

**Parliament of Australia  
Senate Standing Committees on Rural and Regional Affairs and Transport  
Auditor General's reports on the Tasmanian Forestry Grants Program**

**Submission by  
Forestry Tasmania**

**9 April 2013**

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## **Executive summary**

Forestry Tasmania has provided extensive support for the Tasmanian Forests Intergovernmental Agreement and its outcomes, and acknowledges the need for restructure in the wake of recent industry and government decisions to reduce eucalypt sawlog supply from Tasmanian State forest. Forestry Tasmania's overall position is that, over the long term, the restructure presents an unprecedented opportunity to diversify the forest industry away from woodchip exports to value-added manufacturing. As such, Forestry Tasmania was broadly supportive of the \$45 million as voluntary exit assistance for native forest harvesting, haulage and silviculture contractors to leave the industry, which was provided under Clause 16 of the Tasmanian Forests Intergovernmental Agreement.

Nevertheless, Forestry Tasmania had significant concerns about the grant program's potential to detrimentally affect its contracted wood supply, and sought, on a number of occasions, to advise the Department of Agriculture, Fisheries and Forestry of these concerns. For example, the issue of contracted capacity was raised on:

- 30 August 2011, in a meeting between representatives of Forestry Tasmania and the Department of Agriculture, Fisheries and Forestry;
- 19 December 2011, in a letter from Forestry Tasmania's Managing Director to the Program Manager, Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program; and
- 17 January 2012, in a letter from Forestry Tasmania's Managing Director to the Assistant Secretary, Forestry Branch, Climate Change Division, Department of Agriculture, Fisheries and Forestry.

Forestry Tasmania's view was that the final scheme did not adequately address these concerns and in turn this led to a reduction in its capacity to honour existing wood supply obligations to customers as contractors left the industry. In order to meet these contractual obligations, Forestry Tasmania was required to expand its remaining contractor capacity following the implementation of the grants program. Of 1,314,000 tonnes in contractor harvest and haulage capacity that was removed from State forest through the grants program, 203,500 tonnes have since been replaced in order for Forestry Tasmania to honour its wood supply contracts with customers.

Forestry Tasmania notes the concerns that have been raised in Parliament and in the media about the administration of the grants program. Most importantly, it notes the claims that have been made by some stakeholders that a number of successful grant applicants are continuing to work as native forest contractors, in breach of the grant conditions. All of Forestry Tasmania's replacement capacity has been met by expanding the capacity of existing contractors, that is, contractors that did not receive an exit grant and that were continuing to work in the forest industry. Forestry Tasmania has undertaken extensive due diligence to ensure that the intent of the grant program is maintained. No contractors that received grant payments under the grants program have ongoing native forest harvesting, haulage or silvicultural contracts with Forestry Tasmania.

## **1. Introduction**

Forestry Tasmania welcomes the opportunity to provide a written submission to the Senate Committee Inquiry into the Auditor General's reports on the Tasmanian Forestry Grants program.

In this submission, Forestry Tasmania specifically wishes to address issues pertaining to the Auditor-General's audit report no. 22 of 2012-13, *Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program*.

Forestry Tasmania notes the concerns that have been raised in Parliament and in the media about the administration of the grants program. Most importantly, it notes the claims that have been made by some stakeholders that a number of successful grant applicants are continuing to work as native forest contractors, in breach of the grant conditions. Forestry Tasmania has undertaken all necessary due diligence to ensure that this situation has not occurred with regard to State forest contractors, and that public confidence in the grants program is maintained.

Forestry Tasmania was supportive of the grants program as a means to address contractor oversupply following the decision of Gunns Limited to exit native forest harvesting, as well as the reduced sawlog supply from State forest that will result from the current round of Government forestry agreements.

Nevertheless, Forestry Tasmania had a number of concerns about the program's effects on its contracted wood supply capacity, and it sought on a number of occasions to advise the Department of Agriculture, Fisheries and Forestry of these concerns. Forestry Tasmania's position is that these concerns were not adequately addressed, and that in turn this led to a reduction in its capacity to honour wood supply obligations to its customers as its contractors left the industry. In order to meet its contractual obligations, Forestry Tasmania was required to expand its remaining contractor capacity following the implementation of the grants program.

Forestry Tasmania trusts the information provided in this submission will assist the Committee in understanding the grants program's implications for operations on State forest. It would be pleased to provide any further information that may be required to progress the Committee's deliberations.

## **2. Forestry Tasmania's involvement in the grants program**

### **2.1 Forestry Tasmania's position on industry restructure**

Forestry Tasmania has provided extensive support for the Tasmanian Forests Intergovernmental Agreement and its outcomes, including the Tasmanian Forest Agreement Bill that is currently before the Tasmanian Parliament. While not a signatory to the Agreement, it has pro-actively assisted the process by providing technical advice, resource modelling and peer review of reports.

Forestry Tasmania acknowledges the need for industry restructure in the wake of Gunns Limited's decision to exit native forest harvesting, as well as the reduced eucalypt sawlog supply foreshadowed by the Tasmanian Forest Agreement and Tasmanian Forest Agreement Bill. Forestry Tasmania's overall position is that, over the long term, the restructure presents an unprecedented opportunity to diversify the forest industry away from woodchip exports to value-added manufacturing, as outlined in its *Forestry Innovation Plan*<sup>1</sup>. Nevertheless, Forestry Tasmania has met, and must continue to meet, its statutory, contractual, fiduciary and sustainability obligations during the transition to the restructured industry envisaged by the Tasmanian Forests Intergovernmental Agreement and its outcomes.

### **2.2 Awareness of contractors' financial difficulties**

Forestry Tasmania, from operational staff through to senior management, was very much aware of the difficulties being faced by forest contractors as a result of Gunns' decision to exit native forest harvesting and to close its woodchip processing and export facilities.

The closures caused a loss of 30-60 per cent in contracted wood volumes, without any flow-on reduction in operator overheads. Many businesses experienced major reductions in revenue, while in the worst-case scenario, some lost all income. Typically, these businesses were carrying between \$800,000-\$1 million in forestry equipment, with ongoing business debt costs of \$15,000-\$18,000 per month.

Within the bounds of responsible business management, Forestry Tasmania sought to take as compassionate an approach as was possible towards contractors affected by the downturn.

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<sup>1</sup> [http://www.forestrytas.com.au/uploads/File/pdf/pdf2012/FT\\_innovation\\_plan\\_230512\\_web.pdf](http://www.forestrytas.com.au/uploads/File/pdf/pdf2012/FT_innovation_plan_230512_web.pdf)

As far as it could do so without undermining markets or breaching contractual obligations to customers, management sought to support contractors until they could either trade their way out of difficulty or viably leave the industry.

### **2.3 Forestry Tasmania's concerns over capacity to meet contracted wood supply obligations**

A key driver that initiated the industry restructure was the \$45 million as voluntary exit assistance for native forest harvesting, haulage and silviculture contractors to leave the industry, which was provided under Clause 16 of the Tasmanian Forests Intergovernmental Agreement. While generally supportive of this program, Forestry Tasmania nonetheless had significant concerns about its potential to detrimentally affect contracted wood supply capacity, and therefore, obligations under the Tasmanian Forests Intergovernmental Agreement.

Prior to the announcement of the grants program (on 21 October 2011), representatives of the Australian Government Department of Agriculture, Fisheries and Forestry consulted with a number of Tasmanian forest industry stakeholders, including Forestry Tasmania, on the proposed guidelines. On 30 August 2011, Forestry Tasmania made the following points in a meeting with representatives of the Department of Agriculture, Fisheries and Forestry:

- Forestry Tasmania was aware of the financial hardship facing many contractors following Gunns' decision to exit native forest harvesting;
- many native forest harvesting, haulage and silvicultural businesses contracted to Forestry Tasmania were part of the supply chain not only to Gunns, but to other Australian and international customers;
- Forestry Tasmania had existing contractual commitments to its customers to supply significant log volumes annually, including logs harvested from native forest; and
- any reduction in its contractors' haulage and/or harvesting capacity would be detrimental to Forestry Tasmania's capacity to comply with its contractual obligations, and in turn, the Tasmanian Forests Intergovernmental Agreement.

The latter three issues were relevant to the framing of the program guidelines, but were not addressed by the Department of Agriculture, Fisheries and Forestry.

Forestry Tasmania's Managing Director subsequently wrote to the Department of Agriculture, Fisheries and Forestry to reiterate concerns about the potential of the grants program to adversely affect Forestry Tasmania's ability to meet its contractual obligations. He requested that the following points be taken into account when considering eligibility for grant funding; however, none of them were addressed:

- (i) *The IGA, inter alia, guarantees wood supply to the Tasmanian forest industry of at least 155,000 cubic metres of high quality sawlog and 265,000 cubic metres of peeler billets per year;*
- (ii) *FT has existing contractual commitments to supply annual quantities of harvested native timber to various Tasmanian and international customers;*
- (iii) *The native forest haulage, harvest and silvicultural contractors which have existing contracts with FT are contractually obliged to supply their services to FT;*
- (iv) *Any loss of haulage and/or harvesting capacity will impact on FT's capacity to comply with both the IGA and its contractual obligations to customers. If contractor capacity is lost (through the Exit Packages or otherwise) to the extent that those obligations are unable to be met then such lost capacity must be replaced.<sup>2</sup>*

These concerns were borne out by an ensuing loss in contractor capacity on State forest as successful grant applicants left the industry. Consistent with the advice it had provided to the Department of Agriculture, Fisheries and Forestry, Forestry Tasmania was required to expand remaining contractor capacity in order to meet its contracted wood supply obligations to customers.

For example:

- One contractor in the Murchison District (north west Tasmania) had an existing 60,000-tonne per annum harvesting contract extended by 50,000 tonnes to 110,000 tonnes per annum.

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<sup>2</sup> Letter from Bob Gordon to Program Manager, Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program, 19 December 2011.



- A 45,000-tonne per annum special species and blackwood harvesting contract was awarded to another existing contractor in the Murchison District, replacing two contracts held by businesses that successfully applied for the grant funds.
- A 50,000-tonne per annum contract extension is currently under negotiation with an existing contractor in the south of the state.

### **3. Eligibility assessment**

Forestry Tasmania assisted its contractors that were applying for exit grants by providing factual information about their native forest contracts to support their application.

The Department of Agriculture, Fisheries and Forestry required contractors applying for an exit grant to obtain the following documentation from their principal (in this case, Forestry Tasmania):

- Confirmation of an existing native forest harvesting, haulage or silviculture contract extending beyond 30 June 2012.
- Confirmation of tonnages or other deliverables under the contract.
- ‘Section D Supply Chain Exit’ declaration signed by a representative of Forestry Tasmania.

Forestry Tasmania delegated the Production Manager, who is based in the Murchison District but has Statewide responsibilities, to assist harvesting and haulage contractors applying for a voluntary exit grant with factual information, and delegated the Chief Operating Officer to formally sign any documents providing support for funding, including the ‘Section D Supply Chain Exit’ declarations.

On 11 January 2012 the Department of Agriculture, Fisheries and Forestry wrote to Forestry Tasmania regarding its guidelines for the grants program. A review of Forestry Tasmania’s processes following receipt of this advice showed ‘Section D Supply Chain Exit’ indications of support had been provided to 20 contractors and signed by the Production Manager. This was contrary to the internal delegations. In addition, the review raised concerns amongst senior management about the contractor capacity covered by the unauthorised declarations. It should be noted that the staff member who signed these declarations acted with honesty and integrity, and with the intention to support the implementation of the scheme developed

by the Department of Agriculture, Fisheries and Forestry. Nevertheless, Forestry Tasmania acted in a timely manner to rectify the delegation discrepancy. The Managing Director advised the Department of Agriculture, Fisheries and Forestry:

*You indicate that a number of applicants have “sought and obtained letters of support from Forestry Tasmania to exit the public native forest sector”. Please disregard these letters, or any other form which purports to represent support by Forestry Tasmania as principal, as none have been signed with the proper authority.<sup>3</sup>*

The Managing Director requested that the forms be returned and advised that the issue would be rectified by reassessment through the authorised process within seven days of their receipt. This reassessment resulted in 13 applications for exit grants being supported by Forestry Tasmania through authorised ‘Section D Supply Chain Exit’ declarations, signed by the Chief Operating Officer on 27 January 2012. The remaining seven applications were not supported on the grounds that the contracted volumes were assessed as being necessary to maintain Forestry Tasmania’s contractual obligations to its customers. There were no withdrawals of the contract detail confirmations.

Details of contractors that received initial and revised ‘Section D Supply Chain Exit’ declarations are detailed in the table below:

<b>Contractor</b>	<b>Contract details confirmed by Forestry Tasmania</b>	<b>Exit application supported by Forestry Tasmania</b>
Aprin	Yes	No
Cox Logging	Yes	No
Gillie Harvesting	Yes	Yes
Harback Logging	Yes	Yes
Heybridge Enterprises	Yes	Yes
Highlander	Yes	Yes
MK Haulage	Yes	Yes
Oakley Logging	Yes	Yes
Pettit Plant Hire	Yes	Yes
Phillips	Yes	Yes
Radford	Yes	No
Red Roo	Yes	No
Riella	Yes	Yes
Rowe	Yes	Yes
Samjack	Yes	Yes
Scott	Yes	Yes

<sup>3</sup> Letter from Bob Gordon to Assistant Secretary, Forestry Branch, Climate Change Division, Department of Agriculture, Fisheries and Forestry, 17 January 2012.

<b>Contractor</b>	<b>Contract details confirmed by Forestry Tasmania</b>	<b>Exit application supported by Forestry Tasmania</b>
T&D Contracting	Yes	No
Teds Forest Management	Yes	No
Tuger Logging	Yes	No
Wildcat	Yes	Yes

The 'Section D Supply Chain Exit' declaration comprised 20 per cent of the merit criteria for assessing harvesting and haulage grant applications. The approvals announced by the Minister for Agriculture, Fisheries and Forestry on 17 February 2012 included all of the applications for which Forestry Tasmania did not provide a declaration of support. This would indicate that Forestry Tasmania's internal authorisation processes had no apparent bearing on the outcome.

A key issue that arose from the administration of the program was that Forestry Tasmania received no compensation from the Commonwealth for the contracts that were terminated through the unsupported exit applications. Despite this, and even though it was under no obligation to do so, Forestry Tasmania fully implemented the spirit of the grant program.

The Australian National Audit Office Report No. 22 2012/13 Performance Audit made no adverse findings against Forestry Tasmania's in any of its dealings with the grants program.

#### **4. Execution of the deeds**

Forestry Tasmania has undertaken extensive due diligence to ensure that the intent of the grant program is maintained. No contractors that received grant payments under the 2011/12 program have ongoing native forest harvesting, haulage or silvicultural contracts with Forestry Tasmania.

Forestry Tasmania is aware of one contractor, Wilmaye Pty Ltd, which applied for, and received, an exit grant under the previous program, in 2009. However, the contractor subsequently decided to re-enter the industry and refunded the grant in its entirety. The business has operated as a Forestry Tasmania contractor since November 2012.

The Forestry Tasmania contractors that received grant funding to leave the industry are detailed below. Note that two contractors listed in the table on page 9, Cox Logging and

Teds Forest Management, ultimately retracted their applications for grant funding and are therefore not listed here.

- **Aprin Pty Ltd** held a harvesting and haulage contract in Huon District (southern Tasmania). Aprin sold its trucks to Timber Marshalling Services, which holds a Forestry Tasmania export contract. The son of Aprin's owner is the proprietor of Timber Marshalling Services, although it should be noted that the sale of equipment was unrestricted under the grants program. The owner of Aprin is not listed as an owner or shareholder of Timber Marshalling Services on the VEDA database. Due to a contractual issue with Aprin, Forestry Tasmania signed a Deed of Release to offset a claim prior to that contractor leaving the industry. This deed was fulfilled by Timber Marshalling Services and expired at the end of February 2013.
- **Gillie Harvesting Pty Ltd** held a harvesting contract in Murchison District. It has no further involvement in native forest harvesting.
- **Harback Logging Pty Ltd** held a harvesting and haulage contract in Huon District. It has no further involvement in native forest harvesting.
- **Heybridge Enterprises Pty Ltd** held a harvesting and haulage contract in Murchison District. It has no further involvement in native forest harvesting, but does continue to provide road maintenance services in the District.
- **Highlander Operations Pty Ltd** held a harvesting contract in Bass District (north east Tasmania). It has no further involvement in native forest harvesting.
- **MK Haulage Pty Ltd** held a transport contract in Murchison District. It has no further involvement in native forest harvesting
- **IJ&MG Oakley** held a harvest and haulage contract in Derwent District (southern Tasmania). It has no further involvement in native forest harvesting.
- **Pettit Hire Pty Ltd** held a transport contract in Huon District. It has continued with an existing firewood contract under exemption from the Department of Agriculture, Fisheries and Forestry. The contractor is not working on State forest.
- **K&M Phillips Pty Ltd** held a transport contract in Huon District. It has no further involvement in native forest harvesting.
- **Radford Logging Enterprises Pty Ltd** held a harvesting and transport contract in Murchison District. It has no further involvement in native forest harvesting.

- **Red Roo Contractors** held two harvesting and two transport contracts in Murchison District. It has no further involvement in native forest harvesting; however, the business does continue to provide road maintenance services in the District.
- **Riella Pty Ltd** held a harvesting contracting in Bass District. It has no further involvement in native forest harvesting.
- **S&A Rowe Trustees** held a per annum harvesting and haulage contract in Bass District. It has no further involvement in native forest harvesting.
- **Samjack Pty Ltd** held five transport contracts in Bass District. It has no further involvement in native forest harvesting.
- **DJ&SM Scott Pty Ltd** held a harvesting contract and two transport contracts in Murchison District. It has no further involvement in native forest harvesting. The business also held a plantation harvesting and haulage contract that was not subject to the exit package, and which remains in place. The owner's son is proprietor of DTS Transport, which was not subject to the exit package, and which continues to subcontract to other native forest contractors.
- **T&D Contracting Pty Ltd** held a harvesting contract in Bass District. It has no further involvement in native forest harvesting.
- **Tuger Logging Pty Ltd** held a harvesting and haulage contract in Huon District. It has no further involvement in native forest harvesting.
- **Wildcat Contracting Pty Ltd** held two harvesting contracts and one transport contract in Murchison District. It has no further involvement in native forest harvesting.

In all, the following tonnages of contractor harvest and haulage were removed from State forest through the above exit grants:

	<b>Harvesting (tonnes)</b>	<b>Transport (tonnes)</b>	<b>Grand total (tonnes)</b>
<b>Supported by Forestry Tasmania</b>	390,000	524,000	914,000
<b>Unsupported by Forestry Tasmania</b>	215,000	185,000	400,000
<b>Total (tonnes)</b>	<b>605,000</b>	<b>709,000</b>	<b>1,314,000</b>

Subsequently, 203,500 tonnes in contractor capacity have been replaced in order for Forestry Tasmania to honour its wood supply contracts with customers, as follows:

- Two 50,000-tonne harvest and haulage contracts
- One 45,000-tonne harvest and haulage contract
- One 30,000-tonne harvest and haulage contract
- One 23,500-tonne harvest and haulage contract
- One 5,000-tonne harvest and haulage contract

All replacement capacity has been met by expanding the capacity of existing contractors, that is, contractors that did not receive an exit grant and that were continuing to work in the forest industry.

## Appendix 1

### Timeline of key meetings, correspondence and documentation

30 August 2011	Forestry Tasmania meeting with the Department of Agriculture, Fisheries and Forestry. Concerns raised about effects of grant program on contractor capacity on State forest.
November-December 2011	Confirmation of contract letters issued to grant applicants. First round (unauthorised) 'Section D' forms issued.
19 December 2011	Letter from Bob Gordon, Forestry Tasmania Managing Director, to Program Manager, Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program, outlining concerns regarding contractor capacity on State forest.
11 January 2012	Letter from John Talbot, Forestry Branch, Climate Change Division, Department of Agriculture Fisheries and Forestry to Bob Gordon, outlining program guidelines.
17 January 2012	Letter from Bob Gordon to Assistant Secretary, Forestry Branch, Climate Change Division, Department of Agriculture, Fisheries and Forestry, outlining concerns regarding contractor capacity and advising that all signed 'Section D' forms were completed without the proper authority.
27 January 2012	Authorised 'Section D' forms issued.
21 February 2012	Letter from John Talbot to Bob Gordon, responding to issues raised in letter dated 17 January 2012.
31 May 2012	Deadline for finalising program requirements.

## **Appendix 2**

### **Correspondence between Forestry Tasmania and the Department of Agriculture, Fisheries and Forestry**





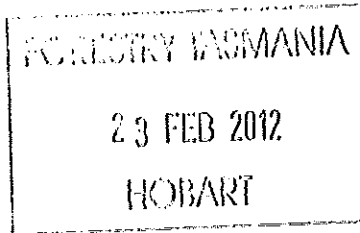
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Department of Agriculture, Fisheries and Forestry

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Mark  
Hitchins



Reference: 2011/1559

Mr Bob Gordon  
Managing Director  
Forestry Tasmania

21/2/12

Dear Mr Gordon

Thank you for your letter of 17 January 2012 regarding the status of letters of support and supply chain exit forms signed by Forestry Tasmania in support of applications for funding under the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program.

I note at the meeting on 30 August 2011, Forestry Tasmania officers did indicate there were ongoing contractual obligations for Forestry Tasmania, however, there was scope for some reduction and restructuring, particularly in the haulage sector. The program guidelines gave forestry principals, such as Forestry Tasmania, the opportunity to offer support to any applicant where they had a contractual relationship.

It should also be noted that the exit program is a commitment based on clause 16 of the Tasmanian Forests Intergovernmental Agreement which leaves the program open to public native forest operations for haulage, harvest and silvicultural contractors.

As you are aware, on the basis of the statements in your letter, the Department of Agriculture, Fisheries and Forestry (the department) contacted affected applicants and requested that they provide the department with a new letter of support or supply chain exit form that has been duly authorised by Forestry Tasmania by 31 January 2012. The department understands that affected applicants were able to liaise with Mr Mike Farrow in your organisation regarding a new, duly authorised letter of support or supply chain exit form and appreciates the efforts Forestry Tasmania made to progress and resolve the issue quickly.

If an applicant did not provide a response by the above date, the assumption was made that Forestry Tasmania does not support that application, and the assessment of the application and development of a merit list was progressed accordingly unless advised otherwise by applicants. Applicants were advised that a nil response may have an adverse implication on their application.

You requested that the department provide the applications to Forestry Tasmania. The department will not provide any of the applications to Forestry Tasmania as this breaches the probity requirements of an independent process.

The guidelines for the program advise businesses applying for an exit grant to seek advice on the legal implications of their acceptance of a voluntary exit grant, if exiting the industry has possible impacts on current legal obligations.

These guidelines also set-out that it is a condition of grant payment for successful applicants to provide an exit strategy. An exit strategy includes, amongst other matters, how a business intends to approach the termination of ongoing contracts with the relevant principals or other businesses and includes a letter from the principals or other businesses supporting the termination of the business's existing contract or existing arrangements.

Thank you again for your letter.

Yours sincerely

John Talbot  
Assistant Secretary  
Forestry Branch  
Climate Change Division

21 February 2012

Phone: 03 6235 8225

Our Ref:

Our File:



17 January 2012

[REDACTED]  
Assistant Secretary  
Forestry Branch, Climate Change Division  
Dept. of Agriculture, Fisheries & Forestry

Dear [REDACTED]

I refer to your letter of 11 January 2012 on the TFIA Contractors Voluntary Exit Grants Program (the guidelines).

I note the reference that your department consulted with Forestry Tasmania when developing the guidelines. At the meeting you attended with our [REDACTED] and [REDACTED] on 30 August 2011, it was clearly specified:

- (i) that Forestry Tasmania has existing contractual commitments to supply significant annual quantities of logs, including logs harvested from native forests, to its customers; and
- (ii) that any reduction in its contractors' haulage and / or harvesting capacity will impact on Forestry Tasmania's capacity to comply with those contractual obligations and, thereby, with the IGA.

You indicate that a number of applicants have "sought and obtained letters of support from Forestry Tasmania to exit the public native forest sector". Please disregard these letters, or any other form which purports to represent support by Forestry Tasmania as principal, as none have been signed with the proper authority.

When making an initial assessment against Harvest and Haulage Criterion 3 of the guidelines, please deem all applicants that are contracted to Forestry Tasmania to not be supported by Forestry Tasmania (as the relevant principal). If you are in possession of any Exit Grant Applications in which Clause 11(a) of Section D has been completed, please disregard that Section as it has not been considered with the proper authority within Forestry Tasmania.



To rectify those Applications, would you kindly send them to [REDACTED] who will assess them and return within seven days.

Again, I request that you consult with Forestry Tasmania if your committee is considering offering exit packages to any of Forestry Tasmania's contractors. This is most important to Forestry Tasmania

Yours sincerely

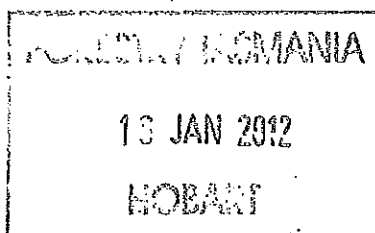
Bob Gordon  
Managing Director



Australian Government

Department of Agriculture, Fisheries and Forestry

Mr Bob Gordon  
Managing Director  
Forestry Tasmania



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Dear Mr Gordon

Thank you for your letter of 19 December 2011 on the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program (the guidelines) which has been set up by the Commonwealth Government to implement clause 16 of the Tasmanian Forests Intergovernmental Agreement.

In development of the program, the department consulted with the Tasmanian Government and forest industry groups and businesses, including with Forestry Tasmania.

Your letter raises that forest contractors accepting exit grants under the program may still be contracted to Forestry Tasmania.

The guidelines for the program advise businesses applying for an exit grant to seek advice on the legal implications of their acceptance of a voluntary exit grant, if exiting the industry has possible impacts on current legal obligations.

These guidelines also set-out that it is a condition of grant payment for successful applicants to provide an exit strategy. An exit strategy includes, amongst other matters, how a business intends to approach the termination of ongoing contracts with the relevant principals or other businesses and includes a letter from the principals or other businesses supporting the termination of the business's existing contract or existing arrangements.

It should be noted that, as part of the application process for the program, a number of applicants have sought and obtained letters of support from Forestry Tasmania to exit the public native forest sector.

Further, while the guidelines allow the advisory panel to undertake a contract validation process and to request the assistance of and information from forest principals and/or contracting businesses, the guidelines do not oblige the advisory panel to do so.

Thank you for raising these matters with me.

Yours sincerely

John Talbot  
Assistant Secretary  
Forestry Branch  
Climate Change Division

11 January 2012

cc. Bob Rutherford, DIER.

Phone:

Four Ref:

Our File:

03 6235 8225



Forestry Tasmania

19 December 2011

[REDACTED]  
Program Manager  
TFIGA Contractors Voluntary Exit Grants Program  
Forestry Branch, Climate Change Division  
DAFF

Dear [REDACTED]

I refer to the Tasmanian Forests Intergovernmental Agreement between the Commonwealth of Australia and the State of Tasmania dated 7 August 2011 ('IGA'). I specifically refer to the voluntary exits for native forest haulage, harvest and silvicultural contractors provided for by clause 16 of the IGA ('Exit Packages').

Forestry Tasmania draws your attention to the following points which should be taken into account when considering the grant of the Exit Packages:

1. The IGA, inter alia, guarantees wood supply to the Tasmanian forest industry of at least 155,000 cubic metres of high quality sawlog and 265,000 cubic metres of peeler billets per year.
2. Forestry Tasmania has existing contractual commitments to supply annual quantities of harvested native timber to various Tasmanian and international customers;
3. The native forest haulage, harvest and silvicultural contractors ('Contractors') which have existing contracts with Forestry Tasmania are contractually obliged to supply their services to Forestry Tasmania.
4. Any loss of haulage and/or harvesting capacity will impact on Forestry Tasmania's capacity to comply with both the IGA and its contractual obligations to customers. If contractor capacity is lost (through the Exit Packages or otherwise) to the extent that those obligations are unable to be met then such lost capacity must be replaced.



Forestry Tasmania has sympathy for any contractor who is suffering financial hardship and is prepared to consider options to alleviate such hardship. However, in all other cases if the Exit Packages offered by the Commonwealth Government affect Forestry Tasmania's ability to meet its IGA and contractual obligations, Forestry Tasmania will take all available and necessary legal action in order to enforce the contractual obligations of the Contractors.

To minimise the risk of unnecessary conflict, Forestry Tasmania requests that you consult with it if your committee is considering offering Exit packages to any of its Contractors. Please contact [REDACTED]

[REDACTED] in the first instance.

Yours sincerely

Bob Gordon  
Managing Director

[REDACTED]