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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE

Reference: Plantation forests industry

TUESDAY, 29 APRIL 2003

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT REFERENCES COMMITTEE

Tuesday, 29 April 2003

Members: Senator Ridgeway (*Chair*), Senators Buckland, Heffernan, McGauran, O'Brien and Stephens

Participating members: Senators Abetz, Boswell, Brown, Carr, Chapman, Colbeck, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Harradine, Harris, Hutchins, Knowles, Lees, Lightfoot, Mason, Sandy Macdonald, Murphy, Payne, Santoro, Tchen, Tierney and Watson

Senators in attendance: Senators Brown, McGauran, Murphy, O'Brien and Ridgeway

Terms of reference for the inquiry:

To inquire into and report on:

The findings of the Private Forests Consultative Committee's review of the 'Plantations for Australia: The 2020 Vision' which is due to report to the Primary Industries Ministerial Council in November 2002:

- (a) whether there are impediments to the achievement of the aims of 'Plantations for Australia: The 2020 Vision' strategy;
- (b) whether there are elements of the strategy which should be altered in light of any impediments identified;
- (c) whether there are further opportunities to maximise the benefits from plantations in respect of their potential to contribute environmental benefits, including whether there are opportunities to:
 - (i) better integrate plantations into achieving salinity and water quality objectives and targets,
 - (ii) optimise the environmental benefits of plantations in low rainfall areas, and
 - (iii) address the provision of public good services (environmental benefits) at the cost of private plantation growers;
- (d) whether there is the need for government action to encourage longer rotation plantations, particularly in order to supply sawlogs; and
- (e) whether other action is desirable to maintain and expand a viable and sustainable plantation forest sector, including the expansion of processing industries to enhance the contribution to regional economic development.

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Committee met at 8.53 a.m.**MILLS, Mr Duncan Charles, Coordinator/Facilitator, Bass Forest Focus Forum**

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport References Committee to continue the inquiry into plantation forestry and the 2020 vision strategy. Today's hearing is open to all members of the public and a *Hansard* transcript of the proceedings is being made. It should be noted that the committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990 concerning the broadcasting of committee proceedings.

Before the committee takes evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and any evidence given before it. Any act by any person which may operate to the disadvantage of a witness on account of evidence given by him or her before the Senate or any committee of the Senate is treated as a breach of privilege. While the committee prefers to hear all evidence in public, if requested the committee may agree to take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee to publish or present all or part of that evidence to the Senate at a later date. The Senate also has the power to order production and/or publication of such evidence. Any decision regarding publication of in camera evidence or confidential submissions would not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

I welcome our first witness, Mr Mills. Do you have any comments to make on the capacity in which you appear?

Mr Mills—I am a social ecologist doing independent social research in the north-east of Tasmania. I have for a number of years been working with the local community on natural resource management and catchment management issues and have undertaken to assess them, focusing on forestry issues.

CHAIR—I understand that you provided submissions in the past to the inquiry into the Regional Forest Agreements Bill in 2001 on behalf of the Ringarooma Catchment Management Group and a number of other initiatives that you have been involved with. I invite you to make a presentation to the committee and then my colleagues will submit questions.

Mr Mills—The theme of my earlier submissions has been the systemic problems of our institutions in dealing with the complexity of natural resource management issues. I really have nothing much to add in terms of the evidence provided by many other witnesses of problems occurring on the ground. The concern of my research has been to attempt to interpret what these problems on the ground mean in terms of failures of our institutions. My submission on behalf of the Ringarooma group to the RFA inquiry was very much focused on these systemic dysfunctions, particularly the inability of the institutions to articulate the implicit standards of democratic practice into the institutional process, allowing the various processes to be captured by various interest groups. In the case of the forest industry, I am talking about the way in which it has been captured by the historical interests of the timber interests, when we know very well

in this contemporary world that there are a whole lot of values of equal significance to the timber industry provided to us by the forests.

Many of the problems, I believe, are a consequence of the way in which modern knowledge has been generated with a particular focus on what is broadly called instrumental reason and deductive logic whereby, when you are attempting to grapple with a complex issue, you categorise it and compartmentalise it so that you can break it up into its parts for clearer understanding. This is what our science does very effectively. Our institutional structures tend to reflect this way in which we generate our knowledge. The problem with natural resource management is that, because of its complexity, it can only be considered as a whole and really only on a site specific and regionally specific basis.

These traditional ways of generating understanding, firstly, leave us with a highly fragmented understanding and with very few people understanding the whole. Secondly, the institutions themselves seem to become very vulnerable to capture by vested interest groups of various sorts. In talking about vested interest groups, obviously there are the corporate interest groups. Probably more insidious in small communities, particularly one like Tasmania, is the dynamic of peer group pressure—professionals within a particular peer group, if they want to be accepted by their peers, basically have to tow the line. Most people choose to live in Tasmania because it is an attractive place to live and a very good place to bring up families, but the job opportunities are limited. So there is enormous pressure for professionals working in the natural resource management industry to go along with the dominant view of the time and not engage in critical reflection on the way in which their institutions and their peers are performing.

The thrust of my submission is that, to get on top of the problem of natural resource management, we have to seriously review the effectiveness of existing institutions and the way in which they articulate our values down to a regional and local level. Perhaps the only way we can deal with the complexity of our natural resource management is to devolve that management as far as possible to a regional level, giving far more power and authority to local government to implement coordinated and integrated natural resource management approaches using multidisciplinary, multisectorial committees. These would operate along democratic lines and have the continuity and the commission to integrate the great complexity of managing our natural resources at a regional level in the best interests of regional communities.

I would argue that it is essential that this be undertaken and that positive discrimination be given to it, given the enormous pressures of global capitalism to draw power and wealth away from the periphery to the centre. If we are to have a sustainable economy for our children and our grandchildren, we have to empower regional communities as the final custodians of our natural resources.

CHAIR—I have a couple of questions to explore some of the issues you have raised. You referred to research you have undertaken as a social ecologist, particularly in relation to the submission you provided previously on the RFA bill. Are you able to talk more openly about that research and how that might assist the committee in its current inquiry? I am particularly interested in where you have raised issues about what you see as systemic problems and dysfunction and the failure of institutions, and whether those issues have arisen in the context of research you have undertaken. Can you help us to look more closely at particular issues that we might question you on further?

Mr Mills—The broad approach I have taken in my research to date has been that of collaborative action research with local and regional communities, engaging in dialogue with various actors in this particular area as a way of exploring problematic issues.

CHAIR—Does that mean you have prepared formal reports that may have been relied upon as a form of evidence or in any other proceedings?

Mr Mills—My broader research is still in progress. The objective of my broader research project is to look at the strategies for regional development, both the opportunities and the obstacles. I have chosen forestry as a case study area because it is problematic for regional communities.

CHAIR—You have also mentioned the failure of institutions. Can you give us some examples on that?

Mr Mills—The most obvious one that comes to mind concerns the way in which the regional forest agreement consultative process was, for all practical purposes, framed by the timber industry itself, with relatively little input from emerging modern industries such as tourism and, for that matter, irrigated agriculture. From my research so far, one of the two great losers in the current situation is irrigated agriculture. I do not wish to oversimplify the issue but, in very broad terms, in the upper catchments in eastern Tasmania each one hectare of slow growing native forest converted into one hectare of plantation will probably cost in irrigated agriculture in those catchments; it will involve the loss of one hectare of irrigated agriculture.

In relation to the tourist industry, the only statistics that I have been able to access are those from the Bureau of Statistics, which show that the employment generated by the tourist industry in Tasmania is twice the employment generated by forestry. We know from anecdotal evidence from international visitors that the main attribute of interest to them is the unique quality of the native forest landscape in Tasmania.

Senator McGAURAN—Can you clarify or untangle for me what I see as a contradiction in what you said? I think you said that management of the natural resources should be taken as a whole and not be sectional, but then you went on to say that it is your belief that the power and decision-making authority should in fact revert to local governments. Moving that to local government is not taking our natural resources as a whole. Imagine the difficulties you would have with regard to management of the big issues—water, environment, native title and, of course, the timber industry, which we are dealing with today. I would have thought that local governments—and I can give you examples of many—would be potentially less sympathetic to the whole than a federal government or a state government. In fact, I have seen state governments and federal governments override local government.

Mr Mills—I can understand the reluctance of local governments, given the tenuous nature of their resources. But the problem is that in the natural resource management area, and particularly in the way in which it relates to the community, there is a huge body of qualitative information that is necessary for integrated natural resource management. That is basically not available to central planners. They rely almost exclusively on quantitative data. Given the complexity of the natural resources, when they reinterpret at a field level—and we see this in

forestry—they impose management prescriptions that defy realities on the ground, because of their lack of local knowledge and their reluctance to rely on local, qualitative knowledge.

Senator McGAURAN—I have one more clarifying question. You spoke of the failure of institutions. Can you articulate what institutions you were referring to?

Mr Mills—The one that comes to mind in this particular area is of course Forestry Tasmania. For one reason or another, it has become less and less accountable to the community that is affected by it. It has elaborate consultative processes and its Forest Practices Code, but all these processes are internally referential or, at least, are internally referential within the industry. They are not amenable to critical examination or audit by people outside that particular grouping.

Senator O'BRIEN—You said that each hectare converted from native forest to plantation—I will put it that way, because I think that is what you meant—will involve the loss of one hectare of irrigated agriculture. I want to know how you came to that view or whether you can point us to some study which forms the basis of that proposition.

Mr Mills—Research in this area is difficult to access because of the complexity of each catchment, and this is a danger of speaking in broad generalisations. One of the main things that seems to have emerged is that no-one wants to do research surrounding these questions, because they are so politically contentious vis-a-vis the various forms of land use.

Senator O'BRIEN—Is there any data which would show, on the one hand, an establishment of plantation forests and, on the other hand, a subtraction from the area of land which is the subject of irrigation? Or are you saying that one will follow the other but it has not happened yet?

Mr Mills—Firstly, at the local level there is a lot of anecdotal evidence from landowners about the effect of plantations on the reduction in stream flows where plantations have replaced native forests. As far as empirical scientific research goes, the closest I can get to this particular issue is some work that has been done in South Africa on replacing native bush with plantations.

Senator O'BRIEN—We have been referred in evidence to some studies in South Africa and some studies here—and, I think, some European studies—with regard to the proposition that there will be a loss of run-off because plantations will use more ground water and therefore it will not run into the normal catchments. I am interested to know who in your community we could talk to to ascertain whether the introduction of plantations has affected plans to continue to irrigate the agriculture that is now irrigated in your district. It is mostly dairy pasture, isn't it?

Mr Mills—There is both cropping and dairying in that district. The two major catchments in the north-east, the Brid-Forester and the Ringarooma, are regarded as systems under stress. They are actually having to reduce allocations for irrigated agriculture to bring environmental flows up to an acceptable standard.

Senator O'BRIEN—That is during the summer, isn't it?

Mr Mills—Yes. It is the changes at the margin that are the critical thing. There are nine months of the year where this is probably not an issue, but at the end of the day, regardless of

on-farm storage, regardless of storage built in the upper catchments—and they are being discussed at the moment; putting aside all the capital costs associated with that, environmental and otherwise—irrigation in any catchment is still going to be limited by those summer flows. The critical three months are from December through to March.

Senator O'BRIEN—Yes, to the extent that storage is sufficient to provide adequate irrigation. We have not really touched on the nine months of the year when the flow is more than adequate—as I think you put it—which is where, if there were storage, irrigation water could be conserved.

Mr Mills—Yes, but regardless of that there is going to be water abstracted, as they say, from the rivers, and there will always be limitations on that three months of the year.

Senator O'BRIEN—There is nothing wrong with limiting extraction for the purposes of maintaining environmental flows. I do not think you are saying that; are you?

Mr Mills—No. I think everyone recognises the necessity of maintaining environmental flows, although there is argument about the methodology.

Senator O'BRIEN—Some of the streams you are talking about have had very low flows historically during the summer months, anyway, haven't they?

Mr Mills—The point of this is that it is not a question of forestry or agriculture. The forestry asset's traditional practice, which there was probably not enough of, was perhaps the best. It allowed the maintenance of slow-growing native forests, producing perhaps lower yields of much higher quality material. The overall catchment effect was that you could have an irrigated agriculture plus a high-quality forestry industry.

Senator O'BRIEN—But that forestry industry historically has ranged over a wider area.

Mr Mills—Yes. There were many problems with the pioneering phase of the industry due to lack of regulation and overexploitation, but there are sufficient examples of good practice in our history to show us what can be done with careful use of the native forests for timber extraction.

Senator O'BRIEN—In the process of putting democratic practice into the management of our natural resources what model do you prefer, or are you still working on that?

Mr Mills—It is very much in development at this stage. We have seen the establishment just this year of northern regional natural resource management committees.

Senator O'BRIEN—Who has established those?

Mr Mills—Tasmania.

Senator O'BRIEN—The state government?

Mr Mills—Yes. Through the auspices of DPIWE, I think.

Senator O'BRIEN—The Department of Primary Industries, Water and Environment?

Mr Mills—Yes.

Senator O'BRIEN—I do not have any more questions, thank you.

Senator BROWN—Senator O'Brien has asked my questions. Finally, though, what is the power of that committee that has been established to look at resource management?

Mr Mills—That is a question that I have not been able to answer. I wonder about that in terms of its resourcing. There are very large problems, I think, given the fact that the forest industry is excluded from the land use planning and approvals process. That is probably the other major institutional dysfunction—the lack of some sort of process of accountability to the community for the forest industry.

Senator BROWN—Forestry Tasmania has been removed from the extent of freedom of information legislation in Tasmania, as best I know. Is that right?

Mr Mills—Yes, and the essence of my critique is just that: the way in which they have gradually been removed from any accountability either to the whole community or to the regional communities.

Senator BROWN—Thank you.

CHAIR—I have one final question, which goes to something you might like to share with the committee. You are the convener of the Bass Forest Focus Forum. I believe you provided members of the committee with an invitation to an initiative called 'Celebration of the Forest'. Would you like to speak briefly on what that event is about?

Mr Mills—The Bass Forest Focus Forum is the title we have given to this collaborative project, looking more closely at forestry issues in the north-east. As facilitator, my challenge has been to endeavour to find a methodology that is adequately inclusive of all interests in the community. A major criticism I have for most of the pre-existing processes, whether it is an RFA inquiry or even the natural resource management planning process, is that, very much due to resource constraints, they have lent themselves only to people with an extraordinary persistence and ability to participate in public meetings. There are very many people in the community with a big stake in the future of our natural resources who do not find that style of engagement with the issue particularly constructive or helpful—in particular, because these meetings tend to be so disconnected from the context they are supposed to be addressing.

CHAIR—Thank you for your assistance to the committee, Mr Mills.

Mr Mills—Thank you very much.

[9.29 a.m.]

EDWARDS, Ms Naomi Jane (Private capacity)

CHAIR—Welcome. Do you have any comments to make about the capacity in which you appear today?

Ms Edwards—I am appearing as an individual, and I am a retired partner of Deloitte Touche Tohmatsu.

CHAIR—I invite you to speak to the submissions you provided to the committee—I found a number of them quite interesting—then I will invite members of the committee to ask questions.

Ms Edwards—Sure. I have given out some PowerPoint slides, but it would be great if you could desist from turning them over before I get to them. Thank you for the opportunity to present to the Senate committee today. I think it is a very important topic. The paper I have written, which hopefully you have all received beforehand, considers the issue of plantations from the perspective of the growers or the investors and prospectuses. I am specifically not talking, for example, about a farmer who puts a block on his own land; I am talking about mum and dad investors via the prospectus facility.

Many of these prospectuses are now graded as having AAAA ratings by a range of investment houses, even for risk averse investors. They have different ratings systems so, even when people are classing themselves as a low-risk investor, they are being told that these are still suitable investments for them. The reason is that, under the prospectus scenarios, the full range of potential outcomes given is very good. For example, in the case study I have done, which is the Gunns GPL Woodlot 2002, the low-range investment return promised is nine per cent net per annum for 13 years, which is a great investment. Even low-risk people are being told, ‘This is suitable for you—it probably won’t go much below nine per cent net,’ which in the current climate we would all like to be getting.

I will briefly go through the two main arguments in my paper; I definitely will not repeat everything that is there. There are three main drivers of plantation return. The first of these is: what is the current price in today’s dollars terms for stumpage per tonne for the wood in a tree? The second driver is: what are real growth rates going to do in terms of growth of the price—the stumpage return into the future? And the third key driver is the mean annual increment. Those are all on the first slide I have handed out. The thing that I am not going to look at today is the mean annual increments, or MAI, because that is very much site specific. Obviously, I am not forester, and the MAI is not really amenable to financial or investment analysis. So the only two assumptions from the prospectuses that I have studied are the promises made regarding stumpage returns in today’s dollars and the promises made regarding real annual growth rates for those returns.

The first row of the graph headed ‘Stumpage prices today’ talks about the promises made in prospectuses. Lonsdale Securities, or Lonsec, did a survey last year of the 10 largest plantation prospectuses issued in 2002. You can see there that the range of current stumpage prices quoted

in those prospectuses was between \$32 and \$52. I have studied the Gunns prospectus, in particular, which is the most conservative or the most reasonable of those prospectuses. It starts out at \$32 per cubic metre—this is all like for like, so this is all for *Eucalyptus nitens* or *E. globulus* plantation wood—and it ranges up to \$50. That is what I started looking at when I was looking at the prospectuses GPL have singled out, because that is where I have done my case study. I then compared it with what we knew about plantation stumpage prices today.

The ANU forestry survey is conducted by the Australian National University. They basically request information, because it is very hard to get information about what stumpage returns are paying. Unfortunately, that survey is mainly focused on small to medium growers; it is not the very big end of the growers. That survey has a range of about \$17 to \$25.

Luckily, however, the prospectuses do justify their own assumptions, and the GPL Woodlot 2002 has a comprehensive section justifying how it came to the \$32. It surveys Tasmania, WA and Victoria. The prices from the GPL Woodlot that they have used to justify the number are shown here. You can see that it is a rather weak justification. They have stated that prices are currently \$18 to \$24 or \$24 to \$26—in Victoria they are \$18 to \$29—and that is it. Then the prospectus and the various experts' reports fall silent.

What we have is an extraordinary degree of stretch. This is not about assumptions about what stumpage prices may be in 30 years time; this is what should be a fairly factual statement about what stumpage prices actually are today. This was the first thing that surprised me quite a lot. You do not have to be an actuary or anything like that to see that there is a bit of a jump in what is being assumed.

Staying on that 'Stumpage prices today' graph, there is one price that is not on there, and I am sure this has been discussed by the committee before—that is, the price currently being paid for native wood stumpage. You may think that is not relevant to plantation wood. I am sure you are aware that there is a premium for plantation wood over native wood. You may also think that native wood supplies are running out and therefore they are not going to be competing with plantation wood. Unfortunately, neither of those things is correct.

Firstly, coming to the plantation premium over native wood price, historically people thought that it was around 10 to 15 per cent. Gunns say in their prospectus that they are currently making—or they had been up to 2001—an 11 per cent premium for quality plantation pulp over native pulp. We have seen in the last year that premium being very much squeezed as the WA plantation volumes come online. For example, for calendar year 2002—this information has just come out so it is not in my report—the premium between plantation and native wood under the ABS statistics fell from eight per cent to four per cent. In other words, the premium for the wood is being squeezed, so the substitution and competition effect between native and plantation wood is becoming more raw and exposed.

Secondly, there is an issue to do with volumes of native wood. I am sure you are aware that there are large volumes of native wood coming out of Tasmania to compete with this plantation wood, particularly as the perceived differential falls. Forestry Tasmania believe they are managing the state's native forests in a sustainable way, which means they will be able to continue supplying this level of native wood—which, as you know from Forestry Tasmania, is about 2½ million green metric tons per annum. Looking at the various sustainability reports,

there is no reason to think that is drying up. They still have about 860,000 hectares of state forest available for logging outside the reserve system. Last year they logged 14,900 hectares, with 860,000 hectares left, so there is still a lot of years of logging native wood to compete with the plantation industry.

What is the native wood price? It is a matter of great secrecy and hot debate. Evan Rolley, the head of Forestry Tasmania, has stated in public—in the *Mercury* last year—that the average price that Forestry Tasmania is charging for stumpage per tonne is \$11 to \$12. This is the price being charged by Forestry Tasmania and this is the issue that we butt up against. Gunn's chairman, John Gay, has stated in the *Inquirer*, the Launceston paper, that the average price that they are paying is \$14 to \$16 per tonne for pulpwood. There is a little gap there. Gunn's do not get all of their wood from Forestry Tasmania but, for argument's sake, in what follows I have assumed that Gunns are paying on average \$15, so I am just using John Gay's figures for what stumpage they are paying.

I want to move on to the next graph, which I think you are all looking at. It is the one with the three horrible little graphs. This is not in the paper, so I will take you through it quickly. The first table is about Gunns today. All of these numbers are from the public record. In fact the sources for all of these numbers are given in my full written paper. Currently Gunns are selling chips—this is the free-on-board price converted to green metric tons—for \$84 a tonne. In other words, that is what they get once they woodchip them. They have a cost of \$48 a tonne. I have assumed that they are paying on average \$15 a tonne for stumpage, and we know that they achieve a profit margin of 25 per cent, which works out to \$21 a tonne. Gunns had to disclose their profit margins at the time of acquiring Norths and Boral, so that information is in the various reports by JP Morgan and so on. At the moment, they have a nice healthy 25 per cent profit margin, which is very good for a commodity market.

The GPL prospectus tells investors that they will probably achieve an 11 per cent price premium when Gunns eventually sell it, so I have added 11 per cent to the \$84, and that is the \$93. Costs stay the same. There is actually very little difference now in processing costs for native wood and for plantation wood. On stumpage, the Gunns prospectus offers \$32. You might have wondered why that says \$31. It is not a typo; it is just a conversion from cubic metres to tonnes. There is about five per cent difference, so I have made it \$31, but that is the \$32 from the prospectus. That only leaves \$15 profit to Gunns shareholders, which is a 16 per cent return, so it is nearly halving their current profit margins. I forgot to disclose that I am a shareholder in Gunns. You should be aware of that. Basically, that would mean a real fall in Gunns shareholders' profit margins, which obviously the share market would not be very happy about. I do not think that is a realistic scenario. It is certainly not a guarantee to growers that they are going to be paid \$31 a tonne.

What I think is reality is the third table. You will see the sales price in the third table. I have allowed for the fact that the premium for plantation wood is no longer 11 per cent. It has fallen to four per cent, so now Gunns will only achieve \$87 when it sells that wood. Costs stay unchanged. Let us assume that the Gunns shareholders insist that they maintain a 25 per cent profit margin—and indeed the prospectus investors have not been told anything else; they have simply been told that Gunns will buy their wood at market price. So they take their \$22 profit margin to maintain that 25 per cent and, voila, the poor grower ends up with \$17 residual. So the \$17 just falls out of the mathematics of it if Gunns wishes to maintain its level of profitability. In other words, something has to give. Gunns simply cannot afford to maintain its

profitability and to meet the promises that it has made in the prospectus to its growers. That is where the conflict with native wood pricing is really going to hit.

The next part I want to look at is the issue of future growth of stumpage prices. This seems to be debated a lot more than it would be in, for example, the mining industry. Talking to experts from mining, the industry always says, 'Of course commodity prices fall, but we are doing this and this to manage it,' and they operate very successfully under that baseline assumption. The same thing is happening with pulp. It is a commodity and the price is falling. It has been falling steadily for the last 20 years, but for some reason it seems to be a contentious statement. It does not have to be. It does not mean that an industry is not viable just because it naturally has a price fall.

The graph of the real price changes just shows what has happened over the last 10 years. These are the ABS statistics which come out every year. I think table 125 of the ABS statistics gives the pulp prices. I have used the ABS CPI to divide it out and get real returns. It has been a pretty steady fall for most of the last 11 years, except for one or two years when it went up. Again, there is a contrast between history, which shows an average fall—for example, in the last two years real returns have gone down 2.1 per cent each year—and the prospectuses, which again assume a very different world.

These assumptions look rather tiny. You might say that the prospectuses only assume one per cent real growth per annum—and one of them assumes two per cent real growth—but remember that these are long-term investments for 20 years or so, so you get an enormous compounding up of the impact of that increase and so, again, another gap. What we see in the prospectuses is basically error compounding error and stretch compounding stretch, so they start to get very much into never-never land.

The final graph, the one headed 'Implications for investors', is about the forecast internal rates of return for investors. You can see, for example, that the GPL prospectus—which is actually rather conservative compared with the other prospectuses—basically has a worst-case scenario of nine per cent and a best-case scenario of 12 per cent. I have reworked that on a variety of assumptions—it is easy enough to build a model that replicates the GPL IRR—and shown that under various scenarios the stumpage return to the grower, the total investment return, can be anything from two per cent to about nine per cent max. In fact, the low stumpage scenario that I have shown assumes an \$18 stumpage return. In my previous analysis, I said that it could go as low as \$17. If that happens, the return to the investors is going to be even lower than two per cent. These returns are net of tax. These things could turn quite sour for investors. For the people who have a high-risk tolerance it is a case of *caveat emptor*, but I think the problem now is that the prospectuses have moved into the realm where they are viewed as fairly solid investments for a wide range of investors.

Finally, I want to set out my recommendations. The first two recommendations relate to investor protection. ASIC, as you are probably aware, announced last Wednesday that they are commencing a crackdown on plantation prospectuses. Obviously they have been doing this for a long time; I do not know what the media angle is, but they have decided to say that they are cranking it up. They are saying that they are quite concerned about the speculative nature of the prospectus assumptions. I have a copy of their media release if that would be useful. The first thing would be for the committee to support that initiative by ASIC and, I suppose, for the government to think carefully about making sure that the investments are solid if they are seen

by the public to be supporting the prospectuses through the 2020 vision. The third recommendation relates to this whole issue of native wood subsidy and suggests that the committee consider whether the actions of government in selling the wood stumpage at 11 to 12 bucks is really hurting an industry which is promising growers \$32 to \$50 a tonne for the same product.

Finally in the recommendations, there has been a move within the forestry industry to develop a more equitable way of developing stumpage returns for growers. Many people within the forest growers industry are quite concerned that growers are being ripped off. They are not really concerned about the investors, but probably more about the farmers. They are trying to develop a more equitable way to share the profits between the people who have the risk of growing the trees and the people who, say, coordinate the prospectuses and are making enormous profits from that side of things. That is all of my report and I am happy to answer any questions.

Senator O'BRIEN—Your recommendation is to support an ASIC crackdown on forecasts. What have they been doing up to now?

Ms Edwards—This is to support their new initiative as announced by their media release. They have, as you probably know, been in enormous tussles with prospectuses about this, but I think that they are trying to do it even more.

Senator O'BRIEN—So, ASIC have been very active in this area up to now. Is that what you are saying?

Ms Edwards—I do not know. I do not work for ASIC, but I know that they have been engaged in—

Senator MURPHY—The answer to that is no.

Senator O'BRIEN—We can cross-examine Senator Murphy later, but perhaps now we will get the witness's answer. Senator Murphy can choose to give evidence later.

Ms Edwards—You would know more than I would. I am just reading the press release.

Senator O'BRIEN—I am just interested to understand what knowledge you have of the activity, or inactivity, of ASIC.

Ms Edwards—I am not privy to anything ASIC does, apart from what is in their press release.

Senator O'BRIEN—Your evidence is suggesting that ASIC have been either inactive or derelict in their duty if you say that, in the work you have done as an individual, you have uncovered a situation where there have been massive, overly generous predictions of return on investments of this nature. Can I interpret your evidence that way?

Ms Edwards—Under privilege, yes.

Senator O'BRIEN—You do have privilege here, and you are invited to give truthful answers without fear or favour.

Ms Edwards—If ASIC have been signing out these prospectuses as being kosher, then I agree, although I understood that technically they believe they do not actually give prospectuses their imprimatur as far as the forecasts go. So perhaps they would argue that. But I think it is a shame that ASIC have not done this work themselves.

Senator O'BRIEN—If ASIC do not believe that they are obliged, required or able to assess the predictions of return to ascertain whether they are reasonable, should that aspect of legislation be addressed?

Ms Edwards—Yes.

Senator O'BRIEN—The prospectus issuer in your case study, Gunns, is also a purchaser of wood. On the one hand, they are making a forecast in a prospectus about a stumpage rate and, on the other hand, they will be the purchaser at the end of the process, 11 to 13 years down the track. What obligations would they have in relation to a differential between what they, effectively, quoted and what they paid in the end?

Ms Edwards—Gunns's directors have signed a statement saying that they believe the forecasts are reasonable. They have used, effectively, three different sets of expert advisers to sign those out. In this case, Deloitte Touche Tohmatsu has given a negative sign-out that there is nothing to make them believe that the projections are not reasonable. The independent forester has given an opinion that they are not unreasonable, and the directors have stated that they believe this is their best estimate. They also state that they do intend to pay market prices, and that it will be a fair, open determination of consumption at the time the wood is ready. The fact that there is now a monopoly, such that the definition of what a market is in Tasmania has become a little silly, has not been addressed in the prospectus. One might think it was a responsibility of the directors to mention that. Certainly, other bodies like PIR Agribusiness, the agricultural people, have mentioned that monopoly and the potential problem but, nonetheless, have rated the investments AAA, which I found quite surprising.

Senator O'BRIEN—It seems to me that for a purely chipping operation for plantation wood the costs of a competitor setting up against Gunns would not be extensive, if Gunns were to undervalue the market because of their monopoly position, as you put it. Is it a fair assumption to say that, if Gunns were undervaluing the market relative to the real market, there would be an incentive for a competitive set-up to purchase wood at something still under the so-called market price?

Ms Edwards—Obviously, until 2001 there were competitors in Tasmania. Gunns have since bought them out. I am not trying to imply that Gunns are unfairly pricing as such—they are just the buyer of the wood. The issue is more with the seller of the wood. Gunns are just behaving like a sensible corporation would. If an alternative player enters the Tasmanian market, the question is: at what price would they be offered the wood?

Senator O'BRIEN—Presumably, Gunns do not control the whole resource in Tasmania. So they would be, on the one hand, in control of their own resource and, on the other hand, in competition for the rest of the resource. To that extent, there is the potential for competition.

Ms Edwards—Gunns currently purchase about 80 per cent of Forestry Tasmania's wood, and the other players are rather tiny. They have quite long-term contracts—a lot of the contracts with FT extend to 2009, so unfortunately Forestry Tasmania is probably effectively locked into continuing to meet those supply contracts at those prices. The other issue is that, the way those contracts are structured, most of the risks, such as prices in Japan falling and exchange rates, are back-end loaded through to Forestry Tasmania. In other words, Gunns' margins are fairly well protected.

Senator O'BRIEN—It is interesting that it is in that context and with the current profit margin that you describe yourself as a disgruntled and angry shareholder—which does appear on the record. We cannot expunge the record. I am just wondering why you expressed that feeling. Is it because you are disgruntled with the rate of return or because you do not agree with the nature of their operation?

Ms Edwards—I am also a taxpayer in Tasmania and a Tasmanian resident, so I have two hats.

Senator O'BRIEN—We all do.

Ms Edwards—I also own part of the state forests, so that mitigates my shareholding in Gunns.

Senator O'BRIEN—You are angry because they have, in your view, done too well in their dealings with the state government?

Ms Edwards—I think the state government is selling its wood cheap, which is hurting the plantation industry and will continue to hurt it, particularly when the WA volumes come on. That is a shame, because I think the plantation industry is something that, particularly on the mainland, can go a long way towards addressing some pressing environmental problems.

Senator O'BRIEN—That is a different question. I am interested in the proposition that there will be no change in costs to the operation here. The cost structure that you attribute to Gunns in the 'Stumpage prices today' section of your overhead presentation does not change. Is that figure applicable only to the costs of plantation timber, or is it native forest and plantation timber?

Ms Edwards—In the first column, the \$48 I have solved for was the balancing item, because I know from public information that their profit margin is \$21. I know that they pay \$15 and I know they are getting \$84, so I solved for the \$48. It is their current aggregate cost structure for all of their business. It is predominantly native timber, but they do currently have a little plantation wood. I have kept that constant throughout the analysis. It is possible or probable that the plantation costs are a little bit lower—although there are differing views on that—so perhaps it would come down from \$48. But it is a simple analysis, so it does have some simplifying assumptions.

Senator O'BRIEN—Thanks.

Senator BROWN—I am interested in the government's role in the prospectus presentation, because my understanding is that most, if not all, the prospectuses refer to the government's 2020 vision strategy. To what degree do you as a shareholder see this—or think other shareholders would see this—as a direct or de facto stamp of approval for potential investors in this industry?

Ms Edwards—It is clearly a stamp of approval, because the prospectus summary, which is always on the front page, talks about the benefits, the bipartisan government support, the 2020 vision and so on. Along with the ATO rulings, it gives people comfort that this is a sound, sustainable and environmentally good investment to make.

Senator BROWN—So potentially we have a great dilemma. If we take the figures that you are presenting, the message going to shareholders is that the government is behind investment in this industry to some degree, but the returns being touted are not likely to be realised—in fact, they are almost certain not to be realised. The government should review its role in the advocacy of investment in this industry or, at least, caution investors about what the prospectuses are putting forward. You told us that the Gunns prospectus you looked at is at the conservative end of what these prospectuses are offering mum and dad investors. The government should look at cautioning people to look again at the prospectus potential.

Ms Edwards—The government's support for 2020 goes far beyond prospectuses, and what I am talking about just relates to prospectuses. In relation to the prospectus aspect of 2020, it is important that the government, presumably via ASIC, makes sure that a bit of a dampener is put on some of these forecasts, or else there will be some rather sour investments. Again, the danger is when mum and dad investors invest a significant part of their retirement earnings. Various groups, including the Institute of Actuaries, have done studies and they say two per cent net is not enough to retire on. That is when disappointment could happen.

Senator BROWN—We are looking at prospectuses which are offering nine to 12 per cent?

Ms Edwards—The Gunns 2002 option 1 woodlot has a range of about nine to 12 per cent. I think their option 2 promises are even higher, but they include a veneer and a 20-year rotation component. So, yes, there is a huge gap.

Senator BROWN—Why have the investment houses given this a AAA rating? They have had access to the information that you have. What is the difference? Is it that they have not adequately had their feet on the ground in making these assessments?

Ms Edwards—The investment industry is by nature optimistic. We have seen that through the last decade. Funds managers like to recommend things; that is the nature of their job. I think that they have relied over heavily on expert opinions. Remember this has been signed out by three sets of experts, including my old firm, where I led the financial services team. Maybe they have all over relied on a rather quick reading of what essentially comes down to the independent forester's report. I have done a rather thorough and pedantic reading of that report and have gone through and picked it to bits. Who would have thought that the forester's report did not

refer to the \$32; that the key stumpage report did not even know that that was the assumption? You have to read 200 pages of tiny writing to find that out.

Senator BROWN—Who wrote the independent forester's report?

Ms Edwards—It varies depending upon the prospectus. In this case it was a company called Van Diemen Forestry Consultants, VDFC, in Melbourne. The charge for preparing this 15-page report—including an assessment and review of the 2,000 hectares of site and opinions on current stumpage, future stumpage, growth rates, global markets, soil suitability, rainfall and so on—was \$3,000.

Senator BROWN—What does that say to you?

Ms Edwards—They have a very efficient production system or a very low charge-out rate.

Senator BROWN—In your professional opinion, is Gunns misleading investors by inflating the stated returns in its prospectus?

Ms Edwards—Yes.

Senator BROWN—The directors of Gunns have signed off on this prospectus, but you have explained cogently that Gunns is in a near monopoly position to buy plantation resource and that there will be a crunch. As you say, something has to give. What do you think will give? Will it be the return to the Gunns shareholders, or will it be the return to plantation investors? Has the board of Gunns got a priority as to which group of people it looks after when they make a decision when this crunch comes?

Ms Edwards—The directors have a responsibility to their shareholders, but part of meeting that responsibility is long-term corporate governance. Clearly Gunns believes at the moment that it can satisfactorily manage that conflict. I have no idea as to how that might play out.

Senator BROWN—Is there any other information that you have here which you think the directors of Gunns would not have had when making their assessment of the prospectus they have signed off on?

Ms Edwards—The figures in the graph about current stumpage returns for *Eucalyptus nitens*, and *Eucalyptus globulus* are all from Gunns own prospectus as evidence towards the stumpage return. I am sure Gunns is aware that it is currently paying Forestry Tasmania \$14 to \$16 per tonne. So the only piece of information they may not have had access to is the ANU forestry survey range of prices. Clearly Gunns would have access to ABS statistics. Perhaps they are not aware of that information, but that would be the only piece.

Senator BROWN—Thank you. Can you shed light on why it is that Forestry Tasmania is returning one per cent and Gunns Pty Ltd is returning 25 per cent?

Ms Edwards—I would correct your question.

Senator BROWN—Please do.

Ms Edwards—You have mixed up return on equity with profit margins. The figure I am citing is the Gunns woodchipping profit margin, which is 25 per cent. I think it is actually an EBITDA profit margin—that is, earnings before interest, tax, depreciation and amortisation. That is the financial market's preferred way of comparing customers. Forestry Tasmania's corresponding EBITDA margin is currently 15.9 per cent, not one per cent. So there is a large gap there. The interesting thing is not so much why the Gunns profit margin is 10 per cent higher than that of Forestry but the relative trend between them. Forestry Tasmania's EBITDA profit margin has fallen steadily over the last five years. Five years ago it was 29 per cent, and it has now fallen to 15 per cent. Over the same period, the Gunns profit margin started off at around 15 per cent and has now risen to 25 per cent. So, basically, one entity seems to be profiting at the expense of the other, and as volume is rising that scenario is getting worse for Forestry Tasmania.

Obviously, it is not just because of their relationship as supplier and customer. Gunns value-adds and it does other things, but it is quite a strange relationship. It is the kind of relationship you would see if Woolies were negotiating to buy potatoes from a small farmer, and indeed that is what we have seen as potato prices have been hammered as Woolies correctly uses its market power. The reason it is unusual in this case is that it would be like Woolies negotiating with the potato growers union. It is not a big guy negotiating with a little guy; it is a big guy negotiating with a big guy. So it is strange that one guy seems to have so little power.

Senator BROWN—Do you know how those negotiations take place or who with?

Ms Edwards—No. They are all commercial-in-confidence.

Senator BROWN—Have you done any assessment of what the stumping price should be for Forestry Tasmania to be getting a better, or fairer, return?

Ms Edwards—No, but, looking at the graph, in order for it not to compete so unfairly, you would expect that it would be at least getting towards the \$22 range.

Senator McGAURAN—When was the prospectus issued?

Ms Edwards—This particular Gunns prospectus was issued in 2002, at the start of the year. It was issued on 27 February 2002 and there were two supplementary prospectuses issued—one on 13 May and the other on 24 May. Those additional prospectuses were issued at the request of ASIC. The second one of those did address in more detail the assumptions regarding the future growth rate of the stumping returns. I believe ASIC questioned them and the supplementary prospectus provided more independent, expert justification for them.

Senator McGAURAN—Perhaps Gunns agrees with you that the returns that they once predicted are not there. Have they made adjustments to their profit predictions? The marketplace is moving feast at the moment. I do not think there is a business that has not had falling returns—try AMP, for example. Perhaps you are only reading it at one time, in a falling market.

Ms Edwards—Sure, and Gunns will be issuing further prospectuses this year, so it will be very interesting to see what promises they make.

Senator McGAURAN—So, in fact, Gunns can revise their prospectus or their profit predictions—as they are more than entitled to do and as any company can—according to an unpredictable market.

Ms Edwards—Yes.

Senator McGAURAN—And you would expect them to, and ASIC and their shareholders would as well. So, if I can put it to you colloquially, what's the big deal?

Ms Edwards—The big deal is that, as Gunns revises its promises or its views and therefore its price for the projects, it does not affect the people who invested this year or last year or the year before; that only affects future investors. If you invested your \$20,000 retirement nest egg last year in this prospectus, you have no protection whatsoever from Gunns changing their assumptions about the future.

Senator McGAURAN—That is quite right. The big deal would only be—and I would not agree with you more, as everyone around the table would—if it was an intentionally fraudulent prospectus, which is a serious crime. It may be a miscalculation in a risky business—and it is a long-term business, by the way, compared with all the businesses we are dealing with. This prospectus is over 30 years, perhaps, isn't it?

Ms Edwards—It is 13 or 20 years.

Senator McGAURAN—It is the most long term of investments that you can make. So an investor that, perhaps, gives them the AAA rating would say that, after four or five years, that does not mean anything, because this is a 20-year investment. So, of all the investments, you are looking at a long-term prediction. Any adviser would tell you not to bail out on the first downturn. I would agree with you if it was fraudulent, which is an ASIC problem, of course. You have to take it to that point; otherwise, it is just a risky business.

Ms Edwards—I think the reason that independent experts are hired and paid to sign off on these is that the public does expect some kind of reality in the way that promises and best estimates are derived. Clearly, the word 'fraudulent' is not relevant here. We are talking about the future; therefore, we are talking about assumptions—we are talking not about right or wrong but about views. The issue that I have raised in my paper is about stretched promise upon stretched promise.

Senator McGAURAN—That sounds shonky, the way you put that to me. I would interpret a 'stretched promise' as 'they are being shonky', like this is no better than the ostrich business.

Senator MURPHY—A fair assumption.

Senator McGAURAN—Am I entitled to say that? A stretched promise is different to a poor prediction or bad analysis, isn't it? You are really saying they knew what they were doing.

Ms Edwards—There are two ways of looking at what happens in the future: one way is what has happened in the past and what is happening today, and the other way is to look at one's strategic plans, one's hopes, one's investments, one's dreams. The way that I have looked at the

assumptions is to look at the past. If people are using the other method, that does not make it fraud; it is simply a different approach. I have used a somewhat factual or statistical way of looking at it.

CHAIR—I will just ask a very quick question. Have you undertaken some sort of comparative analysis with the investment prospectuses that might exist in other parts of the country—for example, in Western Australia or Victoria? Would you come up with the same conclusions that this one is unusual in comparison?

Ms Edwards—No. I have relied on the Lonsdale Securities comparison—which I have here if anyone wants it—of the 10 large prospectuses. I have only read through three prospectuses—they are 200 pages each—so I did not review all of them. The big thing that makes Tasmanian—which is basically the GPL—investment special is that, as well as the graph that I showed you, we have the native wood competition sitting out on the left on \$15, and that obviously is not a feature in the other states. In brief, no, I have not. I have relied on this comparison of their assumptions to get the information in the paper.

Senator McGAURAN—I have one more question. You mention that Gunns had said there was an 11 per cent premium of plantation over native wood but that has since greatly narrowed. I took it that you meant that therefore the returns are not there again but there could be a switch—the returns are equivalent in native wood. Is it not so that we have nothing to fear that there would be a switch into native wood, because of the natural barriers that have been put up—the legal barriers—if nothing else? Also, there are not going to be greater volumes of native wood coming onto the market, I should not imagine. I am saying that it is a poor example. The volumes have increased in plantations—you cited the Western Australian example—and that is in fact what has reduced the returns. There are just more doing their business. It is the market operating competitively. What is the big deal?

Ms Edwards—I agree that it is—

Senator McGAURAN—It is successful—2020 is successful.

Ms Edwards—It is certainly successful in getting more wood onto the market. We know that Australia is such a large player in the global pulp market that we can actually move prices downwards, if that is our definition of success.

Senator MURPHY—For the benefit of senators, can I say that ASIC's position with regard to plantation prospectuses is on the public record. It has been put on the public record on two occasions in committees that I chaired in inquiries into mass marketed tax effective schemes. We saw legislation pass the parliament at a federal level about 18 months ago that required fewer restrictions from an ASIC point of view with regard to prospectuses and the predictions that they make. That was passed with the support of the opposition through the Senate—something I found rather difficult to comprehend. Ms Edwards, insofar as other prospectus companies are concerned, you said at the outset that Gunns's was probably a more conservative prospectus offering. With respect to Gunns's prices versus those of Great Southern Plantations, Timbercorp or ITP, have you looked at the differences in terms of the projections being made by those companies?

Ms Edwards—I have the comparison of the 10 prospectuses in front of me. For example, looking at the Gunns offering versus that of GSP, Great Southern Plantations, in the first year the cost per hectare for Gunns is \$3,950 and for GSP it is \$9,000. Looking at the projected stumpage return, Gunns are saying \$31.22—I am not sure why that is not the \$32; I think they have adjusted it—and GSP is saying \$49.96. I have not analysed that plantation, so there may be other features of it which are why it is different.

Senator MURPHY—But if you take that situation and, given that Gunns have access to a native forest resource at what I will call a relatively moderate price—I will not say it is a cheap price—is it not the case then that the price claimed by Great Southern Plantations is an even more outrageous claim from a stumpage point of view than that of Gunns?

Ms Edwards—The \$49.96 price claimed by GSP is the highest in the range of 10 prospectuses by some margin. I have not investigated why that is. If indeed it is for the same product then it is a strange price to be imagining. Perhaps it is for a better quality product. I do not know. This survey was of eucalypt pulpwood. I do not know how different the quality of that could get.

Senator MURPHY—It is blue gum, in terms of Great Southern Plantations.

Ms Edwards—Then I do not understand \$50 stumpage.

Senator MURPHY—With regard to the points that you make about price trends for pulpwood historically, did you do any comparisons of pressures that global supply might bring to bear in the longer term?

Ms Edwards—In the future?

Senator MURPHY—Yes.

Ms Edwards—No. I have read a paper by Ms Judy Clark of the ANU which talks about some supply issues in regard to substitution and other things. Clearly, all of the prospectuses have a lot of information about future increases and supply. Reading the prospectuses, it does seem that there will be quite a big jump in demand for pulp products, mitigated of course by the stuff in the Clark paper about substitution and so on.

Senator MURPHY—I would have thought that, for any company or even any investor wanting to invest in this process, understanding the potential supply chain was an important factor when considering an investment. I guess it goes to Senator McGauran's point that, if you are investing in this type of product, you are in a marketplace, so there are a number of factors that might lead you to conclude what value that investment really has. I would have thought that the potential for supply, both nationally and internationally, is an important point that one would consider.

Ms Edwards—Yes, I agree.

Senator MURPHY—I ask that question from an investor's point of view. What information was available to you to check how competitive, for instance, Gunns's supply of plantation pulpwood might be against other potential suppliers both nationally and internationally?

Ms Edwards—One of the issues is that in the prospectuses there is a lot of information about demand growth but there is no information about supply growth. I do not believe it is technically a responsibility for the prospectuses to give information about Australian or global supply growth but they certainly obviously do not. That is because, for example, there is a projection kicking around of plantation volumes coming onto the market. I am sure you have had people tell you that there is a big glut coming. Obviously, that is not going to help their case. The only reason I know that is from going on the Net and looking for it. That information is not in the prospectus; they just talk about demand growing, not supply growing.

Senator MURPHY—If you see a growth in the supply of plantation pulpwood, the price pressure on native forest produced pulpwood be downward, wouldn't it?

Ms Edwards—I think that, because the prices currently are so different and there is such a large gap, the plantation price would have to fall a lot before that started squeezing the native price. There is daylight between them at the moment.

Senator MURPHY—I thought you said that it had been squeezed to about four per cent.

Ms Edwards—Sorry, the premium.

Senator MURPHY—Yes.

Ms Edwards—Yes, but the premium is because the plantation price is coming down and the native price is staying stable. Yes, I see your point that that could force both of them down. I think that pressure is going to affect Gunns's profit margins probably, although there is the contract issue with forestry. You may be right, that may also affect the native forest price, although it is so low it is kind of heartbreaking to imagine it falling even further.

Senator MURPHY—I am not getting into the issue of whether it is heartbreaking or not. I want to deal with it, hopefully, from as factual a point of view as we possibly can.

CHAIR—Ms Edwards, thank you very much for appearing here today and for providing assistance to the committee.

Proceedings suspended from 10.28 a.m. to 10.43 a.m.

[10.43 a.m.]

STRIE, Mr Frank, Director, Forestry Consultant, Mobile Sawmiller and Community Ecoforestry Adviser, Schwabenforest Pty Ltd

CHAIR—Mr Strie, thank you for coming in this morning. I understand we are going to be accompanied by you tomorrow on some of the site inspections. You may wish to make a presentation to the committee, after which my colleagues may submit questions.

Mr Strie—Thank you very much for this opportunity. I find it unique to have such a broad spectrum of inquiry. I was listening into the inquiry also in Launceston, so I understand that you have been provided with a broad range of views. The fact that I will have the opportunity tomorrow to show you what is really going on will enable me to answer questions that you may have in the forests and in the plantations. I have lived in Rosevears in northern Tasmania since 1987. I am a forestry consultant and mobile sawmiller and I do a lot of volunteer work with the community. Originally I was trained as a forestry master, which involves technically based forest education combining theory and practice.

I believe that I am in a unique position to comment in that I discovered Tasmania on a map—similar to the one I have here on the wall—about 20 years ago. The reason I brought this map with me was so that I could point out that it is all a matter of scale. You have in front of you some hand-outs that will enable you to read the headings. I will also provide you with a sheet containing all the headings that I will cover and which might be useful for questioning purposes.

I hear over and over that it is all a matter of scale, and that with the regional forest agreement we have finally found a balance between wood production, jobs, national parks and conservation reserves. Very often jobs relate to harvesting the forest rather than seeing the forest in a holistic sense. Even after living here for 15 years, I can see that we are still in a unique situation here, having regard to the way the industry has almost exclusive rights over local communities—a right to harvest, a right to produce. You will have heard of the Forest Practices Code, which some say is insufficient. I say: show me another such code of practice in, say, the wool industry.

I note that the two major parties here have nearly identical forest policies. They always fall back on saying that they have tried to bring peace to the forest debate, and to set up the industry on a good footing so that it has a sustainable future. They say that is why they went through this extraordinary process of consulting the public. I took part in that regional forest agreement process. I was bitterly disappointed right from the word go. I was a representative of the community—in that case a southern forest community. I acted as a consultant for them. It was clear that the scoping agreement had already been made before the community was able to have input. This meant the forest industry strategy and the national forest policy statement were the cornerstones.

Nowadays it is very hard to get a politician from any party—I am not biased towards any party here—be they at local, state or federal level, to look at the matter from a fresh perspective

and say, 'I won't come to conclusions straight away and say that the regional forest agreement is rock solid and we don't need to work on it.'

We have an industry which claims it has multiple-use forests. As a citizen who chose to come here, I must say that, to me, this is still a frontier attitude. It is a matter of saying, 'We will do whatever we can get away with and we will take advantage of what we have in front of us.' No humans established themselves in these areas. Yes, Aborigines had influence over these areas historically through burn-offs. Historically, we can see that the quality of various sites differs. In a lot of the native forests the trees were not planted. So the industry is taking advantage of the fact that there is an abundance of diversity and volume. The sheer height of the forest makes Tasmania unique.

We also hear that we have clean and clever forest management. I will go into that more a little bit later, and tomorrow on the tour I will explain and show how this claim of having a clean and clever forest management policy is not stacking up. I chose forestry as a life profession in the mid-seventies in Germany and over the first six years I learnt that, when you are dealing with forests, it is a very long-term investment, as the previous speaker mentioned. We have to apply precautionary principles in an holistic sense, not just in dollar terms but also in seeing whether a plantation policy such as that implemented in the 2020 vision is sustainable for the long haul in its broadest sense. In the mid-1800s, Europe, which has the oldest plantations in the world—specifically Germany—started cleaning up the mess from the Middle Ages and replacing it with even-aged, easy to handle and economically viable crops of trees. The lessons have been learnt, are being learnt and will be learnt for many generations to come. Nowadays, whole countries are in the process of changing monoculture plantations back into native forests. The goal is to ultimately have something that is as close to nature as possible and at the same time make it useful to society at large.

I was listening to the accountant's report earlier and it was all about woodchips. We produce around five million tonnes of woodchips. One of the most drastic issues that you as a Senate inquiry should also be aware of is the comparison between the sawlog price and the woodchip price. In the whole debate about why we have this 2020 vision strategy in the first place, I understood that it is about replacing the \$2 billion import deficit and therefore receiving our solid timber from these plantations. The evidence has become quite clear—I can see it and I know that quite a few other people can—that the quality is not the same. There are plenty of submissions available around the country, not just here in Tasmania, that point out that these plantations do not perform as expected in terms of quality. They might do it on certain very good sites in terms of quantity, but not when it comes to the ratio of pulpwood to sawlogs.

I am a mobile sawmiller; I see quite a few logs and open them up and I can understand what I have in front me. If you speak to the people actually handling these sorts of timbers, they know that there is a big difference between naturally grown timber, which varies from site to site, and fertilised plantation timber grown on very fertile soils in high rainfall areas. They may perform fast and give satisfaction in terms of being able to say, 'We can show you something; two years ago this was only bare ground. What are the complaints?' but the reality is that it will catch up with this industry when these trees come to harvesting age in 12 or 15 years. I can already see that in these second rotation plantations, where they are being taken immaturely from a size point of view. I can only skim those issues this morning, and I am quite happy to respond to any questions you may have.

So who pays for what? I have been involved in forestry now for 27 years. In my previous work in Europe part of my job was to set up timber auctions, talk to the customer and have a close relationship with the customer—sawmillers, processors, veneer companies—and value each particular log rather than the truckload or boatload of logs. We should compare the forest industries with the agriculture and tourism industries. They have to look at value adding and they have to be able to present themselves as good corporate citizens rather than just doing everything behind closed doors. When people talk about resource security or access to a resource or getting an optimum return for the resource ultimately it is the customer who pays for it. So who pays for what?

At the moment we get a blend of hardwood species. There is no record being kept of how much timber actually ends up in the process. One knows that coupe X supplied a certain amount of timber or a certain ratio of woodchip but, to my knowledge, and I have investigated this thoroughly, there is no record kept at this moment—at least one that is publicly known—of how much is left behind. There are estimates but even the Greenhouse Office has to rely on the information supplied—from Hobart in our case.

The customers for the forest produce have certain expectations and they will therefore set their price range accordingly. I would like to compare the forest industry with the agricultural industry. We have quality Tasmanian potatoes and we know that there are different types of potatoes for different uses. The same applies to eucalypt timber and the other species. If we supply a blend to the market—this is in solid wood—then somebody along the line has to grade this material. Unfortunately, not even on landings are species graded; it is just a blend of certain species and, yes, one could look into the forest practices plan and see that there was a certain percentage expected to be on-site. All this is very grey, I must say, in comparison with what I was brought up with where, due to its size, the forest industry was very thorough and particular. Everything down to a one to 5,000 ratio is measured in Germany, for example. Here it is more like one to 25,000, and not even that in some places.

There is uncertainty out there in the marketplace. There is competition, of course, with Tasmania competing against the other states. It also competes against other countries in the marketplace, especially when we are looking at things like woodchip and small log sizes. The foresters, I understand, in Forestry Tasmania—and possibly some people within the larger industries—are saying, ‘We will make peeler logs.’ This is the latest process: you peel the logs like toilet paper on a roll and then you glue the timber together and make wonderful building material. That is a commodity at the lowest price. The question is: what are the qualities of the timber in the first place? Why would somebody use timber? The whole appreciation of quality, at the very source in this state, or even in this country, is not being looked at properly. That makes it more difficult for people like you as politicians to investigate.

What advice do you get as to current best practice? What advice is actually based on scientific knowledge and how much was due to certain pressures, that being just the way it is? I learned this uniquely because when I came here, 18 years ago this week, I talked to people and asked questions. I was looking for the best place to live, and I still feel this is the best place to live in Australia or in the world.

Through the industry’s Tasmanian growth plan and the implementation of the 2020 plantation vision what sorts of jobs do we expect? I feel there is not a job that I could see my children or my grandchildren involved in because it is all heading towards a process of push buttons and

maybe watching things through the use of a satellite dish. The scenario is very clear in Scandinavia where 105 machines can be monitored from one single office. It is all done by push buttons; it has been ultimised. If that is what Australia wants as a forest industry, I really question that. We can produce fibre, of that there is no doubt. We can grow certain fast-growing grasses. Certain plants grow enormous volumes per year. But why do we have forest management in the first place? From my point of view, I think the industry needs to be driven by what is unique to a particular site. It can be, because ultimately it is a matter of marketing. Somebody has to do their work and know the product and present it to the marketplace. This is not just marketing of eucalypts and the other trees but of the whole package of what is a forest. By doing that we could—and I think Tasmania will—go long a way in future years.

The reason why I came to Tasmania, to Australia, to live was that I was involved in training. I worked for the forest industries for the first 18 months. I resigned after 15 months, giving three months notice, as I was not happy because I felt that the young were not being trained properly. I am quite happy to go into detail about that when you have questions about job opportunities, what sort of training there is and what is multiskilling. I am quite happy to give you more details on that.

One area in which I have been involved a lot concerns who are the independent controllers of the forest industry, who are the advisers that are doing all the background work, who is watching and who is actually taking a record of how these practices are being implemented. Unfortunately, I have to agree with quite a few others who have been complaining and protesting that we have Third World practices here in Tasmania. When you look solely at the plantations—if you were to say that you did not really want to deal with the native forest industry as such—you do not do justice to the issues. Yes, we do have Scandinavian and American high-tech machines and the operators are in a safe work environment, as nothing will touch them—branches will not hit them on the head—but what sort of forest industry are we heading for?

As for the controllers of the forest, it is claimed that the forest production system in Tasmania is unique in the world. Yes, it is unique in the world in that it is a self-regulated system. It is my claim that, as other industries have shown over and over again, with a situation of such long-term commitments to a site—in fact to the natural environment—you cannot afford to have self-regulation. It is not just to go over the speed limit and it is not just to have a little spill here or there; it is about downgrading a whole landscape. The same organisations and companies are the operators, the log exporters, the supervisors, the forest policy people, the judge and the jury—the whole thing—and the public is out there watching this. It is getting frustrating. We make submissions and there is burnout and so on.

We have our chief forest practices officer here. He provided a paper to a conference in Sarawak two years ago, where he talked about low-impact logging. He told them we have low-impact logging in Tasmania and that we had a forest practices system in place which was special and which the majority of the public supported. It makes interesting reading. At the same time we have a forest industry that is going incredibly strongly at the moment due to the increased transportability, but are we feeling good about what is really going on in Tasmania? I think a lot of people feel lured to this state because of its image. They feel it is a natural state. If you look on the Internet, you will find overseas tourism companies. They will tell you only the best, just as I was told when I was exploring where I would like to live in the future. I believed in the paradise at the other end of the world that I saw in a New Zealand advertising campaign

in the eighties. When I was there, and I inspected the forest industry, which is all plantation based, I was shocked. I resisted even considering living there, because of the incredible energy input—namely, the chemical input, the dependency on huge machinery, the conversion of whole landscapes et cetera. At the moment, Australia is heading towards the same thing. I am not against plantations, provided they are managed in a holistic sense. That means there should not be an allowance for unlimited clearing; there needs to be a limit in terms of size of coupe. To simply say that it is just another crop, like corn or wheat, and therefore the forest industry has a right to clear 1,000 hectares or, for that matter, 2,000 hectares is just not good enough.

CHAIR—I am mindful of the need to ask questions at some stage, and wonder whether you have much more to present.

Mr Strie—Combining tools and methods of mass destruction: that is what Tasmania is doing. We poison our wildlife and we spray the landscape using helicopters. Again, if you have questions, I am quite happy to go into detail. The forest practices system has no limits on clearing. These so-called habitat strips or corridors cannot work in a landscape of plantations because, if you clear-fell and convert every five or seven years in a short-term rotation, and you 1080 one side of this 100 metre wide strip, and then you poison the other side a few years later, it cannot work for what it is designed for. Lastly, it is important to see the forest, not just the trees. I feel the whole forest industry here is still in its mind-set from the past. It is eucalypt driven and pine driven. Yes, we live in Australia and, yes, the majority of trees may be eucalypts and acacias, but the whole Gondwana of vegetation is being left out there. It is a by-catch, compared to the fishing industry, and whilst it is there, we might take advantage of it. I am quite happy to go into further details.

CHAIR—Thank you for the presentation. To follow on from some of the issues you raised about applying precautionary principles, and what you see as self-regulation of the system, two things come to mind. Firstly, we visited the school of forestry just outside of Ballarat. It became clear that there was some criticism about research and development investment, particularly in terms of filling the knowledge gap. Given your experiences in Europe and what you have seen here in Australia, particularly in Tasmania, do you have a view about that? Do you think it is an area that is being overlooked and that perhaps needs to be given more attention? Particularly when you look at the 2020 vision strategy, the emphasis is very simplistic about trebling the estate, as opposed to doing anything else.

Mr Strie—Absolutely, yes.

CHAIR—In the context of our terms of reference, what do you suggest we also need to look at in terms of knowledge, practice and other types of investment?

Mr Strie—That is a very good question. I have been in contact with the ANU in Canberra and I also had the opportunity to talk to one of the lecturers that works in Victoria. He was in Tasmania at Agfest two years ago. I talked to him up in the Gunns stand—he was brought to Tasmania to lobby and advertise for more job and training opportunities. He told me two years ago that the university was running out of students. There was no demand for people wanting to get into forestry. I just happened to have my photos with me—a whole stack of photos. I usually do have them with me for when I talk to people at Agfest, if I have the chance. It was amazing that the professor was not aware of the fact that we are converting native forest to plantations.

He said, 'You are suggesting that.' I replied, 'Am I suggesting it? How come you are wondering then why young people do not want to work in such an industry?' I told him that in the sixties in Germany one third of all males wanted to become foresters. That says something, I feel. Instead of having just a commodity industry providing a certain volume of fibre, we need to look at other things—Australia has not even started to grasp what it is dealing with. We have such a unique environment.

CHAIR—In relation to the knowledge gap, particularly in terms of research and development and the need for investment in that, is that something you see as being overlooked?

Mr Strie—Absolutely. I can go back to 1811 when the first academy of forestry started in Germany. It was the world's first forest academy. In America, it happened a hundred years later. And what did the Americans pick up? They picked up how to convert forests into even-edged crops, and so did the Scandinavians. I have presented you with a paper by Hermann Graf Hatzfeldt that you might want to read. It will give you very good information and it indicates why plantations—the way we see them here—are not sustainable. People who did not fit into this model of monocultures were weeded out. Lecturers and trainers were no longer in that position. There is a lack of them here. The professor of forestry and native forest management at the ANU in Canberra is leaving—if he has not already left in the last two weeks—to go back to Germany as he does not see any hope.

CHAIR—I have one final question as a follow-on from that. Do you have a view about there being a need for a shift in emphasis in the 2020 vision strategy to start looking at downstream processing, given that the emphasis is on the plantation estate as opposed to other types of production?

Mr Strie—Absolutely. We need to look at how others are dealing with it. I understand they are going to look at Portugal—they, being the forest industry, Forestry Tasmania and the CRC for forest production. They are communicating with the Chileans, the Argentinians and the Brazilians. They have forums, but I think the message will be that the quality is not there. Recently a New Zealand forester was here at a meeting and he said, 'We do not want your eucalypts, because we also get all the problems with them.' I am quite happy to discuss this with you on the forest trip tomorrow when I talk about problems associated with forest plantations as we see them at the moment. So there is an enormous need for more research, especially in the timber quality area.

Senator BROWN—Thank you, Mr Strie. In your professional view, is forestry in Tasmania driven by the need to create plantations out of current old-growth forest areas or native forest areas, or is it driven by the need to capitalise on the native forest areas and therefore you are left with the option of creating a plantation afterwards?

Mr Strie—Something has to pay the bills. If it is not on rich soil—that is, if we do not buy rich farmland that at the moment produces beef or potatoes—the other option is to go into the high rainfall areas where there is uncleared land and sell the material that is stocked there. It could be old-growth or tall eucalypt forest. It has all been worked out where the most financially interesting areas are. Tomorrow we will come to such sites where the soil is like

potting mix and forests grow very fast in it. The tallest tree ferns—10 to 12 metres high—will be bulldozed into windrows. It is a crime.

Senator BROWN—How old are those tree ferns.

Mr Strie—They are hundreds and hundreds of years old. I asked the experts. This is why we now have so-called legislated trade regulation, monitored and administered by the Forest Practices Board. I think it is an absolute farce that this was ever put in front of politicians. I said this to the Liberal Party a fortnight ago at a forest tour and they agreed with me. They are actually surprised that this is now legislated. The plantation industry has an exclusive right for the next five years to trade in tree ferns. I have contacted the forest nursery of Prince Charles in England and they have told me that they will no longer import any tree ferns because they do not want to have a bar of what is going on in Tasmania until—they are not saying they do not want to trade in tree ferns forever—they know they are from sustainable forest practices. And they trust my judgment on that.

Senator BROWN—On that very important question, the whole of the regional forest agreement is based on sustainability, by which we may assume it is ecologically sustainable forestry. Is forestry in Tasmania ecologically sustainable as it is currently practised?

Mr Strie—No, it is not. It does not even claim to be ecologically sustainable. It is based on calculating the sustainable yield—and you can find this information in *Tasforest*, volume 11. That publication says that the notion of sustainable yield relies on the identification of what is to be sustained. Anything flows from there. If it is a landscape value it depends on whether it is next to a highway. If it is a good site within other plantation sites that old-growth or mixed forest is allocated to be removed. All the myrtle that is growing in the north-east is not really needed because we have got that in special designated sites that the industry might want to get into.

Senator BROWN—This is a question perhaps pre-empting the tour tomorrow and I only want a short answer: is the Forest Practices Code being observed in Tasmania? Is it being implemented on the ground from your observations as a professional forester?

Mr Strie—The forest practices system in Tasmania is designed to pretend. I know that is a very strong call but it pretends to the customer out there and it pretends to the visitors or potential visitors that we have a world-class system in place. It is self-regulated and the people that make up the forest practices system are virtually in-house. That may have advantages to a degree in terms of efficiency and short-term costs, and that is the argument—why should the government employ people on a big payroll, an administrative thing? It is too rigid and it does not work. I have seen these arguments. The reality is that the forest practices system is perhaps meant to be good but it is letting Tasmania down.

Senator O'BRIEN—You are an adviser to a number of groups which campaign against forest practices in this state. I see that from your regime. You are also associated with Doctors for Forests. Is that the political party that campaign?

Mr Strie—It is not a spear group of any political party. It is not a lobby group for, let us say, the Wilderness Society. Surely it has members that may well be members of a party, but I do not

know. The role of the forest movement is unique in the sense that it does not just look at one issue. That is why I give my time to that organisation.

The Coalition for Forests has an opportunity to reach beyond the argument that it is all party politics and somebody has a barrow to push. It is not an anti-forestry movement at all. When you look at their web site, you will find over and over again that the individual member groups, although they may have different emphases, are clearly saying: 'We are for good forest practices. We accept that our society wants forest management.' But there is the precautionary principle that I mentioned earlier: is it sustainable to convert native forest to a monoculture? Isn't that just mining of the land? These forest groups have one thing in common—they are concerned about the social and environmental impact as well as the economic impact. Do not invite anybody from overseas to Tasmania at Easter, because the sky says it all. I find it embarrassing when people talk about the best, cleanest weather—you can look it up on the Internet, on Forestry Tasmania's own web site—yet less than 10 kilometres away they have the biggest fires possible. Why? It is wrong.

Senator O'BRIEN—You are talking about the regen burns?

Mr Strie—The regen burns and the conversion burns of forest areas. Of course, the public jumps up and down because the tourists are coming. Where do you take tours? I can just look at this article here in the *Examiner* on 13 January, 'Forestry workshop visitors'. This was not produced by somebody pushing their barrow; it was just somebody very concerned about 1080, about clearing being done next to beautiful, scenic sites and poisoning almost all year round—it is no longer just at a particular time. We do not have time to answer all those questions, but I am only too happy to provide you with further information.

Senator O'BRIEN—This inquiry is substantially about the 2020 vision strategy. What do you identify as some of the deficiencies in the 2020 vision strategy that this committee should address in its recommendations?

Mr Strie—As the chair asked earlier, 'What about the quantity?' It is the quantity that is the overriding issue here in achieving that tripling of plantations—or more, in certain regions. I think it is very important that it be catchment and bioregional based management. We cannot simply declare an area in the north-east of Tasmania as a big plantation, with a few arteries or strips of nature and the rest of it production sites. Multiple use forestry should mean just that, not converting mixed forests to monocultures of pine, eucalypt or even blackwood. It is crazy, in my opinion, trying to grow blackwood in plantations, because nature does it. If only the managers knew what they were doing.

Senator O'BRIEN—Correct me if I am wrong, but I think you are suggesting that the trend towards plantation forestry should be reversed and returned to a native forest harvest program, in essence—the sort of program that has existed in some areas where regrowth and some old growth has been harvested on one basis or another rather than the conversion of, certainly, native forest to plantation. Have I understood you correctly?

Mr Strie—Yes. That is correct, to a degree, but we should definitely add to that the reforestation and revegetation of areas like the Midlands. We see report after report that

habitats are dying and there is no money to be made. Imagine if wool breaks down—what are we going to get out of these places between Campbelltown and Hobart?

Senator O'BRIEN—There is a hell of a lot more than wool there now, but we have taken—

Mr Strie—Yes, there are irrigation systems—but it is all energy input. As I say, we could go into details here—

Senator O'BRIEN—We have taken significant evidence about the development of farm forestry—I think the chair was referring to our going to Creswick. In terms of dealing with some of the degradation in the Midlands, what are your views on the extension of farm forestry and the various species that would be suitable for that region?

Mr Strie—Thank you for that question. That is a good question. We should not just stick to the natives. A lot of the native trees are eucalypts, which are surface root plants. They depend on rainfall. Yes, they can withstand certain droughts, but it is a combination of wind effect, a venturi effect and the constant drying out of the Midlands. It is now right up into the hills, into the mountains. We have severe dieback in the eucalypts. I am not saying that we should import just foreign species, but I have observed over the last few years species that have deep roots, like the pines. If you go to Kempton, you see those areas that are being reafforested. In the first two years they struggled but now they are growing. Instead of saying that they have to compete against pine trees in the high-rainfall areas, the fact will be that the quality will be much higher in the slower growing areas, provided that they are tended properly. With regard to my own farm—I have a small farm in Glengarry—I go to the parks and get acorns on a big scale, bags full. We are wasting—and have wasted over the last 100 years, for that matter—millions of tonnes of park trees. We could have a green Midlands. I am not saying that we should plant them in the national parks or in sensitive areas, but before I have had to battle the gorse all the time and spend lots of money on things such as willow removal. We need site specific management; that is really what it boils down to.

The Midlands lends itself to greening. The tourism industry would benefit from it and there would be more job opportunities. There are species out there—for example, California Oak, which has very deep root system—which grow in similar semi-arid situations. Just go out there and look for them, and you will find them. The industry has to be prepared not to expect everything to be about quantity and bulk, but long term—that is, 150 or 200 years. We do not have to go as far as saying, 'Let's plant Huon pine and wait 1,000 years or so, or celery-top pine.' But the forestry industry in other countries has not got the luxury, as I call it, of even thinking about growing a forest crop within a lifetime of a human being. You have to have intergenerational commitments.

Senator O'BRIEN—That is the difficulty, isn't it? The investment in that area is going to required to be undertaken by the landholders.

Mr Strie—Yes.

Senator O'BRIEN—Isn't the problem that encouraging that investment without some economic return will mean that your suggestion will not succeed?

Mr Strie—I have to clarify that properly. I have not said to just grow one species. The pines that are going to be planted will not require 100 years to become sawlogs.

Senator O'BRIEN—No.

Mr Strie—They may not do it in 25 years, but they will certainly do it in 40. You can see that in other regions where they are planted on poorer ground. So it is not either/or. It is too much black and white. It is too often either economical in the short term or it is out; if it does not fit the picture at the moment, it does not work.

Senator O'BRIEN—I encourage you to look at the evidence that we have taken. I am not sure what material the committee has that is on the record from Creswick about farm forestry, but I think that you may be interested.

Mr Strie—Thank you very much.

CHAIR—Thank you for appearing here today and providing assistance to the committee. As I have advised other witnesses, a copy of the transcript will be available soon. If in the meantime you have any queries, please feel free to contact members of the secretariat. Thank you again.

Mr Strie—Thank you.

[11.30 a.m.]

SMITH, Mr Paul, Assistant General Manager Operations, Forestry Tasmania

WARREN, Ms Penny, Chief Financial Officer, Forestry Tasmania

CHAIR—Thank you both for appearing here today. Mr Smith, this is the second time we have met; we met previously at the Launceston hearings. Would you like to make some opening remarks?

Mr Smith—We do not have anything formal to add to the submission that was put before the committee in November last year. We are here to answer further questions at the request of the committee, so we will do our best to satisfy your questions. I might stress the objective of Forestry Tasmania, as far as plantation forestry is concerned, which is to grow eucalypt plantations to produce high-quality veneer products. That is achieved through intensive management techniques, such as pruning and thinning. Our plantation program is designed to make up the flow of wood from native forest that has been set aside for conservation reserves. Plantations in general will be restricted to less than five per cent of the public forest over the next 10 years, as far as our expansion plans are concerned.

Senator MURPHY—In the second paragraph of your submission, you indicate:

Forestry Tasmania produces approximately 3.5 million tonnes of wood annually, comprising of veneer logs, peeler logs, sawlogs, pulp logs ...

Could you give us a breakdown of that into those categories?

Mr Smith—I do not have that information at my fingertips. It is all available in our annual reports.

Senator MURPHY—I know. I would like you to give us a breakdown but, if you cannot, that is fine.

Mr Smith—I cannot give it to you off the top of my head; I am sorry.

Senator MURPHY—Could you provide it to the committee in writing?

Mr Smith—I believe Dr Drielsma has supplied some information to you subsequent to the last discussion. Actually, I can give some figures for 2001-02, the last financial year. Pulpwood production was 2.4 million tonnes, made up of—and I will round off these figures—86,000 eucalypt peeler logs, 89,000 category 2 and category 8 eucalypt sawlogs, 282,000 category 1 and category 3 eucalypt sawlogs, 10,000 eucalypt veneer logs and 17,000 special timber sawlogs. There was some softwood production, which predominantly comes from our softwood joint venture with Renewable Resources: 225,000 sawlogs; 124,000 export logs; 6,000 roundwood—essentially fence posts; and pulpwood at 213,000.

Senator MURPHY—I am interested in the volumes of native forest, state pulpwood you produce versus the sawlog and the veneer log quantities.

Mr Smith—The figure of 2.4 million tonnes would include native forest and plantation pulpwood on eucalypt, but I cannot give that breakdown at this point in time. So I will take that on notice.

Senator MURPHY—Maybe you could provide that to the committee. I have read recently some reports about consideration of the sale of the hardwood plantation assets of Forestry Tasmania. Can you tell me what is actually being considered for sale? Is it just the trees, or is it the trees and land?

Mr Smith—I am not privy to all the detail of that suggestion, but I expect that it would go down the lines of the softwood joint venture in which the trees but not the land were sold. Essentially, it is selling forestry rights.

Senator MURPHY—Perhaps you could also provide that information to the committee.

Mr Smith—It is pretty early days in all of that. As I understand it, Forestry and Treasury are currently looking at how they will structure the whole thing. So I am not sure that I will be able to add much detail to what I have just given you.

Ms Warren—The first meeting of that steering committee is actually going to be held this Thursday.

Senator MURPHY—They might be able to provide us with some information. The reason I ask you the question is that it would seem that local processors experienced some difficulty in terms of supply arrangements of their logs after the softwood arrangements were put in place. What interests me is what you stated in your submission about the management of the state's resource for long-term rotations so that existing processors can achieve scale in international competitiveness. I would like to see what arrangements you are putting in place to ensure these things will actually occur, and that is why I want to know about the sale, what is intended through the sale process and how it will be managed in respect of the obligations that you claim you are trying to meet in other aspects.

Mr Smith—I understand where you are coming from, and my only comment to that would be that there are various legislative commitments to supply of timber to industry on the native forest side of things and, to a lesser extent, the plantation side of things. That would have to be an issue that would be dealt with through the process of looking at the native plantation estate, its sale and its commitments, which will have to be taken into account.

Senator MURPHY—In regard to your management of the native forest estate and the development of plantations within the native forest estate, I was of the understanding that, as part of the national forest policy statement and in turn the development of the regional forest agreement, the harvesting of native forest and the reforestation of native forests was such that the regeneration or reforestation of a native forest, once harvested, was to be with the species that pre-existed the harvesting operations.

Mr Smith—For native forest operations, yes.

Senator MURPHY—Perhaps I can draw your attention to a place that you and I are both familiar with, Paul: Mawbanna State Forest. Can you tell me what is growing in the coupe Dip 21(c)?

Mr Smith—I know the area in general that you are talking about. I cannot remember whether that is plantation or not.

Senator MURPHY—I think it is.

Mr Smith—Okay; that is fine. The RFA allows for conversion of native forest to eucalypt plantation—or pine plantation, for that matter—but there are limits to the amount of conversion that can occur over time, and the RFA is quite strong on the concept of maintaining a permanent native forest estate.

Senator MURPHY—In the public native forests that have been harvested in the last three years—and I will take this across the state—what areas have Forestry Tasmania regenerated on the basis of natural regeneration in terms of replacing the stock or reforesting the area with pre-existing species? What is the percentage?

Mr Smith—Once again, I can give you an approximate figure, but if you want an exact figure I will take that question on notice. Our eucalypt plantation targets are in the order of 4,500 hectares a year. Depending on sales, the area of harvest is 10,000 to 12,000 hectares a year. So in general terms, over the past three years of plantation expansion it would be in the order of 40 per cent. Having said that, Forestry Tasmania has been very clear that we are going through what we call a 10-year growth plan. While we are expanding plantations at a rate of 40 per cent of what is being harvested at the moment, there is a limit to how much that can occur, and it is spelt out quite clearly in the RFA. We have also said from the point of view of public forests that plantations will be restricted to five per cent over the next 10 years. When you look at that in total, the final outcome will be between five and 10 per cent of public forest.

Senator MURPHY—But what happens if you sell the plantations that you currently have in the ground? Does that allow you to continue with your 40 per cent strategy?

Mr Smith—This is something to be determined, but if Forestry Tasmania were selling its eucalypt plantations to a passive investor like a superannuation company or forestry company, then for Forestry Tasmania to embark on its own plantation strategy after that would make you wonder whether we could ever get to the point of having scale and being a competitor in the marketplace. There is the softwood joint venture, for example. The government is a 50 per cent owner of that. Forestry Tasmania, in its own right, is generally not expanding radiata plantations, apart from some small areas on the west coast.

Senator MURPHY—What does it mean in terms of the long-term planning of your harvesting operations in native forests if you do sell the hardwood plantation estate? When you harvest further coupes into the future—after the sale, for instance—what will you do then with the areas that have been harvested? Will you allow regeneration by seed? What will you do?

Mr Smith—The first principle is that any area that is harvested should be regenerated, and it would depend on the agreements that came out within the sale. If there were commitments to an ongoing program within the constraints of what is allowed under the RFA, then fine; if there were not, they would be regenerated back to native forest.

Senator MURPHY—But I would have thought that these would have been things you would have given some consideration to, because it is a long-term industry and long-term planning is required.

Mr Smith—I am not sure whether I can add too much value to the sale of the plantation—

Senator MURPHY—I am talking about what your planning is. For instance, if the sale proceeds in the softwood sector, as you said, Forestry Tasmania has not embarked on a process of increasing its involvement in plantation development—

Mr Smith—Other than through the joint venture.

Senator MURPHY—Yes, if at all. I assume you are going to continue to harvest native forests for the purposes of generating sawlogs and veneer logs et cetera. What happens to the areas that you harvest to produce that wood? You will throw up pulpwood, but what happens to the area? How do you regenerate it into the future? You have got a 40 per cent approach now that is plantation based and to do with plantation development. If you sell those plantations, as you said, it is unlikely that you would continue to put more plantations in the ground. So what strategies are going to be employed?

Mr Smith—We are hypothesising here; let us go back to basics.

Senator MURPHY—It is only hypothetical on the basis of the government making a statement that it is investigating the sale of—

Mr Smith—Yes, and that is what it is doing.

Senator MURPHY—It is not an unfair hypothesis.

Mr Smith—There will be a whole lot of issues that need to be resolved during that process, and it is complex. I will go back to basics. Some years ago Forestry Tasmania—I think it was in 1998—released a 10-year growth plan, of which expansion of plantation forestry was one of the fundamental planks in trying to increase the productivity of forests in Tasmania. Part of that strategy was to get new industry into the state, particularly the rotary veneer peeling process via the two Southwood sites. The long-term strategy was to move that rotary peeling resource—starting them off with a native forest resource but, in the long term, having sufficient scale in the plantation area to feed those rotary veneer mills with high-quality peeling material from pruned eucalypt plantations.

Senator MURPHY—I understand that.

Mr Smith—That will be an issue that needs to be taken into account as to how this plantation sale business is sorted out. I cannot add anymore than that.

Senator MURPHY—In your submission—and this is the only reason I am pursuing these points—you say:

Expansion of the plantation resource in Tasmania is an important part of the intensive management strategy developed during the RFA to ensure that:

- Existing processors can achieve scale and international competitiveness;
- Opportunities are available for new processing facilities based on the new resource—

along with a whole range of other things. I just want to understand, on the basis of your—

Mr Smith—I can tell you now that, when that was put together, the issue of the sale of the plantation estate was not on the cards.

Senator MURPHY—I will not ask further questions about it, but I would appreciate Forestry Tasmania's further submission with regard to its long-term planning for native forest harvesting in this state, and how you plan to regenerate those forests, given your submissions today.

Mr Smith—If you want that in the context of the outcome of a sale, or whatever, of the plantations that is fine, but I think there is a lot of water to go under the bridge before that. As Penny said, the first meeting of the steering group to look at this issue will be held this week. Those issues are going to have to be worked through by Forestry Tasmania and the government.

Senator MURPHY—I have to say I am surprised that some of this has not already been considered.

Senator BROWN—In the November hearings in Launceston, I think both Forestry Tasmania and Gunns said they would provide the committee with the information the ACCC required in April 2001. I quote from the ACCC press release:

In response to these concerns, the ACCC sought undertakings from Gunns that would facilitate greater price transparency within the forest industry. The undertakings require Gunns to make available to the Tasmanian Farmers' and Graziers' Association and Private Forestry Tasmania, for publication over the next five years:

- the average weighted FOB price to be received by Gunns for each grade of export woodchips, and
- the average stumpage paid by Gunns for hardwood pulp logs by each of its woodchip mills.

That information has not been provided. I ask again: would you provide that information to this committee?

Mr Smith—Isn't it Gunns' responsibility to provide that info?

Senator BROWN—We have asked Gunns—they said they would, but they have not. It has also been provided—

Mr Smith—I am not sure that Forestry can supply that information.

Senator BROWN—Would you see if Forestry can provide that information? If it has it, would you let the committee know? And if it can provide it, would you let the committee know?

Mr Smith—Okay, that is fine. It was not actually in the list of questions that Dr Drielsma addressed post the last hearing. I would have thought that that was in Gunns' sphere of influence to supply.

Senator BROWN—As you understand, we have not got it, so I am appealing to you to let the committee know (a) if you have the information and (b) if you would provide it.

Mr Smith—Okay.

Senator BROWN—There is this question again of what has primacy in logging in, say, the north-east highlands or the Styx Valley: is it the production of pulp and/or sawlogs from the standing forests or is it creation of plantations?

Mr Smith—From state forests, Forestry Tasmania has a requirement to supply a range of products to industry—in particular, the high-quality sawlogs and veneer side of things. In producing those timbers, trees are cut down. Following the harvest, the areas are regenerated.

Senator BROWN—But what is the primary intention of forestry in Tasmania in the short or long term? Is it to create plantations?

Mr Smith—Forestry Tasmania is a land manager and a forest grower. We have a responsibility to supply wood products now and into the future, which means harvesting trees and regenerating forests. Some of those forests are regenerated back to native forests and some are regenerated through plantations, the idea being that we can actually generate higher productivity out of plantations than native forests because of the very intensive forest management that we go through.

Senator BROWN—We just heard from Mr Strie about the failure to re-create native forests or at least to take in the by-catch that gets lost in logging of forests. Can you point to a clear-fell operation in Tasmania where the forest that pre-existed is being re-created?

Mr Smith—I can point to lots of areas in state forests that have been harvested and regenerated back to native forest—

Senator BROWN—That was not my question.

Mr Smith—No, but you were saying—

Senator BROWN—Let me be clear about this, because I do not want you to either duck or fail to understand the question. Can you name one place in Tasmania where, in this process of long-term forest management, the forest which pre-existed is being re-created—in other words, that natural ecosystem is being re-created in the wake of the forestry operation?

Mr Smith—I have seen plenty of areas that have been harvested and regenerated. I do not have the expertise to respond to you in a scientific sense. Plenty of people in FT can.

Senator BROWN—Would you put that question to them and have an answer come back to the committee?

Mr Smith—I am quite happy to. You are talking about forest structures and the like, presumably. If you are talking about harvesting, the forest is a living thing—a dynamic beast, if you like. It is growing, and at any one point in time there are going to be changes throughout it. I think there has been a lot of research done on the regeneration side of things, and I would be happy to provide that.

Senator BROWN—When you log to create plantations, what assessment is done of the array of insect species and population in a given coupe, say in the Tarkine or the north-west region, before logging operations are undertaken?

Mr Smith—Before logging operations are undertaken, before we can go ahead and harvest an area—and conversion of plantation is part of the issue to be considered within the forest practices plan—we have to satisfy the Forest Practices Board that we have met all the requirements within the code.

Senator BROWN—Let me put the question another way, then. Are entomologists sent in to forest coupes before the coupes are logged, to assess the complement of insect species?

Mr Smith—Probably, in general, no. But if the forest practices specialists had a concern that popped up on our conserve databases showing that a particular flora or fauna, or whatever, was rare and endangered or threatened, there would be some pretty intensive scrutiny.

Senator BROWN—How would you know that if you did not scrutinise the area beforehand? For example, it is understood that there are hundreds of insect species out there which are unknown to science. How would you know whether they are being endangered by logging operations if you do not send a scientist who is an expert in that field into the area first?

Mr Smith—We know a lot about the flora, we know a lot about the fauna; I would agree that we know less about the insects. The Forest Practices Code takes a conservative view concerning the areas that are available for harvesting and the view is that, while those sorts of issues—and it is the same with flora and fauna—may not be accommodated in a particular area that has been harvested, in general throughout the reserve system, either by management prescription or the former reserve system, these ecosystems/species will not be in danger.

Senator BROWN—In the announcement of the regional forest agreement, it was said that 1,000 jobs would be created, particularly in the plantation sector. Has that been achieved?

Mr Smith—I do not know the exact number of jobs that have been created in the plantation sector, but I would expect that the number is beyond 1,000, particularly when you take into account the expansion that has occurred on private property. From the point of view of plantation forestry, with 4,500 hectares Forestry Tasmania is a small player when you look at what is happening on other areas of private property. On the plantation side of things, we employ a varying number of contractors throughout the year, depending on the activity that is going on—planting, pruning or whatever. Our contract employment ranges between 300 and 600 people per year.

Senator BROWN—How many jobs are there in the industry in Tasmania?

Mr Smith—I can only go by the figures that I read in the media. From my point of view, I believe the commonly quoted figure is 8,500.

Senator BROWN—Is that a Forestry Tasmania figure?

Mr Smith—I do not believe so. We are not in the market of predicting employment throughout the industry. I can tell you that there are 570-odd people directly employed by FT and we have contractors in the area of 300 to 600, depending on the time of year.

Senator BROWN—Does Forestry Tasmania have a figure for overall employment?

Mr Smith—For employment with Forestry Tasmania, yes.

Senator BROWN—No, I am talking about overall employment by the forest industry, including the plantation industry.

Mr Smith—I do not believe we do. We would take it from other sources—presumably from ABARE and other industry figures.

Senator BROWN—Could you establish what that figure is, as best as Forestry Tasmania knows, with a breakdown as to the different sectors from which that employment is created and provided?

Mr Smith—I am sure we can do that, but I suspect that it is nothing more than what is available on the public record.

Senator BROWN—Thank you. Are you aware of circumstances in which forest auditors or forest practice officers in the field have found breaches of practice, as they saw it, by Forestry Tasmania and reported them but Forestry Tasmania has not been brought to book over the breaches?

Mr Smith—No, I am not aware of that.

Senator BROWN—Do you know whether it has ever occurred?

Mr Smith—No, I do not. What I can say is that, apart from the Forest Practices Board audit, we also have a system of internal audits and we do pick up issues that need to be sorted out from time to time. If you look at our sustainable forest management report from last year, we were fined by the Forest Practices Board for an incursion into an stream-side reserve. To say that these things are swept under the carpet I do not believe is correct. I can give you the details, if you like.

Senator BROWN—No, thank you—but you can supply that to the committee.

Mr Smith—Our sustainable forest management report for 2001-02 has not been publicly released yet, but it is not far away. I can supply a copy of that.

Senator BROWN—But you can say that there have not been occasions where an infringement—

Mr Smith—Not to my knowledge. I do not believe that is the case.

Senator BROWN—I am asking about Forestry Tasmania's knowledge.

Mr Smith—I cannot talk about Forestry Tasmania's knowledge. I know I am representing FT here, but I can only answer that question on my own behalf.

Senator BROWN—Then would you do the committee the honour of finding out from Forestry Tasmania if that has occurred and reporting back to us.

Mr Smith—As I said, we have put all the forest practices issues in our sustainable forest management report, and we do that every year.

Senator BROWN—Mr Smith, I am being pedantic about this. I want you to be able to tell the committee whether Forestry Tasmania has ever been in the situation where it has been issued an infringement notice of the Forest Practices Code where that notice has not led to action against Forestry Tasmania and, if that has occurred, why it occurred. I want you to ask that of the CEO of Forestry Tasmania and ensure that the committee is supplied with that information. If you say it has not happened then we will take that as being the case, but I would like you to check.

Mr Smith—You want to hear it from the organisation? Okay, I will do my best to answer that question for you.

Senator BROWN—In evidence to the state's GBE hearings, Forestry Tasmania said it had an internal benchmark rate of return of 9.25 per cent on investments. Ms Warren, maybe you can say if that is the situation.

Ms Warren—That is our internal hurdle rate, which we use when we are looking at any type of investment proposal within the business. So for plantation establishment, which is our major investment program, that is the hurdle rate that we need to achieve—along with meeting some other criteria—before we would invest in a plantation.

Senator BROWN—Is that Forestry Tasmania's overall rate of return?

Ms Warren—That is the standard rate we use for all investments in the business.

Senator BROWN—So it is an across-the-board, standard rate—and is it being achieved?

Ms Warren—Yes. There are a number of criteria we use when we look at putting plantations in the ground—obviously, that is the investment criterion. There are various other issues that need to be resolved, such as the MAI—the mean annual increment of the trees—and the soil productivity. Various other criteria also have to be met to achieve that 9.25 per cent.

Senator BROWN—We heard from an earlier witness that, given the same parameters, Gunns is making 25 per cent per annum while Forestry Tasmania is making 15 per cent per annum. Can you explain that disparity?

Ms Warren—People often try to benchmark Forestry Tasmania against other forestry companies. It is very difficult to benchmark us against Gunns; they are a completely different type of company. They are into sawmilling, they have export fibre businesses, they have veneer businesses and they have hardware stores. It is a very different organisation to Forestry Tasmania, which is a land and forest manager. As part of the GBE scrutiny committee, last year we made an undertaking to go through a benchmarking exercise and try to find a directly comparable business, either within Australia or internationally, against which we could benchmark ourselves. That is being completed at the moment.

Senator BROWN—How are the stumpage rates set vis-a-vis Gunns and Forestry Tasmania?

Ms Warren—The stumpage rates have been there for a long time. They are obviously reviewed and are part of legislation, I believe. They go back a long way.

Mr Smith—We have a number of sales agreements that are negotiated with various companies.

Ms Warren—They are not all sales at stumpage; there are a couple of ways that we sell our timber. They are often at mill door prices, which means Gunns pays us and we complete the harvesting and haulage part of that operation. So there are two different ways that we sell our wood to Gunns and to all other customers.

Senator BROWN—Is it true that, at least over the last decade or two, stumpage rates have in general been falling?

Ms Warren—No, I do not believe that is the case at all. Our margins are increasing. There are certainly times when our stumpage is squeezed, but to say that stumpage rates are falling—no, I do not believe that is the case.

Senator BROWN—Looking at the micro-operations, is there a rate of return from a potential logging operation which would mean that that particular operation—logging of native forest—would be declined by Forestry Tasmania? Can you give an example of where that has happened?

Ms Warren—We do not tend to look at and analyse every particular part of our operation, look at that particular return and put a percentage to it. There is a lot of discussion about the total return on our total assets or on our forest asset. I suppose the comparison that I often use is that we have a huge forest asset of which only a sliver is harvested each year. If you took a return on that sliver you would find that our returns would be well in excess of the 9.25 per cent. But to look at the total forest and ask, ‘Where is that return?’ is a different question.

Senator BROWN—I wanted to ask about carbon and the burning of forest. Earlier, we had reference to the regeneration burns as well. Do either of you have any information that would contradict the statement that at least the bigger forests in Tasmania are the largest natural carbon

bank in the Southern Hemisphere? What is Forestry Tasmania's assessment of the potential value in an international carbon trading system of those trees left standing as they are? Have you any figures to show that that value is not well in excess of, for example, the stumpage rate that you are getting at the moment for cutting down those trees?

Ms Warren—I have no information on that.

Mr Smith—I do not have the expertise to answer that. I will have to take that on notice.

Senator BROWN—Would you, please. Ms Warren, have you ever been asked to make such an assessment?

Ms Warren—No, I have not—certainly not from an FT perspective. My understanding is that there is some industry work happening, but not at an FT level at this point.

CHAIR—Senator Brown, I am mindful of the fact that I need to make time available for other senators to ask questions. I am going to ask Ms Warren to perhaps take on notice the questions that have been asked so far.

Ms Warren—Yes.

Senator O'BRIEN—In your submission you talked about the expansion of processing industries. You were talking about the export of eucalypt peeler logs to China, Japan and Korea since 1997. You say that you:

... have now successfully achieved an international recognition of Tasmanian eucalypts as a structurally suitable product for plywood and/or laminated veneer lumber (LVL) manufacture.

What developments can you tell us about in terms of attracting timber investment into the state, specifically with the use of those peeler logs in mind?

Mr Smith—I do not have any news, if you like, other than to say that we are negotiating with companies to have them process these peeler logs in the state rather than export the logs.

Senator O'BRIEN—You say:

... that the Commonwealth can assist in attracting timber investment to the State ... by compiling information brochures specifically targeted at potential investors.

Is that the sort of work that you would be doing now?

Mr Smith—I guess that we have been through a process whereby we have identified a number of companies which are using the processes that we would like to see introduced into the state, because you get a higher recovery from rotary peeling as opposed to some of the other processes. There may well be other companies out there that Forestry Tasmania has not had contact with. The Commonwealth could help in identifying those and have more players in the market. It would be great to have increased competition for that resource.

Senator O'BRIEN—You talked about 86,000 peeler logs being exported.

Mr Smith—It is 86,000 tonnes.

Senator O'BRIEN—Tonnes, sorry. What sort of resource would that provide for a business to base its investment on? Would that be sufficient to attract investment or would you need to expand on that?

Mr Smith—I think the figure we are looking at for a rotary veneer mill, once it gets up and running and is at full production, is in the vicinity of 150,000 tonnes a year. That 86,000 tonnes would have gone to a number of different customers.

Senator O'BRIEN—Is that wood currently sourced from native forest or plantation forest?

Mr Smith—It is currently sourced from native forest and is essentially regrowth timber. This wood is, in general, the top end of the pulp market, if you like, or the pulp specification logs. In time, as I said before, we would see that resource being taken up by our plantation estate.

Senator O'BRIEN—How long?

Mr Smith—Our growth plans show the major jump in volumes available from eucalypt plantations coming on stream around 2010 to 2012, I think.

Senator O'BRIEN—So Forestry Tasmania would expect that a substantial amount of the peeler log material would come from plantation forestry by the end of this decade?

Mr Smith—We see the available plantation timber coming on stream to augment the native forest resource and provide the potential for expansion of that process in the state.

Senator O'BRIEN—In managing the plantation resource for that purpose, is there a special management technique? Does it differ from managing for sawlog or is it the same as managing for pulpwood?

Mr Smith—We call it managing for solid wood regimes. That involves pruning the branches off the trees. We have two regimes: one that has a rotation of 20 years where we prune the lower log, so we prune the trees to 2.7 metres, and another which is approximately 25 years whereby we prune two logs to 5.2 metres.

Senator MURPHY—Two prunes.

Mr Smith—Two lifts, yes. Essentially, the two-lift regime is restricted to our higher productivity sites.

Senator O'BRIEN—You talk in your submission of the need to communicate more effectively through regional plantation committees. Who is currently funding them and at what level?

Mr Smith—Funding for the regional plantation committee in Tasmania is essentially by the parties who are representatives of the forest industries and Private Forests Tasmania. We have no outside funding.

Senator O'BRIEN—Does that mean that FT is one of the funders?

Mr Smith—There are the major players within the plantation industry—so it is Forestry Tasmania, it is Norske Skog, it is Rayonier, it is Gunns forest enterprises.

Senator O'BRIEN—What do you see as the communication goals of these committees?

Mr Smith—Essentially, the communication goals of our group are to try to get into the public arena the value of plantations from the point of view of their capacity for expansion of the industry and employment within the state down the track. We run an active program of regularly briefing local councils, particularly those which have issues with plantations in their sphere of influence. We try to present the other side of the story, if you like.

Senator O'BRIEN—Is the level of funding of these committees adequate for them to address the communication goals that FT would assume they should have?

Mr Smith—To date, I suppose yes. But if you really wanted to get out on the front foot you would have quite an active public communications program that in this case is beyond the individual programs of, say, Forestry Tasmania, FEA, Gunns or Norske Skog. It is a time-consuming process and it is a fairly large commitment, particularly of time, for the people who are on there.

Senator O'BRIEN—Your submission also talks about proposed tax breaks for renewable forest products. How would you see a tax advantage for the use of products that are grown and used on sustainable basis operating?

Mr Smith—Part of the issue there is what I heard alluded to in the earlier discussions with Mr Strie. There are a number of areas in Tasmania where you could grow, for example, plantations. But, if you look at it in a purely commercial sense, it is very difficult to justify that and it is very difficult for a landowner to invest in plantation forestry if he does not see that there is a quid at the end of the day. When you are dealing with places like the Midlands, for example—in Tasmania, in general terms the poorer soils follow the poorer rainfall—yes, you can grow trees, but it takes longer. I will not argue with Mr Strie about the pines at Kempton, saying that 40 years is a reasonable expectation for sawlog. When you start looking at the compounding of the cost of your investment from year 1 through to year 25, you can usually manage it. Once you start going beyond 30 years, the economics of that big investment up front start to look a bit dodgy. So I guess the view is that there may be some way of offsetting some of that initial capital investment. For this sort of thing to continue, it needs to be sustainable from an economic sense; otherwise it just will not happen.

Senator O'BRIEN—This may not be an area in your expertise, but that answer raises a question about the role of Forestry Tasmania in the issue of farm forestry, the Midlands being an area where one would think that would be addressed rather than perhaps in some other parts of the state.

Mr Smith—Fundamentally we do not have a role, because, when we were corporatised, Private Forests Tasmania was a body that was created to deal with the extension work and in particular farm forestry work in Tasmania. However, if there were some sort of program where FT might be involved then I am sure we would consider it. As far as trees in the ground are concerned, as part of our plantation expansion strategy, we have a thing called forestry tree farms where, similar to other companies, we invite landowners to lease land to us and we establish trees on it. But at the end of the day, for us to do it, as Penny said, we have a hurdle rate for our capital investment, and you cannot get your returns on areas where you have a 40-year rotation.

Senator O'BRIEN—Hence you talk about the tax initiative to try to assist that.

Mr Smith—It is a possibility, yes.

Senator O'BRIEN—But no work has been done on it for the reasons you have—

Mr Smith—Not specifically; not that I am aware of. Private Forests may well have done it. In fact, I would be surprised if someone has not done that sort of calculation.

Senator O'BRIEN—You may not be able to answer this, but my final question is: if farm forestry were to be developed in the Midlands, might the logistics—transport chain issues—be barriers to development of expansion of farm forestry on private property in midland Tasmania?

Mr Smith—It all depends on the scale. The Midlands has good transport infrastructure. On the other hand, there would probably be some social implications about increasing heavy traffic on the road. There is a railway line straight through the middle of it.

Senator O'BRIEN—Thank you for that. I do not want to take you beyond your area of expertise.

CHAIR—I have a couple of questions for clarification following on from Senator O'Brien. What is the total volume or total hectare of the estate that is currently managed by Forestry Tasmania in this state?

Mr Smith—It is 1.5 million hectares.

CHAIR—Is it true that much or all of that land is not currently rateable or included as part of the estate's valuation role?

Mr Smith—Yes, that is correct.

CHAIR—Are you familiar with the competition policy agreements and the notion of a level playing field? If so, what is the implication in relation to dealing with the question of rates?

Mr Smith—I might have to defer to my colleague.

Ms Warren—We currently pay rates on some land—any land that has been purchased since 1994 on which plantations have been established. We pay rates on urban land. We do not

currently pay rates on our native forest land which is production forest. We may have 1.5 million hectares, but only half of that is what we call production forestry. That part is actually valued, so we value 730,000 hectares of land. That value is placed on it in conjunction with the Valuer-General and that is the amount that sits in our balance sheet. Our land value to do with production forestry is about \$232 million at the moment. So we do pay a portion of rates on that, but not all.

The issue that we are going to have to face is, if that occurs, how is that value then applicable to the rate and how is the rate adjusted? Currently we provide the services on the land that we own. We provide the roads, the fire management and we look after the water issues, so there are a lot of other issues to be resolved in regard to the rates issue.

CHAIR—Has anyone ever done any analysis of what the value would be in terms of dollars that local government bodies for instance would be missing out on if the rates were paid? Given that whilst you say you cover the services in relation to those areas that are within your jurisdiction, isn't it also true that one of the complaints from local government bodies has not only been the fact that they have been excluded from planning processes but that the costs then have to be borne by local communities, particularly in terms of road and other infrastructure maintenance? Is there a value that can be put on that?

Ms Warren—No great work has been done to come up with an exact figure. If we said it was \$1 million roughly a year, that could be a rating issue. If you took that million dollars and looked at the number of councils that would receive portions of that, some councils would obviously be benefiting far more than others. That is another issue. When we ask what would we actually have to pay in rates, it goes back once again to the sort of value that you are going to put on the land. We are constrained by what we can do with our land. We cannot sell crown land off like our competitors, who own land and can value it—perhaps not differently, but their uses and what they can do with that land are different to Forestry Tasmania. The issues are the rating but also the value that is going to be applied to the land.

CHAIR—Are there any instances that you are aware of—and correct me if I am wrong—where you have entered into contractual arrangements with Gunns or with anyone else and the competitive advantage established with the non-rateable situation, as it currently stands, is not passed on as cost in those contractual arrangements being established?

Ms Warren—It is certainly not an overhead cost at the moment that we have applied. If we were to pay rates a year, yes, that would obviously come off our overheads. It would start to squeeze our margins and also reduce the dividends that we would be paying our shareholders.

CHAIR—But is that a cost you would pass on? Are there instances at the moment, for example, under existing contractual arrangements where, because of the non-rateable situation, it is not passed on?

Ms Warren—It would certainly have to be considered in future price negotiations with our customers.

CHAIR—So there no examples at the moment of that.

Ms Warren—No, not that I am aware of.

Mr Smith—In some of our joint venture agreements there is a recognition that rates may become an issue down the track and that cost would be passed on, depending on the share of the joint venture. But some of our earlier joint ventures would have been put in place before rates were an issue.

Senator MURPHY—I would like to go back to the questions that Senator O'Brien was asking about the rotary peeling plants that you have planned in the Southwood project. What assessment have you done of log size from the plantation resource—what is the minimum log size that you would consider a viable proposition?

Mr Smith—I cannot go into the details of log dimensions and the economics of peeling. But according to the growth modelling for our plantations growing 20 and 25 years, the expectation would be a log in the vicinity of 50 to 60 centimetres, which would be equivalent to the stock that is being exported at the moment for peeling. I think the top end diameter for that goes down to 30 centimetres, so it can utilise relatively small pieces of wood.

Senator MURPHY—I know it can. I assume some work has been done on what size log you can go down to, purely for handling and from an economic viability point of view. You can take that on notice. If you have some information, I would appreciate it.

Mr Smith—I will have to take that on notice. The only comment I would add is that the technology being utilised by log customers in some of the peeling processes at the moment is not as good as the technology we expect to be put in place here. Presumably, there will be some sort of efficiency gain.

Senator MURPHY—At the last hearing Forestry Tasmania attended, I asked Dr Drielsma about the integrated mill—that is, incorporating a power plant in the Southwood project. I asked Dr Drielsma if Forestry Tasmania had had any discussions with Hydro or indeed Aurora Energy about the cost of production of biomass energy from such a plant and whether or not any contracts for the purchase of the energy produced had been discussed. I assume from the project that the energy produced by the biomass plant, if it were so built, would be used to provide power to the plant for its other operations, be they milling, veneering et cetera. Is that correct?

Mr Smith—That would be my assumption, yes.

Senator MURPHY—I am still interested in what assessment you have done of the cost of the power.

Mr Smith—I will have to take that on notice. That is part of our market development area, which I am not involved in on a daily basis. Was that question put to us, as far as a response goes?

Senator MURPHY—I do not think it is in the response, but I would be interested—

Mr Smith—I know it is not in the response; I was just wondering if it was actually put to us.

Senator MURPHY—It was. I think Dr Drielsma's response was that it was not an issue for Forestry Tasmania; it was rather an issue for the developer. But I would have thought, given you are trying to sell it, that it was something Forestry Tasmania would have analysed. I have a question for Ms Warren on prospectus offerings by Forestry Tasmania. Some have been made for retail investors. I have checked this from time to time, but what are the rates of return that Forestry Tasmania propose to potential investors?

Ms Warren—I assume you are talking about the Tassie Trees Trust?

Senator MURPHY—Yes.

Ms Warren—I think we have put out three prospectuses. We did not put one out this year or last year. I would not know the rate of return off the top of my head.

Senator MURPHY—You can take it on notice.

Ms Warren—I will take that on notice.

Senator MURPHY—Thank you.

Senator BROWN—Ms Warren, could you provide the committee with a copy of those comparisons with equivalent businesses that you undertook?

Ms Warren—As I said before, the study is currently in hand—it has not been completed. I do not think that should be a problem.

Senator BROWN—Thank you. I have some questions to do with the tree Le Grande, which was singed in a forest regeneration burn near Wyldes Craig at Blue Creek two weeks ago—there was a report in the *Mercury* from Forestry Tasmania about that. Would you take those questions on notice? There is request for a report by the arbour specialist mentioned in that *Mercury* report to be given to the committee.

CHAIR—Thank you both for appearing and providing assistance to the committee. A copy of the transcript will be made available shortly. Before my colleagues disappear, I presume we are all in agreeance that documents received today can be made public and published as documents of the committee. Thank you.

Proceedings suspended from 12.25 p.m. to 1.20 p.m.

GRAHAM, Mr Alistair, Representative, Tasmanian Conservation Trust

CHAIR—Welcome back. I reconvene this committee hearing into the plantation forests industry. Mr Graham, thank you for appearing here today. Do you have any comments to make in the capacity in which you appear today?

Mr Graham—I have a degree in agriculture and forest sciences from the University of Oxford, and I have more than 25 years experience working in the conservation NGO movement, where native forest policy has been a significant aspect of that work. I have worked at local, state, national and international levels on these issues.

CHAIR—I understand that you have provided us with a written submission. Is that correct?

Mr Graham—Yes—a written submission from our north-west branch, on which I appreciate the opportunity to appear here today.

CHAIR—I ask you to speak to the submission, after which we will go to questions.

Mr Graham—Our submission refers to both the social impact and the environmental impact of plantations roll-out in Tasmania, which we would like to bring to the attention of the committee. I would like to start by drawing the committee's attention to the document that started all this off—I trust that you all have it under your pillows—which is *Integrating forestry and farming*. This was the report of the National Plantations Advisory Committee when there was first serious interest in strategic development of the plantation industry in Australia. This multistakeholder group was set up to advise the federal government on how to proceed. The outcomes represented a genuine consensus-building exercise among all the principal stakeholders, including the conservation movement. As you obviously have not got the document before you, I will read what recommendation No. 1 said. With respect to our national plantation strategy, it said:

That the Commonwealth Government develop and promulgate a National Plantation Strategy incorporating an expanded plantation resource on cleared agricultural land ...

We want to bring to your attention that this was the principal understanding upon which that consensus was built—that is, having a socially and politically acceptable plantation industry in Australia was predicated on that assumption. Importantly, it went on:

... and providing mechanisms for integrating farm grown wood with other sources of supply.

The reason for that was that we all knew at the time that, unless the industry was properly constrained, it would become a corporate replacement of family farming in Australia. It did not take a genius to work that out. We all knew those problems were there. Advice to government was that we needed some serious measures to make sure that plantations were not established at the expense of native forests and that they were integrated into the existing social and economic architecture of farming in Australia. There was plenty of experience from around the world, especially from New Zealand, about the problems if you did not get this right and the potential

benefits if you did get it right. Sadly, we have seen the government get it wrong in both respects in Tasmania at least; I cannot speak for the rest of Australia.

As you would be aware, Tasmania did not initially sign the national forest policy statement, principally because they were not prepared to accept that national policy assertion that plantations should be established on cleared agricultural land. They did eventually sign it on the understanding that they could do what they like, as long as they had integrated catchment management plans. No such integrated catchment management plans exist, yet they have been blithely establishing plantations on native forest lands and native grasslands and replacing native vegetation willy-nilly, without any controls, in defiance of national expectations and policy expectations of federal governments of both persuasions over the years. It should not be allowed to happen.

It is very timely that this committee has come along now, at a time when we are desperately trying to get the federal government to support us in urging the Tasmanian government to accept some level of control over plantation establishment and forestry activities generally. We would very much like to see this concern raised by the committee in its final report. The rate of plantation establishment—and, consequently, land clearing—in Tasmania is between 15,000 and 20,000 hectares a year. It may sound small, but on a proportional basis it is about the same size as Queensland. In other words, in Tasmania we have a level of land clearing which is a serious problem. We are talking about Third World levels of land clearing. The plantation industry is principally responsible for that. At least 80 per cent or more of the area cleared is either by or at the behest of forestry corporations for plantation establishment.

The other plantation establishment is taking place largely by displacement of small farmers—principally, small dairy farmers. The reason for this is an unfortunate coincidence of history. The Australian dairy industry is going through a shake-out precipitated by closer economic relations with New Zealand more than a decade ago. We were a bit slow off the mark in doing that, but that is another story. The industry has been through a very hard time in terms of maintaining farm income. At the same time, right across Australia small family farms are having continuity problems, with sons and daughters wanting to go off and do other things. It is a difficult time for rural Australia. Here we have a rampant, somewhat unethical, industry basically using access to cheap capital to stand in the marketplace and buy farms from people who are in historically difficult times and buying up farms so comprehensively that we have seen entire rural communities in northern Tasmania disappear off the map—I mean entire communities; there is nothing left. The dairy farms, the houses, everything is just bulldozed into heaps and replaced by plantations. It is an amazing thing to see. This is how national plantation policy gets played out on the landscape. Right next door to the disappearing dairy farms are disappearing rainforests. These are the two things that we really wanted to bring home to the committee.

The reality of creating a policy environment through the 2020 vision that somehow it is all right to plant plantations with gay abandon has desperate environmental and social implications. If ordinary Australians knew that rainforests were being cleared with gay abandon, and if they knew that dairy farming communities were being wiped off the map I do not think they would be quite so happy about plantations. We are very keen to make sure that the Senate understands that this is a serious problem in Tasmania. As I say, we cannot speak for other states but for us it is a tragic thing.

The horrible thing is that this document—the advice from the multistakeholder group report—in my view still stands as a fine basis upon which a national plantation policy should be built; the response to that by government, which is the national forest policy statement, was just a bunch of corrupt junk. It basically has a lot of the same words but was clearly understood to be a green light for corporate forestry roll-out, and that is exactly what has been happening across Australia. It should not be allowed to happen. Plantations are a good thing at the abstract level, but they can be a dangerous thing, depending on how you put them in your landscape. That was why those two great policy pillars were recommended by all parties concerned. I am talking about the unions, the corporations, the private landholders—everybody agreed that if we were going to do this properly and get away with it, the dangers had to be taken seriously, and government dropped the ball. It is thoroughly regrettable. To my mind, in reviewing 2020 it is important to go back to where we started and look at it again. We lost the plot and, unless we do something about it, a potentially good industry is developing a bad name for very good reasons, and that is most unfortunate.

Another point I would like to bring up is that in Tasmania the logging industry targets not just rainforests but an awful lot of forests of high conservation value. Based on GIS data available to the Tasmanian Conservation Trust under data licence agreements that we have had since the regional forestry agreement was drawn up in 1996-97, we have mapped out the areas of old-growth forest that will be logged if current plans continue.

We all heard Paul Smith from Forestry Tasmania talking this afternoon about placing regrowth peeler log factories in places where they can be expanded through native forests to develop plantations of sufficient scale to run internationally viable scale peeler mills. If this is done in the southern forest, which this map relates to, then we are going to see a massive entrenchment of conversion—first of old growth to regrowth and then of regrowth to plantations—over the next 20 to 30 years. That will be a social and environmental disaster for Tasmania and it would be most unfortunate if these guys are allowed to get away with it.

With respect to a couple of points that were raised this morning, Senator Ridgeway asked whether anyone had done the calculation for how much revenue is forgone by councils as a result of non-payment of rates. We commissioned a research accountant at the university, Kathy Gibson, to do a paper for us on the basic policy framework. I have that paper here. Appended to it is a page that we, the Tasmanian Conservation Trust, produced based on her numbers. The rateable assets of Forestry Tasmania, its land and roads, at January 2001—we did the figures last year from the annual report for 2000-01—are valued at \$477 million. It depends on what percentage you use for that, but basically for every one per cent of rates that you might expect to pay on that capital value you are looking at about five million bucks forgone by councils. If you look at the breakdown of different councils, we have estimated, based on the occurrence of roads and state forests in each local government area, what capital value we think is rateable in each of those municipalities, the larger rural councils in Tasmania are missing out on considerable rating income that they are entitled to.

Since Forestry Tasmania were corporatised under national competition policy they are required to operate on a neutrality basis. That includes payment of rates, and they wilfully do not do it. The way they wilfully do not do it is that under law in Tasmania you cannot rate something until the Valuer-General has valued it. Despite insistent correspondence from us, the Valuer-General has not even given us the courtesy of a response. We regard it impolite to the point of corrupt that the Valuer-General will not value these assets to allow them to be rated by

councils. Some councils had even gone so far as to initiate Supreme Court action before being bullied out of it by the state government, which of course has a dominant political relationship with them. It is a bad situation that needs to be fixed.

For the information of the committee I can also provide you with figures not tabulated by me but from the Australian Bureau of Statistics quarterly figures for jobs in the Tasmanian timber industry, including downstream processing. In summary, I can say that the level of employment has gone from around 7,000 or 8,000 in the late eighties to somewhere around 3,000 nowadays—in other words, we have seen a progressive, steady decline. In other words, the industry has been going through a perfectly normal and predictable rationalisation exercise in order to maintain competitiveness in a very adverse commodity market environment that they have chosen to operate in, as a result of which they are trashing jobs all over the place, exactly as one would expect, despite claims of the industry to the contrary.

Having all the regulatory controls taken off in the RFA in 1997 did nothing to change the trend. The trend is nothing to do with policy; it is to do with the international market. It was a big con that somehow Tasmania or Australia was going to get something more from the Tasmanian forest industry, if they deregulated it. All we got was more woodchip exports and a higher rate of environmental loss and social impact as a result of the logging industry inaction.

One of the reasons we have a problem is the way the industry in Tasmania is structured. When you listened to Forestry Tasmania for instance, we heard them reel off the business they are in. They are into veneer, peeler logs and sawn timber, and somewhere in there is pulpwood. The reality is that pulpwood dominates the exercise.

I have a graph here that I have created—again from ABS statistics—about input and output volumes into the sawn timber industry in Tasmania aggregated with woodchip production from those few statistics that we can still get from the ABS. The impact is that only about four per cent of the entire harvestable volume from Tasmanian forests ends up as solid wood. The rest ends up as woodchips for fibre or waste or whatever. Basically, we are running a clearing operation to convert soil from native forest to plantations or seeded regeneration, but mostly for plantations. When you run a clearing operation that is what you would expect to get. In Queensland, the numbers are 100 per cent and nought but the difference between 100 per cent and nought and 96 per cent and four per cent is buggar all. We are running a clearing operation for future production purposes; we are not running a timber industry.

One of the reasons it works out like that is that when you are clearing native forests, especially mature forests, most of the wood is not particularly useful for commercial wood production. It is much more valuable for wildlife, water production or soil and water conservation. That is reflected in the numbers I have. My apologies for not having the presentation too well sorted out here.

On this graph, you can see that for each of the last three years for which data was available—and data ceased to be available for years beyond 1999 and 2000, because of aggregation of statistics as a result of aggregation in the industry as a result of the perfectly ordinary commercial realities I talked about before. The result is that we do not have data available from ABS about what is going on in the industry. The trends are fairly stable. For eucalypt forests, you might have half a million tonnes going in and we get 150 tonnes coming out the other end.

With rainforests, the numbers are fairly small because the actual volumes of rainforest and are not so large compared with eucalypts, but the proportion is appalling. That is to say, of the logs that go into a sawmill, bugger all comes out in sawn timber. That relates to the nature of the wood. With respect to softwood, which is this graph, you can see about half of what goes in comes out as solid product. For softwood mills, we are talking about small logs. For hardwood mills, we are talking about huge logs. In other words, the theoretical recovery rates that you would expect for the same kind of log at a bigger scale would be higher, whereas the reality is that they are smaller. That is because the logs are not suitable for wood production for the markets in which that wood is sold.

It has been a growing reality for many years. Australians have not really woken up to the fact that the native forest logging industry is a land clearing operation—it is not a timber industry. The timber industry is already largely built on plantations and those trends will get stronger and stronger as the years go by. Plantations, by virtue of being able to apply capital, intellect, technology R&D all those things that go to making the industry more efficient are resulting in plantations having a commercial edge over native forests for the foreseeable future.

Given that the quality of the product you produce is much the same, those differences are going to drive commercial advantage for plantations ahead of native forest management forever. The gap between the value of native forests allocated to wood production as opposed to the value of native forests allocated to all those other values of native forests is now getting so great as to be profoundly irrational. It is one of the issues we hope we can get the committee to look at in this context because the No. 1 driver for this activity is acquiring soil for plantation establishment, if not directly today, by subsequent conversion of regrowth tomorrow. Most people in Australia think this stopped decades ago; it is still happening in Tasmania.

CHAIR—The first thing I should ask is whether you are proposing to provide the documentation that you refer to to the committee for publication.

Mr Graham—Yes, certainly.

CHAIR—Is it the wish of the committee that those documents be accepted for publication?

Senator MURPHY—Yes, it is.

CHAIR—If you could provide them to the secretariat following the hearing, that would be of assistance to us. I will start with some questions, in relation to the report you mentioned, on the question of rates payable on land. You may remember that earlier today I asked Forestry Tasmania whether any of the competitive advantage that was achieved through the nonpayment of rates was passed on as a result of any joint ventures, partnerships or other arrangements that may be in place with Gunns or with others. Are you aware of any instances where that may have occurred? Has it been shown in the research that has been done?

Mr Graham—Yes, it has been true for a very long time that prices for forest produce from state forests are held artificially low by a variety of mechanisms—nonpayment of rates is just one. Access to free loans from government is the principle one. They have stopped having the free loans; they now have huge payouts when we have regional forestry agreements. The state got \$80 million from the Commonwealth for the regional forest agreement in 1997, for which

we have absolutely nothing to show. Basically, it has kept the industry going for another few years. The reality of the matter is that Forestry Tasmania still sets stumpages on a residual basis, whether it be stumpages at road side or whether it is at mill gate. The price is still set according to a formula that means that when world market prices go down stumpages go down so that operators can maintain profitability.

In a commodity environment, which is what we are talking about—woodchips into the Asian pulp and paper industry—it means that over time prices go down. Forestry Tasmania can go on all they like about the rate of return they are going to make on their assets. They simply cannot do it in this game, using the resource they have—by going after old growth resource—which is so inefficient as a generator of saleable product into the Asian pulp and paper market. They cannot make money out of it. Not paying rates is one of a whole basket of things that still makes it a politically viable thing to do, but it is not a commercially viable thing to do.

CHAIR—Going to your comments that the forest industry, at least in this state if not elsewhere, has been more about land clearing as opposed to being about forest production, in relation to the terms of reference for this inquiry looking at the 2020 vision strategy and trebling the National Estate, do you hold a particular view about things that might be reviewed or recommended as part of changes to that strategy? If so, what would they be? Do you have a particular view, for example, of downstream processing industries, including the possibility—and we have heard about this from other witnesses—of up to three pulp mills being established in Australia, using the newer and supposedly environmentally friendly technologies from Europe?

Mr Graham—The main thing is that the 2020 vision is reckless optimism. By ‘reckless’ I mean that putting the words together creates impressions out there that do damage. We have talked about the loss of dairying communities and native forests in Tasmania. These are direct artefacts of putting together a bunch of words that create an impression that somehow it is possible to achieve a trebling in size. It is not possible, it never was possible and it is really dangerous and damaging to go around saying these kinds of things. It is a very bad way to develop industry in the modern age. This is the kind of thing that you might have expected in the 1930s or even in the 1950s in the Soviet Union. It is not the kind of thing that you would expect in an open mixed economy like Australia in the 21st century. It is just lousy public policy.

The biggest problem, speaking personally, is that all those mums and dads have done their dough as a result of this reckless rhetoric going out. The impression is being created in mum and dad punter land that there is money to be made by getting into this. Most mums and dads do not make informed decisions about where to invest. They go along to their financial planners and their financial advisers and ask, ‘What should I do with my superannuation?’ or, ‘What should I do with my redundancy payout?’ or, ‘What should I do with the \$20,000 I have spare this year?’ The financial planners and advisers get paid twice the normal fee to tell these punters to invest in plantations. Whether you call it corrupt, sharp or normal depends on your view of life, but it is a devastatingly disastrous thing that is going on out there. A large volume of free money has gone into this industry and it is never going to come out again. These numbers were always a pie in the sky.

To my mind the government holds a lot of the responsibility for using the 2020 vision rhetoric to create the notion that somehow the government was going to be there to make it all happen.

If the government is going to be there to make it all happen and to save all those mums' and dads' money, you are looking at a liability of billions. You need to think about whether or not that is what the government really means. If you keep saying it, a lot of people are going to turn up saying, 'The government told us that it was going to be all right.' You have to stop saying that this industry can happen. It cannot happen, it never could happen and it will not happen.

Whether we get more pulp mills or not—and we will get more pulp mills—there is a large and growing plantation resource out there. One of the most important impediments to getting a pulp mill is not putting more plantations in the ground; it is creating the commercial circumstances to use what we have. The principal detractor from creating those circumstances is the underpricing of wood from native forest. Why would a commercial punter take wood from plantations for 20 bucks when they can take wood from a native forest for 10 bucks? It does not make sense. Until we fix that problem we will not get investment in downstream processing. We will not get investment in downstream processing for native forests because it is not bankable.

When the Wesley Vale pulp mill disaster swept on, the forest industry had a bit of a think about where to go next. I was lucky enough to be the only non-corporate person at a meeting in Melbourne where they thought, 'How do we get a billion bucks to get a pulp mill?' A major division director from a leading Australian bank simply said, 'If you want it from native forests, forget it.' It is really important that the government understands that, under current policy settings, investment in pulp and paper production on native forest is not on. It will not happen. If we want that investment, we have to get out of the current policy setting of seeing native forests as just land in the way of doing something else. The Australian community will not accept that vision. The 2020 vision assumes that that is the case; it assumes you can walk in and take native forests with no downside. That was never true and it will not be true.

CHAIR—I have one final question. I refer to the submission that we received from Mr Rowlands; I presume you have had an opportunity to see that.

Mr Graham—Yes.

CHAIR—In item 6 he talks about taxation and the question of taxation breaks being given to plantation developers. There is also a reference there to Gunns Ltd now looking for 20,000 hectares of land for the woodlots they have sold since the government backdown on the Ralph review recommendations. Can you give us some more detail as to what you mean there? The other members may be aware of that, but I certainly am not.

Mr Graham—Basically, these companies have been awash with money because of this business of the 2020 vision creating this rhetorical environment where mums and dads thought this was the best place to park their money and the extremely sharp practice of paying financial advisers over the odds to tell them this was the best thing to do with their money. It is sort of illegal to take the money and not do anything with it, which is what they were doing because the money was coming in so fast. So they had to stop taking the money for a while as they worked out the buying of the land.

Basically, the problem they have is that they have to go out and acquire land. They started buying land willy-nilly—prices went up and they started buying land in very odd places. There were two or three years of serious instability in the industry as a result of them struggling to

conform with the law, which is that you cannot take money from people and then not use it for the purposes for which you promised to use it, and find land at a rational price in a rational place. There is a real problem with finding land with which to park the money they have got. They will basically take what they can get. They are standing in the market, paying quite nice prices, thank you very much, and any farmer that is in a spot of trouble will be there. You can look in almost any paper or watch commercial television on any evening in Tasmania and you will see big ads saying, 'Give us your land.'

Senator McGAURAN—I want to test some of your accusations. For example, you talked about the financial advisers who, you say, directed the mums and dads into the plantation investment area because they were on double the fee. Taking secret commissions is an offence and, to tell you the truth, I do not know what advisers are on commissions anyway. I do not know if there is such a thing as an adviser on a commission to direct people into an investment, let alone on a double commission. Having said that, can you give me any proof, evidence or examples?

Mr Graham—No, I cannot give you proof or evidence. This is obviously received information. It is widely talked about in the industry.

Senator McGAURAN—As I am not a Tasmanian, can you indicate to me the gravity of the loss of dairy farmers? I have no doubt that perhaps you have lost a number of dairy farmers with the coming of deregulation and other factors, so do you have any quantitative evidence—for example, over the past five years—about the reduction in the number of dairy farms and how many have gone to plantations?

Mr Graham—The one area where we have done some work has been with the two communities of Preolenna and Muenna, as you can see from our submission. The remaining property holders in Preolenna basically went and did a bit of work and asked, 'What is happening to our communities?' They came up with those numbers—basically, that there have been 187 jobs gone in five years. The only thing that has happened is that the place has gone under plantations. There might be one or two other things, but it is obvious to the eyes, if you visit the place, that it is just turning from farming land into tree land, and that is what you get. Trees still generate jobs, but those jobs are all in the major centres, not in the rural communities. People who work on plantations do not live on site; they live in the bigger communities and they are just ordinary wage workers, not family farmers. The communities fall apart and go; it is just inescapable.

Senator McGAURAN—So it is more something you observe rather something you have quantitated.

Mr Graham—Those numbers are real. There have been 187 jobs lost in five years in two small rural communities—

Senator McGAURAN—But how many farmers have been lost?

Mr Graham—That is what they are; they are farming communities. There might be a couple of stores in there and what have you, but basically those are people who lived and worked on properties in those areas, and they no longer live and work on those properties.

Senator McGAURAN—I agree; I do not want to see the loss of the family farmers. In Victoria, in the Western District, we have something in comparison—I am not going to put a great emphasis on it but it is a bit similar in that way.

Mr Graham—The farmers in the green triangle have been much smarter about engaging with the plantation industry; there has been much less social impact, because you have got larger farmers who are smarter commercially and stronger financially. They have managed to embrace and accommodate wood growing as a significant part of their ordinary operations; there has been very little social displacement. But here, you have basically got corporations standing in the market to acquire the entire farm, and that is what happened.

Senator McGAURAN—We may see that as a problem, but wouldn't the farmers see it as their salvation?

Mr Graham—They obviously do. Individual farmers make decisions—they want to go and retire in a unit in town and that is very nice. If you look at it at the individual level, many are sad to go—there is an unfolding rural tragedy out there of which this is just one chapter, and a lot of families are sad that there is not a family transition. The average age of farmers in Tasmania is dangerously high, just like it is everywhere else in rural Australia; the problems are just the same. It is a matter of policy and personal choice about what kind of community you want. But Tasmania has the most devolved population of any state in Australia. In other words, Tasmania is far more of a rural community in that people live and work in small communities in rural areas. It is a much bigger thing in Tasmania. The character and culture of Tasmania are going under in a much greater way. Whether you think that is a bad thing or not is a personal and political choice. From the Conservation Trust's point of view, that is one of the reasons we are concerned—that is, that what makes Tasmania a nice place to live in and fight for is the rural nature of the community as much as the aesthetic appeal of the natural environment. We would like to see it that way, and we see forestry corporations and their very aggressive roll-out strategies as a bad thing. That does not make plantations a bad thing, but how they are handled does.

Senator O'BRIEN—This committee visited Preolenna and we were treated to a reception and morning tea by the community of Preolenna in a community hall there. Generally speaking, they seemed to be a happy bunch supplying their labour and expertise to the plantation forestry industry. There were quite a few people there and it did not seem like a ghost community. How do you explain that?

Mr Graham—Buses?

Senator O'BRIEN—They were bussed in? Is that what you are suggesting?

Mr Graham—You asked for the explanation.

Senator O'BRIEN—Do you know? Have you been there?

Mr Graham—Timber Communities Australia is an extraordinarily aggressive political front for the forestry corporations. They are bankrolled by the National Association of Forest

Industries; it is a very nasty, aggressive, political game that is being played out there. That was just one in an endless series of such chapters. Make of it what you will.

Senator O'BRIEN—So everyone we spoke to was a play actor?

Mr Graham—No, three were residents; the rest were not. Make of it what you will.

Senator O'BRIEN—There seemed to be a fair amount of work being conducted on the plantations while we were there.

Mr Graham—As I said before; plantations are not without jobs. People do work in plantations, but they do not live in plantations. They are workers for corporations and they live in the major rural centres or the peripheral cities, and they are bussed or they travel to work. That is the nature of the industry; that is what it is.

Senator O'BRIEN—I am sure people travel to work on particular properties out there; it is probably the nature of work in a lot of places that people travel to work. Is that the differentiation you are making? The people involved were explaining to us the work that was being done on the community hall. Was that a fiction too?

Mr Graham—No, these things do happen.

Senator O'BRIEN—Yes, I thought they did.

Mr Graham—But, again, every time you have a bit of a political campaign you get some very interesting writers turning up in interesting places doing interesting things. It is part of the cultural life of Australia—make of it what you will. The reality is that, if you convert a dairy farm to plantations, your labour efficiency will probably quadruple. That is to say, hectare by hectare you have probably got a quarter of the people working on the land that you had before.

Senator O'BRIEN—In terms of the dairy industry, what knowledge do you have of the state of the dairy industry in this state at the moment?

Mr Graham—Passable.

Senator O'BRIEN—I was talking recently to the acting president of the TFGA, who is a dairy farmer, and I asked him that question. He said that the dairy industry was going quite well in this state at the moment, and I guess if anyone knows he would. How would you explain why people would sell dairy properties in an environment where the industry was going well for less than market value when there is a significant expansion in dairying in parts of the state? Is it because dairying was not a very good proposition on the land in the first place?

Mr Graham—The answer to that lies within the politics of the TFGA. I am happy to talk about it but the reality is that the TFGA does not represent everybody. It is a complex political amalgam of various commodity committees and within the dairying sector there are a number of highly efficient major corporate producers who are doing very nicely. They have rolled with all the rationalisation, have bought big properties and capitalised them very effectively, and are surviving quite nicely.

Senator O'BRIEN—A lot of family farms have been expanding.

Mr Graham—At the expense of other ones, yes, that is true. That is the nature of the industry and that has been inevitably the way it has been going to go for many years. It is shaking itself out.

Senator O'BRIEN—They are buying other dairy farms, you are suggesting—

Mr Graham—Some are—

Senator O'BRIEN—and some are buying other vacant rural land.

Mr Graham—For instance, a lot of New Zealand money has come in to buy properties that were not dairying before, bringing in a whole bunch of new attitudes and methodologies and approaches to dairying, which is very unTasmanian. It competes with—

Senator O'BRIEN—It is suggested that our land is cheaper than the New Zealand dairy land and that is the reason New Zealanders have come here.

Mr Graham—It is not just the land. The mixture of technology and know-how is completely different. I had the benefit of working for the Ministry of Agriculture in New Zealand for a couple of years when we were doing the CER all those years ago. Because of this inequality, the New Zealand dairy industry instituted a 10-year moratorium on implementing the CER for dairy products with Australia. If they had not done that it would have wiped out the Australian dairy industry. It was just to give it time to adjust.

The sad reality is that many areas of Australia, including Tasmania, have been slow to adjust and the impacts were going to be severe. The problem is that with respect to those areas fancied by the plantation industry, which are remorselessly strategic—in other words, they have a port, a mill and a hinterland—they want that land and they go and get it. If you happen to be in the hinterland of a chosen strategic node for the plantation industry, they will get you sooner or later. They are standing in the market all the time waiting for when you have a bad year or when your son decides to go and do something else. Whatever it is, they are there, and sooner or later, you will go. That is how it is.

These kinds of changes ought to be managed and planned, and that is getting right back to where I started before. These are things we know and we can predict how our society is going to change over the years. But to leave these communities to the whim of these corporations is a cruel thing. We are not saying that you should not do it; we are not saying every small dairy farmer should be allowed to survive as a small dairy farmer—none of them are asking for that—but we are talking about a major transition that ought to be managed a lot better than it is.

Senator O'BRIEN—In terms of the use of existing farmland for forestry, I am curious as to what model you say we should aspire to. I think you are suggesting that we exclusively develop plantations of any sort on existing farmland rather than clearing native forest. That is your proposition?

Mr Graham—Generally, yes, give or take a few bits and pieces.

Senator O'BRIEN—I am interested in the model. So there are some circumstances where we can put plantations in areas now occupied by native forest?

Mr Graham—We are talking about small bits around the edges but, generally speaking, we are talking about a policy of maintaining the native forest estate that we have got.

Senator O'BRIEN—What model would you suggest we should aspire to in terms of development of plantation industry on existing farmland?

Mr Graham—From my own personal experience—and, as I say, I was professionally involved in these issues in New Zealand some years ago—I think the extent to which those ideas are transferable to Australia has some limitation. I did work within a farming community that embraced plantations, and plantations were established significantly. There were no particular impediments to doing it within the existing social and economic structure of the country because the government went out there and supported farmers to do it. Working for the Ministry of Agriculture we could tell any land-holder where to plant their plantations to improve the gross margins of their properties. It was a very simple thing to do and, depending on where you were around New Zealand, it might be converting anything from 10 per cent to 60 per cent of a carpet wool sheep and lamb farm from pasture to plantations.

Senator O'BRIEN—Should the farmers decide how much of their land should be converted to plantation if they so wish or should someone else decide?

Mr Graham—I think there are some very significant planning issues with respect to plantation establishment. For instance, one of the significant issues that we found particularly problematic in northern Tasmania is the tourist industry. If you convert a pastoral property immediately adjacent to a famous viewing spot into a plantation farm, it rather ceases to have value as a famous viewing spot. There are some quite significant planning issues that are unique to commercial tree growing on commercial pastoral properties. In other words, there are some integrating problems even in the general shape of the terrain and the general distribution of properties in size, but I regard it as a perfectly manageable problem if you put the right planning controls in place.

Senator O'BRIEN—I am curious about that. It does not seem to me that there has been a lot of support from the organisation you are here representing for development of the plantation industry. I am keen for you to refer me to any of the policy instruments from your organisation that support it.

Mr Graham—This is the most important one.

Senator O'BRIEN—When does that date from?

Mr Graham—1991. We worked our arses off as a movement nationally and we were represented on this committee by a representative of the Australian Conservation Foundation who is a Tasmanian. Our networks across the country put an enormous amount of work into that. We really thought we had fixed the basic framework for the development of a plantation industry in Tasmania. To put it frankly, we were politically done like a dinner. What we have seen happen is our worst nightmare. It has been very hard for us. We have perpetually

maintained the policy that growing wood for the community is a good thing—we have always been agreeable to that. Like many things, it has to be done with care and consideration, and that is what is missing. Basically you leave a bunch of corporations to go open slather and you get exactly what you would expect. It should not be like that and it need not be like that.

Senator O'BRIEN—So there would be support for the concept of farm forestry, not farm conversion to forestry. Is that the way I should encapsulate the view of your organisation?

Mr Graham—It has always been the case. As I said before, we still regard that as a good political framework to develop the industry.

Senator O'BRIEN—How much of the agricultural land in the state would optimally be able to be developed into plantation? Does your organisation have a view?

Mr Graham—It would be hard to work it out. We did do some numbers during the regional forestry agreement development, when we thought about what kinds of areas might be available to the forest industry. It was our call that in the north-west you could find enough land that would have minimal social and environmental implications if it were under proper strategic management. In the north-east you probably could not do it too well, because it is already heavily beaten about environmentally. They just do not have the space to do it without significant environmental impact. In the south of the state there is probably room, again, to do it on a strategic scale without it having undue social or environmental impact. But you are talking about a level of strategic planning which is not presently on the radar, because the 2020 vision creates this notion that somehow it should be allowed to roll out on a laissez-faire basis.

Senator O'BRIEN—Would this strategic planning simply target regions and say, 'It would be ideal if the development occurred here'? Or would there be some proactive encouragement for particular land-holders in particular areas to embrace farm forestry?

Mr Graham—In my view, because of the unavoidable nature of the conflicts, there has to be strategic planning. In other words, you have to do long-range planning and say, 'If we're going to have a plantation industry based on these economic nodes, then there are going to be severe social impacts here, here and here, and we need to do something about it. And if we make that decision, we roll with those impacts.' The current situation, where we pretend it is not happening, is offensive. It is totally wrong to pretend that these strategic decisions by forestry corporations do not have entirely predictable and serious social and environmental consequences. We can manage the consequences if we plan properly for them.

Senator BROWN—I will follow in the same vein. You may or may not know, Mr Graham, that one person I know of from Preolenna, who is in the room at the moment, has said that she is going to sell up her property and leave because of the plantations surrounding that property. And she was not invited to the meeting that Senator O'Brien referred to and that this committee went to. We might ask why. Have you any idea why all the people at Preolenna were not invited to the meeting that the committee attended?

Mr Graham—As I think I said to Senator O'Brien, we know we are in a politically conflicted environment and, sadly, the lack of planning forces the community to take sides. The

divisiveness, in my view, is a direct result of the failure of government to take responsibility for managing the impacts of things it promotes.

Senator BROWN—You have been asked what you or your organisation have done about promoting plantations. Inherent in this question is: what has the political establishment done about a level playing field? There are tax breaks going to the plantation industry. Do they, in your knowledge, differ from the tax breaks going to those people who want to stay on the family farm?

Mr Graham—It is unfair for a whole bunch of reasons. It is not just the tax breaks. The principal driver is actually access to cheaper capital because you are a big bastard. That is the big driver: the ability to withstand, to be around and roll with the changes. Family farms go up and down with the seasons remarkably; corporations do not. They have the capacity to roll, and one of the key things that allows them to roll is access to cheap capital at will. That makes them stronger. Because they are strong, they can exert their political influence. It is important for mainlanders to understand that Tasmania is only a large city council anyway; it is smaller than Brisbane, and we are somewhat smaller than Geelong. We are talking about a political relationship between these corporations in Tasmania which is profoundly unequal and profoundly Third World in its construction. Basically, whatever breaks are on offer, they get. It is as simple as that.

Senator BROWN—And the tax incentives make the raising of that capital much better for them, don't they?

Mr Graham—Of course.

Senator BROWN—You mentioned not being able to get information on the Valuer-General's disposition against valuing forest land. We heard from the previous witness from Forestry Tasmania about a valuation that I think she put on the forest lands. But what you are telling the committee is that much of that land is not rated because it is not valued.

Mr Graham—Under the Local Government Act, in order to be able to rate something, a council has to have a valuation from the Valuer-General as the basis for rating. If you do not have a local government valuation, you cannot rate it the Valuer-General will not rate for Forestry Tasmania.

Senator BROWN—Is there evidence that the Valuer-General is too busy or that there is some other reason the Valuer-General will not make that valuation?

Mr Graham—In our view, it is political interference in the office of the Valuer-General. The Valuer-General is supposed to be an independent officer reporting to parliament. This manifestly is not the case in Tasmania. It is stunningly obvious that the reason the Valuer-General will not value rateable property owned by Forestry Tasmania is that the state government does not want it to happen because Forestry Tasmania does not want it to happen.

Senator BROWN—I will talk to the committee at some other time about approaching the Valuer-General to see if he or she can clarify that or give us their own opinion on that. I asked Forestry Tasmania earlier—being very specific about this, although it has wider ramifications—

about their entomological forays in front of the bulldozers when they go in to convert old-growth forests to plantations. Clearly, what I got back was that they do not do that. Have you got any evidence as to the state of knowledge about the insect complement in forests in Tasmania which have been converted into plantations? I ask that because we are all aware, for example, if you take an anthropological viewpoint on this, that the pharmaceuticals industry world wide has a lot of dependence on plants, animals and insects, and a lot is yet to be discovered. I wondered if you had any information about the state of entomological knowledge in our forests in Tasmania and what studies have been done on it.

Mr Graham—The answer is that the situation is patchy and generally ignorant. That is not just in Tasmania; it is across the world. Doing the work to get a handle on what is happening in the bug world is very hard. We are talking about the vast majority of species which are profoundly difficult to identify and classify, let alone know anything about. Tasmania suffers from a hegemony of botanists—that is to say, three-quarters of all the people who claim to know anything about forests know about big planty things—and we know very little about large fauna, let alone very small fauna. It is a level of profound ignorance.

One of the reasons that we know from general theory for this particular problem is that insects tend to be very limited in their distribution. That is to say, you can find completely different species as you go from stream to stream or if you go from little ant colony to ant colony. It is part of the nature of the insect world. In other words, we know that enormous damage is being done to the biodiversity of Tasmania or anywhere else by this kind of traumatic disturbance to natural systems. That is just how it is. You do not need to do the prior assessment to know that damage is going to be done. If you do not do the prior work, as you say, there is a very good chance you are going to be losing things of interest. That is one of the principal drivers for biodiversity conservation strategies—to try to get strategies in place that make us mindful of living things everywhere, to try to tread easier, because we know we do not have the time to think about how important it is before we wreck the place, the way we do things now.

There is a crushing need to develop a much more precautionary approach to how we do these things. The forest practices system in Tasmania is an epitome of how to get it wrong. We do not take the issue seriously until we are about to log the place. It does not really matter what you do or do not find; the commercial inertia to go logging is almost unstoppable. If you wanted to take these issues seriously, you would be doing serious strategic long-range planning. You would be investing an enormous amount of money in decent R&D in terms of the likely impacts of these operations. That is just not happening.

Senator BROWN—I will finally ask, because I must, about global warming. We have seen in the last couple of days in this state the big columns of smoke coming out of the regeneration burns and the thunderclouds created on top and this extraordinary release into the atmosphere of many things—heat and carbon included. What assessment are you aware of that comes close to evaluating the contribution to global warming made by the regeneration burn system and indeed by the cutting of forests and their later rotting and release into the atmosphere of components in Japan and elsewhere? Also, I have seen assessments in various places of forest being potentially worth \$30 to \$50 a tonne standing in a carbon trading world coming down the line post Kyoto as against the stumpage rates we are hearing about today of about \$12 a tonne for converting them into woodchips now. Have you got any handle on any of those matters or any information that might help the committee?

Mr Graham—Yes, I did some work on this back in 1992. As a general rule of thumb, converting wet eucalypt forests in Tasmania to seeded regeneration, you about halve the amount of carbon in that bit of the biosphere. In other words, if you do nothing else, half of what was there is blown and ends up in the atmosphere sooner or later. Given that, as I showed with those graphs before, almost everything turns up going into ephemeral paper products in Asia, it is up in the atmosphere pretty bloody quickly. Insofar as some of it is turned into methane by virtue of being buried in very large tips in Japan, it gets up there with a vengeance. One molecule of methane is worth about 10 molecules of carbon dioxide in terms of contributing to the enhanced greenhouse effect. If you convert those areas to plantations, the answer is about three to one—that is to say, two-thirds of carbon that used to be in the landscape ends up in the atmosphere in a pretty short time. It is a serious exacerbation of the greenhouse effect of land management practices in Australia. About 15 to 17 per cent of Australia's entire carbon dioxide production is attributable to land clearing, and forestry operations are probably another one or two per cent on top of that. We are talking about some of the largest contributions to greenhouse gases in Australia.

CHAIR—Thank you, Mr Graham, for appearing this afternoon and providing assistance to the committee.

[2.24 p.m.]

NICKLASON, Dr Frank Neil, Spokesman, Doctors for Forests

CHAIR—Welcome. Would you like to make an opening statement?

Dr Nicklason—Thank you. I work as a physician at the Royal Hobart Hospital. My background is that I grew up in the north-east of Tasmania on a mixed farm. I have lived in a community where agriculture and forestry were the major industries. Doctors for Forests was formed in 2001 because of the escalation in clear-felling of native forests that was happening in Tasmania. We had a variety of concerns—economic, social and environmental, as well as the health impacts—about this escalation in clear-felling. The group has over 700 members of whom over 200 are practising doctors. We have been characterised as an anti-forestry group, but we are certainly not. We support an ecologically sustainable native forestry industry centred on agreed timber production zones. We are looking for an industry that does not have serious impacts on other industries in Tasmania, such as tourism, agriculture—particularly organic agriculture—wine and beverage production, leatherwood honey production and aquaculture. We are certainly concerned about the impacts of the escalation in clear-felling in Tasmania upon those industries.

The Tasmanian community have spoken on what their direction would be towards the year 2020 through a community consultation process initiated by the Bacon Labor government—the Tasmania Together process. The Tasmanian community are basically saying that what they are looking for is a clean, green, clever economy that is safe, and where public institutions, such as education and health, are adequately funded and there is accountability in public administration and politics. I have a slide here that provides an example of what is wrong with Tasmanian forestry. I am sure you would all recognise this as the woodchip piles that sit in the centre of Burnie city, which is in the middle of the north-west of Tasmania. If you look at the piles, you can see that pile in the foreground is a pinkish colour. This is historic now because you do not see myrtle woodchip anymore. This is the end product of native forest in the north-west of Tasmania. The economic rewards that come to the Tasmanian community from clear-felling of state native forests are very poor. The figures have been put to you already, but it is perhaps \$10 a cubic metre for wood derived from native forests. In that, we are seeing the end product of the clearing of rainforest species as well as eucalypt forest in mixed wet forests from Tasmania.

The woodchip mill in Burnie is the largest mill in the Southern Hemisphere. It provides very little employment for the local community—estimated to be somewhere between 20 and 30 people in highly technical jobs. It is very labour un-intensive, so it does not add to the community in terms of jobs or economic revenue. What it does add to the community is dust, which is blown across the city in easterly weather. This was the subject of an extensive investigation on the ABC *Stateline* program last year because of concerns raised initially by the community of Burnie and then taken up by some of the members of Doctors for Forests. The concerns that were raised from our group in relation to this woodchip pile include the potential microbiological hazards associated with the composting which occurs at the bottom of the pile. We expressed concerns about possible fungal organisms and legionella species. We also expressed concern about the dust which is blown across the city. That has two major aspects:

one is the nuisance value of breathing in dust from these chips and the other is that this dust certainly represents a hazard to people with respiratory illnesses, particularly asthma and chronic lung conditions.

As a result of the attention that our group and the community raised about this potential problem, two reports were commissioned—from a microbiologist in Adelaide, Dr Richard Benson, and a Mr Robert Golec in Melbourne. These reports were furnished with information from Gunns. We believe that the reports do not adequately reflect the range of health concerns which were flagged by our group. There is not any examination of the respiratory effects of inhaling the dust, and possibly the micro-organisms that might be associated with that, by a respiratory specialist. One member of our group, Dr Peter Pullinger, who lives in the Burnie area, has compiled a critique of these two reports, and I have that and it will be tabled for the committee.

We are seeing the result of increased land clearing, driven by the 2020 plantation vision, which is in stark contrast to the vision that was compiled from the 2020 vision from Tasmania looking at where we want to be in that year. We believe that the escalation in land clearing is going to have profound influences and detrimental effects for future generations.

There is another aspect of the problem. I have a slide here that shows the woodchip pile in Burnie and you can also see the ground logs there. I have visited this site with a professional forester, who is in the audience now, and we inspected both pine logs and eucalyptus logs which were being exported whole. Here we have exports of commodities and exports of jobs. Because we are exporting a commodity, we are in the position of price taker rather than price maker. This is disastrous if you are a sawmiller who relies on being able to get these logs as a resource for your industry. What we have seen in Tasmania is the demise of small local sawmills right across the state.

My next slide shows a very large coupe into southern Tasmania. It is actually quite close to the Tahune airwalk, which is a major success story for Forestry Tasmania. This next slide shows Dr Geoff Couser, who is the President of Doctors for Forests, standing next to a windrow on this coupe on the Bennetts road, off the Arve road. This coupe was the subject of an extensive audit by the group Timberworkers for Forests. They found that there was enormous wastage of specialty species timbers—myrtle, celery-top pine, blackwood, sassafras. Commercial timber is found in these windrows and it will be burnt.

In the southern part of Tasmania we have the Wooden Boatbuilding School founded by Dr John Young, who is at Franklin. The Wooden Boatbuilding School need to be able to access celery-top pine, which is a very high quality old-growth timber for wooden boatbuilding. John Young estimates that within 10 years, if the rate of loss of resource for clear-felling of wet native forests continues, they will be out of business. The wooden boatbuilding industry, which uses, for example, celery-top pine and old-growth eucalypts in a very small quantity, is a highly labour-intensive industry which adds a great deal of value to the timber that is harvested. Our group supports selective logging of old-growth timbers from agreed timber production zones, but we are certainly strongly in opposition to the clear-felling of native forests.

My next slide shows Macquarie Street. It was taken on 22 June 2001 as part of a video shoot that was conducted by some medical students who were student members of Doctors for

Forests. Macquarie Street is the major thoroughfare of Hobart. During that period of time, 75 log trucks came down Macquarie Street. This is a busy street in the CBD of Hobart. Our group are concerned about safety issues related to this enormous number of trucks on the road, and we see that the clear-felling going on in our native forest which is being driven by the 2020 vision is contributing to these high volumes of trucks on our roads all over Tasmania. So there is certainly a safety hazard.

The drivers of these trucks earn very little. They are paid on tonnage and kilometres covered, and there is therefore an incentive to drive quickly and an incentive to load up the trucks. There is a major concern that the trucks are using roads that are narrow and winding and that, if they are overloaded, spillages will happen. We are aware of some studies that have been done that indicate that, if the load is loaded over 4.3 metres, there is a high risk of log truck spills, and these have happened regularly around Tasmania. We are also concerned about the damage that is done to the roads, and, in this area, we are concerned about the damage that is done to the heritage buildings. Because log truck drivers are poorly paid and because they have high commitments on their very expensive machinery, they are often working extremely long hours. We are concerned here about microsleeps and are very concerned that this may represent an unsustainable amount of time on the road for some of them. We are very fearful of the consequences of that.

Let us have a look at what the Tasmania Together consultative process came up with. I have a slide showing what the Tasmanian community have indicated they are looking for in terms of their vision of the future for 2020. This, as I said, was a consultative process initiated by the Bacon Labor government. We have missed the following date already: it was a priority to end the clear-felling in certain areas of high conservation value old-growth forests by 1 January 2003. We are certainly concerned that the government has really felt able to brush off the frequently and vehemently expressed sentiments of the community on this issue. This is the most divisive political issue in Tasmania at the moment. The communities all around Tasmania have identified areas which they regard as having high conservation value, and those areas are listed as in the top right-hand corner of the slide.

In terms of reducing air and water pollution, I have already referred to one example: a target again set by the Tasmania Together consultation process was to reduce air and water pollution. I have already referred to the problem of dust which blows off woodchip piles in Burnie and also in Triabunna and at Bell Bay. But Burnie is the major area of concern because it is located in a population centre. Our group also have concerns about the regeneration burns and about water quantity as well as quality, and I will come to that.

Rainforest has completely different hydrological properties to native forest. Rainforest is able to retain much more moisture than rapidly growing young plantation eucalypts. My brother farms and I know what the streams should look like on his farms. He has had extensive plantation establishment occurring around his grazing land in the upper catchment area, and streams that I knew as a child have been reduced dramatically in flow. This is not just related to the fact that we are in a prolonged period of low rainfall in Tasmania. When plantations are established alongside streams the volume of water flowing in those streams is reduced. This presents a major problem, because plantation establishment typically occurs in upper catchment areas.

At the time that this plantation establishment was occurring on my brother's farm and farms all around Tasmania he was making the conversion to organic farming. It was a major issue for him in terms of his economic future as to whether his water was going to be contaminated with chemicals like the triazine group—the pre-emergent herbicides. These chemicals were applied by very lowly paid, inexperienced, untrained young rural workers who were not provided with protective clothing and were absolutely poorly informed about the dangers of these chemicals. The stories that you hear from talking to these people are things like, 'It is safer than drinking sea water; you can shower in it.' We have video evidence of conversations like this. The occupational health and safety issues related to plantation establishment—a very chemically dependent industry—are great and, we believe, have not been addressed adequately. The other chemicals that we are concerned about relating to plantation establishment include 1080, which is used for browsing control. We believe that it is very poorly controlled and monitored in Tasmania and we have had reports from numerous sources around Tasmania of carcasses of stricken wallabies, in particular, coming into contact with water. So we are concerned about faecal contamination of waterways by animals stricken by 1080.

In addition to the triazine chemicals, which are known to be oestrogenic and potentially carcinogenic, the plantations are particularly susceptible to fungi and insects because they are monocultural same-age establishments. Aerial spraying of these chemicals provides very poor localisation from the chemicals, and we have certainly had credible and reliable reports from people in relation to the occurrence of spray drift of fungicides and insecticides. Spray drift can occur because of windy conditions, and we have certainly also had reports of spraying contractors failing to abandon spraying on windy days. We have some of that evidence documented on video as well.

The problems with chemicals gaining access to water are exacerbated by the fact that there have been many alleged breaches of the Forest Practices Code in Tasmania. Those breaches characteristically relate to the management of riparian vegetation in that the protective buffer zones of native vegetation around watercourses are not maintained. We have seen examples of plantation trees being put into class 4 streams and the vegetation not being conserved alongside the streams, and so the chemicals can easily be washed into the water, which may be a domestic water supply. There is also the problem of siltation of water because of the bare earth next to the waterways, as you can see in the slide I have here. In this slide, and in some of the other slides as well, you can see debris from logging activity in the water.

This next slide is taken in the north-west of Tasmania. You can see native forest, which is on the edge of the Tarkine, and you can see extensive plantation forest as well. You can see cleared farmland. There are a number of concerns there. If you were the farmer, one concern would be that monoculture plantations of same-age trees are highly fire susceptible. You can see that there is a road running right next to that plantation; the plantation comes right up to the road. One could, with not too much difficulty, imagine getting trapped by a fire that was raging through that plantation. Farmers who border plantations describe a number of problems for which the plantation forestry industry is not responsible. These include weed infestation because of the soil disturbance. We have seen this all over the state, with thistles and ragwort really getting out of control next to plantation forestry activity. I have already mentioned the problem with water and the loss of water because of the high water requirements of young plantation trees.

Another problem that is experienced by farmers is that underneath the young plantation trees there is a lot of grass and because of that kangaroos and wombats can breed up. Certainly, in

areas that I know these animals have bred up to levels where they create a huge browsing problem for the farmer next door. If that farmer is an organic farmer they will have to look at non-chemical ways of dealing with that problem. The farmers are being eaten out of house and home, basically.

There is a variety of impacts on the farmer. If the farmer who lives in the little white house there wanted to alter his revenue stream and in addition to grazing or cropping wanted to have farm stays with some nature based tourism activities on the farm, obviously his resource would be greatly degraded by having the plantation you see there. I also reiterate a point Mr Graham made about the release of carbon dioxide into the atmosphere when native forests are cleared and the detrimental effect this has on the greenhouse effect and for future generations.

The Tasmania Together consultative process which sampled the opinions of ordinary Tasmanian people found that it was a priority for people to limit the conversion of land with native vegetation. People around Tasmania had an understanding of the importance of conserving native vegetation for a variety of reasons, including the fauna as well as the aesthetic and recreational value of native vegetation and other values that the native vegetation has. It is estimated that between 70 and 80 per cent of Tasmanian people are strongly opposed to the clear-felling of native forests, which is being driven by the plantation industry, and the tax incentives associated with the 2020 vision in Tasmania.

I have covered 1080 as a potential way for there to be faecal contamination of domestic water supplies, but the world has changed a lot since 1080 was introduced. 1080 is a highly lethal, colourless, tasteless and odourless chemical which has no antidote. It represents a plausible weapon in bio terrorism. It was banned by the Nixon administration in the early 1970s because of civilian deaths. Dr Couser made a representation to the National Registration Authority on 10 April putting together a range of concerns about the use of this chemical. Tasmania Together said of 1080: 'People regard the continued use of 1080 as being unacceptable.' The Tasmanian community do accept, however, that it is important that there is a phased reduction of this use and that there should be public support for alternative measures to control browsing. We would expect that, if there is public money available to establish broad acre plantations of monoculture, then there should be public money available to reduce the impact of browsing on forestry and agricultural activities so that we can get away from using 1080.

This slide was taken in the Styx Valley. This is a regeneration burn that has escaped into native forest. This was taken about five years ago. I think it is from the Wilderness Society. The concerns that we have in relation to regeneration burns are the enormous biomass carbon dioxide release, the contribution it makes to global warming, the possibility of escape burns, and the detrimental effect that smoke has for people who have respiratory diseases such as asthma, emphysema and chronic bronchitis. Last week I was talking to Mike Foley, who heads up a group called Tourism Operators for Forests. He has a resort in the deep south of Tasmania, which is a nature based tourism resort. Two weeks ago he had a group of young people from Melbourne Grammar. One of the kids had very severe asthma and it was sheer luck that the group was scheduled to finish their stay in the far south two days before a huge regeneration burn resulted in smoke palls all over his business. We are very concerned that remote communities, which may be the homes of individuals very susceptible to smoke and particulate matter that comes from these burns, may be exposed to major health risks. It seems that the warnings given by people who have flagged themselves as having particular risk have not always been met with a timely warning of burning. We certainly have examples of that.

This final slide emphasises again that plantations are highly fire susceptible. The problem in Tasmania is that when a private timber reserve is declared this virtually excludes that area from local planning legislation. Local governments are out of the loop once a private timber reserve has been declared. This has led to difficulties in relation to the siting of plantations. We feel that there has been a major lack of foresight in the siting of plantations, including the huge monoculture plantations, which means that plantations that are very highly fire susceptible can be sited next to population centres. We are very concerned about the lack of risk management of the fire issue in Tasmania. That concludes the slides.

CHAIR—Dr Nicklason, do you have anything further to add before we go to questions?

Dr Nicklason—No.

CHAIR—I note that you have a membership of 700, of which 200 are practising doctors. You have spoken about the whole question of the possible health effects in a wide-ranging way, in terms of both the effects on humans and on animals and so on. In that context, has the possibility of issuing either a health alert or health notice ever been proposed or raised, particularly in terms of respiratory problems, contamination of the water or the transference of certain types of chemicals or other things that you have mentioned to us? Is that being systematically monitored? Is the information being collected in a way that, from an evidentiary point of view, you can show that there is a real problem?

Dr Nicklason—I will give the example of the woodchip pile from Burnie again because I used it earlier in my presentation. As a result of concerns that were raised initially by the community and then taken up by our group, two reports were commissioned. Information for those reports were supplied by Gunns, which we were unhappy with because the company that is responsible for those woodchip piles was supplying information to what needed to be clearly an independent inquiry into possible health impacts.

We said at the outset that the inquiry into the possible health impacts of this woodchip pile needed to be conducted in a way that, if there was not a health risk associated with it, the community could feel adequately reassured that that was the case. As Gunns supplied information and the inquiry was not sufficiently general to cover all the areas of concern that we cited, we currently have a situation where there is ongoing unhappiness in the Burnie community. The community certainly says things like, ‘It is all a whitewash or a snow job.’ They feel unreassured, not only by the fact that those piles are still there but also because some of the recommendations that were made as a result of the reports have not been instituted and the process that they saw happening was clearly to them not independent nor transparent.

I might add that I was served with a letter from Clayton Utz alleging that I had defamed Gunns by suggesting that there might be microbiological health risks associated with the woodchip piles. When I said that I would be prepared to retract anything that I had said which, upon reading the reports, was incorrect, I was told in a very heavy sort of way that I would have no access to the reports. I had to obtain the reports through the freedom of information legislation. The whole culture of raising a concern about an adverse health impact or a potential adverse health impact of forestry activity is that it is fraught with all sorts of difficulties. The people who raise these concerns tend to be beaten up or heaved in some way. There is a major concern about the lack of accountability and transparency. I use that example but, equally, the

same type of culture is present when people raise concerns about atrazine or triazine contamination of domestic water supplies by aerial spraying or other things. So the culture in Tasmania to strongly heavy people is a potent disincentive to raise concerns about health as a result of the forestry activity.

CHAIR—Do you have any anecdotal evidence? You have spoken about tourism operations and about some young person having an acute form of asthma and those sorts of things. They are all the examples of potential issues, but are there any examples of real issues?

Dr Nicklason—Yes. A woman who was a very good witness and who was interviewed on the *Stateline* program ran a kiosk very close to that woodchip pile and developed asthma in later life in her middle years. She was advised by her general practitioner that she had asthma. She was bemused by that because she had never had it before. She was advised to move her business away, which she did. Her respiratory symptoms resolved rapidly as a result of getting out of the airstream.

The difficulty is that there needs to be a very comprehensive assessment of the respiratory implications of that woodchip pile. We were hoping that that would be addressed in the health impact investigation which we helped to instigate, but that was not forthcoming. Unfortunately we are only able to furnish anecdotes at this point in time. But obviously we would like to see robust, independent and transparent evidence gathering in this area.

Senator McGAURAN—You showed us some slides of regeneration burns. What is your policy—no regeneration burns?

Dr Nicklason—I am not a forester. I have had considerable contact with forestry consultants over the last two years. I am not convinced that burning is necessary to promote eucalypt regeneration. My understanding is that this practice arises out of research that was undertaken in 1958, which was addressing a question about how we maximise eucalypt production in Tasmania. It certainly was not research that would be looking at driving the production of all the forest species that we have in Tasmania, particularly the special species. The strong impression that I have is that regeneration burning is part of a massive conversion to eucalypt and pine forestry in Tasmania and it ignores the specialty timbers that we have in Tasmania—blackwood, sassafras, myrtle and celery-top pine.

So we see it in that context. We see it as part of a process which is very much reducing our ability to have an ecologically sustainable specialty timber industry. We see, quite apart from the detrimental effect it will have on overall forestry in Tasmania, health impacts as well. I am not saying I have the expertise to say whether this should be banned altogether. We do not have a position on that at the moment. Certainly, we have major concerns about the number and scale of regeneration burns that are happening in Tasmania.

Senator O'BRIEN—Particularly with regard to your evidence about chemical usage and 1080, that product is used on the mainland, as I understand it, for controlling feral animals. It is used extensively in Western Australia, Victoria and New South Wales.

Dr Nicklason—Yes. We have had discussion on this point recently. Dr Couser and another member of our group made a presentation to the National Registration Authority. The thing that

amazed the National Registration Authority was that we were targeting native animals in Tasmania. The situation of using 1080 to bait foxes, which represent a major hazard to native animals interstate, is a different issue as far as I am concerned. I dislike the way the poison produces death; it is certainly not a comfortable death. But I could personally envisage a situation where 1080 might be the last resort in dealing with a major fox problem interstate.

Senator O'BRIEN—The NRA say that a possible alternative is pindone. Have you discussed it with them?

Dr Nicklason—I am afraid I cannot tell you anything about that—that is the first time I have heard of that. The alternatives that have been looked at in Tasmania include fencing, sonic deterrents and shooting. All of these, in my view, are vastly preferable to using a chemical that acts in such a blunderbuss way and has other problems associated with it, which I have already alluded to.

Senator O'BRIEN—Triazines are widely used on food crops such as canola. What does your body know about that? In fact, one of the species of canola that is extensively farmed relies on a triazine regime to control weeds. The alternative that has been promoted is a genetically modified, Roundup resistant canola.

Dr Nicklason—My position is that the consumers of canola certainly should be aware of the chain of events that have led to the production of that crop. They should be aware if Roundup or triazine or genetic engineering techniques are used. That should be very abundantly clear to them on the packaging of that product.

Senator O'BRIEN—It is a food crop, which I guess raises that issue. How does that impact on water run-off and the like? Has your organisation made any inquiry about that? Canola is a very widespread crop in southern Australia, and I think about 40 per cent to 50 per cent of the canola grown relies on a triazine regime.

Dr Nicklason—I have indicated that we are concerned about usage of triazine chemicals. These chemicals are classed as zenoestrogens and can have adverse effects on the development of human reproductive systems. They have been flagged as potential carcinogens, so that information is important to bear in mind. For whatever reason you are using these chemicals, whether it be in forestry or in agricultural production, it is very important that people are aware that these chemicals are being used so that they can make an informed decision about whether they want to purchase that sort of product. Beyond that I cannot shed any further light on the rest of your question, I am sorry.

Senator O'BRIEN—Pyrethroids are widely used to control insect plagues on the mainland—and presumably for similar reasons in Tasmania. What are the specific problems with pyrethroids?

Dr Nicklason—There are major concerns about pyrethroid chemicals used as insecticides. I am not setting myself up as an expert on that chemical, but we certainly have access to expertise within our organisation—people who know the specific concerns regarding that chemical. I am aware that it represents a health risk.

Senator O'BRIEN—I wonder whether that is the natural extract of the pyrethrum daisy or not. There is an industry here—it was an African industry originally. What concerns have been raised about those chemicals with the national registration authority?

Dr Nicklason—With pyrethrum?

Senator O'BRIEN—With pyrethroids and triazine.

Dr Nicklason—I would imagine that the concerns I have indicated with the triazines—the zenoestrogenic effect and the potential carcinogenic effect—have been—

Senator O'BRIEN—Are these chemicals reliant on direct physical contact or carriage in water supply?

Dr Nicklason—When these chemicals are applied to soil around plantation seedlings, if there is rain they can be easily washed into a catchment. This is particularly so because we have seen widespread breaches of the Forest Practices Code alleged where the buffer vegetation around streams has been cleared and the streams are then exposed directly to cleared land.

Senator O'BRIEN—And this has been going on for some time?

Dr Nicklason—I am not someone who can give a history of this, but I have seen the report that Frank Strie, who is in the audience, has compiled with others from the Mount Arthur area where there were many, many breaches of the Forest Practices Code clearly identified, using the Forest Practices Code as a template. What came from that for me is that, when a community audit is compiled by people who have the professional expertise to do it and they put that audit into the system, the regulatory system in Tasmania simply is incapable of making an appropriate response. That was one of the major lessons from the Mount Arthur region, which represents part of Launceston's water catchment.

Senator O'BRIEN—So presumably there has been some program of water testing to see whether triazines or pyrethroids have appeared in the water supply?

Dr Nicklason—Again, the difficulties relate to the same sorts of difficulties encountered when a community group flags a potential adverse health impact. The industry has such control over the information and the analysis of water samples that it is very difficult for a concerned citizen to know that the water is being tested in a way that will give the proper result which would let them become aware of what the risk is or is not.

Senator O'BRIEN—Do you mean sampled in a proper way or tested in a proper way?

Dr Nicklason—The results of the samples are not readily available to the people who raise the questions. They have to fund it themselves. The information is kept with the Department of Primary Industries, Water and Environment and it may not be released.

Senator O'BRIEN—But has an organisation such as yours with these concerns taken it upon itself to conduct sampling and testing to see whether the chemicals are in the water supply?

Dr Nicklason—We have not. We certainly see it as something that needs to be done and it needs to be done independent of the industry.

Senator O'BRIEN—It has to be done shortly after the application of the chemicals, although I suppose it can be done later. If they continue to be present in the water, it would enhance your case.

Dr Nicklason—My understanding is that the triazine chemicals do not readily break down in the soil and that they could remain on the soil and be washed into the watercourse many weeks or months after application.

Senator O'BRIEN—It would be a matter of testing after significant rainfall?

Dr Nicklason—Yes, that would be another way the testing could be carried out.

Senator O'BRIEN—You talk in your submission about a serious loss of farm production as a result of the development of plantation forestry. Is that based on empirical evidence—that is, looking at agricultural output?

Dr Nicklason—There has been another submission made by Colleen Dibley from the Preolenna region, and she has documented some of this. I imagine that in her submission you will find that the reduction in beef production in Tasmania is a result of cleared farmland conversion to plantation forestry. That certainly represents a concern given that Tasmania is ideally suited to beef, dairy and vegetable production.

Senator O'BRIEN—There has been a reduction because some farmers did not get paid with the collapse of Blue Ribbon. Also, there have been dry conditions. It depends on the time of the sample or the empirical evidence, as I said. If you have drawn from Colleen Dibley's submission and that is what you are relying on, we will look at that.

Dr Nicklason—My understanding is that 400 farms have been lost to plantation forestry in Tasmania. I have not put that in our submission but I guess that is word of mouth.

Senator O'BRIEN—I guess it would be possible for output not to have fallen even though those 400 farms went, depending on the productivity and the development of other farms.

Dr Nicklason—But that means that it is a more intensive form of agriculture, which tends to be more damaging to soil and more chemical dependent. Tasmania is certainly further establishing itself as a site where niche food production occurs, and chemically intensive farming can have detrimental effects for nearby organic farmers, wine production, et cetera.

Senator O'BRIEN—Wine production is a very heavy user of chemicals. You would have noticed yourself, driving on the Midlands Highway, that the extension of intensive cropping agriculture in particular and irrigation has replaced a lot of grazing, particularly sheep grazing in the Midlands over the last decade. There has been a change in the agricultural trend in different parts of the state for different reasons. Your connection with farming would have amplified your recognition of that, wouldn't it? Your submission talks about a serious loss of farm production. I

am interested to understand what you mean. Are you saying that taking these farms out results in a loss? But you do not take into account any growth anywhere else—what we plant instead.

Dr Nicklason—You are right. It is shifting the style of farming. I am saying, personally, that I have concerns about high intensity farming. Given that the area available for cropping, grazing and dairying is reduced, to maintain production the farms are using more intensive methods which are often chemical dependent and use a lot more water. I certainly have seen information that indicates a substantial contraction in the beef herd in Tasmania, and I am aware that plantation forestry has made a contribution to that.

CHAIR—Thank you, Dr Nicklason, for appearing and providing assistance to the committee. As I have advised other witnesses who have appeared, a copy of the *Hansard* record will be made available shortly. If in the meantime you have any queries, please feel free to contact any of the staff of the secretariat.

Dr Nicklason—Thank you for the opportunity.

[3.18 p.m.]

WILLOCK, Ms Annie, Special Committee of Council—Forestry, Kentish Council

CHAIR—Welcome. Thank you for appearing today. I know that you have been here all day. Do you have any comments on the submission you have provided on behalf of the Kentish Council, which we have had a look at?

Ms Willock—Thank you. I am an ex-councillor of Kentish municipality and I am a member of the council committee for forestry matters. Kentish is a rural municipality. We have no coastal access at all. We are in the good bit of Tasmania; we are the nice council area. Cradle Mountain, Mount Roland, Sheffield, Wilmot and Railton are all part of the municipality. Firstly, I thank you for this opportunity. I would also like to apologise for being a novice. Following all those eloquent speakers I am going to mumble my way through, so I beg for your patience.

Kentish Council is a conservative council—small and rural, with a focus on agriculture, tourism and forestry. Interestingly, according to the ABS figures, Kentish has the highest level of unemployment in Tasmania—Tasmania as a whole has a problem with employment. The Kentish Council, in consultation with the community, submits that there are severe deficiencies between the outcomes as they are described in the 2020 vision and the outcomes as they are appearing on the ground. In fact, often those outcomes are quite the reverse of the aspirations of the vision. From the Kentish perspective, there is great wear and tear on infrastructure—roads, bridges et cetera. The community, the ratepayer, largely picks up the tab by subsidising the forestry industry.

There is a reduction in revenue in the establishment phase of plantations. A lot of infrastructure is bulldozed. In taking over old farmland, dairies are often bulldozed, fences are removed, and the outhouses and often the farmhouses are removed because they are in the way. As a result of that, there is diminishment of the value of the property and a reduction of rates. There is also a reduction in population as plantations replace families. Shops close and school numbers decline. The cricket team does not have enough players anymore. The local fire brigade's numbers are reduced. Also, in the community—and this is the area I am specifically most concerned about—there is a sense of disempowerment and loss when the community loses that scenic amenity, which is so very special in all parts of Tasmania and particularly in Kentish. There is a loss of water—often water quality and quantity. There are feelings of powerlessness. You then have to suffer the impact of smoke from the regeneration burns and the burning of the windrows and, interestingly, verbal assault when you request information. This is really difficult, especially from those forest companies who have undertaken or signed the good neighbour charter.

In Kentish there are large areas of forest often on steep slopes. We have weed problems, greenhouse emissions and a loss of natural biodiversity and drinking water. Drinking water in our municipality is often a matter of a pipe in a creek. We have fabulous water. In a lot of those rural areas the farm just plugs in upstream and has a gravity feed system to the house. With plantation forestry—and I will speak more about this later—listening earlier to Dr Nicklason,

there are impacts on drinking water with endocrine disrupters and the triazine group of herbicides, and there are the long-term health impacts of that.

All monocultures are chemically dependent. The normal regime in the establishment of plantations—this is the minimum regime—is the removal of the forest cover to start with; the burning of windrows, usually with napalm; the poisoning of the soil with herbicides—and that happens a minimum of twice, and some forest companies do it four times; and the poisoning of wildlife with 1080. Then there is the nice bit: the planting of trees. And then we are back to the bad stuff: chemical fertilizers; the poisoning of wildlife again, once the trees are in the ground; poisoning again with herbicides; and, as the trees grow and are subject to predation, there is poisoning with insecticides.

On the subject of water, I want to tell you a brief story as an example. Olivers Creek is a small stream that provides the domestic water supply to about half the community where I live. In fact, my own family's domestic water comes from Olivers Creek. It is a class 3 stream. A plantation was established in 1993—the land was cleared in 1992, and then in 1993 the foresters came in to spray the water catchment with herbicides. We as a community were alerted by one of our neighbours that this was going to happen. She brought information with her about the triazine group of chemicals, specifically atrazine, which was one of the chemicals destined to be sprayed on our water catchment. I wish Senator O'Brien were here; he has disappeared. I would really like him to hear this, as he asked Dr Nicklason earlier about the triazine group of chemicals.

The problem is there is no protection of class 4 streams. In a forestry operation they can clear right to the boundaries of a class 4 stream, and those endocrine disruptors—the triazine group of chemicals—are largely aerially sprayed. We had good fortune with Olivers Creek. The community objected and pleaded with Forestry Tasmania not to poison our water supply, the catchment. Forestry Tasmania, to their credit, gave us extended buffers—an extra 100 metres around Olivers Creek—because of the community concern. They also undertook a ground based operation rather than an aerial spraying regime, which limited the amount of drift. The community still believed that the water would be affected and stood in front of the bulldozers that were doing the spraying. They were arrested and carted off, and the spraying went ahead.

Water samples were taken following the spraying. It was a mandatory requirement to test pre-spraying, the day of spraying and after the first significant rainfall. Because it did not rain for a month after spraying, they tested the water after a light rain and felt that the results of the analysis were fairly insignificant and could be pushed under the carpet. However, it rained very heavily immediately after they did their testing, and we insisted that they come back. They did testing and discovered levels of atrazine in our domestic water, from our kitchen taps and in the creek itself that were up to five times the World Health Organisation's allowable limit. My own family has felt the impact on our health as a result of exposure to atrazine. I have, and my daughter has.

CHAIR—Who undertook the analysis?

Ms Willock—Forestry Tasmania commissioned what was in those days DELM to do the tests.

CHAIR—That was the Department of Environment and Land Management?

Ms Willock—That is correct. The testing was originally done by the Government Analytical Laboratories and later by the university. The water testing on Olivers Creek was done after it was discovered that the levels of atrazine were out of control. Water testing was done every 10 days until the levels dropped below the World Health Organisation's allowable limit. Then it was done every six weeks for 3½ years, until atrazine stopped showing up in the water. Ciba Geigy had informed Forestry, and Forestry had informed us, that after six months there would be no trace, but we had to have water testing done every six weeks, and it was not until 3½ years later that levels were below the limit of determination.

Interestingly, we are WWOOF hosts—WWOOF being Willing Workers on Organic Farms—and we are one of six families in our community that has international visitors into our homes. The international visitors, particularly those from the USA and from Europe, are always astonished that we can drink directly from the streams and that we can drink out of the lake because the water is relatively clean. Of course, particularly in the USA, where atrazine is used extensively on corn—and there is continual background reading on atrazine—they simply cannot. Atrazine is the most common water contaminant in the world.

I have lived in Tasmania for 30 years. I am originally from Western Australia. I have lived in the small community where I live now for 28 years. My partner is an installer of renewable energy systems. There are only five accredited installers of renewable energy systems in Tasmania. We work with micro, hydro, wind and solar. My community is not connected to the Tasmanian electricity grid, and one of the reasons we got involved in that business was a need to provide electricity for ourselves. We started off with something fairly basic, but we monitored Olivers Creek, which is the major creek in the community and the creek from which about half the community gain their domestic supply. We monitored Olivers Creek for some years and determined that there was sufficient power potential in that to light us up, so to speak. We did testing for ages. In fact, we have five children and one of the first things they learnt was how to monitor stream flow. The lowest stream flow that we had in summer was around five litres per second in Olivers Creek. Since the establishment 10 years ago of plantations in our water catchment, that has dropped to one litre a second and below. That is an 80 per cent reduction on normal creek flows in the summer, which is the time when it is critical. This year the creek almost ceased entirely. It has been dry everywhere, but it has been particularly dry in Olivers Creek as compared to Limestone Creek, which is the second most vigorous flow of water in my community.

On Olivers Creek, we have six hydro turbines servicing many households. One has nine connectors, which includes the community hall, so they are not just hydro units that supply an individual household; there are a couple of small grids, but one supplies nine households, including the community hall. A concerned neighbour enlisted the services of the hydrologist Pat O'Shaunessy, and last month, March 2003, received a report advising on the impacts of plantations on the quantity of water available to the community in Olivers Creek. I have that here. It is called 'Impacts of plantation development on the stream flow of Olivers Creek'. With your permission, I would like to have this received and included with my submission. The report shows the current reduction is likely to continue, with the peak reduction at around 20 years. That plantation is now 10 years old. In the state of the environment report 1997, volume 1, which deals with conditions and trends, Forestry Tasmania contributed the information that

plantations can easily reduce water quantity by up to one-third, with greatest impact immediately prior to canopy closure. They state that that is about half on pasture.

Considering the rotation lengths of the low-value pulpwood plantations, such as *Eucalyptus nitens*, the catchment may never actually recover. By the time the catchment begins to restore its original hydrology it is: ‘Bang! We are on again.’ Our own community water supply is for domestic use, for hydroelectricity—that is microhydroelectricity—and also for food production. We are an hour from the nearest shop, so there is a lot of organic agriculture and people are dependent on that water to grow their food. If Olivers Creek runs dry because of plantations in the catchment, I wonder if those plantation companies are going to pay for water tanks, or will this again fall on Joe Average with yet another subsidy to the forestry industry. Approximately 34 per cent of the catchment of Olivers Creek is plantations, up to where the first intake pipes go in, including my own.

I would like to talk about the impact of plantations on the community and on employment, particularly in the Kentish area. Recently the property Armistead, which is in Kimberley, was sold to Gunns. Armistead is approximately 12,000 acres—I am not clear on that figure but I can verify it if necessary. It is on the main tourist route and bounds the Mersey River for a considerable distance. It has been purchased for the specific purpose of establishing plantations. It is a very old property. It has been owned by the Foster family for generations, and it has always had a manager. In this instance there is now an absentee landholder, but before there had always been people on the property. Historically it has been available to the community. Paddocks and plots have been leased to other members of the community to grow a crop or run some stock to get a little extra income. And it has always employed local people. Seasonally, 30 to 40 shearers have been employed. The property ran approximately 3,000 cattle and 20,000 sheep. Every year, 30 to 40 shearers would be employed to deal with the fleece.

The impact of Armistead’s sale on Kentish through both direct and indirect employment is huge. The people who lived on site permanently and those who came for seasonal work all shopped—it is a human condition—so the supermarkets, the garages, the bakeries, the butchers, the newsagents and the chemists have all been impacted by the property being taken over by a major landholder who is not going to live there and who is not going to have anybody else live there either. They used to buy equipment and supplies to look after their pastures and their stock. There has been a suggestion by the worker at the local rural supplies store that Armistead’s sale to Gunns will take \$300,000 to \$400,000 out of the community each year. I remind you that Kentish has the highest level of unemployment. It is not a wealthy community able to withstand such a gross reduction of wealth in the community.

There is also an impact on tourism and on the water quality of Mersey River. The property itself has been selectively logged for years with minimal impact. The locals all said, ‘They didn’t ever take any more than they needed.’ They would just take some out, it would regrow, and then, 10 years later, they might come back and take a little bit out somewhere else. It has not been clear-felled in the way that current forestry is carried out—the mechanical operations, and the speed with which trees can be reduced to nothing.

Interestingly, Gunns have just been paid by our state government to protect a 300-acre stand of wet *Eucalyptus viminalis*, which is in an underreserved species, although Forestry Tasmania recently clear-felled and last month burnt another significant stand of wet *Eucalyptus viminalis* containing the very rare species *Eucalyptus radiata*. That was originally done with the intention

of putting a plantation in, but it has now been changed to a reseeded operation. It was assessed as worthy of conservation by the people who came out to assess other *Eucalyptus viminalis* in the area. I understand that the committee is actually going to be visiting this site on Thursday, so I will not continue with that.

Kentish is an area of low employment. We cannot afford to subsidise large forestry companies who are already subsidised through the tax system and the reduction in local forest amenity by not having to pay for off-site contamination and by increased log traffic on the roads which are paid for by the taxpayer. Page 76 of Gunns' annual report for 2001-02 shows a reduction in employees. And on page 5, even though Forestry Tasmania does not actually disclose the total number of employees, one can see from their earnings per employee, when considered with overall revenue, that employment is down by about four per cent. Our good policy neighbours, particularly Gunns, are rude when they are asked questions. While listening to Dr Nicklason, it occurred to me that there is a complaints register with DPIWE, which perhaps the committee should request, which would have on it the complaints about smoke from regeneration burns and forestry plantation establishment burns.

Very briefly, there is some good news. As a municipality, we believe that we can have a vigorous forestry industry but it would have to be based on no more clear-felling. Clear-felling is a problem because of the release of carbon into the atmosphere from the soil, the fibre itself and the machinery, destruction of habitat, degradation of scenery, erosion, impacts on biodiversity and impacts on possible jobs for the future et cetera. Multiple species systems are stable systems, whereas monocultures are unstable. We believe that, if we plant indigenous native species in a mixed, unevenly aged regime and grow them to and beyond maturity, they can provide those ecological services whilst also, in a selective manner, provide ongoing employment opportunities in these times of fluctuating markets. If we create stable systems, we have greater opportunities than if we have a monoculture that has a specific end use, because we do not know what the future is going to bring.

Most of all, it is the sense of community wellbeing that is specifically under threat. It is the division in the community that is the most disturbing, because we are not working in tune with the natural systems. We are at loggerheads with one another; we have that instability that is demonstrated in the environment that we are creating around us. We can have something that is wholesome, healthy and which everybody can live with which supports a really vigorous forestry industry, but we have to stop those subsidies and get it together.

CHAIR—I would like to ask a question as a matter of clarification. I have had a look at the submission provided by the Kentish Council, and I am a little confused because it refers to a number of action items. On page 3 it talks about actions 14 and 15 having little support and that 'both are seen as being at odds with the reality of the impact which a plantation forestry has on the environment.' Are those references to actions references to the vision strategy?

Ms Willock—They are. They referred to the original draft of the 2020 vision document.

CHAIR—So this is not a current submission.

Ms Willock—This was submitted in about March last year.

CHAIR—Turning to the issue of rates payable on land and so on that I raised earlier with Forestry Tasmania, there is one example in the case of Kentish Council. Are you able to provide us with any information, either directly in the form of forgone rates or anecdotally, about how the council has been able to cope with all of those demands that have come about as a result of logging and forest production in the vicinity?

Ms Willock—I cannot give you the figures. I can say that it is a huge concern to the Kentish Council that we have large tracts of state forest in our municipality, from which we do not receive rates. We also have a lot of log traffic on the road. I left home at 5 a.m. today to come here. In the first hour and a half before we got to Deloraine we met only forestry traffic. We did not meet another car until we were just beyond Deloraine, which is about an hour and a half from where we live. On the way down here we passed, coming from the other direction, 17 log trucks. One of them carried sawlogs and the rest of them carried pulp logs. We have noticed significant damage to the roads, and particularly to one bridge on a forestry route, for which the ratepayer subsidises the forestry industry. I cannot give you exact numbers but I am quite happy to get that information if you need it.

CHAIR—Has the Kentish Council, perhaps in collaboration with other local government bodies, taken this up with the Tasmanian state government as an unresolved issue, an issue that does need to be answered at some time?

Ms Willock—I do not have that information but, again, I am happy to get it and lodge it with the committee.

CHAIR—Thank you.

Senator McGAURAN—I am seeking a point of clarification. You were speaking of a property of 20,000 sheep and 3,000 cattle owned by the Fosters.

Ms Willock—The Armistead property.

Senator McGAURAN—Did I understand you to say that property has been sold in toto over to plantation?

Ms Willock—That is correct, with the exception of the 300 acres which the state government paid Gunns to conserve.

Senator McGAURAN—How many acres would that be—many thousands, no doubt?

Ms Willock—It is either 300 hectares or 300 acres.

Senator McGAURAN—I meant the whole property.

Ms Willock—I think it is 12,000. What is interesting here is the scale of forestry operations. Kentish has small properties—largely, the landowners are small property owners who might own 300 to 1,000 acres. A large monoculture—for example, a crop of spuds—might be 20 or 25 acres. With forestry we are talking about hundreds of acres in monoculture, and that does not fit with the scale of the municipality. We have a problem in Staverton, for example, where

plantations are obscuring Mount Roland, which is our major icon, to the point where the locals have insisted that council put into its planning a restriction on developments that will obscure that icon which is so important for our tourism industry.

Senator McGAURAN—Has planting started yet?

Ms Willock—Yes.

Senator McGAURAN—Was it sold last year or this year?

Ms Willock—I am sorry, did you mean Armistead?

Senator McGAURAN—Yes.

Ms Willock—Armistead was sold earlier this year or late last year. It is only a very recent development, and they are clearing it as we speak.

Senator McGAURAN—I just make that point given that cattle and sheep prices are healthy, albeit that we are in a drought. They must have paid a very good price for the property.

Ms Willock—I am sure they did. Interestingly, in my own community, the forestry companies offered the local landowners more than double the valuation of their properties to sell to get trees. I am not sure where that money comes from. I understand that it is because of tax incentives, and I understand that they have access to superannuation funds and various other investments. But I cannot give you those details; I do not know them. The forestry companies were certainly offering much more than was available to other members of the community.

Senator BROWN—I understand that Fosters are one of only two families in Tasmania that appear in the list by the *Business Review Weekly* of the wealthiest 100 people in Australia.

Senator McGAURAN—They just dropped out.

Senator BROWN—They just dropped out? I think they might have gone up from 99 to 97.

Senator McGAURAN—Okay, then they are cashed up.

Senator BROWN—At the expense of the community by the sound of it.

Ms Willock—Absolutely.

Senator BROWN—I am interested in the roads and bridges. The standard answer from the state government and the industry is that they do pay money through licensing and so on to local government. Do you have any bead on that? I also have a figure from a former premier of the Tasmanian parliament that heavy axle vehicles do 30,000 times more damage to a road than an ordinary sedan on a corner where the weight is pitched against the camber of that road. We are not talking about some added damage here; we are talking about an extraordinary degree of extra damage being created by heavy vehicles, particularly on rural roads. I wonder if you have

any bead on what Kentish Council has got in return for this quite heavy preponderance of log truck and other industry vehicles on the roads, as you have described it?

Ms Willock—I do not have the figures, but I do have access to the figures. I can certainly submit those to the committee at some later stage. All the councils receive a grant from the state government—X dollars per kilometre of rural roads and X dollars for bridges. That was all handed over from the Department of Main Roads to those councils a number of years ago, so the councils now have the responsibility themselves. The difficulty in Kentish of course is that we are a rural community and we have so much of this heavy traffic. It is a huge burden on the ratepayers.

Senator BROWN—Is there any direct licensing fee coming back to the local government that you are aware of?

Ms Willock—I do not know, but I can have a look at that too.

Senator BROWN—I would be very pleased if you could, or if you could find it from the local government association. It is my understanding that they are paying a licence fee and that it goes back to local government to pay for the damage being done. You did mention atrazine and you said it was one of the great contaminants, if not the greatest contaminant, of water in the world. One of the other senators pointed to the fact that it is sprayed on canola crops elsewhere. You were presenting the committee with the evidence that atrazine levels at the tap in the Lorinna were five times above acceptable international standards. As a citizen, should you not accept atrazine seeing as it is so widely spread and that it is being sprayed on canola? Is it not your duty to accept the level of atrazine that is being sprayed on there for the good of the wider industry and for the health of the nation?

Ms Willock—I do not think atrazine is a prerequisite for good health. I think I have a duty as a parent and we have a duty as a council to provide the community with the very best conditions, not the most compromised conditions because the rest of the world happens to be compromised. We have an opportunity in Tasmania to do things in a different way. From a personal perspective, I have never aspired to mediocrity, and I believe we do not need to aspire to mediocrity as a state; I think we have an opportunity here to aspire to greatness.

Interestingly, the allowable limit of atrazine in Australian water now—and this has been since 1993 when our community was poisoned—is 20 parts per billion. The World Health Organisation limit is two parts per billion. Mark Jacobs, who was the acting director of public health at the time, said ‘the allowable limit is determined by the economic use’. The standard is set for the 70 kilogram male and it does not take into account individual sensitivities, the unborn foetus, the chemically sensitive or the elderly.

Senator BROWN—This was the state director of health at the time?

Ms Willock—That is correct.

Senator BROWN—Do you know if he was prepared to drink that level of atrazine in the water?

Ms Willock—We did offer the Premier of the day, Mr Groom, some of our local water but he was prepared neither to drink it himself nor to offer it to the other politicians in the House. We was prepared, however, to inflict it on the local community, who had to bear the consequences of decisions that were made outside of that community.

Senator BROWN—You might agree that the alternative reasonable proposition—and the sane conclusion here—is that levels above World Health Organisation standards should not be permitted to contaminate a community's water supply anywhere in this country.

Ms Willock—I agree with you.

Senator BROWN—On the question of the supply of energy to the community and the drying up of the water because of the plantation impact upstream, user pays principles should obviously come into play and mean that you should be compensated. Has there been any offer of compensation from the plantation user—which I believe is Forestry Tasmania in this case?

Ms Willock—That is correct.

Senator BROWN—Rather than Gunns?

Ms Willock—That is correct. We are looking at putting a monitoring mechanism in Olivers Creek to check that. Since Pat O'Shaunessy's report of last month, we are looking at doing some long-term monitoring to see where it goes to from here because we have just experienced our driest year in the 28 years that I have been resident. The information from Forestry Tasmania that states that there will be a reduction in water quantity from plantation establishment suggests to me that, yes, they should be compensating the community they are impacting, but I have yet to see that sort of thing happen.

Senator BROWN—The committee would like to get a copy of that reference you have to Forestry Tasmania's estimate that it would be reduced by one-third. That is from that report—

Ms Willock—That is from the *State of environment report 1997*.

Senator BROWN—Is that a Tasmanian or national report?

Ms Willock—This is the Tasmanian report.

Senator BROWN—You have given us the reference to that, so that would be very good to have. Thank you very much.

Senator O'BRIEN—What is the status of Kentish Council at the moment?

Ms Willock—Kentish do not have a council at the moment; we have an administrator.

Senator O'BRIEN—So what is the status of the committee that makes the submission to this committee?

Ms Willock—The committee was a group of Kentish councillors and members of the community, some pro-forestry, some completely anti-forestry and some impartial. It was a whole group of people who were stakeholders in the community when this submission was put together. Kentish Council last year was sacked and an administrator put in—

Senator O'BRIEN—When was that?

Ms Willock—We were sacked in August. I was approached by the general manager to represent the council at this hearing today.

Senator O'BRIEN—Because there is not a council?

Ms Willock—There is a council, but there are no councillors. There is an administrator. But we do have a Kentish Council.

Senator McGAURAN—Why were you sacked?

Senator O'BRIEN—It was divisions in the community, wasn't it?

Ms Willock—It was divisions within the council itself—divisions which had nothing to do with plantation forestry.

Senator O'BRIEN—Did you put together the submission we have? Was there a broad committee to put it together?

Ms Willock—There was a broad committee that put the submission together, yes.

Senator O'BRIEN—When was this submission prepared?

Ms Willock—I think it was in about March last year. It is not dated, I noticed, and it was emailed to me about two weeks ago when I was requested to speak on their behalf.

Senator O'BRIEN—In terms of employment in the community, which is associated with plantation forestry, can you give us any numbers on the available employment in plantation forests industry in the Kentish Council?

Ms Willock—No. I cannot give you those numbers. I do know that there has been concern expressed at council, particularly about youth losing the opportunity to work at the local dairy or to help the local farmer. This is particularly for kids fresh out of school or looking for holiday work. I know that that work is not available in the plantation industry. To bring it back to the personal level, there are about 900 acres of Gunns plantation occurring across the valley from where I live. Even though we have to listen to the sounds of machinery as it goes all night and even though we have to bear the brunt of the loss of the visual amenity and the brunt of the smoke from the burns, the helicopter sprays and the anxiety that that leaves within the community, not one loaf of bread has been purchased from the local community. Not one lettuce has come from one of our vibrant gardens. There is no economic benefit for the immediate community. All we have are negatives—negatives regarding water quantity and quality,

negatives regarding atmospheric smoke, negatives regarding noise pollution and negatives regarding our beautiful view.

Senator O'BRIEN—So where do the people who are working in this plantation come from?

Ms Willock—I assume they come from the coast.

Senator O'BRIEN—I take it there is absolutely no interaction with the community.

Ms Willock—There is no interaction. Gunns, who are doing the operation, have actually been quite abusive when we have requested that they come to our community and explain to us what is going to happen. I know that they have signed a good neighbour charter, but I also know that they have refused to give us information. They have told us that it is none of our business. They have told us, when we have asked them, which chemicals they intend to spray—we have a woman in the community who has specific multiple chemical sensitivity, particularly in regard to particulate matter, so she cannot be there if there are fires going. They have told us with regard to spraying of their chemicals: 'If you have a beef, take it up with the NRA. There are statutory requirements about using chemicals. There are rules, regulations and guidelines. It's none of your business; we're not doing anything more than we're required to do.' They refused to come to the community to tell us what they were doing, despite community concerns. They said, 'We're looking for a good result for us, and a good result for the landowners. Coming to you is an exercise in futility. I'm too busy and I'm not inclined. We're not having a meeting; we're putting in a plantation.' They are direct quotes.

Senator O'BRIEN—Who are you dealing with at Gunns?

Ms Willock—At that stage I was dealing with Ian Ravenwood. I do not have the date of that conversation. It was about December last year.

Senator O'BRIEN—It sounds as though there is a particularly poor relationship between the community and that company.

Ms Willock—It is interesting because we have never had any dealings with them except to request information. Because of my specific interest in community and developing community—and, indeed, that is my focus—and because people know that I am personally concerned and have access to council, I am often the melting pot for community distress. I sought information from Gunns about spraying, particularly because of one woman's problem. We have had to complain about them working through the night. Within the community, we have the second longest established Buddhist retreat centre in Australia. It is certainly the longest established—for 25 or 26 years—in Tasmania. During one of their retreats, when they had the Tibetan lamas visiting and giving teachings, you could hardly hear what was going on for the sound of the machinery across the lake, which seems to be amplified by it bouncing off the water. We made specific requests for the activities to be contained within daylight hours. One is woken up in the night on the steep valleys as the trucks grind through the gears on their way down.

Senator O'BRIEN—When was this activity? I am sorry; you did say but I did not hear.

Ms Willock—It has been happening over the last four years. The clearing of that particular operation finished and the fires were just a little earlier this year.

Senator O'BRIEN—I am sorry; I missed your evidence about sampling because I had to take a phone call. What processes were followed to sample Olivers Creek with regard to the presence of chemical residues?

Ms Willock—I am sorry that you were not here, too. The local community approached Forestry Tasmania in a series of meetings—perhaps 20 meetings—prior to them spraying. We brought them information to try to persuade them not to use this most common international water contaminant in our water catchment. They gave us some concessions. They gave us an extra 100 metres around the stream that had not been a no-spray zone. They did a ground based operation as opposed to an aerial operation to limit the amount of spray drift. They bent over backwards, except that they were treating our catchment primarily as a plantation and secondarily as a catchment, when we as a community believed that primarily it was a water catchment and secondarily it was a plantation.

They sprayed their chemicals and, as I was explaining to the committee earlier, there is a mandatory obligation to test water before spraying, on the day of spraying and then after the first significant rainfall. Our rain did not come for some weeks following the spray, so after a light shower Forestry Tasmania tested and found little evidence of atrazine. But, about three days after, the heavens opened and we had a massive deluge. We did independent testing and Forestry did their own testing with the government analytical laboratories. There was a discrepancy in the results from the laboratory in Melbourne where we had sent ours and the one in Hobart where Forestry had sent theirs. As a result of that discrepancy, Forestry Tasmania took dual samples at 40 sites in Lorinna just to do a comparison. They took samples at sites not within cooe of any spraying. They did people's kitchen taps and they did farm dams—they did a whole lot of different things.

Those tests pretty much levelled out, but the then Department of Environment and Land Management had the tests done by the university, which became accredited to test for atrazine. Testing was done every 10 days once it was discovered that water in the creek was poisoned by up to five times the World Health Organisation's allowable limit for atrazine.

Senator O'BRIEN—That is 10 parts per billion?

Ms Willock—That is correct—it was actually 9.7 parts per billion. The samples were taken on a 10-day basis until they dropped below the allowable limit, and then every six weeks for the 3½ years it took for there to be no discernible level in three consecutive samplings. The company had told us and had told Forestry Tasmania that there would be no contamination beyond a period of six months—that it biodegraded, basically. But we were unable to get the standards from the states to test for metabolites. So, we still did not know after 3½ years if we were drinking the metabolites of this poison. Normally the regime is to apply chemical fertilisers to the little trees when they are first planted. Mixed with those herbicides, they form N-nitrosamines in the acid conditions of the gut, and the toxicity of those chemicals is magnified by 1,000 times. Fortunately, we were able to persuade Forestry, after they had poisoned us, not to put any chemical fertilisers on their crop. This is happening all over Tasmania—that is what is so distressing. It is happening all over Tasmania and, unless the community is alert to it, they

do not know it is happening. We had the good fortune of having those tests done and having access to the results through our sheer obstinacy and through our paying to get samples done. We were able to negotiate with Forestry about the use of chemical fertilisers but, under normal circumstances, those options are not available to the general public.

Senator O'BRIEN—Thank you. That is worth following up.

Ms Willock—You are welcome.

CHAIR—As there are no other questions, Ms Willock, I thank you for providing assistance to the committee this afternoon. I also thank all those who have appeared today, and those who have been observers.

Committee adjourned at 4.13 p.m.