

Tasmanian Forests

Interim Report
For Consideration

by Independent Facilitator Bill Kelty

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1. Principles Agreement

TASMANIAN FORESTS STATEMENT OF PRINCIPLES TO LEAD TO AN AGREEMENT

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

The parties to these Principles:

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

The parties to the Principles seek from State and Federal governments:

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

¹ Draft verification process document under construction

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

PRINCIPLES

The parties agree to the following:

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

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

Signed by the following parties: Dated 14th October 2010

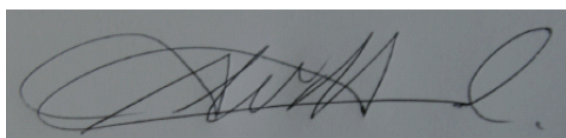


Trevor Richardson for Timber Communities Australia Ltd (TCA)

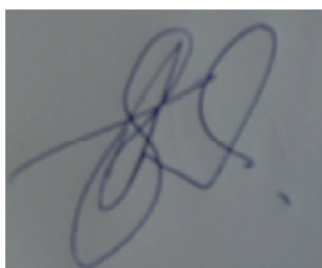
Michael O'Connor, National Secretary
Forestry and Furnishing Products Division
**Construction Forestry Mining
and Energy Union (CFMEU).**



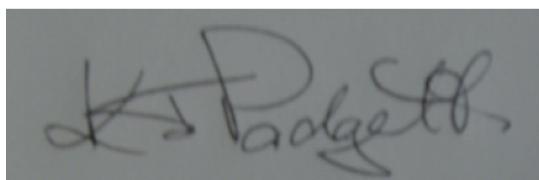
For the CFMEU subject to authorisation by
ballot from Tasmanian members of the
CFMEU Forestry and Furnishing Products
Division.



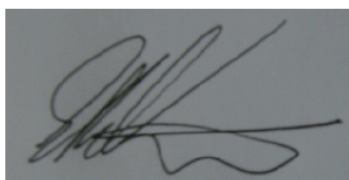
Allan Hansard for the National Association of Forest Industries (NAFI)



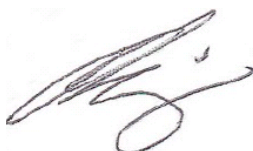
Terry Edwards for the Forest Industries Association Tasmania



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



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



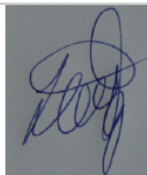
Phill Pullinger for Environment Tasmania Inc (ET)



David Mackenzie for The Wilderness Society Inc (TWS)



Don Henry
Chief Executive Officer
Australian Conservation Foundation



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

2. Terms of Reference for an Independent Facilitator

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

CONTEXT

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

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

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

THE TASK

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

TERMS OF REFERENCE

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

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

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

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

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

3. Process Undertaken by the Facilitator

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

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

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

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

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

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

3.1. Key issues and questions identified during the process

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

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

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

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

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

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

3.2. Media Releases

18th February 2011

Bill Kelty, Independent Facilitator

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

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

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

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

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

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

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

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

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

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

Moratorium/ Security of Supply

This is to confirm our understanding regarding the above matter:

1. The ENGOs have identified the boundaries of the ENGO claimed High Conservation Value (HCV) areas.
 2. It is agreed that logging will not occur in that area, unless
 - It is necessary to meet existing contracts and
 - for the assurance of wood supply for existing industry(subject to the approval of the reference group)
 3. The reference group consisting of Jane Calvert, Sean Cadman, Phil Pullinger, Ed Vincent, Allan Hansard and Terry Edwards and or nominees shall be established to oversee any adjustments or transition within this period. It is understood that the group shall be assisted, if necessary, by Joel Bowden.
 4. There is recognition that the group shall have resource to Professor Jerry Vanclay or other available and suitable person/s if independent analysis is required.
 5. It is further recognised that there will be additional costs which need Federal Governments to recognise and contribute.
 6. It is recognised that there will be a transition period whilst the arrangements for the moratorium are finalised between the subcommittee and Forestry Tasmania
 7. The agreement is for a six month period beginning from today's date the 11th March.
- If there is no ultimate agreement by the signatories it is understood that this agreement does not prejudice the position of any party.

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

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

Bill Kelty

Bill Kelty – Independent Facilitator, Tasmanian Forest Talks.

STATEMENT

Mr Bill Kelty

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

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

However the easy option is not always the right one.

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

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

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

Bill Kelty

End statement.

4. Capacity to Reach Agreement

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

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

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

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

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

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

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

5.1. Forest Resource Issues

5.1.1. Moratorium and Wood Supply

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

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

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

11th March 2011

Bob Gordon

Forestry Tasmania

79 Melville St, Hobart.Tasmania

Dear Bob,

Re: Moratorium/ Security of Supply

This is to confirm our understanding regarding the above matter:

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

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

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

Yours Sincerely,

Bill Kelty

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

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

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



Steve Whiteley
Assistant General Manager
Forestry Tasmania

1st February 2011

Statement of Principles and the HCV Moratorium

Dear Steve,

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

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

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

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

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

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

¹ As submitted to Forestry Tasmania by ENGOs in a digitised shape file format in July 2010, notwithstanding relevant boundary verifications – ENGOs will write separately re. boundary verification process.



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

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

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

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

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

Yours Sincerely

Vica Bayley
Tasmanian Campaign Manager
The Wilderness Society
0400 644 939

Russell Warman
Policy Coordinator
Environment Tasmania
0488 707 017

Phone: 03 6235 8385

Your Ref:

Our File:



2 February 2011

Mr Vica Bayley
Tasmanian Campaign Manager
The Wilderness Society

Mr Russell Warman
Policy Coordinator
Environment Tasmania

Dear Vica and Russell

Re: Statement of Principles and the HCV Moratorium

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

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

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

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

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

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

Yours sincerely

Steve Whiteley
Assistant General Manager,
Operations and Special Timbers



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5.2. Future Forest Industries

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

5.2.1. Plantation Processing

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

5.2.2. The Bell Bay Pulp Mill

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

Gunns Ltd has made it clear to the signatories that:

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

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

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

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

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

5.3. The Regional Impact

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

5.4. Contribution to Climate Change

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

5.5. Discussion on Restructuring

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

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

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

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

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

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

5.6. Views of the Non Signatories

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

In particular, the views of the:

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

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

5.7. Political Process

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

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

5.8. Is there an alternative to the agreement

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

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

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

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

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

Bill Kelty – Facilitator

30 March 2011

