

**Doctors for Forests**

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Tasmania  
AUSTRALIA

Miss Julie Thompson  
Secretary  
Government Business Scrutiny Committee "B"  
Parliament House  
HOBART TAS 7000

Dear Miss Thompson

Please find attached a briefing paper prepared by Doctors For Forests regarding the operations of Forestry Tasmania (FT), for the purposes of the forthcoming Legislative Council Government Business Scrutiny Committee "B" on Friday 5 March 2004. There are a number of issues we feel ought to be addressed. These include:

1. Introduction
2. The use of 1080 poison for the purposes of Tasmanian forestry operations
3. The reliance of the industry on woodchipping
4. Health issues in the performance of forestry operations
5. Forestry Tasmania's brief to investigate the feasibility of moving out of old-growth logging as per the *Tasmania Together* goal 24.2 (Complete phase out of clear felling in old-growth forests by 2010) with special reference to the state of affairs in Western Australia which has moved out of old-growth logging in 2001
6. The financial returns of FT
7. The relationship of FT with other industries
8. The corporate governance of the industry: Forestry Tasmania's exemptions from regular Acts such as various Local Government planning legislation, Freedom of Information, and Threatened Species Protection Act 1995.
9. A summary of how Tasmanian forestry is out of step with the rest of Australia

Thank-you for giving Doctors For Forests the opportunity to contribute to the work of the Committee.

Dr Geoff Couser MBBS FACEM  
Spokesperson

## **1. Introduction**

What is sustainable forest management? The National Forest Policy Statement of 1992 (the forerunner of the RFA) provides the following definition:

“The integration of commercial and non-commercial values of forests so that both the material and non-material welfare of society is improved, whilst ensuring that the values of forests, both as a resource for commercial use and for conservation, are not lost or degraded for current and future generations.”

From *FORESTRY TASMANIA - SFM REPORT 2000-2001*

Tasmania is blessed with some of the most impressive forests in the world. These have been well documented and have been described in numerous inquiries and reports. Forestry Tasmania, as custodian of many of these forests, has a moral and statutory obligation to practice sustainable forestry management. We believe that this organization, through corporate and political pressures, is failing in this duty. We believe that a great many opportunities are being lost whilst the forestry industry in Tasmania hurtles towards a high-volume/low-value, mass-produced future. We aim to address a number of these concerns in this briefing paper.

Doctors for Forests, as a group, is not “anti-forestry”; a label that is too often attached to those who question current forest practices in Tasmania. We believe in the development of a forestry industry which is special and unique and which returns true value to local communities. There is much division in Tasmania at present that must be resolved. A truly ecologically sustainable industry would allow us to rally behind a forestry industry of which we can all be proud.

The following papers examine some of the issues that we feel warrant more careful consideration by the Committee.

## **2. The use of 1080 poison**

The use of sodium monofluoroacetate (1080) is contentious and its continued registration is currently the subject of an inquiry by the Australian Pesticides and Veterinary Medicines Authority (APVMA, website at [www.apvma.gov.au](http://www.apvma.gov.au)). Forestry Tasmania claims that it is aiming to reduce the use of 1080 as it researches alternatives, but we feel that there are a number of pressing issues that the Committee must consider if Tasmania is to live up to its image as a clean and clever society.

### **a) The use of 1080 against native animals**

**It is disconcerting and bizarre that whilst 1080 is used in WA to protect native animals, it is used to poison them here in Tasmania.**

In Tasmania, 1080:

- Is used to target browsing animals – which are our native herbivore marsupials – such as the Tasmanian pademelon (*Thylogale billardierii*), Bennett's wallaby (*Macropus rufogriseus*) and brushtail and ringtail possums (*Trichosurus vulpecula* & *Pseudocheirus peregrinus*).
- Is used for commercial purposes only – it is not playing a major role in species control or eradication of predators. Doctors for Forests strongly suspects the number of viable alternatives currently being discussed would be readily introduced tomorrow if 1080 was suddenly made unavailable.

It is acknowledged that whilst there is 1080 being employed as part of the fox eradication program, we must stress that this is taking place in isolated, tightly controlled pockets of Tasmania and there is no evidence at this time that a breeding fox colony has been established.

- **Has a substantial impact upon non-target native species.** “Collateral damage” has a number of serious consequences in Tasmania, especially in the island's role as a refuge for mammals such as the Tasmanian Devil (*Sarcophilus harrisii*) (now extinct in mainland Australia), the Spotted Quoll (*Dasyurus maculates*) listed as “vulnerable” under the threatened species list, and the Eastern Quoll (*Dasyurus viverrinus*) now considered extinct on mainland Australia .

These creatures are presumed to feed upon poisoned carcasses. We say “presume” because of the paucity of research in this area – in a 2000 study, radio-collars had been recovered from animals targeted for poisoning (LeMar and McArthur, 2000) – the carcasses had been eaten by something – very likely to be scavengers such as devils, quolls, or raptors. The poison may affect these creatures in ways unknown. They may be killed outright by the poison, and it could be argued the animals that are not killed are weakened in such a way that they are more easily preyed.

Other native animals are known to be affected, and include wombats and wedge-tailed eagles. We note the APVMA calls for sound research, but it is felt that this is unable to occur, because the evidence regarding the effects on non-target species in particular, and 1080 in general is simply unable to be collected (see point (c) in this section). The precautionary principle may well have a role in this respect.

### **b) Other effects of 1080**

A highly contentious use of 1080 in Tasmania is related to its use in the clearfelling of native forests and their replacement by monoculture plantations. This sort of forestry is practiced very close to major population centres, and therefore 1080 has a potential impact upon a large number of people.

- 1080 is used in close proximity to residential areas, which raises a number of concerns regarding non-target effects, some of which include:
  - Consumption by domestic animals – numerous examples exist where family pets such as dogs have been poisoned. The use of 1080 where this is a risk is all the more concerning given there is no viable antidote to the poison for animals or humans.
  - Effect on neighbouring organic farms (i.e., organic certification is put at risk should chemical trespass occur on an organic farm)
  - Effect on waterways, many of which provide potable water in Tasmania. (it is well known that poisoned animals seek out water)
  - Possible health issues for humans, given that no antidote, or diagnostic laboratory test exists for 1080 poisoning.

A number of these concerns have been dismissed by regulatory authorities in Tasmania citing regulation within the industry as being adequate and the lack of credible research to back up claims of possible harm.

### **c) Lack of credible research regarding 1080 poison**

It can be argued that it is next to impossible to obtain anything better than case reports or case series for any of these issues. Reasons for this include:

- Lack of any diagnostic test for 1080 consumption in current use
- Lack of reliable “numerators” and “denominators” for any such study – namely, the difficulty in finding the true number poisoned and finding the total number of a population at risk.

Perhaps it is worth pointing out that the specific safety of 1080 use in Tasmania’s context is not backed up by credible research, and perhaps the “onus of proof” should be upon users to provide evidence that continued use is safe...rather than evidence to prove that it isn’t safe. **One gets the impression that if 1080 was proposed to be introduced as a new**

**chemical today it would fall well short of any acceptable safety standards that would allow its registration.**

**d) Effect of 1080 on “Brand Tasmania”**

Tasmania is quite rightly promoted as a special and unique place with a clean and green image. This image has been identified as being essential for Tasmania to develop a niche in the world...and essential for our island to progress economically and socially. It can be easily argued that the use of a poison such as 1080 to kill our unique native fauna seriously adversely impacts upon this image and puts our future at risk. The majority of Australians see Tasmania as a wilderness refuge, and marketing of our products exploits this concept. (see any Cascade beer advertisement or any tourism promotion). 1080 impacts upon our trade and our future – poisoning unique endangered mammals does not sit well with a clean and green image or future.

**e) Virally induced Cancer in widespread Tasmanian Devil populations**

You will be aware that the Tasmanian Devil population is currently suffering from a form of cancer, which at this stage appears to have a retrovirus as its causative agent. The disease was first described in the mid 1990's and has now been seen in most areas of the State.

Current research by the Tasmanian Department of Primary Industries, Water and Environment (DPIWE), indicates the disease is density-dependent and is killing more than 90% of adults in high-density areas and 40-50% in medium-low density areas. DPIWE have predicted that a majority of devils will be affected across the state. Marked reductions in Devil populations have been noted.

We believe that the use of 1080 must be reviewed in light of this urgent situation regarding the Devil. Points to consider are:

- There is a paucity of research into the possible long term effects of 1080 poisoning of non- target species such as the Tasmanian Devil,
- 1080 is used by the timber industry across the State and in very large amounts,
- DPIWE has stated that the majority of Tasmanian Devils across the state will be affected by the retroviral induced cancer,
- Stocks of Tasmanian Devils already weakened by this virus could undergo additive threat by eating carcasses poisoned with 1080,
- We are unaware of any research into the existence or extent of any additive effects of this viral induced cancer and consumption of 1080 poisoned carcasses by Tasmanian Devils.

**f) Legal implications arising from the use of 1080 Poison in Tasmania**

A number of court cases have arisen from the use of 1080 poison in Tasmania, and we believe that the board should be aware of these landmark cases.

1. A dog owner from the Deloraine area, Ms Sandy Tiffin, was recently successful in the Small Claims Division of the Magistrates Court. She won a claim for \$294.05 in veterinary costs associated with the accidental poisoning of her dog from a carcass from a 1080 poison drop on an adjoining property in 2002. The Magistrate found that, although there was no evidence that the permit holder breached the conditions of his permit, 1080 use for the eradication of marsupial herbivores poses a serious risk to neighbours and that permit holders have a common law duty of care to contain the potential risks to their own property "to the extent of erecting suitable fencing".

This obviously has implications for all users of 1080 poison; especially considering the effect it has on dogs. There are many documented cases of "collateral damage" from the use of 1080 poison in Tasmania. Forestry Tasmania has previously noted the susceptibility of dogs to the poison.

2. A 2003 Supreme Court decision by Justice Peter Evans confirmed that a user of land was obliged to take responsibility for the way 1080 affected people outside the boundary of the land. This has significant implications for users of 1080 poison in this state.

**Given the above, we believe that continuing use of 1080 poison in its current context in Tasmania is untenable and must be seriously questioned.**

### **3. The reliance of Forestry Tasmania on woodchipping**

The majority of Tasmania's forests are exported as pulpwood (woodchips). We feel that this is seriously compromising Tasmania's future for a number of reasons.

Wood Production (from FT Annual Report, 2002-03, p5)

Hardwood – Sawlog, Veneer & Peeler (M3)	607 827
Hardwood – pulpwood (tonnes)	2 828 265
Hardwood – Plantation pulpwood (t)	119 962
Softwood – sawlog (M3)	299 532
Softwood – pulpwood (t)	302 974

It is noted that hardwood woodchips account for nearly 3 million tonnes – a significant percentage of the total output from State Forest. It has been reported that in excess of five million tonnes of woodchips were exported from Tasmania last year, so the private forest sector may be working on similar proportions.

There are a number of problems with this figure. No-one denies that we require paper, but the manner by which pulp is sourced to produce that paper warrants closer scrutiny.

**This will be a serious problem for Tasmania in the very near future for the following reasons:**

- Given Tasmania's size, population and remote location, we cannot possibly hope to compete with the rest of the world based on quantity and volume. We need to be smart, selective and unique with our products. We believe that Tasmania has the opportunity to realise this with regards to the forestry industry, but that opportunity is rapidly being squandered by the over-reliance on hardwood woodchips sourced from the logging of high conservation value and old-growth forests.
- The competition will be tough...there is rapid Eucalypt plantation development in other countries, most notably China and Brazil. China is especially important as a case in point:
  - Very close to existing markets
  - Cheaper labour costs than Tasmania
  - May well undercut competitor's prices to gain a footing into markets
  - In 2002, the total area of tree plantations reached 230.72 million hectares

This will be a challenge for Tasmania to compete with in years to come. We must further develop the attributes that make us unique in an increasingly globalised world.

- That which makes us special and unique (specialty timbers, unique boats, tourist-accessible tall trees in the Styx, accessible large tracts of temperate rainforest in the

Tarkine) will be forever compromised, leading to a “worst of both worlds” scenario: redundant product, no buyers, and a compromised “clean and green” image.

- Reliance on the export of unprocessed raw materials leaves Tasmania particularly vulnerable to a range of external factors over which it has no control, such as:
  - Fluctuating currency values – note that in recent months the Australian Dollar has risen from a low of US\$0.47 to the current 6-year high of US\$0.75 – US\$0.77. The current value of the Australian Dollar puts industries reliant upon exports at risk.
  - Competing markets (as mentioned above with respect to China and Brazil)
  - The likelihood that current customers will demand international certification for forestry products (eg, Forest Stewardship Council) – Australia has the Australian Forestry Standard but it is possible this may not be recognised by international buyers.

The above factors place Tasmania in a “passive” situation, at the mercy of a whole range of external factors. **Tasmania, to be sustainably and reliably successful, must develop a product which is unique and which drives prices, instead of being at the mercy of them.**

Saul Eslake, expatriate Tasmanian economist (currently Chief Economist at the ANZ Bank), has commented on the situation:

*“...Tasmania’s future cannot possibly lie predominantly in the volume production of essentially unprocessed commodities at lower prices than competitors with better access to larger and cheaper resources of labour and capital and to markets (by virtue of proximity or of membership of trade blocs)...but instead depends on its capacity to produce and market highly differentiated goods and services embodying a relatively high intellectual content for which customers are willing to pay premium prices”*

“The Future of Tasmania” Synateq Business Lunch, Hotel Grand Chancellor Hobart 23 October 2002

On a local level, Forestry Tasmania (and ultimately the people of Tasmania) are losing out on the relationship FT enjoys with Gunns, its largest customer: Gunns is delivering record profits to its shareholders whilst FT is struggling to make a reasonable return on equity and pay a dividend to the state of Tasmania (See heading 6 below). There must be an immediate change of policy and direction.



#### **4. Health issues in the performance of forestry operations**

**Water** The replacement of clearfelled native forests with plantations adversely affects both the quantity and quality of our water supply. Plantations require greater amounts of water so that local water courses receive relatively less. There is widespread evidence that water volumes in our catchments are being dramatically depleted due to clearfelling and the development of broadacre plantations in upper catchment areas. This also has a detrimental financial and psychological impact on farmers. Locals and tourists as well as flora and fauna are also adversely affected. Consideration of these issues must be taken into account in plantation development.

Water quality is adversely affected when inadequate buffer zones around water courses are left after clearfelling. Land wash after clearfelling leads to altered mineral content in the watercourse. Waterways are also threatened by the spraying of herbicides and insecticides. These are used (often aerially) after clearfelling to protect susceptible monoculture plantations from insect attack and from the competition of other plant species. Herbicides such as atrazine and simazine have been linked to reproductive system abnormalities and have recently been identified as likely human carcinogens. Even the use of allegedly safe chemicals is potentially dangerous – there are countless chemicals (for example thalidomide) which although once thought harmless were later shown to have detrimental effects.

**Soil** Residue in soil due to the use of the herbicides and pesticides directly threatens those who depend on a clean environment for their livelihood. Accreditation for organic farms has already been threatened by the pollution of Tasmanian soil because of clearfelling and plantation establishment.

**Air** Pollution secondary to burning of cleared coupes is likely to exacerbate serious, common diseases such as asthma and chronic obstructive airways disease. Dust pollution from wood-chip stock piles (for example, in Burnie) may in addition carry disease-causing microorganisms including fungi. Many Burnie shopkeepers complain of financial loss due to the dust. On a worldwide scale, loss of old growth forest alters carbon dioxide levels and affects humidity which in turn affects human metabolism.

We are at present unaware of the existence of a fully independent and rigorous hydrology report on the actual and potential alterations to, and effects on the ground water supply by broad scale clearfelling and monoculture plantation establishment in Tasmania. If such a study has not been performed, this is of great concern and must be noted by the Committee.

## **5. Tasmania Together goal 24.2**

**24.2 To sustainably manage oldgrowth forests and to phase out clear felling in those forests**

**(a) To end clear felling in areas of high conservation value old-growth forest by January 1, 2003**

**(b) Complete phase out of clear felling in old-growth forests by 2010**

**Rationale:** Old-growth forests are a finite and highly valued resource. Encouraging the reduction and overall elimination of clear-fell logging practices in old-growth forests provides for greater protection of their natural values into the future.

**Recommendation:** High conservation value oldgrowth forest refers to the following areas: Tasmanian Wilderness World Heritage Area proposed eastern extensions, Styx Valley, Tarkine Forest extensions, NE Highlands, Tasman Peninsula; Eastern Tiers, Great Western Tiers, Reedy Marsh and Ben Lomond extensions.

The Community Leaders Group (CLG) recommended that the Progress Board addresses this benchmark as a matter of priority.

The Tasmanian government has recently instructed Forestry Tasmania to examine ways of achieving part (b) of the goal. It should be noted that it has failed to meet goal 24.2 (a). Doctors For Forests would like to draw the Committee's attention to what has happened in Western Australia, where the Gallop government introduced a policy of not logging old-growth forests in early 2001.

Dr Geoff Gallop was elected Premier of Western Australia in early 2001, largely on the back of a 'saving old-growth forests' policy. The summary of the policy is as below and the full policy can be accessed at

<http://www.wa.alp.org.au/download.html?filename=camp2001/forest.pdf>

"Labor is committed to the full protection of all our remaining old-growth and high conservation value forests and will take a holistic approach to forest policy: incorporating forest protection and management; new jobs for timber workers; timber industry assistance; the plantation industry; ecotourism; and the restructuring of the Department of Conservation and Land Management.

Labor will:

- **immediately end logging in nearly 99 per cent of Western Australia's old-growth forests by placing in reserves approximately 340,500 hectares of the 346,000 hectares of remaining old-growth forests;**
- place an immediate moratorium on the remaining one per cent and review forward logging plans and timber contracts to determine whether the current contracts can be honoured in line with the sustainable yield set by the Regional Forest Agreement without logging this remaining unreserved area of old-growth forests.
- create 30 new national parks, including the 12 new national parks promised under the RFA, and 2 new conservation parks;
- create approximately 200,000 hectares of new reserves, in addition to the 150,000 protected under the RFA;

- reinstate the 17 proposed reserves (54,000 hectares) revoked by the Government during the RFA;
- reserve "icon" old-growth forests including the Walpole Wilderness Area, Greater Kingston, Greater Beedelup, Jane, Easter, Hilliger and Gardner;
- create 130 new, secure jobs in CALM and the Forest Products Commission;
- assist displaced timber workers to make the transition to an estimated 1,080 new, direct jobs that will be created in 2001 in plantation management and the Albany chip mill."

We draw the Committee's attention to recent Labour market figures, taken from the publication "SMALL AREA LABOUR MARKETS AUSTRALIA: SEPTEMBER QUARTER 2003", produced by the Australian Government, Department Of Employment And Workplace Relations - Economic and Labour Market Analysis Branch, Employment Analysis and Evaluation Group ... accessed from [www.workplace.gov.au](http://www.workplace.gov.au).

The Committee should note the so-called "smoothed series"; ...these are on pages 11, 26, 28 and 29 of the document (transcribed and compiled for the purposes of this report, but links are provided to the original data.

#### **NUMBER OF UNEMPLOYED AND UNEMPLOYMENT RATES, STATES/TERRITORIES AND STATISTICAL LOCAL AREAS, SEPTEMBER QUARTER 2002 TO SEPTEMBER QUARTER 2003: SMOOTHED SERIES**

Statistical Region:	Unemployment					Unemployment Rate (%)				
	Sep 02	Dec 02	Mar 03	Jun 03	Sep 03	Sep 02	Dec 02	Mar 03	Jun 03	Sep 03
<b>Australia</b>	644,100	629,100	618,600	616,300	611,200	<b>6.5</b>	6.3	6.2	6.1	<b>6.0</b>
<b>WA</b>	64,000	63,300	61,900	61,300	61,100	<b>6.3</b>	6.2	6.0	5.9	<b>5.9</b>
<b>Manjimup</b>	261	279	286	293	275	<b>4.0</b>	4.4	4.7	4.9	<b>4.7</b>
<b>Tasmania</b>	18,700	18,600	19,000	18,900	17,900	<b>8.6</b>	8.6	8.7	8.6	<b>8.1</b>

\*The rather more unwieldly link is

[www.workplace.gov.au/Workplace/WPDisplay/0,1251,a3%253D475%2526a0%253D0%2526a1%253D517%2526a2%253D533,00.html](http://www.workplace.gov.au/Workplace/WPDisplay/0,1251,a3%253D475%2526a0%253D0%2526a1%253D517%2526a2%253D533,00.html)

A number of observations can be made from the above figures:

- Western Australia has an unemployment rate approximately the same as the national average
- Tasmania has an unemployment rate markedly higher than both WA and the national average
- The Manjimup statistical region has an unemployment rate:
  - Lower than the rest of WA
  - Lower than the national average
  - Lower than Tasmania's
- Manjimup recorded a rise in unemployment from 4.0% to 4.7% between Sep 02 and Sep 03: 14 more people out of work over the 12 month period.

(For the record, WA had the same unemployment rate of 5.9% prior to Mr Gallop's election (December 2000 figures) - Tasmania's was 9.0% at the same time and Australia's was 6.2%)

However, there are other indicators which assess the social health of a community. DFF spokesperson Dr Geoff Couser travelled to WA in November 2003, and drove down the main street of Manjimup on a Saturday morning. He describes the town:

"I counted a maximum of 6 empty shops in the central shopping area. The place seemed quite vibrant, with both the Coles and Woolworths full. There were cafes and car dealerships, and I literally could not get a park. The Elders business was housed in a relatively new building, and the overall impression I received was one of optimism. It was not a dying country town as I was expecting from Mr Lennon's comments. Maybe 25 businesses had closed; but certainly a similar number had taken their place. I don't believe this is a unique phenomenon in rural or urban Australia. Simply saying that 25 businesses have closed their doors is misleading – it does not tell the whole story.

I spoke to one of the local small business owners about the changes in the last two years. The proprietor was upbeat and optimistic about the future. He told me that millions of dollars of investment was flowing into the region for the burgeoning wine industry; some \$80 million of tourist investment had come into the region over the preceding 12 months."

Even the timber industry in WA is excited, as evidenced by the following news item taken from the National Association of Forest Industries website ([www.nafi.com.au](http://www.nafi.com.au))

### **Timber Policy Adds Value**

*THE Western Australian timber industry is coming to terms with the State Government's old-growth forest policy and the imminent announcement of the forest management plan. The West Australian (Natasha Granath) (p22, 10 December 2003)*

THE Western Australian timber industry is coming to terms with the State Government's old-growth forest policy and the imminent announcement of the forest management plan. Although the move towards a value-adding timber industry has been slow and has required great capital outlay, a number of big timber processors are confident that business will flourish once they secure log allocations.

Environment Minister Judy Edwards said the plan would be unveiled this month, confirming how much timber volumes would be allocated to short-listed companies.

Whittakers Timber Products general manager Trevor Richardson said once they were announced, the company would be able to progress with further value-adding projects. Banks would have greater confidence to invest in future projects. The mill is purportedly the State's second biggest manufacturer and has a Government contract for the supply of 23,000cu m of jarrah sawlogs and 9000cu m of karri, which it processes for outdoor furniture.

**"The Government's new philosophy is to do more with less and to encourage value adding, to the point where you won't get one of the new contracts without at least 90 per cent of your resources being value-added," Mr Richardson said. "It has turned our business around dramatically and we are now more heavily involved in value adding, which is much more profitable but requires enormous capital."**

Mr Richardson said the company could install a \$6 million mill and move on plans for the future if he secured

expected volumes. "We see a brilliant future for the industry, providing we can get the expected contracts that will make our projects commercially viable," he said. **"The debate over old-growth logging is long finished - we accept that and want to look to doing more with what resource is available."**

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No one would deny that change can be difficult, and it can take time. But has the WA policy been a disaster for the state? On the whole, it appears not. The state has an unemployment rate much lower than Tasmania's, and the South-west of WA appears to be booming. The timber industry in WA has been forced to be smarter with its resource. Our own state government is willing to assist abattoirs, ship-builders and other industries to change direction, but why is the logging industry off-limits? The WA example suggests that it is worth the investment to facilitate change.

Questions about the policy have been raised in the WA Parliament. The following is taken from the WA Hansard from proceedings on the 11<sup>th</sup> of June 2003 (sourced from <http://www.parliament.wa.gov.au/parliament/home.nsf>):

#### **TIMBER HARVEST AND FURNITURE INDUSTRY IN MANJIMUP**

794. Mr P.D. OMODEI to the Premier:

I refer to Labor's 2001 election policy "protecting our old-growth forests" which promised "a holistic approach to forest policy: incorporating forest protection and management; new jobs for timber workers; timber industry assistance; the plantation industry; ecotourism; and the restructuring of the Department of Conservation and Land Management (CALM)".

- (1) Given that the Labor Party has been in government for almost two and a half years, when will the Premier be making an announcement on the allowable timber harvest?
- (2) Will he support the establishment of a furniture industry in Manjimup?

Dr G.I. GALLOP replied:

(1)-(2) I am pleased to see that the member for Warren-Blackwood has defined our approach correctly. We have a holistic approach. **We came into government with a policy of stopping the logging of old-growth forests. It was probably the most significant decision ever made for Western Australian forest policy... It takes Labor to do these things because it has the vision for the future of our State. We have stopped the logging of old-growth forests. People in Western Australia stand a little bit taller today because they know that this State's ancient forests are not being cut down, as was the case under the coalition Government.** We accept our responsibility to work with those people affected by the policy. We have developed an excellent relationship with local governments, local businesses, the timber industry and newly developing industries in that area. I congratulate the Ministers for the Environment, the South West, State Development, Forestry and Education and Training, previously the Minister for Training, for the work they are doing to ensure that holistic approach is carried through. A change is occurring in the timber industry in Western Australia. Only a few weeks ago I was at the opening of the new mill in Dardanup, which has up-to-date technology to deal with plantation timber. Plantation timber is now being used in the housing industry in Western Australia. Its use is expanding in leaps and bounds. Our policy has encouraged that industry to develop. We also want to encourage the high value-adding industry, which is the point the member for Warren-Blackwood addressed. We want to see those high value-adding industries operating.

Mr C.J. Barnett: When will you do something about Manjimup?

Dr G.I. GALLOP: I do not know whether the Leader of the Opposition has been to Manjimup. I have been there twice in recent days. I have met with the shire council and economic interests there, as has the Minister for the Environment. We are really moving things along in that area. Do members know how we are doing that? We are doing it on the basis of win, win. Opposition members go to a community and ask themselves

where they can create division, whether it be between black and white, country and city or employer and employee. They then think they can feed off that division. The division they have created in that area is between the greenies and the foresters, but it is a false division. We have cut away all those divisions; we are uniting people throughout Western Australia for the future. Included in that future will be the furniture industry of which we are very proud. Its achievements in recent years have been magnificent. I was very proud to go to the United Arab Emirates with a major trade delegation that included representatives of the State's furniture industry. It is a creative, productive, export-oriented, excellent industry. We would like to see those sorts of things happening in the electorate of the member for Warren-Blackwood.

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The employment statistics, the story about Whittakers Timber, and Dr Couser's observations support the idea that the South-West of WA is not in decline.

Doctors For Forests believe that the Tasmania Together Benchmark can be met and that the WA experience provides a working template as to how such a transition can be made with as little disruption as possible.

<p><b>Doctors For Forests recommends that representatives from Forestry Tasmania urgently consult with the WA Department of Conservation and Land Management (CALM) to receive a briefing regarding the implementation of the WA ALP Policy.</b></p>
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## **6. The financial returns of FT**

Concerns regarding the poor returns from FT compared to those enjoyed by its biggest customer have been documented by others.

Doctors For Forests would like to comment that the more State money that is used to support FT (as per the letter to the chairman of FT from the Treasurer and Deputy Premier from June last year) means that there is less capital available for essential services such as health, education, and infrastructure. The letter is reproduced below:

Dear Mr Wilson

### **CORPORATE PLAN 2002-05**

We refer to a letter dated 7 May 2002 from Mr Evan Reilly, Managing Director of Forestry Tasmania, to the Deputy Premier and copied to Department of Treasury and Finance, attaching the final draft Corporate Plan 2002-05 for Forestry Tasmania (corporate plan). The letter seeks our approval of the final draft Corporate Plan 2002-05 and approval to proceed with the borrowing program.

We are encouraged by the financial projections contained in the corporate plan. The forecast of earnings before interest and tax (EBIT) rising from around \$12.1 million in 2002-03, to \$30.6 million in 2004-05 is pleasing. Such improvements will be required if Forestry Tasmania is to improve its Shareholder Value Added performance over the medium term. This is very important to the Government, as the current projections from Forestry Tasmania show that Economic Return on Capital (EROC) remains well below the Weighted Average Cost of Capital of 7.6 per cent. From a financial perspective, the Government's equity in Forestry Tasmania will continue to be eroded by an average of around \$15 million per year over the corporate planning period (on an opportunity cost basis).

We are also pleased that Forestry Tasmania expects strong improvement in returns to Government commensurate with its improved operating performance, with total returns increasing from \$5.1 million in 2002-03 to \$13.3 million in 2004-05.

The substantial capital spending program contained in the corporate plan is based on a significant level of borrowings in each of the planning years (\$11 million in 2002-03, and a further \$6 million in each of 2003-04 and 2004-05).

You will recall that during the 2001-02 corporate plan process, Forestry Tasmania sought approval for a medium-term borrowing program. At that time we were reluctant to consider a longer-term program and approved borrowings of \$14 million for 2001-02 and agreed that any future borrowings would be subject to an annual review. In our view, there has been no material change in the circumstances underpinning this decision and, therefore, an annual review of borrowings remains appropriate.

2

The findings of the capital structure review undertaken by Macquarie Risk Advisory Services (MRAS) are very important in our consideration of the proposed borrowing program. That study concluded that to maintain a BBB credit rating, Forestry Tasmania should carry no more than \$53 million in net debt, including superannuation liabilities. Should Forestry Tasmania undertake a further \$11 million of borrowings (as planned for 2002-03), net debt including superannuation liabilities would be at the top of the range recommended by MRAS.

Whilst Forestry Tasmania has improved its financial performance from the original capital structure review assumptions, there is no indication that this performance is sustainable in the longer term, and, therefore, that higher levels of debt are consistent with a BBB rating. Should Forestry Tasmania's improved financial performance fail to be sustained, and higher levels of debt were required on the basis of short-term performance, maintaining the debt would be very difficult and the credit quality of Forestry Tasmania would be adversely affected.

In this context, it is inappropriate to commit to borrowings in excess of \$11 million at this time. This is particularly an issue as the corporate plan does not contain any projected cashflows for repayment of the new borrowings, but simply increases the external borrowings to \$37 million in 2004-05.

We recognise that a level of certainty with regard to Forestry Tasmania's borrowings in the outer years is desirable given the long-term nature of investment in hardwood resources. Accordingly, approval of new borrowings of up to a total of \$11 million for the corporate planning period (2002-03 to 2004-05) is approved. We understand that more recent estimates of Forestry Tasmania's financial projections suggest that a greater level of internal funds may be available for the capital program than was anticipated at the time the corporate plan was prepared. This, coupled with the approval of \$11 million in new borrowings, will provide Forestry Tasmania with a level of planning certainty regarding access to capital over the medium term. Forestry Tasmania has full flexibility with regard to the timing and quantum of the draw down of these funds (eg. the full \$11 million can be drawn down at the 2002-03 year if required).

We note that the corporate plan contains little information on the Southwood project. This is surprising given the importance of the project to Forestry Tasmania's future and the size of the undertaking. We expect that the 2003-04 corporate plan will contain considerably more information on this project, including financial projections, risks and risk mitigation strategies.

We understand that there is a likelihood that Forestry Tasmania will require borrowings in addition to those contained in the corporate plan for Southwood, in the vicinity of \$5 million. Our consideration of the overall borrowing program has been made in this context.

Given that the corporate plan contains no information on the economics of, and financial projections for, Southwood, it is appropriate that in approving the corporate plan, there be no approval of borrowings for Southwood. In approving Forestry Tasmania's entry into the joint venture for Southwood, we agreed to the transfer of initial capital to the joint venture (\$50 000) and that any subsequent funding would be separately considered. This remains the case.

We understand that the corporate plan assumes that Forestry Tasmania is not required to provide debt funding for Southwood. The approval of the \$11 million new borrowing program is on this basis. Should Forestry Tasmania seek additional borrowings for Southwood (or other projects currently outside the scope of the corporate plan), approval of the general borrowing program will be reviewed. Given the findings of the capital structure review, it may be appropriate that debt funding for Southwood be sourced from the \$11 million (and not additional to it).

We would also appreciate a greater level of disclosure in next year's corporate plan with regard to the Southwood joint venture. Currently it is difficult to distinguish the revenue and expenses being generated by this project, or to establish if it is realising the gains that were anticipated.

In conclusion, in accordance with section 39 of the *Government Business Enterprises Act 1989*, the draft corporate plan is approved, with the exception of the proposed borrowings for 2003-04 and 2004-05.

The Treasurer, in accordance with section 5(1) of the *Financial Agreements Act 1994*, approves a borrowing program for Forestry Tasmania of \$11 million in respect of 2002-03 to 2004-05, subject to the following conditions:

- the approved borrowings are only applied towards activities contained in the 2002-03 corporate plan (core operations of Forestry Tasmania and the obligations under the Forest Growth Plan);
- that any borrowings sought for other projects, such as Southwood, must be approved as a separate business case by the Portfolio Minister and Treasurer; and
- the approval for new borrowings up to a limit of \$11 million will be reviewed should Forestry Tasmania seek borrowings for projects outside the corporate plan, including Southwood.

We wish the Board well for the remainder of 2002-03 and beyond in meeting the planning targets established in the corporate plan.

Yours sincerely  
  
 David Green  
 Treasurer

Paul Lennon  
 Minister for Economic Development,  
 Energy and Resources

### Particular statements within this letter which warrant scrutiny include:

“Whilst Forestry Tasmania has improved its financial performance from the original capital structure review assumptions, there is no indication that this performance is sustainable in the longer term, and, therefore, that higher levels of debt are consistent with a BBB rating. Should Forestry Tasmania's improved financial performance fail to be sustained, and higher levels of debt were committed on the basis of short-term performance, unwinding the debt would be very difficult, and the credit quality of Forestry Tasmania would be adversely effected.”

“...as the current projections from Forestry Tasmania show that Economic Return on Capital (EROC) remains well below the Weighted Average Cost of Capital of 7.6 per cent. From a financial perspective, **the Government's equity in Forestry Tasmania will continue to be eroded by an average of around \$15 million per year** over the corporate planning period (on an opportunity cost basis).”

“In this context, it is inappropriate to commit to borrowings in excess of \$11 million at this time. This is particularly an issue as the corporate plan does not contain any projected timeframe for repayment of the new borrowings, but simply increases the external borrowings to \$37 million in 2004-05.”

“...We understand that there is a likelihood that Forestry Tasmania will require borrowings in addition to those contained in the corporate plan for Southwood, in the vicinity of \$5 million. Our consideration of the overall borrowing program has been made in this context. Given that the corporate plan contains no information on the economics of, and financial projections for, Southwood, it is appropriate that in approving the corporate plan, there be no approval of borrowings for Southwood.”

### Doctors For Forests therefore feel that it is important to ask the following:

1. Have there been any further developments since June 2003 (when the letter was sent) which have impacted upon the financial returns of FT?



2. What is the current financial state of Forestry Tasmania's proposed Southwood integrated timber processing plant in relation to FT's overall performance? Has there been any impact upon the project given the rise in value of the Australian Dollar and the recent developments federally related to renewable energy targets?
3. Does FT anticipate making any more borrowings this coming year? This is particularly important given that the level of debt is at "the top of the range as recommended by MRAS (Macquarie Risk Advisory Services)".

Doctors For Forests is concerned that FT is in financial difficulty and must urgently change policy and direction to improve its performance.

## **7. The relationship of FT with other industries**

Despite having a “Good Neighbour” charter and signing a protocol with the tourism industry, FT is having a continued impact upon a large number of industries in Tasmania. A number of examples are provided below.

- Agriculture: The Tasmanian Farmers and Graziers Association (TFGA) recently expressed concern that the rapid expansion of plantations is encroaching upon prime agricultural land and having an adverse effect upon the agricultural sector in Tasmania. This has been noted as a problem for some years in the north-west of the state.
- Beekeepers are becoming increasingly frustrated at the threat to the Leatherwood trees. Despite repeated assurances from FT that all is well with this precious resource, the industry is concerned that Tasmania’s iconic honey is at risk.

### **Where have all the flowers gone?**

By SIMON BEVILACQUA “Sunday Tasmanian”, 18<sup>th</sup> Jan, 2004

BEEKEEPER Robbie Charles can remember when he and his father used to run 800 hives within 20 kilometres of their home. That memory goes back 20 years. Today, Mr Charles says, he has to drive at least 2-1/2 hours with his hives to find enough leatherwood trees for his bees. “They’ve logged the guts out of it around here,” he reckons.

Mr Charles lives at Mawbanna, near Smithton on the North-West Coast. He has been beekeeping since a boy when he used to go out with his dad, Rube. “Dad was crying out for them to save leatherwoods all those years ago and no one ever listened,” he said. “He protested all his life to get some of it saved.”

Mr Charles said there was no viable quantity of leatherwoods remaining north of the Arthur River. “We’ve lost all that in the last 20 years,” he said, “and the last 10 it’s taken a fair hammering.”

He believes the commercial leatherwood industry is operating at about half of what it was 20 years ago. He is dependent on Forestry Tasmania because 15 out of 17 of his sites are on its land.

- Tourism – there has been a massive increase in visitor numbers to Tasmania this year. Information from Tourism Tasmania suggest that around 70% of tourists come to Tasmania for the natural attractions. The forestry industry impacts upon this area in a number of ways:
  - Excessive numbers of log-trucks on roads
  - Forestry burn-offs during peak tourism season
  - It’s impossible to “get away” from the presence of the industrial woodchipping industry wherever you are in Tasmania...which impacts upon the “clean, green, wilderness” experience that can make Tasmania special.

**8. The corporate governance of the industry: Forestry Tasmania's exemptions from regular Acts such as various Local Government planning legislation, Freedom of Information, and Threatened Species Protection Act 1995.**

**Local Government:**

- If a resident seeks to build an extension to his or her dwelling, or wishes to conduct substantial alterations to their property, the resident is asked to submit plans for these activities to the relevant Local Government authority for approval. On the other hand, if a forestry company wishes to buy a block of land, clearfell the forest, poison the fauna, build roads and establish a monoculture plantation, it can simply have the land declared a Private Timber Reserve (PTR) under the Forest Practices Act, thereby exempting itself from all Local Government planning laws.

**Legislation:**

- Forestry Tasmania is exempt from the Freedom Of Information Act. The public's forests are managed by Forestry Tasmania, yet the public has been shut out of full participation in decisions and consequences of Forestry Tasmania's actions in and on the people's forest. An example of this is the fact that current annual woodchip figures for Tasmania are secret.

**Threatened Species:**

- We have already raised the issue of the poisoning of our unique fauna with 1080, for the purposes of forestry operations. The Committee will note that there is no possible method of preventing protected fauna species from being poisoned with 1080.

We feel that such exemptions are undemocratic and unAustralian. We request that the Committee recommend immediate reversal of these exemptions.

## **9. Summary of how Tasmanian forestry is out of step with the rest of Australia**

The following is a review of logging around the country – it is important to note that all of these changes have occurred under State Labor governments. Whilst the situation around the country is still not perfect, this provides an example of how Tasmania is becoming increasingly isolated from the other states.

**Queensland** – QLD never even signed an RFA...instead industry, environment groups and government came up with their own negotiated settlement which pretty well pleased everyone. The Queensland economy doesn't seem to be suffering too much as a result; in fact, it's booming. The timber town of Ravenshoe, which was the scene of angry confrontations between Senator Graham Richardson and timber workers in the 1980's, is part of the unique far north QLD wet tropics area to which people are flocking (even more than Tasmania).

More info at <http://www.env.qld.gov.au/environment/park/managing/>

**Victoria**: Premier Steve Bracks recognised in February 2002 that the science behind the RFA's was flawed and that "...we know that the current level of logging in Victorian forests is unsustainable and that we are at risk of losing one of our most valuable resources..." ("Victorian Government Policy Statement on Forests: Our Forests Our Future" Feb 2002).

In late 2002 Premier Bracks pledged to protect the Otway Ranges in a new 150,000ha National Park by 2008; prohibit the burning of native forest for charcoal and electricity generation; and to negotiate an end to woodchipping the Wombat forests by the end of the year. This was on top of pre-election commitments by Mr Bracks including the protection of 120,000ha Box-ironbark forests in new National Parks; the reduction of sawlog license volumes by over 30%, in particular an end to logging in the Cobbobonee forests in the state's far west; and investigating the protection of old growth forests in Goolengook through the Victorian Environment assessment Council (VEAC). However, there is much ongoing concern about the effect of logging on Melbourne's water catchments.

More info at <http://www.vic.alp.org.au/policy/forests&nationalparks.html>

**New South Wales**: 2003 saw Premier Bob Carr announced 65 000 hectares of new national parks. On the 2nd of July last year fifteen new conservation areas were formally established as the National Parks Estate (Reservations) Bill 2003 passed unamended in the NSW Upper House. He has also said that he will not burn forests for energy production. More info at <http://members.nswalp.com/html/policy/Environment.pdf> (section 6)

**Western Australia**: This state under Premier Geoff Gallop significantly modified its RFA in February 2001...in fact, ending old-growth logging was part of an election policy which swept Mr Gallop's ALP to power. The world has not ended and in fact, the south-west of Western Australia is booming with new investment. Indeed, it's worth reviewing parts of

the “Protecting our old-growth forests” Policy (refer to section 3) ... it’s interesting to substitute the words “Western Australia” with “Tasmania” ...the full document is available at <http://www.wa.alp.org.au/download.html?filename=camp2001/forest.pdf> and you can see what’s happening in the south-west of WA at <http://www.swdc.wa.gov.au>

### **How else is Tassie isolated?**

**1080** – no other jurisdiction uses poison to target native animals for commercial purposes. Paradoxically in Western Australia 1080 (sodium monofluoroacetate) is used to control foxes so that the native animals (the ones Tasmania actively seek to poison) can thrive. Bear in mind that Tasmania, being an island, is a refuge for species which are extinct or endangered elsewhere, such as scavengers like the Tasmanian Devil and some species of Quoll. The Eastern Quoll became extinct on the mainland in the 1960’s and Tasmania is its last stronghold. The Spotted-tailed Quoll has dramatically declined on the mainland and Tasmania is its last stronghold. The Eastern Barred Bandicoot is on the brink of extinction on the mainland (if not extinct) and its last stronghold is Tasmania. Why is it OK to use the Precautionary Principle when discussing imported New Zealand apples or Canadian salmon but not protecting our own endangered species?

**Rainforest logging** – Tasmania has Australia’s largest tract of temperate rainforest in the Tarkine region, which is under threat from logging this year. Logging rainforest sounds outrageous, but it’s accepted as normal in Tasmania. Rainforest only covers 0.5% of Australia’s land mass, and is under threat worldwide. And we log it under the auspices of “world’s best practice”...

**Corporate governance** – Tasmania’s self-regulation of the forestry industry has led to claims of conflict of interest and poor regulation.

**Public opinion** – has been loudly calling to the government to alter its current policies on old-growth logging. This has been articulated in repeated opinion polls and the Tasmania Together process. Any government would be wise to listen to the people when over 3000 ordinary Tasmanians participate in a march in the world famous Styx Valley forests, one-and-a-half hours from Hobart on a wet and miserable day. Broadly speaking, the current state of industrial forestry is incongruous with the current direction and image Tasmania is taking.

**Value-adding** – Tasmania has an opportunity to create a unique niche in wood products: one based on intelligence and talent. Our boat builders, furniture makers and crafters are world class, and their activities return value to local communities; contrast this with the bulk export of raw materials (ie, woodchips) that return a pittance to the people of Tasmania whilst everyone else in the process makes record profits. This is unsustainable and will leave us with a redundant industry in years to come with nothing special to differentiate us from the rest of the world. At present, Tasmania exports more woodchips than the rest of Australia combined yet Forestry Tasmania is losing \$15 million dollars annually in Government equity.

**Burning native forests for energy** – This practice is still on the agenda as far as the Southwood project is concerned (if it can ever get up), but the concept of burning native forests for energy has been abandoned in other states such as Victoria and NSW. Paradoxically Forestry Tasmania claims that power from the Southwood wood fired powerstation will be fed through the Basslink cable!

Tasmania, the alleged leader of renewable clean and green energy in Australia, again stands alone. We reject suggestions that it's only the waste that gets burned...the figures clearly show otherwise. In the final analysis, there would be minimal generation of waste if Tasmania abandoned the high volume/low employment/ highly industrialised forest practices it seems addicted to at present.

**Log trucks down Hobart's main street and Burnie's woodchip mountains** – No other state capital has the spectre of its native forests being paraded down the main street in a bizarre death-row type march...and the citizens of Burnie are often covered in woodchip dust from the woodchip mountains in the centre of town.

**Nature-based tourism** – Consider the following patterns: Qld & the Great Barrier Reef, Northern Territory & Kakadu, South Australia and the "Outback"...Tasmania is the only state which makes a big deal about its natural attractions but has failed to adequately protect the resource... The tallest trees in Australia (The Styx) and the largest tract of temperate rainforest in Australia (The Tarkine) are unique and special. It wasn't that long ago that Californians were cutting down giant Redwoods...they stopped doing it and they certainly haven't suffered as a result. After all, people go to the Tahune Airwalk to see trees still standing. In fact, the majority of people who visit come because of the natural environment.

Overall, we're looking alone on many fronts when it comes to our forestry practices. Let's be unique and special...it's what will carry us through to prosperity in the years to come.

It is our fervent hope that the Committee uses this opportunity to better Tasmania by noting and acting on the points we have raised on this issue. We are grateful for the opportunity to raise these issues.