Mr Peter Gutwein MP  
Parliament House  
HOBART TAS 7000  
Attention: Brad Stansfield

Dear Mr Gutwein

I write to acknowledge receipt of your Right to Information request received on 28 July 2011 seeking -

a copy of the final Bill Kelty report, as reportedly handed to the State Government on 22 July 2011.

Please find enclosed a copy of the final draft report which was provided to the Office of Premier on or about the 22 July 2011.

To my knowledge a final 'non-draft' copy has not been settled, but as this version has been widely circulated I consider it in the public interest to release this draft to you.

Yours sincerely

Catherine Vickers  
RTI Officer  
5 August 2011
Tasmanian Forests

Final Report for Consideration

Bill Kelty
Independent Facilitator

xx July 2011
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## Appendices

1. *Tasmanian Forests Statement of Principles to lead to an Agreement, 14 October 2010*

2. *The Signatories Agreement, 22 June 2011*

3. *Letter from The Wilderness Society, 30 June 2011*


5. *Letter from Forestry Tasmania, 29 June 2011*
1. Introduction

1.1 Tasmania has a long history of conflict over the use of its forests. However, in October 2010, forest industry, union and environment non-government organisations (NGOs) collaborated to develop the Tasmanian Forests Statement of Principles to lead to an Agreement (Appendix 1). The intent of the Statement was to resolve the ongoing conflict, protect native forests and develop a strong sustainable timber industry for Tasmania.

1.2 Governments were not part of the development of the Statement but both the Australian and Tasmanian Governments wished to assist the signatories and other stakeholder groups to pursue the principles articulated in the Statement so an appropriate agreement could be concluded.

1.3 In December 2010, I was appointed as an independent facilitator to assist the process and report back to the governments. My role was essentially as an honest broker to facilitate the signatories in their attempt to reach agreement. I did not have authority to commit governments, signatories or other stakeholders to any actions or expenditure.

2. My Interim Report

2.1 As an independent facilitator I met extensively with the signatories to the Statement and a wide range of non-signatories and other stakeholders. I also travelled by helicopter across the forests of the southern region and through the north west of Tasmania.

2.2 On 30 March 2011, I presented an interim report of my deliberations to the Australian and Tasmanian governments. The Australian Government subsequently presented my report to the President of the Senate on 5 April 2011 for tabling at the Senate’s next sitting.
2.3 In my interim report I outlined a number of areas for consideration and further work with a view to reaching a workable agreement. I also detailed the wide range of parties I had met with during the consultations. My interim report is publicly available. A copy is at:


3. Governments' Response to Interim Report

3.1 Discussions were held with both governments regarding the interim report. The governments' response was to indicate:

- That, subject to some clear conditions, the governments would be prepared to consider expenditure to facilitate the process;
- Any funding would need to meet clear and definable criteria such as public jurisdiction, accountability, deliverable outcomes, and would require the support of both governments;
- Further work was required on the areas and volumes consistent with the principles; and
- Funding was provided to assist the group's participation and for incidental costs associated with the process.

4. The Signatories Agreement of 22 June 2011

4.1 The Signatories reached an agreement on 22 June 2011 (Attachment 2). The essential elements of the agreement are:

- An understanding that all contracts are to be maintained;
- A recognition that industry believes a minimum supply of 155,000 cubic metres is essential for a viable industry;
- Recognition and support for an allocation to ensure special species timber is available;
- Recognition that the environmental NGOs' objective for High Conservation Value (HCV) Forests is 572,000 hectares;
- Recognition that Gunns Limited's decision to exit native forests, the general market conditions and the longer term implication involved in the industry would impact businesses, employees and contractors;
- Recognition that Gunns Limited's decision to exit native forests was associated with its decision to proceed with a plantation based pulp mill;
- An understanding that the additional reserves should be protected as part of the overall package;
- An understanding that the agreement could be implemented over three stages: an immediate response to the Gunns Limited decision; a further adjustment process; and a long term workable agreement; and
- Implementation of the strategies would require appropriate responses from the Australian and Tasmanian Governments, the establishment of a process to deal with volumes, boundary and exit policies and the development of a regional strategy.

5. The Position of The Wilderness Society

5.1 The Wilderness Society (TWS) was a signatory to the Statement of Principles signed in October 2010. Nevertheless TWS expressed concern at what it perceived as an inadequate government response to the consultations, including my interim report. As a result, TWS suspended its involvement in the final negotiation process.

5.2 The other environmental NGOs conferred with TWS throughout the process. As a result TWS's current position is to reconfirm their commitment to Statement of Principles, supporting implementation of all the principles in full.

5.3 TWS still does not believe there has been a clear commitment from the Tasmanian Government to negotiate a plan and implement outcomes arising from the Principles Agreement. Therefore TWS have not ended their self-imposed suspension from the process.
5.4 A letter from TWS of 30 June 2011 sets out the organisation's current thinking in more detail (Attachment 3).

6. The Non-Signatories

6.1 As the interim report indicated, there was an important group not directly represented in the discussion. This included Forestry Tasmania and Gunns Limited. Discussions were regularly held with both organisations during the process. Forestry Tasmania was integral to providing the relevant information surrounding wood supply and reservation analysis. (Attachment 4). Gunns Limited was kept informed of the outcomes of the discussions.

6.2 In addition to Forestry Tasmania and Gunns Limited, a number of other parties have interests in Tasmanian forestry issues but were not signatories to the Statement of Principles. Many were consulted prior to the Agreement of 22 June 2011. (Position statements from non-signatories can be found in my interim report.)

6.3 Immediately after the Agreement of 22 June 2011 was announced, discussions were held with representatives of the Local Government Association Tasmania.

6.4 It is noted in the Agreement of 22 June 2011 that, if the Agreement proceeds, there will be opportunities for representation before a body authorized to deal with the boundaries and other verification issues as well as for input about regional development impacts. There will also be opportunities for bilateral discussions with the signatories, governments and the Opposition.

6.5 Some groups with interests in Tasmanian forestry issues were not consulted and it is important that their views are heard should the Agreement proceed to implementation. These include representatives of the mining industry and Indigenous Australians. These and other relevant groups should be engaged in the processes noted above.
7. **The Position of Gunns Limited**

7.1 Gunns Limited was not involved directly in the process although, as noted, the company has been regularly consulted. The outcomes of both my interim report of 30 March 2011 and the final Signatories Agreement of 22 June 2011 have been conveyed to Gunns. Limited

8. **Forestry Tasmania**

8.1 Forestry Tasmania, whilst not a party to the final Signatories Agreement of 22 June 2011, was regularly consulted during the discussions. Clearly, the Signatories Agreement would have considerable import for Forestry Tasmania if it were to be implemented.

8.2 Forestry Tasmania recognises that it is ultimately up to the Tasmanian Government, through the Parliament, to determine land use allocation and forest policy. However, it notes that the environmental NGO identified High Conservation Value (HCV) forests have not undergone any governmental or independent scientific review to determine if they meet objective criteria that would provide an imperative, rather than a preference, for their protection. Forestry Tasmania has pointed out that no criteria has been provided by the environmental NGOs to determine what might constitute HCV forests. Forestry Tasmania has also noted that the definition of HCV forests in Forest Stewardship Council certification does not exclude logging.

8.3 A letter from Forestry Tasmania of 29 June 2011 sets out the organisation’s views in more detail *(Attachment 5).*

9. **Conclusions**

1. The Signatories Agreement of 22 June 2011 reflected a considerable degree of goodwill between the parties to resolve the issues.
2. Signatories are prepared to conclude this process to establish a lasting solution but recognize that it requires government support and commitment.

3. In providing support, the signatories recognize the need for accountability of decisions and justification in terms of public benefit.

4. The public benefit is outlined in the Agreement.

5. Further decisions require definition of boundaries, volumes and exit policies, but must be consistent with the other key elements of the package.

6. All the participants understand that no contracts should be violated and the industry requires a reasonable supply of native forests to ensure a viable industry over the long-term.

7. The longer transition process requires reinvestment, restructuring of the industry although the environmental NGOs’ targets of 572,00 hectares are to be determined with wood production from native forests.

8. The regional impacts require the community and their representatives to be fully involved so that the complete package can be delivered.

Bill Kelty
Facilitator - Tasmanian Forests Signatories process

xx July 2011
Appendix 1

Tasmanian Forests Statement of Principles to lead to an Agreement
14 October 2010
Appendix 2

Signatories Agreement 22 June 2011
Signatories Agreement 22 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 plywood 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 world’s 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.

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 implemented.

Signatories:
Jane Calvert
Michael O'Connor
Ed Vincent
Terry Edwards
Fred Ralph
Allan Hansard
Don Henry
Phil Pullinger
Jim Adams

This agreement has been facilitated by Mr Bill Kelty
Appendix 3

Letter from The Wilderness Society, 30 June 2011
Appendix 4

Evaluation of Wood Resource Scenarios relevant to the Tasmanian Forests
Statement of Principles to lead to an Agreement
Final Report to Signatories
Forestry Tasmania, 6 June 2011
Appendix 5

Letter from Gunns Limited,
Appendix 6

Letter from Forestry Tasmania, 29 June 2011
Mr Bill Kelly

C/- Joel Bowden

Joel.bowden@tlnix.com

Dear Mr Kelly

Re: Forestry Tasmania’s view of the Signatories Agreement dated 32nd June 2011

In response to your request for feedback from Forestry Tasmania (FT) on the Signatories Agreement (25/65911), I provide the following comments.

General Comments

FT is not a signatory to the Statement of Principles or the Agreement, but was contracted to provide consultancy services to the signatories in relation to woodland modelling. The resultant Evaluation of Wood Resource Scenarios - Final Report to Signatories (5 June 2011) has been independently verified by Professor Jerry Varclay and provides the best information for determining the feasibility of meeting the reservation and resource supply elements of the agreement.

It is notable that the Agreement is supported by NGOs, as well as forest industry, unions and timber communities. This is a significant achievement, and distinguishes the Statement of Principles from previous processes that attempted to balance conservation and woodland production values. The fact that it has progressed to this stage is in no small part due to your leadership and the assistance of Joel Bowden.

FT recognises that it is ultimately up to the Tasmanian Government, through the Parliament, to determine land use and forest policy. However, it notes that the ENGO-identified HCV forests have not undergone any governmental or independent scientific reviews to determine if they meet any objective criteria that would provide an imperative, rather than a preference, for their protection. It is noted that no criteria has been provided by the ENGO to determine what might constitute HCV forests. It is also noted that the definition of HCV in FSC does not exclude logging.

Specific Comments

The Agreement calls for immediate interim protection of 430,000 ha of land on FT’s balance sheet as an asset, with the remainder of the 572,000 ha being put into an Interim Forest Area. However, the Evaluation of Wood Resource Scenarios - Final Report makes it clear that the minimum supply of high quality sawlogs of 155,000 m³/year is very unlikely to be met if 430,000 ha is made unavailable. The extent of this shortfall cannot be modelled until the areas that make up the 430,000 ha are delineated on a map.
FT notes that the Agreement indicates that 155 000 m$^3$/y of high quality sawlog, 265 000 m$^3$/y of paller billets and 12 500 m$^3$/y of special timbers can be maintained if 360 000 to 432 000 ha of ENGO claimed HCV forests were immediately protected. This scenario has not been modelled and is demonstrably inconsistent with the resource modelling undertaken for the Final Report. For example, the Industry Scenario in the Final Report indicates that, as a minimum, the sustainable supply of special timbers would reduce to 11 500 m$^3$/y and if the full 572 000 ha were reserved the supply would fall to 6700 m$^3$/y. Similarly, the supply of paller billets cannot be maintained if substantial areas of regrowth within the ENGO identified HCV Forests were to be reserved. It defies logic that substantial tracts of additional forest can be protected, without reducing the sustainable yield of forest products. The Agreement would certainly not be enduring if it is based on a false premise that the 430 000/572 000 ha claim can be reserved and still meet the minimum supply position of 155 000 m$^3$/y of high quality sawlog, 265 000 m$^3$/y of paller billets and 12 500 m$^3$/y of special timbers.

FT notes the view that areas agreed for protection should become National Parks. In the interests of efficiency and conservation, and to ensure adequate fire management, FT would prefer to remain the federal manager for any State forests lands to be protected, assuming that funds were provided for the management of these lands and has demonstrated its capacity as a reserve manager through its protection of some 05M ha of State forest that form part of the Tasmanian Reserve Estate.

FT notes that this and the previous agreement refers to “licences”, “quotas” and “allocations”. None of these exist. All of Forestry Tasmania’s arrangements to supply wood or services are through commercial contracts, which have value to FT and FT would expect fair commercial compensation for the compulsory acquisition of assets on its balance sheet or for the loss or breaking its commercial wood supply contracts. Currently, there is current strong market demand for fully certified (PEFC) wood products from Tasmania’s forests and any reduction in supply levels represents a missed opportunity.

FT remains willing to act as expert commercial consultant to analyse requests from the parties or governments.

Yours sincerely,

Bob Gordon
Managing Director