

# **Forestry Ministerial Statement**

## **Introduction**

Mr Speaker, our forest industry is changing whether we like it or not.

We are at a crossroads where we can put our heads in the sand and deny the facts, or we can face up to reality and adapt to the new era.

We can choose to let the long-running conflict over our forests continue, with all of the social and economic damage it brings.

Or we can try to end it.

You only need to turn to the CRC for Forestry's recent Interim Report on the "Socioeconomic impacts of forest industry change" to see what is happening.

The Report makes for compelling but disturbing reading.

It found a number of long-term changes over the last two decades had been influencing demand for native forest products well before the downturn that the industry has experienced since 2008.

The CRC Report shows that the changes we are seeing are largely the result of market forces.

It explicitly states that "the market driven factors causing the downturn were the principal cause of job loss during 2008 to 2010" (p. xxii).

It says the factors contributing to business stress during the downturn included:

- increasing operating costs;
- changes in wood quality, particularly for native forest sawmillers; and
- reduced demand for wood products, for some, associated with the appreciation of the Australian dollar.

The CRC Report found that between August 2008 and May 2011 the number of businesses operating in our forest industry declined from an estimated 464 to 372.

At the same time the total number of people employed fell from 6960 to 3460.

The decision by Gunns Ltd to exit native forestry was influenced by these same market forces.

It is a decision that has exacerbated the wider downturn in the industry.

The fact that Gunns struggled to find buyers for the assets it needed to sell, and struggled to get the price it wanted, reflects the market's view of the industry at present.

It was expected a further 410 jobs would have been lost by the end of July, based on public announcements regarding planned business sales and closures.

Mr Speaker, the raw statistics cannot hide the fact that what we are talking about here is people's jobs, their livelihoods, their families and their communities.

As a long-term supporter of the native forestry industry and the communities who benefit from it, I recognise the pain and dislocation that these changes have wrought.

I have spoken to many people from these communities who have marched and rallied in recent weeks, particularly at the recent community forum in Smithton.

I have listened to their anger and their anguish.

But as we talked through the decline the industry is suffering and the reasons for it, most nodded their heads sadly in agreement.

My motivation throughout my discussions with the Prime Minister and key stakeholders in Tasmania has been to do all I could to support those workers, those families and those communities which are enduring difficult times.

These are decent, hard working people in an industry that has been part of the Tasmanian way of life for generations.

As I have said before, they are traditionally Labor people and Labor communities and it gives me no pleasure to see what is happening to them.

Contrary to the views of those who would prefer to play the blame game, I believe the CRC Report makes it clear that the changes we are seeing are not the result of government neglect, or poor policy, or a lack of support.

Indeed, I know many Tasmanians believe successive State Governments have done too much to support our forest industries, although that is not a view I share.

The Report points out that since last year the high level ongoing uncertainty about the future of the industry associated with the Statement of Principles process has seen the continuation of job losses and decreased business activity.

We need to end that uncertainty so the Tasmanian community can move on.

We need to provide certainty for those who work in our forests and the communities they live in.

We need to provide certainty for industry so businesses can make investment decisions that will maintain and create jobs.

We need to provide certainty about which areas of the State we want to protect and which areas we want to use to generate employment and wealth.

That is exactly what the Inter Governmental Agreement that I signed with the Prime Minister is about.

It is an Agreement that provides \$276 million in Commonwealth and State funding to support the transition in our forest industries that is already taking place.

That \$276 million will support those whose livelihoods are under threat, it will help create new jobs in the communities affected, and it will provide funding to support the management of areas of new forest reserves.

### **The Community process so far**

Mr Speaker, it is important to remember that the IGA did not appear in a vacuum.

As I have already made clear, key sectors of our forest industry were severely affected by the Global Financial Crisis which began in 2008 and by the continuing rise of the Australian dollar.

The industry has also been undermined by the campaign mounted against by environmentalists in its overseas markets, particularly the woodchip market in Japan.

By early 2010, these impacts had spread across the whole industry.

Industry, union and environmental non-government groups, which together represented virtually every major stakeholder in the sector, saw the need to respond to the changes that were taking place and began working together to try to map out a new future for the industry.

They did this because everyone - except apparently the Liberal Party - could see that fundamental structural change was impacting on the sector and a new way forward needed to be found.

It was an amazing achievement in itself that these Signatories, representing such diverse interests across the industry, were able to reach consensus on a set of principles to lead the way forward.

We were then fortunate to have Bill Kelty agree in late 2010 to facilitate further discussions between the signatory groups.

Mr Kelty dedicated an enormous amount of time and effort to helping the Signatories reach an agreement.

He also consulted with, and weighed the viewpoints of, the wider community in developing the report that was presented to me and the Prime Minister.

I thank him for his personal commitment and dedication to bringing people together in the face of a conflict which has seen so many in the past throw their hands in the air and give up in frustration and despair.

Of course there remained areas of disagreement.

The downturn in the industry was increasingly impacting on the people who depended on it – on working Tasmanians whose livelihoods were threatened through no fault of their own.

It was clear that the time had come for governments to make decisions to support those people and that is what the Prime Minister and I have done.

I recognise that the final Intergovernmental Agreement has not pleased all signatories and stakeholders.

In fact, I expect all would disagree with one aspect or another of the IGA.

But, Mr speaker, to walk away from it would be failing future generations of Tasmanians.

We have an opportunity here to restructure the industry, to assist those directly affected by Gunns' decision, and to provide certainty for the remaining industry.

### **The Intergovernmental Agreement**

Mr Speaker, despite what those opposite might want Tasmanians to think, the Agreement that I signed just three weeks ago did not cause the three-year downturn in the industry.

Nor was the IGA responsible for half of the jobs in forestry disappearing since 2008.

The Agreement is not the cause of the problems.

It is a response to them – a response to circumstances and events that are largely outside our control.

The long-term market changes we are seeing cannot be reversed or wished away by facile stunts like tearing up a few pieces of paper.

While the Leader of the Opposition might think he looked heroic, unlike him I am not interested in cynical gestures or striking a pose for the cameras.

The Agreement offers the prospect of ending major conflict for the remaining native forest value chain after the exit of Gunns.

The Signatories to the Statement of Principles committed themselves to a balanced outcome which guarantees future wood supply while delivering new forest reserves.

The Commonwealth's funding is contingent on that balanced outcome being achieved.

The key word is “balance”.

I believe we can and must find a balance between a sustainable native forestry industry and protecting our iconic forests.

I believe both sides of the debate that has divided Tasmania for too long need to compromise and accept they cannot have it all their own way.

I once again urge the fringe groups in the conservation movement to follow the lead of the ENGOs that have been part of the forest peace talks and adopt an approach of moderation and cooperation, not protest and confrontation.

We need a ‘coming together’ across the traditional divide, not only for the future of the forest industry but to end a conflict which damages the Tasmanian brand and hence other industries and job prospects.

Unfortunately, too many people outside the State believe either that investing in Tasmania is too risky because of an environmental lock up, or that to buy Tasmanian timber products is to feed environmental destruction.

I do not think either of these views is true, but we cannot afford to keep feeding the damaging national and international perceptions of Tasmania that the conflict has caused.

That is why the lead shown by the signatories to the Statement of Principles is so important for our future.

It is an opportunity to bring Tasmanians together that is too important to be lightly brushed aside.

It is an opportunity that my Government is attempting to grasp as we implement the Intergovernmental Agreement.

Mr Speaker, the Agreement has three main streams or themes.

Stream One provides support for workers, contractors and communities.

Stream Two sets out an independent verification process to protect high conservation value forests and ensure sustainable wood supply.

Stream Three aims to support the economic diversification and transition of communities affected by the changes.

Before I update the House on the progress on each of these areas I want to put on the record my thanks to the Prime Minister for committing significant financial support to the State over and above that which would flow under normal financial arrangements.

She has done this at a time of financial stringency and budgetary pressure because she believes, as I do, that it is imperative to move forward and meet the challenge of changing markets and community aspirations while mitigating the consequences on hard working families.

### **Stream One - support for workers, contractors and communities**

Mr Speaker, the Agreement delivers up to \$86 million in Australian and State Government funding to support workers, contractors and the communities they live in, including:

- up to \$25 million is available from the Commonwealth to provide immediate employment and training support for redundant forest workers in Tasmania;
- \$15 million will be provided by the Tasmanian Government for transition support payments for workers directly impacted by the industry restructuring and Gunns' withdrawal from native forestry;
- \$1 million over two years will be available to provide mental health counseling and community support for those directly affected by the changes; and
- Up to \$45 million will be used for assistance for voluntary exits from public native forest operations for haulage, harvest and silvicultural contractors.

Substantial progress has been made on the processes required to deliver this support since the IGA was finalised on 7 August.

I understand the Commonwealth employment and training support programs are already operational and fielding enquiries.

The Department of Infrastructure, Energy and Resources and ForestWorks are in discussion over the grant deed for the transition support payments.

And I expect a grant deed to be signed with Rural Alive and Well this week to provide mental health counseling and support.

Commonwealth officials have been in the State discussing their contractor exit program with State officials and the Tasmanian Forest Contractors Association, and my Government has begun the process of trying to reach a legal settlement with Gunns which is required before funding can flow.

### **Stream Two - protecting HCV forests and ensuring sustainable wood supply**

Mr Speaker, the second stream of the Agreement is about protecting high conservation value forests while ensuring sustainable timber supply for industry.

Tasmania's forest industry will have the certainty of:

- at least 155 000 cubic metres per annum of high quality sawlog guaranteed by regulation;
- 265 000 cubic metres per annum of peeler billets; and
- a speciality timber supply of around 12 500 cubic metres per annum.

The Agreement absolutely commits both governments to honouring all existing contracts for native timber supply, particularly peeler billets of the type required by Ta An.

My Government intends to introduce legislation to ensure the supply of peeler billets in the first half of next year as we move through the process of implementing the IGA.

The terms of reference for the Independent Verification Group have been endorsed by a meeting of all of the Signatories and given to Professor Jonathon West.

The two governments will be discussing potential membership of the Group this week with Professor West and the Signatories, as clearly the process needs the confidence of all concerned.

We are also in the process of procuring an expert to review the current scheduling of coupes within the 430 000 hectares nominated by the signatory environment groups with a view to reducing activity in this area to the absolute minimum required to meet contractual commitments.

Forestry Tasmania is cooperating fully with this process and has provided a full list of the coupes in the area which are currently either active or where logging is planned before the end of the year.

This list was made available to the signatories and Professor West and indeed is now publicly available on the DIER website.

What we are doing is balancing the contractual needs of industry with the need to maintain the integrity of the areas being considered for protection to the maximum extent possible while the Independent Verification Process takes place.

That process will determine which areas are formally reserved and how we meet the future requirements of industry.

Its report is due at the end of the year.

After that we will bring proposals into the Parliament which I believe will be supported by a wide range of stakeholders.

Parliament will be the final arbiter, but I believe we must all give this process, which is based on careful independent evaluation supported by both the forest industry and environmental groups, the opportunity and the time to do its job.

### **Stream Three - economic diversification**

Mr Speaker, the third stream of the Intergovernmental Agreement is about new development opportunities to diversify the economies of regional communities affected by the changes in our forest industries.

I was very pleased to be able to sign a Memorandum of Understanding with the Prime Minister last Friday for place based investment in Tasmania to take advantage of the \$120 million allocated in the IGA for this purpose.

The MoU is consistent with the direction we are taking through the Economic Development Plan that the Government also launched last Friday, and it delivers resources and investment which will help get the EDP off to a flying start.

The initiatives that will be established under the MOU include:

- a joint Ministerial Council comprising Federal Regional Development Minister Simon Crean and Tasmanian Economic Development Minister David O'Byrne;
- three regional reference groups focusing on economic diversification strategies across Northern, North Western and Southern regions of

Tasmania, which will work collaboratively with the Regional Development Australia Tasmania Committee;

- an Economic Diversification Taskforce which includes the three regional reference groups, LGAT and local senior representatives from industry and unions; and
- support for the development of community plans for regions which face industrial or demographic transition, including Circular Head, Dorset and Glamorgan Spring Bay.

Commonwealth and State officials have already met to map out the implementation timetable for these measures.

The three Regional Reference Groups will be convened in the next two weeks to develop priority initiatives to implement this financial year with the first \$20 million to flow from the IGA.

### **The Future of Forestry**

Mr Speaker, I strongly believe that Tasmania's native forest industry has a long-term, sustainable future.

Yes, we are facing challenges due to the current downturn, exacerbated by Gunns' withdrawal from native forests.

Yes, the uncertainty is concerning for the workers, families and communities affected.

Yes, the Liberal Party has been very effective in exploiting those concerns and preying on the fears of people who are worried about their livelihood.

But I believe the path we are taking will lead the industry through the current transition to a sustainable future.

It will not be easy.

But as I said earlier, the industry was already in difficulty.

Jobs were already being lost.

Gunns had already withdrawn from native forestry.

We are responding to the situation, not causing it.

Mr Speaker, Tasmania's economy is growing and diversifying.

We already have a reputation for products and services that lead the world in quality:

- in the production of foods such as dairy, fruit and vegetables;
- in our wine and aquaculture;
- in tourism with developments such as Saffire, MONA and Barnbougle;
- in research, the arts and IT; and
- in sustainable energy production.

I believe these are the areas where Tasmania can and will carve out an even greater niche in the Australian and global market in the coming decades, complementing the ongoing contribution of traditional industries such as mining and fishing.

The State and Australian Governments are supporting businesses that seek to build on our reputation through our investments in irrigation and the NBN.

We are supporting innovation by investing in new infrastructure for health, transport, science, education and the arts.

As a result of both public and private sector investment Tasmania's products and services will continue to enhance their reputation for high-value and high quality.

This is our future.

I believe there is a place in that future for a sustainable native forest industry which is increasingly focused on higher-value added products and downstream processing, and which is increasingly complemented by a strong plantation based industry.

Let me reiterate that it will not be easy.

We are engaged in a difficult process trying to take the Signatories and indeed the whole community with us on a journey to a better place.

Precisely because of this it will take time and continuous building of trust to overcome years of conflict.

This process offers those opposite many opportunities to exploit and play upon differences and fears for their own short term political gain.

But I wish to make it clear that if the Liberal Party chooses to go down this path they will cause permanent damage to the economic and social fabric of Tasmania.

I therefore call on all of my fellow parliamentarians to consider carefully the consequences before they seek to destroy what the Australian and Tasmanian Governments and the signatories to the Statement of Principles are trying to achieve.