

BELL BAY PULP MILL

DRAFT INTEGRATED IMPACT STATEMENT

SUBMISSION BY FOREST INDUSTRIES ASSOCIATION OF TASMANIA

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1. About FIAT

The Forest Industries Association of Tasmania (FIAT) is an industry association formed in 1983 to represent the interests of processors of Tasmanian forest products. FIAT was formed out of a predecessor Association, the Tasmanian Timber Association. FIAT and TTA collectively have provided representational services to the Tasmanian timber industry for in excess of 60 years. Our members' activities are diverse and include the production of veneers, hardwood and softwood timber, pulp and paper, woodchip production and export and plantation and native forest management.

FIAT's 18 member businesses include all of the State's larger processors of forest products, including a significant proportion of the crown sawlog output, as well as all of the veneer produced in the State. FIAT Members' activities account for more than 75% of the gross value of production in the forest and wood products industry in Tasmania.

2. Project of State Significance Process

FIAT believe the Gunns IIS needs to be considered in the context of the Legislative process that underpins the lodgement of that IIS and its promulgation. The Gunns IIS has been lodged in accordance with the Project of State Significance provisions of the *State Policies and Projects Act 1993*. To attain eligibility for this status to be conferred, a project must receive an Order by the Governor making a declaration that a project is a Project of State Significance and that Order must be passed by both Houses of the Tasmanian Parliament.

A project is eligible to be a project of State significance if it possesses at least two of the following attributes:

- significant capital investment;
- significant contribution to the State's economic development;
- significant consequential economic impacts;
- significant potential contribution to Australia's balance of payments;
- significant impact on the environment;
- complex technical processes and engineering designs; and/or
- significant infrastructure requirements.

(Source: - www.rpdc.tas.gov.au/projects_state_signif/pss_docs/pos_more_info.htm)

On 22 November 2004, the Administrator made an order, which declares the proposal by Gunns Limited to be a project of State significance. The order has been amended and approved by both Houses of Parliament *State Policies and Projects (Project of State Significance) Order 2004*.

The Premier, the Hon. Paul Lennon, has directed (Ministerial Direction) the (Resource, Planning and Development) Commission to undertake an integrated assessment of the Gunns pulp mill proposal in accordance with the requirements of the *State Policies and Projects Act 1993*.

Source: - www.rpdc.tas.gov.au/projects_state_signif/pulp_mill/pm_docs/pm_assessment_process.htm#assessment

A Project of State Significance may also be determined, by the Federal Minister for the Environment and Heritage, to be a controlled action for the purposes of the *Environment Protection and Biodiversity Conservation Act 1999*.

On 5 October 2005 the Federal Minister decided that the proposed action by Gunns was a controlled action. The determination indicates that the controlling provisions (aspects of the environment likely to be impacted) are:

- listed threatened species and communities;
- listed migratory species; and
- activities involving the Commonwealth marine environment.

On 26 October 2005 the Minister further determined that ‘the approach that must be used for assessment of the relevant impacts of the action described in the schedule is assessment by an accredited process.’ The accredited process is an integrated impact assessment under the Tasmanian *State Policies and Projects Act 1993*. This means that the Commission will undertake the assessment and provide the Minister with an integrated impact assessment report on the impacts of the controlled action. One assessment will be undertaken to meet the statutory requirements of both the Australian Government and the Tasmanian Government.

(Source : -www.rpdc.tas.gov.au/projects_state_signif/pulp_mill/pm_docs/pm_assessment_process.htm)

The *State Policies and Projects Act 1993* sets out the statutory assessment process for a project of State significance. The proponent is required to prepare a Draft Integrated Impact Statement (IIS), which will describe the proposal and address all potential environmental, social, community and economic impacts of the construction and operation of the proposal.

A key step in the process is the preparation of guidelines for the scope of studies and the process for preparing the Draft IIS. The RPDC invites public comment on a draft set of guidelines before providing the proponent with the final scope guidelines.

Gunns Limited have publicly advised their intention to meet the guidelines determined by the RPDC viz: -

“The mill will be designed to achieve best practice environmental outcomes and comply with Tasmanian and Commonwealth environmental laws and policies. The technology proposed to be used in the mill will meet the ‘Recommended environmental emission limit guidelines for any new bleached eucalypt Kraft pulp mill in Tasmania’ issued by the Tasmanian Government on 26 October 2004.”

(Source: - Gunns Limited – Revised Project Scope – August 2005)

A proponent must then submit its Draft IIS to the RPDC for assessment. The Draft IIS is placed on public exhibition and public comment invited. A hearing may be held. Persons who lodge a written submission on the Draft IIS may, at the invitation of the Commission, make a presentation at the hearing. The RPDC will prepare a Draft Integrated Assessment Report (DIAR), which will be placed on public exhibition for a minimum of 28 days. Submissions will be invited on the RPDC’s DIAR. Submissions will be considered by the RPDC and a further hearing may be held to assist the RPDC to consider the submissions. The RPDC will submit a final report to the Tasmanian Premier.

(Source: - www.rpdc.tas.gov.au/projects_state_signif/pss_docs/pos_more_info.htm)

FIAT believes this is a process that permits all interested persons and organisations with a more than adequate opportunity to participate in the process and put forward their views as to whether or not the project meets the Environmental Emission Limit Guidelines established by the RPDC and also as to whether or not in all of the circumstances a project should be recommended to the Government for approval.

Attempts have been made by a number of groups and individuals in the community to undermine the public confidence in the independent RPDC process, FIAT believes these unfortunate attacks have been politically motivated by those who may seek to criticise the outcomes from the RPDC process for whatever reason they may choose. The integrity of this process is dependent upon the RPDC remaining aloof from the pressures applied by external sources to influence the RPDC through means other than genuine participation in the established process.

FIAT submits that the RPDC must be, and appear to be, above these political machinations and adjudicate the Gunns Pulp Mill process as set out in the Project Scope and the Gunns IIS without fear or favour. That adjudication must be founded on an objective analysis of the science put forward by the proponents and those who seek to put an alternative view. The adjudication must also utilise a triple bottom line approach to the assessment of the project balancing economic, environmental and social outcomes.

3. RPDC Guidelines

On 19 November 2003 the then Minister for Primary Industries, Water and Environment, the Hon. Bryan Green, directed the Commission to review the Australian Government's 1995 *Environmental Guidelines for New Bleached Eucalypt Kraft Pulp Mills* and developed new environmental emission limit guidelines.

In August 2004 the Commission submitted its final report on the development of environmental emission limit guidelines for any new bleached eucalypt kraft pulp mill in Tasmania, to the Minister for Environment and Planning.

On 26 October 2004 the Tasmanian Premier, the Hon. Paul Lennon, announced that the Tasmanian Government had approved the set of emission limit guidelines recommended by the Commission.

Similarly the Australian Government has advised that the emission limit guidelines are acceptable as guidelines for emission limits for any proposal for a bleached eucalypt pulp mill to be examined under the *Environment Protection and Biodiversity Conservation Act 1999*.

December 2005 Final Guidelines

In December 2005 the RPDC, responding to a request from the then Minister for Primary Industries Water and the Environment The Hon. Bryan Green, issued its "*Recommended environmental emission limit guidelines for any new bleached eucalypt kraft pulp mill in Tasmania.*"

Volume 2 of the RPDC report on the formulation of those emission guidelines included the following preamble that identifies the status of those published guidelines: -

Preamble

These guidelines are non-statutory. They have been formulated on the basis of a review of state-of-the art kraft mill technologies and management practices aimed at minimising the environmental impact of pollutants released from the production process of any new bleached eucalypt market kraft pulp mill employing either the elemental chlorine free (ECF) or the totally chlorine free (TCF) bleaching process and whose treated liquid effluent is discharged into the marine environment.

These guidelines do not attempt to specify the technologies for installation and operation of a mill. The environmental emission limits provided in the guidelines have been set to cover all accepted modern technologies described in the guidelines, or their equivalent. Monitoring requirements of various parameters will vary dependent on the proposed technology. For example, monitoring of adsorbable organic halide (AOX) would not be required for a mill employing total chlorine free technology. During an

environmental impact assessment specific monitoring requirements based on the proposed technology will be identified and included in the mill's permit conditions.

In addition, these guidelines do not pre-empt any conditions arising out of an assessment of any mill proposal.”

(Source Recommended environmental emission limit guidelines for any new bleached eucalypt kraft pulp mill in Tasmania – Volume 2- August 2004)

That report also set out the strategy to be employed to ensure that the objectives set out in the report would be achieved and maintained: -

Strategy to meet these objectives

A.2 As technologies, techniques and environmental practices evolve for reducing emissions, they should be brought down, in any new mill, to levels that do not exceed the pre-operational concentrations. Once a mill is built, the only justification for requiring modifications to these limits for environmental reasons should be that a significant impact has been identified.

A.3 The strategy to achieve the primary objective of the guidelines is to:

- (a) establish stringent emission limits based on accepted modern technology^a(AMT), and best available techniques^b (BAT), as may be required under the Stockholm Convention on Persistent Organic Pollutants 2001 (the Stockholm Convention),^c and best practice environmental management ^d (BPEM), and specify site suitability, pre-operational and operational studies and monitoring prerequisites to:
 - (i) protect against any known scientifically demonstrated risks of environmental detriment;
 - (ii) detect and so avoid irreversible damage from any possible as yet unknown risks;
- (b) maintain a comprehensive knowledge of the latest pulp and paper technology and its environmental effects; and
- (c) review the guidelines regularly to ensure that they reflect AMT and BPEM, and BAT as regards those persistent organic pollutants that arise through pulp bleaching processes.

(Source Recommended environmental emission limit guidelines for any new bleached eucalypt kraft pulp mill in Tasmania – Volume 2- August 2004)

Importantly , for the credibility of the process and to ensure ongoing best outcomes for the Tasmanian environment the RPDC have also established a clear and transparent process for the ongoing regular review of the established Guidelines which has been incorporated into that report viz: -

Reviewing these guidelines

A.6 At two yearly intervals the Tasmanian Government will commission a report on developments in pulping technology and techniques, and on the

basis of that report consider whether a full review of these guidelines is warranted, and make a report and recommendation publicly available.

(Source Recommended environmental emission limit guidelines for any new bleached eucalypt kraft pulp mill in Tasmania – Volume 2- August 2004)

The Guidelines that have been established have been determined on an objective basis by an independent properly qualified body and formulated on the basis of independent analysis by consultants to the RPDC. This open transparent process has provided ample opportunity for public input into the process.

FIAT submit that the process to be embarked upon at this time is not a re-examination of the emission guidelines or a double guessing of the outcomes of that process, rather the current stage of the approvals process requires an objective analysis of the proponents Integrated Impact Statement against the guidelines already established through the earlier processes.

4. The Gunns IIS

The Integrated Impact Statement prepared by Gunns Limited to enable an assessment of their proposal against the independently established RPDC emission guidelines is a comprehensive assessment of the proposed mill and proceeds to analyse each of the issues identified by the RPDC. The IIS is voluminous and in many areas highly technical scientific data is presented from a range of specialists in their respective fields. FIAT is concerned at recent endeavours by persons not similarly qualified to undermine the integrity of the IIS and the POSS assessment process by the pursuit of public agendas through the media.

It is vital to the confidence of the Tasmania business community that the assessment of this project proceeds on the basis of an objective analysis of the science presented. Should opponents of the mill wish to contest the science in the IIS those objections must be on the basis of alternate scientific analysis and not on an emotive objection that is contrary to established science.

Recent media reporting of an Erratum in the data developed by consultant Toxicos is an example of the type of hysteria being generated in the community that has no foundation in science and is clearly motivated by goals other than an application of scientific rigour to the assessment process. In that example Toxicos and the mill proponent Gunns Limited have publicly acknowledged an honest mistake in their report and have issued an Erratum correcting that mistake.

FIAT make no claims to being in a position to credibly assess the detailed science within the Toxicos study, rather we would defer to their acknowledged expertise in this area. What is obvious however is that the correction of the error in the original report still leaves the assessment at only approximately 25% of the emission guidelines established by the RPDC as permissible. The public calls for significant extensions to the already extensive assessment process are without foundation and should be unequivocally rejected by the RPDC. We say that there has been sufficient time for interested groups to collate data upon which they wish to make submissions to the RPDC and requests for extensions constitute an attempt to further delay and frustrate the assessment process.

5. Application of a Triple Bottom Line Approach

The process of assessing a Project of State Significance must proceed on the basis of a consideration of the social, economic and environmental impacts of a project. Consideration of any one of these criteria in isolation will lead inevitably to perverse outcomes that in the longer term will be unsustainable for the State as a whole.

This assessment process commonly known as the “triple bottom line” reporting process ensures that each of the three key criteria are given equivalent weighting in analysing the impacts and/or benefits of a proposal to the State of Tasmania. The adoption of a triple bottom line approach is consistent with the well accepted doctrine of ecologically sustainable development.

FIAT do not advocate progressing with the proposed pulp mill at all costs and believe that the RPDC should only recommend approval of this project if they are satisfied that the IIS, on balance, satisfies the triple bottom line assessment. Whilst we firmly support the progression of significant economic developments within Tasmania, to provide a solid economic base for the creation of wealth and employment, we believe that development must be appropriately balanced through the application of a triple bottom line reporting process including assessment of economic, social and environmental considerations.

In the instant case it is clear that the Guidelines determined by the RPDC, to be addressed by the proponent through the development of an IIS, do appropriately contemplate an assessment based on this doctrine, In our view the Guidelines can therefore be reliably used to provide a triple bottom line assessment of the project. FIAT submits that the correct approach from this point is an analysis of the detailed findings of the IIS against the guidelines prepared by the RPDC.

It is vital that such an analysis not proceed from the point that any adverse impact automatically results in a recommendation that the mill not proceed. The correct process will be the offsetting of adverse findings against the very positive findings in respect to other aspects of the guidelines ie a balancing of the triple bottom line.

6. Scope of FIAT Submission

FIAT have no claims to be in a position to replicate the detailed scientific analysis contained within the IIS, which has been compiled by independent credible experts in a broad range of scientific disciplines nor do we have the resources to do so, we propose therefore to defer to the significant credibility and experience of these experts. It is our intention therefore, to concentrate our submission to those areas where FIAT has a scientific or other credibility to make meaningful submissions that may assist the RPDC with its task of analysing the IIS against the guidelines. In this context we have decided that we will concentrate our submissions in the area of economics, wood supply and socio-economic impacts.

7. Overview

FIAT offers its unequivocal support to the project clearly encapsulated by the IIS and final project scope submitted to the RPDC by Gunns Limited.

FIAT believe there are highly beneficial economic benefits for the State of Tasmania and indeed Australia as a whole to be derived from the pursuit of this project.

We are heartened by the scientifically premised findings in the IIS that the guidelines established against which the mill is to be assessed demonstrate nil or negligible environmental impact from the mill but say that in any event given the highly favourable economic results the mill ought to proceed on any objective triple bottom line assessment. To our analysis it appears that on all reasonable criteria the IIS satisfies the criteria established by the RPDC and there do not appear to be valid grounds for refusing to recommend to the Government that the mill should proceed.

Within this submission we will deal, in a little more detail, with a number of issues clearly within FIAT's area of influence and expertise to analyse some of the detailed data provided by Gunns Limited in its IIS. The issues we have selected are, we believe, some of the more important issues to be considered in the context of reviewing the IIS, however, we do not in saying that wish to devalue in any way the other issues dealt with by the proponent in the IIS.

8. Economic Issues

The Draft IIS contains detailed economic evaluations of the proposed pulp mill project independently prepared by the Allen Consulting Group.

The Allen Consulting Group indicate in their detailed report found in Volume 8 of the Draft IIS that the methodology employed was to utilise general equilibrium modelling through the MMRF – Green model operated by the Centre of Policy Studies at Monash University which Allen Consulting describe as “the most comprehensive economic model available in Australia and is highly regarded in terms of the robustness of its assumptions and the overall credibility of its results”

The Allen Consulting Group are acknowledged leaders in the area of economic evaluation and modelling with credentials in a broad range of industry sectors throughout Australia

Profile of the Allen Consulting Group: -

The Allen Consulting Group is an independent consulting firm founded on the industry expertise and intellectual strength of some of Australia's leading public policy advisers and economic analysts

The Allen Consulting Group was formed in 1988 to provide independent policy analysis and advice to business and government. Our first office opened in Melbourne, followed by Sydney (1997), Canberra (1999), Perth (2001) and Brisbane (2004).

Since 1988, our people have helped tackle some of the most challenging policy issues in Australia. Among these are national competition policy, deregulation, national saving, greenhouse effects, free trade negotiations and social policy reform.

Leaders in Australian business and government trust our people to analyse complex issues and provide rigorous assessment throughout all stages of the policy-making cycle.

Our value to clients comes from our [industry focus](#), the expertise of [our people](#) and our ability to provide holistic policy analysis - economic analysis, public policy advice and stakeholder engagement.

We earn the trust of our clients by understanding their objectives, respecting their confidentiality and by being mindful of their complex and sensitive stakeholder environments.

We strive to be on time and to deliver reports that are of a high standard. We pay attention to detail and take care to communicate our work effectively.

Importantly, by consistently providing quality analysis and advice to our clients, we create value for our own people who strive to work in a challenging and stimulating environment.

Source: <http://www.allenconsult.com.au/about/who.php>

The key economic impacts of the mill are summarised by the Allen Consulting Group in summary table 8.1 located in Volume 8 of the draft IIS. In broad terms these benefits to be derived from the undertaking of the construction and operation of the pulp mill can be summarised as follows: -

Table 1. Economic Benefits

NPV of Gross Domestic (State) Product impacts (\$billion)		
Australia	\$3.8 billion	+0.03%
Tasmania	\$6.7 billion	+205%
NPV of investment impacts (\$billion)		
Australia	\$2.3 billion	+0.02%
Tasmania	\$3.1 billion	+2.2%
NPV of consumption impacts (\$billion)		
Australia	\$2.7 billion	+0.04%
Tasmania	\$3.3 billion	+2.6%
Average annual construction phase employment impacts		
Australia	+696 persons	
Tasmania	+2,187 persons	
Average annual operating phase employment impacts		
Australia	+284 persons	0.0%
Tasmania	+ 1,617 persons	+2.0%

There can be no doubt that on any objective analysis the economic benefits demonstrated by the above summary are significant and by themselves, in FIAT's view, constitute a compelling case for the RPDC to recommend the project for approval by the Government.

The economic value of the project should be viewed against the general background of the Tasmanian economy's performance over recent years to obtain an order of magnitude against which to adjudge these improvements. The Allen Consulting Group has provided an analysis of this data at section 8.3 of their report. In broad terms these data demonstrate that the Tasmanian economy has historically underperformed against averaged national data with some trending towards an improvement against that national data over recent years.

In key economic indicators Tasmania has generally fared poorly against national trends including GSP per capita, population growth unemployment rate. Given this scenario Allen Consulting conclude that to achieve a higher rate of economic growth Tasmania needs to identify measures to increase the rate of investment to achieve those growth rates.

The proposed pulp mill represents a significant opportunity to progress the State economy in this way as it constitutes a massive investment with significant economic benefits. Historically Tasmania's rate of business investment has lagged behind that of mainland States as a proportion of GSP with an investment ratio of 20.2 percent in 2004/05 compared to the national trend of 22.1 percent. An investment of \$1.45 billion by this project would be a massive injection of capital investment in Tasmanian terms and would be augmented by announced plans to spend up to \$20 million annually during the life of the mill. Much of this expenditure will be within the local community in the form of maintenance contracts and supply of goods and services to the mill.

FIAT are aware that the Tasmanian Chamber of Commerce and Industry intend to place a detailed economic analysis of the value of the pulp mill project before the RPDC as part of their submissions on the IIS. The TCCI is regarded as Tasmania's peak industry representative body and is best placed to provide this type of economic analysis and therefore FIAT defer to their analysis of the existing status of the Tasmanian economy and the specific effects of the proposed pulp mill on the economy.

It is important to put into perspective the proportion of expenditure of the mill that will be directed to local Tasmanian businesses when viewing the economic effects of this project. The following table details in tabular form the estimates provided by Gunns Limited of the proportions of inputs that will be sourced locally: -

Table 2. Source of Inputs

<u>Summary of Inputs and Percentage Sourced from Tasmania</u>	
<u>Project Cost</u>	<u>Percentage of Input Sourced from Tasmania</u>
<u>Operating Phase Personnel</u>	100%
<u>Wood and Chipping costs (including road transport)</u>	100%
<u>Chemicals</u>	80%
<u>Fuel (gas, biofuel)</u>	100%
<u>Water</u>	100%
<u>Sewage Disposal</u>	100%
<u>Solid Waste Disposal</u>	100%
<u>Operating and Packing Materials</u>	90%
<u>Maintenance Materials</u>	90%

It is clear from the above table that Gunns plan to direct a vast proportion of the benefits from increased economic activity back into the Tasmanian economy where the benefits will be significant.

The project will also have considerable beneficial effect in the national economy and most particularly in the area of the balance of trade deficit Australia currently experiences in wood and paper products.

For many years Australia has carried a large deficit in the trade of its wood and paper products and it currently stands at close to \$2 billion per annum (annual exports are over \$2 billion, but annual imports are nearly \$4 billion). This large trade deficit is mostly a result of Australia's significant exportation of minimally processed forest products (predominantly woodchips) and our heavy reliance on the importation of higher value processed wood and paper products.

The Gunns pulp mill is anticipated to add between \$400 and \$450 million each year in direct economic value to Australia's forest industry. This would be an enormous boost for the domestic and international competitiveness of the industry and it would have a significant impact on reducing Australia's current trade deficit in wood and paper products by somewhere in the order of 20 to 25 percent.

It is clear, in our submission, that the economic benefits to be produced by the progression of the Gunns Limited project will be considerable both in terms of the domestic Tasmanian economy and in the context of investment and trade balance for the Australian economy.

These benefits must be given considerable weight by the RPDC in applying the triple bottom line assessment of the entirety of the project as outlined in the IIS. We say that the economic data provided by Allen consulting is overwhelmingly positive in its analysis of the benefits to be derived from this project.

As importantly it is worth noting the stark warning by Allen's Consulting at paragraph 8.8 of their analysis of the impacts on the project not proceeding. Allen's conclude that the detriment to the State of the project not proceeding are more than just the foregone benefits that would otherwise arise from the project:-

"There would not be the stimulus provided to Tasmanian industry and economic growth because there would not be additional activity or a change from the status quo. Tasmanians would need to look to other industries to sustain their future living standards. After a negative experience with this project and the previous decision on Wesley Vale, it would seem very unlikely that any other investor would develop a major investment proposal in this industry again. The prospects of adding value to Tasmania's greatest natural resource would therefore appear limited.

In the event that the project does not go ahead, it may well be that the present gap between living standards in Tasmania and on the mainland would again widen over time. Tasmania remains a small and open economy. Adding value to its principal natural resource, in a responsible and ecologically sustainable way, would offer a pathway to building continued economic growth. While other industries, such as tourism, will continue to develop, they do not offer such a potential for wealth creation and the ability to sustainably increase living standards."

And later:-

“Moreover, there would be no change in the volume of forest harvested. Gunns’ harvesting strategy is independent of the decision to process the wood downstream.”

9. Wood Supply Issues

In considering and analysing the projections within the IIS on wood supply to the proposed pulp mill it is important to consider the nature of forest management within Tasmania so that the data can be considered in a context.

The Tasmanian forest industry prides itself on being amongst the best in the world in sustainable forest management in respect to both public and private forest management. It is within the context of this overall highly regulated and demonstrably sustainable framework that the wood supply data must be analysed.

It is worth briefly tracing the management regimes that apply within the Tasmanian forestry sector to enable a full appreciation of the management regime that will underpin all of the wood sourced for the mill.

Sustainable Forest Management

Tasmania's forest industry (both public and private) acts within a number of strictly enforced Government regulations including the following: -

Regional Forest Agreement

The Tasmanian Regional Forest Agreement was reached in 1997 between the Australian Government and the Tasmanian Government and includes the following objectives: -

The State and the Commonwealth have agreed to establish a framework for the management and use of Tasmanian forests which seeks to implement effective conservation, forest management, forest industry practices and in particular:

- Provide certainty for conservation of environment and heritage values through the establishment of a Comprehensive Adequate and Representative Reserve System; and
- Provide for the ecologically sustainable management and use of forests in Tasmania;

This Agreement has been made having regard to studies and projects carried out in relation to all of the following matters relevant to the Tasmanian Region

- (a) environmental values, including old growth, wilderness, endangered species, national estate values and world heritage values;
- (b) indigenous heritage values;
- (c) economic values of forested areas and forest industries;
- (d) social values (including community needs);
- (e) principles of ecologically sustainable management.

(Source: Regional Forest Agreement 8 November 1997)

The regional Forest Agreement contains specific provision for the parties to that agreement, the Commonwealth and State Governments, to actively encourage the industry to invest in downstream processing activities and investment in pursuit of the RFA's overarching aims i.e.: -

- **Clause 19:** Active encouragement of the development of downstream processing within Tasmania such that the preferred market for growers is within the State.
- **Clause 74, Attachment 12:** A range of new and enhanced initiatives designed to encourage investment, plantation development, downstream processing, value-adding, industry development and employment growth in Tasmania's forest-based industries.

(Source: Regional Forest Agreement 8 November 1997)

The Gunns pulp mill proposal is consistent with these stated specific objectives of the RFA as it represents a massive investment in down stream processing, a shift in market preference to Tasmania and considerable growth in sustainable employment for the Tasmanian forest industry.

This agreement expresses the clear direction of the Australian and State Governments for the forestry industry in Tasmania. Any product sourced in accordance with this agreement will have been obtained legally and in accordance with the principles of ecologically sustainable forest management.

Tasmanian Community Forest Agreement

In the Federal Election in October of 2004 the Prime Minister, John Howard announced a new policy position in respect to the forest industry in Tasmania. This policy was by way of a supplement for the Regional Forest Agreement. Detailed negotiation between the Federal and State Governments followed that election and a new Agreement, known as the Tasmanian Community Forest Agreement (TCFA), was reached.

The TCFA includes the following key issues: -

- Expansion of the forest reserve system by 170,000 hectares with particular emphasis on old growth forests and rainforest increasing the reservation of these forest communities to a total in excess of 1 million hectares;
- Substantially curtailing the use of clear fall logging in old growth forests to be replaced by a new silviculture known as Variable Retention;

- Providing assistance to the forest products industry processors to move towards a greater reliance on regrowth and plantation sourced wood;
- The phasing out of clearing and conversion of native forests to plantations on public land by 2010;
- An overall cap on clearing and conversion of native forest on both public and private land to retain 95% of the 1996 area of native forest;
- Improved regulation of forest clearing and conversion and the protection of regional biodiversity and water quality values using stringent and scientifically based assessment criteria; and
- Banning the use of 1080 poison on public land and supporting research initiatives to develop alternative browsing deterrents on private land.

This agreement confirmed the support of the Federal and State Government's for Tasmania's forest industry whilst further enhancing conservation values and biodiversity. Wood sourced from Tasmania carries the approval of both Governments and is therefore free of any credible contention in respect to its sustainability.

Forest practices system (including criteria to be assessed prior to logging)

In addition to the Regional Forest Agreement criteria the Tasmanian forest industry operates under a rigid and exacting Code that has legislative backing. The Forest Practices Code is developed by a representative body with technical backgrounds to ensure that the Code is capable of on-ground implementation.

In the planning process prior to any harvesting operation the Code requires that a specially trained person, a Forest Practices Officer, prepare a detailed Forest Practices Plan that analyses the proposed harvest area for a range of specific special values ie : -

- Fauna
- Flora
- Soil and Water
- Geomorphology
- Visual and Landscape
- Cultural Heritage

Any coupe (harvesting area) that contains identified special values is required to be assessed by an independent employee of the Forest Practices Authority who may place restrictions on access to all or part of a coupe or may require particular prescriptions to protect the identified special value. A Forest Practices Plan is enforceable at law and an independent audit of compliance with a plan is carried out by staff authorised by the Forest Practices Authority.

The Forest Practices System in Tasmania is an extremely rigorous and tightly controlled process that is designed to ensure the protection of rare, vulnerable or endangered species by providing a balance between the economic, social and environmental requirements of the State.

Level of forest and land reservation in Tasmania

Tasmania has one of the highest levels of forest and land reservation anywhere in the world and considerably in advance of internationally recognised benchmarks and criteria.

Tasmania is an island that is comprised of a total of 6.8 million hectares of which 3.2 million hectares (47%) is forest (Source: Sustainability Indicators for Tasmanian Forests).

Of the 6.8 million hectare land mass of Tasmania, almost 2.9 million hectares (42%) are in secure reserves for the preservation of biodiversity and other conservation values. This conservation area is likely to be considerably understated as it does not include extensive areas of land managed for conservation by private landowners for which data is not readily available. As an example of this reservation that is not part of the formal reporting processes, Gunns Limited who own 178,000 hectares of private land in Tasmania manage approximately 20% or 35,000 hectares for a variety of conservation values. This reservation is entered into voluntarily by Gunns Limited.

Following the Tasmanian Community Forest Agreement, 1.45 million hectares (45%) of the 3.2 million hectares of forested land in Tasmania is now reserved for conservation reasons. The International Union for the Conservation of Nature (IUCN) recommend that 15% of forest area be reserved for conservation reasons, therefore, Tasmania's level is considerably above that recommended by the IUCN.

As part of this extensive reservation of Tasmanian land 97% of identified High Conservation Value Wilderness areas have been placed in formal reserves.

The Tasmanian RFA proceeds on the basis of the implementation of the Montreal Process Criteria and the JANIS Technical Working Group Report "Broad Criteria for the Establishment of a Comprehensive, Adequate and Representative Reserve System in Australia". These processes are based on solid, well tested scientific criteria for the conservation of natural values.

The forest industry in Tasmania applies similar principles in respect to it's approach to forest management and harvesting activities.

All cultural and heritage values are carefully assessed and protected from any harm from forestry activities through the application of the Forest Practices Code.

The level of conservation of Tasmania's forests is one of the highest in the world and this protection is enhanced by the application of the AFS/PEFC certification achieved by our two largest forested land managers - Forestry Tasmania and Gunns Limited. In addition to the formal reservation achieved through the Federal and State governments, the industry imposes its own conservation on its privately owned land.

The following table provides a brief overview of the current status of forest reservation in Tasmania following the Tasmanian Community Forest Agreement signed on 13 March 2005: -

Table 3. Schedule of Reserved Land in Tasmania and the effect of the 2005 Tasmanian Community Forest Agreement.

	Area (Hectares)	% of Area
AREA OF TASMANIA	6,840,000	
RESERVED LAND		
Land reserved prior to RFA	2,255,000	
New land reserved by 1997 RFA	458,000	
New land reserved by 2005 TCFA	148,400	
Total land reserves after 2005 TCFA	2,861,400	42%
FOREST COVER		
Pre-1750 estimate	4,822,210	
Existing forest cover	3,207,250	66.5% of original
FOREST RESERVATION		
Public forest reserved prior to 2005 TCFA	1,306,990	
Additional public forest reserved by 2005 TCFA	135,450	
Total public forest reserves	1,442,440	45% of all forest reserved
OLD GROWTH		
Area of oldgrowth assessed in pre-RFA	1,246,280	
Public old growth reserved prior to 2005 TCFA	856,990	
Additional oldgrowth reserved under the 2005 TCFA	150,490	
Total public and private oldgrowth now reserved	1,007,480	81% of all oldgrowth reserved
HIGH QUALITY WILDERNESS		
Areas of high quality wilderness assessed pre-RFA	1,943,570	
High quality wilderness reserved before the 2005 TCFA	1,836,300	
High quality wilderness now reserved	1,885,300	97% of all wilderness reserved

The Tasmanian forest industry also takes its responsibility to communities very seriously and engage in a wide range of voluntary initiatives to actively support the development of communities and ensure compatibility of forestry activities with the aspirations of the community. In particular we have actively participated in the creation and implementation of the following community support initiatives:-

Good Neighbour Charter – this charter ensures close cooperation and consultation with affected communities and neighbouring landowners in areas where plantation forestry is carried out.

Tourism and Forestry Protocol Agreement – this agreement provides an important interface between the forestry and tourism industries and allows for the non-confrontational resolution of issues arising between the two industries in the event of conflicting priorities or land use wishes.

The forest industry in Tasmania also engages closely with a number of community groups to ensure we operate compatibly with the views and aspirations of society. In particular we have working relationships with Timber Communities Australia, Aboriginal and Torres Strait Islander Commission, Tourism Council of Tasmania, Local Government Association of Tasmania, Tasmanian Farmers and Graziers Association, Tasmanian Aboriginal Land and Sea Council, Tasmanian Chamber of Commerce and Industry, Greening Australia and many others.

Certification of Tasmania's Forests

The Australian Forestry Standard (AFS) is a forest certification scheme jointly developed by the Australian Government and the forest industry with input from a variety of stakeholders, including environmental and indigenous groups, to independently certify those forests that have been managed in accordance with environmental, economic, cultural and social sustainability benchmarks. This scheme is under the auspices of Standards Australia [AS4708 (Int.)] and applies one of the most rigorous sustainability assessment regimes anywhere in the world.

The AFS is internationally recognised by the Programme for Endorsement of Forest Certification (PEFC), the worlds largest forest certification framework. Australia is a member nation of the PEFC, and with PEFC's recognition of the AFS, consumers and manufacturers can now discriminate between Australian (and Tasmanian) products independently certified as originating from sustainably managed forests and those sourced from unsustainably harvested or illegally logged forests from overseas countries.

Approximately 1.5 million hectares of forest on public land and almost 225,000 hectares of native forest and plantations on private land have been certified in Tasmania under the Australian Forestry Standard (AFS). Tasmania's two most important forest and timber product enterprises (Forestry Tasmania and Gunns Ltd) have achieved AFS certification for native forest and plantation operations. The Tasmanian Government continues to encourage other forest managers and

investors to work towards continuous improvement of our forest management practices and the pursuit of AFS certification.

The bulk of the wood to be sourced for the mill will be derived from forests managed in accordance with the AFS/PEFC sustainability requirements.

Gunns Limited have almost 250,000 hectares of forest (native and plantation) certified in accordance the AFS including freehold land and private property under Gunns Limited management. Forestry Tasmania have a total of approximately 1.4 million hectares of native forest and plantation under AFS certification.

The AFS have also developed a Chain of Custody Standard [AS 4707 (Int.)] which both Gunns Limited and Forestry Tasmania have achieved which in effect means that all products produced from forests managed by these suppliers can be traced back to the originating forest to demonstrate that it is sourced from sustainably managed forests. This criterion is extended in any circumstance where Gunns Limited plans and carries out a harvesting operation on privately owned land due to the application of the Chain of Custody Standard.

In combination the AFS and AFS Chain of Custody status of both Gunns Limited and Forestry Tasmania demonstrate that the vast bulk of wood inputs to the mill will be sourced from forests that are independently assessed as being managed in accordance with stringent sustainability criteria.

Pulpwood Resource

In its IIS Gunns Ltd have determined that there is sufficient supply of pulpwood within Tasmania to provide an ongoing supply of high quality fibre resource for the mill for the duration of its estimated life. The proponent examines two different wood supply options in the IIS, one based on supply exclusively from plantation resources, the other on a mixed resource from native forest and plantation. Gunns have firmly stated their preference for the mixed resource option.

FIAT submit that it is not the role of the RDPC to determine issues as to what feedstock's are to be used within the mill as this question contemplates a complex interaction of technical detail, market issues and cost benefit analyses which are in our view best resolved in an operational context. We believe the appropriate role for the RPDC is to analyse the accuracy of the data provided by the proponent and ensure the sustainability of forest management strategies that will be utilized in providing the resource for the mill. It is important that the RDPC not allow itself to be inadvertently dragged into the highly politicized debate over the respective merits of native forest and plantation strategies, this is a matter that should be viewed solely from a scientific perspective without resort to emotive rhetoric.

The IIS states quite clearly that there will be no additional harvest of Tasmania's forest resource as a result of the pulpmill. All wood for the pulpmill will be sourced from wood that would otherwise have been exported as woodchips. FIAT are strongly supportive of this direction and believe that the opportunity presented by the pulpmill for further downstream processing in Tasmania of Tasmania's forest resource is of vital importance to the State's economy. Economic commentators for decades have expressed concern at the apparent lack of downstream value adding to the State's natural resources and have presented this option as an important one for the economic growth prospects of our economy. An example of this commentary is the following extract from Saul Eslake, Chief Economist for the ANZ Bank: -

“As I've said or written a number of times before, Tasmania's future cannot possibly lie predominantly in the volume production of essentially unprocessed commodities at lower prices than competitors with better access to larger and cheaper natural resources, labour and capital, or markets. That doesn't mean that commodity-based industries have no part in Tasmania's future; it's just that it's unlikely to be a significant one. Rather, Tasmania's future economic prospects depend on its capacity to produce highly differentiated goods and services embodying a relatively high intellectual content and for which customers are willing to pay premium prices.”

The strategy underpinning the Gunns Limited proposal is highly consonant with this sentiment as Gunns strategy sees the replacement of exporting largely a bulk commodity product with a high level of value adding within the State, without the consumption of any new resources other than those grown as a crop specifically for that purpose. This is a significant issue for deliberation by the RPDC in analysing the data presented by Gunns Limited in the IIS.

The figures presented in the IIS indicate that the pulpmill will process 3.2 to 4 million GMt of pulpwood per year. The mill will be supplied by both native forest and plantation wood. The feed stock for the mill is expected to start at 80% native forest and 20% plantation with a change over the life of the project to a feedstock of 80% plantation and 20% native forest.

This wood flow modeling can be supported by the following graphs supplied by Private Forests Tasmania for private wood supply and by Forestry Tasmania for public wood supply.

Private wood supply

The IIS states that "private forests are an important source of wood supply to Gunns existing facilities and will remain so into the future. Gunns currently sources both plantation and native forest pulpwood resource from across Tasmania to its processing sites. Paying a market royalty for this pulpwood."

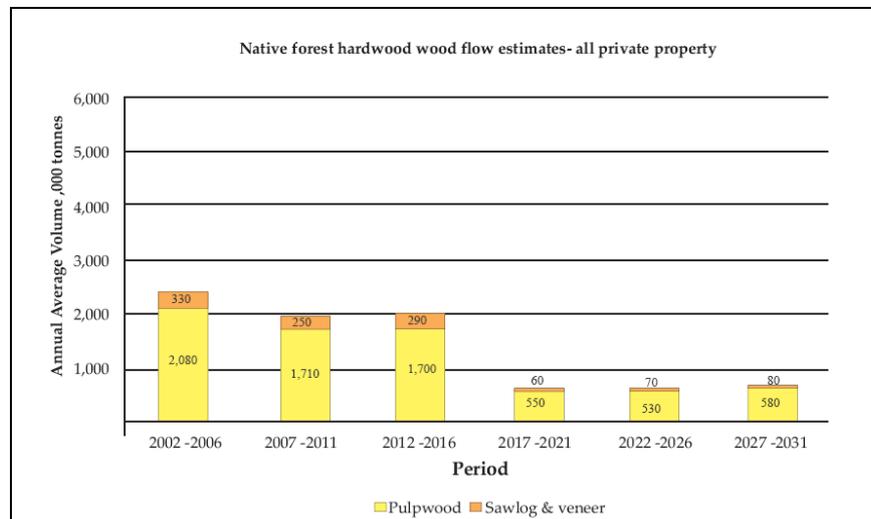
In Tasmania, there are approximately 850,000 hectares of privately owned forest. Within the private forest resource as at December 2004, there were around

120,000 hectares of plantations on private land, made up of 20,000 hectares of softwood and 120,000 hectares of hardwood.

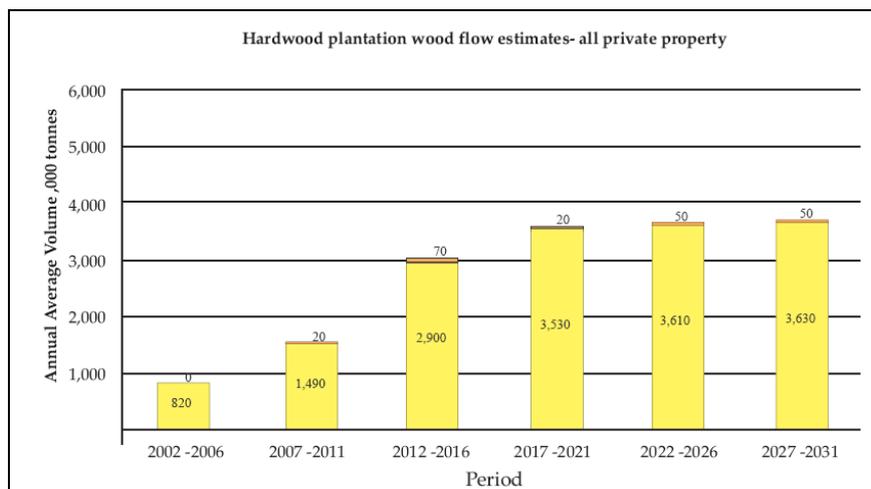
Source National Plantation Inventory 2005 and Private Forests Tasmania.

Graphs 1 and 2 display native forest wood flow estimates from private property and hardwood plantation wood flow estimates from private property respectively. These graphs indicate that in the initial period of operation of the mill there will be approximately 1.7 million tonnes of pulpwood available from private native forests and an additional 1.4 million tonnes available from plantations.

These graphs also indicate an increase in the availability over the life of the pulpmill project of plantation sourced pulpwood to 3.6 million tonnes annually from 2022 to 2031, whilst native forest pulpwood from native forests will decrease to approximately 500,000 tonnes during the same period.



Graph 1. Source: Tasmanian Private Property Wood Flow Estimates 2002-2031. <http://www.privateforests.tas.gov.au/pubindex.htm>



Graph 2. Source: Tasmanian Private Property Wood Flow Estimates 2002-2031. <http://www.privateforests.tas.gov.au/pubindex.htm>

This analysis indicates that the pulpwood availability from private forests, both native forest and plantation sourced, will be in the order of 3 million tonnes at project startup increasing to 4 million tonnes over the expected life of the project. These projections are supportive of the analysis by Gunns Limited in its IIS and suggest that the woodflow estimates from private property sources will be as suggested in the Gunns analysis.

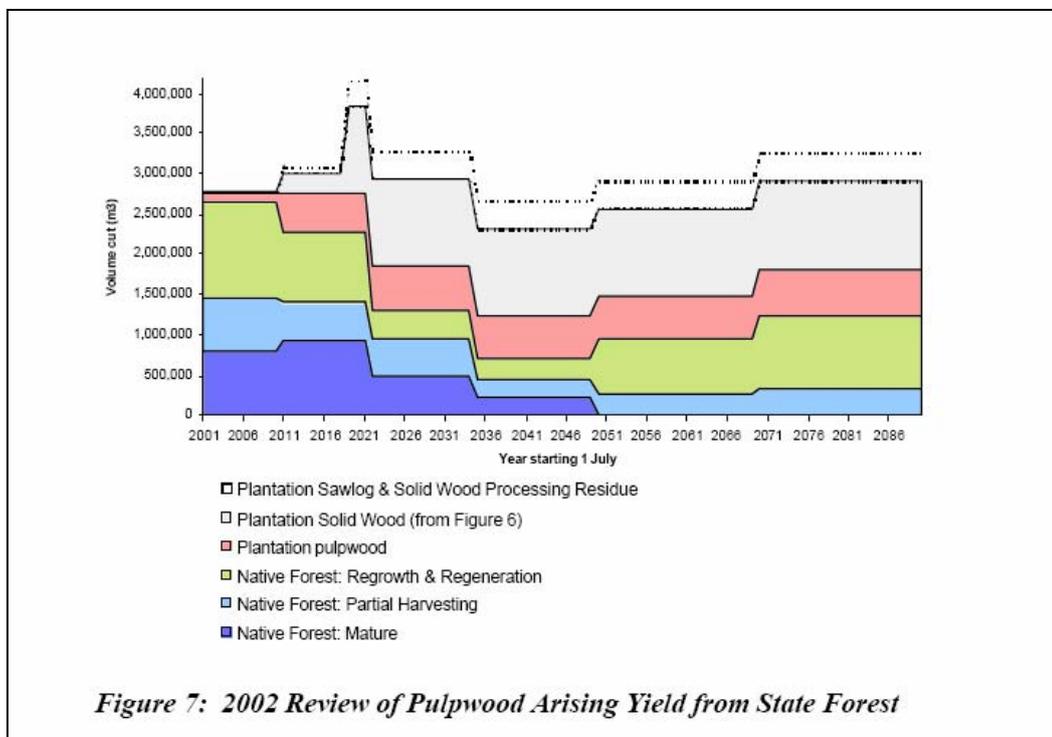
State forest wood supply

Forestry Tasmania is a Government Business Enterprise that manages around 1.5 million hectares of public land of which around 1 million hectares of natural forests are available for multiple use, including wood production.

Within the State Forest resource as at June 30, 2005 there were around 100,000 hectares of plantations, made up of 54,000 hectares of softwood and 45,000 hectares of hardwood (including Joint Ventures and Forestry Rights).

As stated in the Gunns IIS Forestry Tasmania currently supplies both plantation and native forest resource to Gunns under various contractual arrangements.

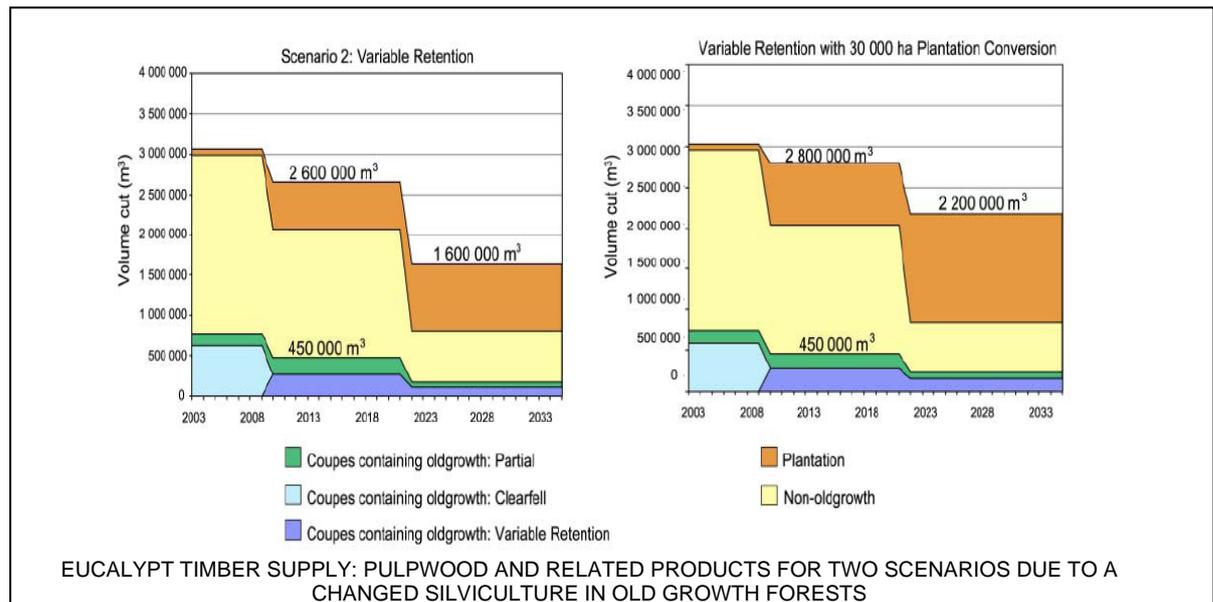
The following graphs have been sourced from Forestry Tasmania and show a number of different wood flow scenarios from State Forests. Graph 3 was presented in the Sustainable Yield Report in 2002 which was peer reviewed by Drs. B Turner and C Brack from the School of Resources, Environment and Society at the Australian National University.



Graph 3. Source: Forestry Tasmania Sustainable High Quality Eucalypt Sawlog Supply from Tasmanian State Forest. Review no. 2, 2002. http://www.forestrytas.com.au/forestrytas/pdf_files/hq_euc_sawlog_supply_review2.pdf

This graph indicates the availability of pulpwood at project startup to be around 2.7 million tonnes with an increase to around 3.2 million tonnes at project completion.

With the advent of the Tasmanian Community Forest Agreement, this graph has been altered to reflect a change in silviculture in publicly owned old growth forests. Graph 4 represents two different scenarios for pulpwood supply from State Forest as a result of the changed silviculture. The actual pulpwood supply will be a mid point between these two graphs as the adopted management prescription, as a result of the TCFA, will be variable retention with 16,000 hectares plantation conversion.



Graph 4. Source: Towards a New Silviculture in Tasmania's Public Old Growth Forests. Final Advice to the Tasmanian Government
http://www.forestrytas.com.au/forestrytas/pdf_files/2010_final_advice_april_05.pdf

Our analysis of these graphs, takes into account the resultant change in silviculture, indicate a change in pulpwood supply from State Forests from the 2002 wood flow estimates.

A midway point between these graphs indicates that pulpwood supply from State Forests at the start of the project will be approximately 2.7 million tonnes comprising about 700,000 tonnes sourced from plantations decreasing to about 1.9 million tonnes at the expected completion of the project, of which approximately 1.1 million tonnes will be sourced from plantations.

This woodflow data is supportive of the data provided by Gunns Limited in its IIS and suggests the Gunns estimates are consonant with the publicly available data from the public sector forest manager in Tasmania.

Total Wood Availability Estimates

When the public and private sector data are combined to produce a total expected pulpwood availability for the project we have deduced the following volumes: -

Table 4. Wood Availability summary

Tenure	Native (N) Plantation (P)	Start Up	2020	2035
Public Land	N	2.0 GMT	2.0 GMT	.8 GMT
	P	0.7 GMT	0.7 GMT	1.1 GMT
Private Land	N	1.7GMT	0.55 GMT	0.5 GMT
	P	1.4 GMT	3.53 GMT	3.6 GMT
Sawmill Residues		0.35 GMT	0.35 GMT	0.35 GMT
TOTAL		6.15 GMT	7.13 GMT	6.35 GMT

The figures consolidated into Table 4 demonstrates a clear capacity for the Tasmanian forest estate to supply a resource requirement to be proposed mill over its anticipated life at least equivalent to the proponents projected resource requirement of 3.2 GMT on commencement to 4.0 GMT at 2035.

FIAT submit that this separate analysis using publicly available and credible independent data demonstrates that the projection contained in the IIS prepared by Gunns Limited is well founded and demonstrates that the resource requirements for the mill can be met without any intensification of forestry operations on either public or private land.

The data analysed above does not contemplate any change in strategy to meet the mill requirements but represents to actual available resource within the State regardless of whether or not the proposed mill is proceeded with. The resource consumption of the mill will be less than Gunns current exports of woodchips from its three export woodchip mills and with a latent capacity within the State above the mill requirements it is clear that all resource to the mill will be by way of redirection of current exports of woodchips to a downstream processing activity.

There remains a capacity for the export of woodchips to international customers in excess of those required by the mill and this will provide a market for especially pulpwood sourced as a by-product from the targeting of sawlogs from old growth forests where those harvesting residues will not be processed through the mill. This export capacity and the ultimate destiny of pulpwood sourced from old growth forests is beyond the scope of the RPDC analysis of the IIS and is included here for completeness sake but also to demonstrate the availability of additional resource in the event of unforeseen restrictions on the availability of resource from the nominated sources.

FIAT submit that our review confirms broadly the Gunns Limited report of anticipated resource availability for the mill.

10. Socio – economic Issues

The socio economic impacts of the mill are dealt with in a number of diverse reports within the IIS which make them difficult to correlate in the context of a meaningful analysis of these issues. The most comprehensive analysis of the socio economic issues is found in the GHD Pty Ltd Social Impact Assessment report dated July 2006, found in Volume 8, Appendix 10 of the IIS. This report considered in combination with the GHD consultation report at Volume 8, Appendix 11, provide a comprehensive summary of the socio economic issues arising and in most instances the mitigation strategies employed to date by the mill proponent.

The assessment by GHD provides an almost exclusively positive outcome in respect to each of the socio economic indicators reported upon.

FIAT submit that the benefits to be derived from the successful construction and operation of the proposed mill will provide considerable social and economic benefits for the immediate local community for Tasmania as a whole and in some instances for Australia. We acknowledge there are likely to be some short run social disruptions during the construction phase of the project in the form of additional noise and lighting however these temporary inconveniences are more than outweighed by the longer term benefits from the mill.

Over recent weeks FIAT have become concerned at the antics of anti pulpmill groups who have claimed a groundswell of opposition to the proposed mill, most particularly following a recent anti pulpmill rally in Launceston. We say that the adjudication of the Gunns proposal against the properly structured Guidelines is not a popularity contest, nor should it's success or failure be directly related to whether or not the proposal enjoys the support of a majority of the Tasmanian or local populations.

In order to more properly understand the actual mood of the community to the proposal and to ensure that the RPDC have valid and balanced views before it as part of the assessment process FIAT commissioned an independent poll through EMRS on 19 and 20 September 2006. The poll was conducted by telephone interview of 1000 Tasmanians over the age of 16 years with approximately one third of the respondents from the South, North and North East, and North West coasts. The actual question put was as follows:-

“Are you in favour or against the proposal to establish a pulpmill in Tasmania if it was constructed to meet environmental standards approved by the independent Resource Planning and Development Commission?”

The results of this survey are as follows:-

In favour	60%
Against	28%
Unsure	13%

These figures demonstrate conclusively that a significant majority of Tasmanians support the construction of the pulpmill notwithstanding a lengthy and comprehensive media based analysis of all potential negative elements of the mill by its opponents.

Interestingly, these figures, when viewed alongside data from a similar survey conducted by GHD for Gunns Ltd in July 2005, show considerable growth in support for the mill and a reduction in those opposed or unsure. The results of the July 2005 GHD survey were as follows:-

In favour	43.8%
Against	35.4%
Unsure	23.6%

As a result of this independent survey of the attitude of the community to the pulpmill, we have no hesitation in claiming that the majority of Tasmanians are in favour of the mill proceeding.

11. Conclusions

FIAT offers its wholehearted and unequivocal support for the proposed pulpmill at Bell Bay following our detailed analysis of the social, economic and environmental issues identified through the RPDC Guidelines and addressed in detail in the IIS submitted to the RPDC by Gunns Ltd.

It is clear that there are substantive benefits to be derived by the approval of the project proposed by Gunns including extensive economic benefits, especially employment numbers with little if any adverse impacts in social and environmental terms.

We repeat our earlier submission that the correct process is for the RPDC to analyse the Gunns proposal on its merits using science to evaluate any differences that may arise between the IIS data and that input by individual submitters or community groups. It would be unfortunate for public confidence in the assessment process if politics were to play any role in the determination of the RPDC in respect to the merits of the science that underpins the detailed IIS.

We have commented in our submission that business confidence will be detrimentally impacted by an adverse finding in respect to this proposal and in so doing have repeated the words included in the Allen Consulting report about the longer term ramifications for business investment in Tasmania and particularly for investment in Tasmania's forest industry.

It is our submission that the economic benefits that will flow to the State from the construction and operational phases of the mill are too important to the longer term benefit of Tasmania to be foregone lightly and it should only be in the event of the environmental impacts significantly exceeding the Emission Guideline values that the RPDC should do other than recommend to the Government the approval of this project.

That a proposal of this magnitude can be promulgated without the requirement for any intensification of forest harvesting in Tasmania and whilst also allowing the continuation of a scaled back woodchip export industry, is a significant development that should be carefully evaluated as an extreme positive in favour of the proposal. Adverse comments in the public arena that the mill, if approved, will lead to the decimation of Tasmania's native forests is not borne out by even the most cursory examination of the wood supply data in the IIS which we have independently verified as correct.