

Signatories Agreement 22nd June 2011



Introduction

The parties to the agreement in principle have worked together to meet the basic terms of the agreement which involve,

- A substantial additional forest reserve.
- Maintenance of all existing contracts.
 - *see attached letter from the Tasmanian Premier. (to be attached)
- A sustainable modern innovative forestry industry.
- A process of adjustment, which will address immediate contactor exit and forestry employee redundancy and retraining issues associated with Gunns exit from native forests.
- The provision of support for a transition of Tasmania's regional economies through a commitment to defined arrangements and processes.
- A commitment to support the further value adding of the forest industry.
- A transition out of public native forests into suitable and sustainable and socially acceptable plantations resource/supply.
- The protection of HVC native forests as indentified by ENGO's.
- Provide a sustainable profile resource to industry based on an agreed minimum quantity and quality for industry.

The industry agreement is premised on Triabunna continuing and the Southwood and Somerset plants to remain open with remaining volume to be placed into a holding facility providing the basis for this agreement.

It is recognized there may be new owners that are taking up existing allocations. Governments must ensure no new wood allocations will be made that would undermine the capacity to deliver this agreement.

It is agreed that the parties believe a **three-staged** approach is to be adopted.

First Stage – Dealing with the immediate impact of the Gunns decision including; the associated workers and contractors support, placing Gunns quota into a holding facility agreed by both Governments, and immediate high quality sawlog reduction to meet the current industry stated requirements, which in their view will be underpinned by long term compensable contracts, including legislation for 155,000 m3 per annum, noting all allocations are sustainable.

Immediate interim National Park Forest protection of 430,000 hectares (plus or minus, subject to verification) subject to verification, of the 572,00 ENGO HCV Claim area. The ENGO view is that these areas should be immediately protected by secure legislation in National Parks. With the remainder placed into an Interim Forest area will be held by Regulation, to ensure the following;

1. The protection status of the interim forest area is conditional upon the ability to supply existing wood supply contracts as per the implementation agreement in accordance with the Statement of Principles.
2. Any scheduling of logging coupes within the interim forest area will only occur on a basis of clearly demonstrable demand need that can not be met from outside of the interim forest area subject to normal forest management processes.
3. There will be an oversight committee including signatory representatives and independent expert/s to monitor the appropriate implementation of the interim forest area. The oversight committee will have access to all necessary data and resources needed to do the job.
4. The final legislated protection of the interim forest area will be subject to the outcomes from the second stage of the implementation process for the Tasmanian forests agreement
5. Appropriate funding for the committee, and for increased planning and operational work will need to be properly resourced by government.

Including the commencement of a Regional Development strategy as a priority.

Second Stage – Establish an agreed transition plan and period, therefore process to deal with voluntary exits and finalizing boundaries of ENGO HCV reserves that are not protected by stage 1, with management of specified conservation areas, committed to the requirements of providing wood supply to the industry. Including establishing a basis for Ta Ann and other industry processors to have its contractual requirements met but providing the means by which continued operations of Ta Ann and other industry processors after 2027* can be done via an appropriate resource for their requirements.

Including finalization of the second Stage of the Regional Development strategy as a priority.

**note: Ta Ann have a 15 year extension option at the conclusion of the current contract that is due to expire in 2027.*

Third Stage – Transition plan implemented over time.

The staged process would involve,

- Federal/State Government partnership
- Immediate funding support to facilitate the adaption to Gunns decision
- Legislative support to consolidate the first stages of this agreement and underpin the agreed outcomes of Stage 2.
- A process and organization including secretariat support to develop and to deal with the agreed Stage 2 including access to an independent data analysis team.
- Regional implementation strategy to ensure that the resources are utilized effectively, subject to public accountability and linked to an agreed transition on a realistic basis.
- Recognition that non-signatories have legitimate interests which need to be addressed particularly through the regional development strategy.

The agreement sets out three related issues

1. Wood supply, contractual requirements and conservation issues
2. Value added prospects for the Timber Industry
3. The process of Adjustment

Wood Supply, Contractual requirements and Conservation targets

Forestry Tasmania has prepared a detailed evaluation of Wood Resources Scenarios which has tested various industry and ENGO's propositions regarding wood supply.

#Attached June 6, 2011 Final Resource Report by FT verified by Jerry Vanclay.
(to be attached)

After consideration of the data and discussion between the parties it is agreed in principle that,

1. The available wood supply is set out in attachment # FT June 6, 2011 report
2. The supply of high quality sawlog necessary to meet existing contracts minus Gunns but including South Wood and Somerset is 155,000m³.
3. The Ta Ann contract requires 265,000 cubic metres of peeler veneer billets per annum.
4. The Industry claim for special species timbers is 12,500 cubic metres per annum, subject to verification.
5. Meeting the above contracts and requirements would leave between 360,000 to 432,000 hectares available for immediate protection/not required for production subject to verification, subject to verification.

Implementation

The parties agree in principle that for the agreement to be implemented over time will require

- A legislated process to protect the security of wood supply, contracts and additional reserves and to provide durability for this agreement.
- A structured transitional arrangement to oversee the agreement, deal with operational issues and to prepare the grounds for future changes.
- A financial process to deal with the restructuring in the agreement including appropriate regional strategies.

The Legislation

The parties believe that all the elements of the agreement need to be protected over the course of the next generation.

This will require legislative support for the requirements of the industry's supply of timber, including Special species Timber and to provide durability for this agreement.

The ENGO identified HCV, subject to verification, with final verified boundary addition to the reserves should also be protected as legislative protected areas. The parties propose that the Federal and State government should advise on the capacity to provide the means by which the agreement can be protected and advanced.

Will be required to give effect to regional development strategy, agreed transition plan and any other agreed outcomes.

The Transition Process

The parties acknowledge that a transition process needs to be implemented which will continue to consider

- The need for a minimum wood supply levels identified by industry to be maintained and ensure a viable industry.

- The ENGO's view is that volume surrendered via voluntary exits should deliver further reductions to the legislative high quality saw log requirement to enable the protection of the Interim Forest Areas. The Industry view is that the minimum resource requirement represents the minimum position for a viable and sustainable industry and therefore any resource surrendered via a voluntary exit should be available for reallocation to local domestic industry.
- The final legislated protection of the Interim Forest area.
- Operational issues that will arise in the administration of the agreement.
- The need for investments in more efficient, capital equipment, plantations and resources, which could enable the objectives of all parties to be met.
- The means by which Ta Ann's and other processors contractual requirements and wood source can be met beyond 2027 #note - extension option of 15 yr extension. This may require changed wood supply and or technological improvement.
- Establishment and maintenance of sustainable, suitable and socially acceptable plantations with appropriate silvicultural management.
- Appropriate Silvicultural and ecological management of the native forests still available for production.
- We will continue to consider planning and landscape management reform.

Value added industry and downstream processing

The agreement in principle of the parties accept that a viable industry requires value adding and downstream processing of the current and future wood resources to be part of the package. This can be achieved in a number of ways. Such as a pulp mill, quality timber, laminate, veneer, and other product processing facilities.

The parties recognize that

- Ta Ann process does add value.

- Special species timber is used for substantial value adding to the industry.
- There are possibilities of a ply wood mill and a Pulp Mill
- Saw mills add value.

It is further noted that the Gunns Pulp Mill at Bell Bay has generated considerable community concern.

It is further recognized that the proposed Mill will be subject to normal commercial considerations including funding.

The parties have divergent views on the Mill, but do recognize that the proponents are now required by a Federal permit condition to use plantation timber as its supply. A number of the parties support the Mill whilst the ENGO's do not support the Mill.

It is further recognized that the Government has initiated a further report arising from the considerations of the Kelty interim report.

Process for Implementation

The changes to the industry arise from,

- **Gunns decision to exit native forests.**
- Public interest associated with establishment of one of the worlds leading conservation Timber Industry agreements.
- Commercial considerations.

There are economic benefits associated with

- Environmental outcomes which are important in their own right.
- The possible environmental impacts that may assist in a number of ways including the development of environmental lead industry and tourism.
- The additional value that is accrued by the value added industries.
- Increased certainty in the industry.
- A capacity for increased investment in modern industry and adapting to change.
- The sustainable regional economic development implementation strategy.

However, there are immediate costs,

- Some businesses will be directly impacted
- Employment will be lost in the short term.
- There is a direct impact on the valuation of Forestry Tasmania's asset base.

The impact will vary across regions of Tasmania, as well as nationally and the capacity of each region to absorb the changes will also vary.

The signatories are required to reach agreement on the following and relay to government.

To meet these objectives the Signatories groups propose -

1. The employees directly impacted will be paid all outstanding entitlements, including superannuation, long service leave, other leave entitlements, and redundancy pays consistent with their current EBA's or under their legal obligations.
2. In any redundancy currently within the scope of the agreement, an employee shall be entitled to a redundancy payment of 3 weeks per year of service capped at 120 weeks. The employer shall pay within that entitlement the redundancy in their agreement/legal obligation.
3. The contractors exiting shall be entitled to 1. Payment for principals consistent with the employees and 2. Compensation for the loss on sale of operational plant and equipment based on an independent assessment of the fair value of that plant and equipment consistent with the Vic. Our Forests Our Future Program.
4. Both contractors and employees impacted by the change will be entitled to access, through the Industry Skills Council, a specific tailored program of existing policies, consistent with type of services provided in the Victorian Our Forests Our Future Program; these include relocation, skill development and training.
5. Support for the maintenance of the existing moratorium/wood supply will require funding and any available funding be expended consistent with this agreement.

6. There will need to be support for industry to assist in innovation and investment, as part of an agreed transition.
7. The impact on regions will need to have a high priority and funds be allocated to assist the regions in the adjustment process.
8. There will need to be ongoing structural and organizational support including secretariat support to assist the processes of adjustment and to deal with disputed issues as they arise.
9. Support will need to be provided to assist the Tasmanian government with infrastructure and the ongoing management of the new reserves areas, on going management and planning.

The signatories propose that we seek immediate meetings with Governments to determine whether this agreement can be implemented.

This agreement has been facilitated by Mr Bill Kelty