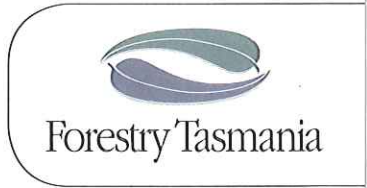


Phone: 03 6235 8225

Your Ref:

Our File: 29 June 2011



Mr Bill Kelty
C/- Joel Bowden
joel_bowden@linfox.com

Dear Mr Kelty

Re: Forestry Tasmania's view of the Signatories Agreement dated 22nd June 2011

In response to your request for feedback from Forestry Tasmania (FT) on the Signatories Agreement (22/6/2011), I provide the following comments:

General Comments

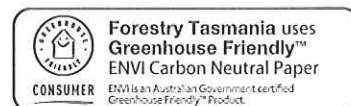
FT is not a signatory to the Statement of Principles or the Agreement, but was contracted to provide consultancy services to the signatories in relation to wood resource modelling. The resultant *Evaluation of Wood Resource Scenarios - Final Report to Signatories* (6 June 2011) has been independently verified by Professor Jerry Vanclay 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 ENGOs, as well as forest industry, unions and timber communities. That is a significant achievement, and distinguishes the Statement of Principles from previous processes that attempted to balance conservation and wood 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 allocation and forest policy. However, it notes that the ENGO identified HCV forests have not undergone any governmental or independent scientific review 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 ENGOs 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 sawlog of 155 000 m³/y is very unlikely to be met if 430 000 ha is made unavailable. The extent of the 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 m³/y of high quality sawlog, 265 000 m³/y of peeler billets and 12 500 m³/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 m³/y and if the full 572 000 ha were reserved the supply would fall to 6700 m³/y. Similarly, the supply of peeler 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 m³/y of high quality sawlog, 265 000 m³/y of peeler billets and 12 500 m³/y of special timbers.

FT notes the view that areas agreed for protection should become National Parks. In the interests of efficiency and cost saving, and to ensure adequate fire management, FT would prefer to remain the land 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 0.5M 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