plantation wood.

In short, a transition from native forests, an abandonment of the Regional Forest Agreement and not providing long term contracts for processors will destroy the Huon Valley forest sector.

Tasmania will also be at a disadvantage in marketing plantation wood, as even though the Statement of Principles encourages certification, the Forest Stewardship Council

prohibits the certification of "Plantations established in areas converted from natural forests after November 1994".

Conclusion

The Huon Resource Development Group has unanimously supported a motion that the Commonwealth acts to reject demands for more reservation, that it sticks by the RFA and that it gives security to the sawmillers, family contractors, the workers and their families who depend upon a diverse economy that includes a native forest sector.

The Huon Resource Development Group of Timber Communities Australia will only participate in discussions with Government and members of the State and Federal Parliaments within the following:

- Ongoing supply to Tasmanian sawmills of logs from native forest, together with the ability to sell residues from these sawlog operations and sawmilling activities. This means that there will be no transition from native forest for the processing of sawlogs and special species timber
- Ongoing supply to Tasmanian rotary veneer mills and future processing plants outlined in the Tasmanian forest industry growth strategy including the approved pulp mill
- No existing contract or statutory obligation (including the Tasmanian Regional Forest Agreement) can be breached
- Prior to detailed consideration of the Statement of Principles, adopt a definition of High Conservation Value forest consistent with the JANIS criteria developed for the RFA or the International *High Conservation Value Forests: The concept in theory and practice* brochure published by the WWF International in 2007
- Once such a definition is agreed, and the forests are evaluated and a management plan developed, if the volume of resource is reduced, suitable forest currently outside the production area will be identified as an alternate harvest area

This complements the resolution adopted at a conference of TCA members in Tasmania held prior to the signing of the Statement of Principles:

"We support;

1. The Tasmanian Regional Forest Agreement.
2. The construction of a pulp mill as approved
3. No new forests to be added to the reserve system until these forests have been independently and scientifically assessed and verified for their high conservation values and an appropriate management plan determined through a comprehensive community stakeholder process."

In summary, such a commonsense approach will see the timber industry that pioneered Tasmania continue, based on the sustainable management of our renewable forest resource. A drive along the Arve Road to the Picton and Huon rivers demonstrates just how well our wet eucalypt forest regenerates after clearfell burn and sow silviculture treatment, which was developed by our forest scientists in the 1950s and 1960's and can continue to provide both timber and environmental values forever.

7.23. Redd Forests

PROTECTING THE DEVIL'S FORESTS

An Improved forestry management Project in Tasmania

Redd Forests Pty Ltd has created Australia's first internationally recognised Reduced Emissions from Deforestation and Degradation (REDD) project to meet VCS and Australian NCOS Standards. This project demonstrates the commercial viability of using the carbon market to provide an alternative income to landowners who, traditionally, have logged their land for income.

12% of the world's greenhouse emissions come from deforestation and degradation of land. Our forests are the lungs of the planet and we need them just as we need the very air itself that they purify.

About Redd Forests

Redd Forests Pty Ltd was incorporated in December of 2008 as a "profit for purpose" business designed to apply commercially viable methodologies to replace activities that degrade or destroy the world's forests.

Native and old growth forests in good condition

Tasmania is home to ancient forests that are beautiful, irreplaceable and vital for wildlife. Here live the tallest hardwood forests and the tallest flowering plants on Earth; some trees are over 400 years old and reach 97 meters in height. They are a huge store of carbon for the world.

They grow amidst rainforest tree species such as myrtle, leatherwood and celery top pine, with man ferns, mosses and lichens. Such ancient forests are incredibly precious as well as being the irreplaceable home of endemic wildlife.

Large areas have been cleared for agriculture, and the remaining forest is crucial habitat for endangered species such as the Tasmanian wedge-tailed eagle, white goshawk, swift parrot, giant crayfish and spotted quoll and, of course, the iconic Tasmanian Devil.

This remnant forest is especially important for maintaining ecological connectivity and resilience under the stresses of climate change.

This project will allow Tasmania to transition away from logging native forests for low value wood chips. Enough plantation forests exist and much of the already degraded land can be turned into plantations for any additional demand of wood chips for pulp.

The project area as it is now

The project area directly impacts climate change and biodiversity by storing and sequestering carbon dioxide and improving habitat for fauna and flora. By eliminating selective logging, and allowing natural regeneration of the key forest communities to continue, unabated. The project will enhance long-term biodiversity. Our project areas have

varied forest communities including:

Eucalyptus delegatensis: dry forest and woodland

Eucalyptus amygdalina: forest and woodland on dolerite

Eucalyptus viminalis: grassy forest and woodland

Eucalyptus delegatensis: forest with broad-leaf shrubs

Eucalyptus Regnans: wet sclerophyll forest with high carbon density

The forest areas are multi-aged, rich with natural undergrowth and provides the essential natural environment for local plants and animals.

The threat

Typical logging practices carried out include the use of clearfell silviculture, liquid incendiaries (napalm) and the poison sodium monofluoroacetate (#1080). Though legal, these practices are widely condemned.

Nearly all the logged wood is chipped and exported for pulp used in the manufacture of paper.

However, only one-third of the biomass of the tree is used and the residue is burned or, in the case of the roots, allowed to rot. As a consequence the emission of CO₂ into the atmosphere is almost immediate and, as paper has a short life, absolute within just a few years.

Although replacement plantations will sequester CO₂ in their short life they too will be harvested for pulp and the cycle of emissions continues.

Project details

Our projects are widespread across Tasmania and so far have protected over 18,000 hectares of native forests.

With your help we can extend that coverage to over 150,000 hectares and, in so doing, avoid the emission of up to 15 million tonnes of greenhouse gases over the 25 year project period.

By buying the carbon credits generated by our project you will enable the landowners to earn an income by protecting their forests instead of logging them.

Climate

Our projects will avoid the release of up to 15 million tonnes of greenhouse gases (CO₂-e), and ensure the ongoing sequestration of CO₂ by the forest over the 25 year project period.

Recent biomass surveys have found that some old-growth forests in Tasmania store more than 650 tonnes of carbon per hectare, exceeding the amount of carbon stored in the vegetation of most tropical rainforests. Plantations established in place of old-growth forests after clearing store considerably less carbon and are harvested regularly emitting any CO₂ they may have sequestered in their short life. As the wood from these plantations

is turned to pulp nearly all of their stored carbon is released into the atmosphere very quickly.

Community

This is a high-profile project with remarkable endemism and quantifiable financial additionality for the landowner ensuring that benefits will continue to accrue beyond the project's timeline of 25 years. It will also help maintain Tasmania's aesthetic beauty, and support the allimportant tourist sector while helping promote ecosystem services which support other land uses and human welfare. Project success will support a wave of new opportunities for local communities.

Biodiversity

Many of our project areas are home to healthy communities of the iconic, but now endangered Tasmanian Devil, as well as nesting sites of the endangered Wedge Tailed Eagle and numerous rare native flora as well as providing a natural habitat for Bettongs and Potoroos. Tasmania is a biodiversity island and highly threatened under a business-as-usual scenario.

Project Quality

Our projects are of the very highest veracity. They are validated and verified by external third parties and meet the rigorous criteria of the Climate, Community and Biodiversity Standards (CCBS) and the Voluntary Carbon Standard (VCS).

Accreditation by the VCS and CCBS assures investors that this project is of the highest calibre and brings positive outcomes not just in the fight against climate change but to the local community and the biodiversity of the region.

Voluntary Carbon Units (VCUs) issued by the VCS can be bought by those wishing to offset their emissions and move toward carbon neutrality. Buyers can rest assured of the accuracy, quality and ongoing verification of the projects and purchase the credits in full confidence of having helped avoid the emission of harmful greenhouse gasses and the degradation of our forests.