



Australian Government

Tasmanian Forests Intergovernmental Agreement

between

the Commonwealth of Australia

and

the State of Tasmania

7 August 2011



This agreement is made on the 7th day of August 2011 between the State of Tasmania (the **State**) and the Commonwealth of Australia (the **Commonwealth**) (together the **Governments**)

1. The Tasmanian forestry industry is going through a process of structural transformation brought about by changing markets and community values. The catalyst for a sudden structural shift is the decision of Gunns Ltd, the State's major processor of both native forest sawlog and pulpwood products, to exit native forestry and to focus on its plantation based pulp mill at Bell Bay.
2. While other businesses could take up that part of the statutory minimum production of native forest sawlog currently used by Gunns Ltd, the Governments recognise that there would be ongoing market pressures. The issue of the balance between commercial use and environmental protection could also continue to divide the community, with reputational consequences for investment and economic growth.
3. As recognised in the community-driven Statement of Principles process, Gunns Ltd's exit offers a unique opportunity for the Governments to support the restructuring of the industry towards future sustainability based on both public and private resource, create a significant conservation benefit by reserving and protecting High Conservation Value forest areas, and strengthen the partnership between the two Governments and other stakeholders to develop and diversify the Tasmanian economy, creating new sources of prosperity and opportunity for all Tasmanians. However, this opportunity also brings unique challenges ranging from getting the balance right, to mitigating the economic and social consequences on affected workers, their families and regional communities during a period of transition and economic diversification for Tasmania.
4. The Governments recognise the opportunities afforded through the community-driven Tasmanian Forests Statement of Principles developed by the Signatories (**the Signatories**) to:
 - minimise state-wide economic and regional community impacts of a rapid decline in the native forest industry;
 - enable structured transition to a long term sustainable forest industry and diversification of the economic base;
 - ensure consequential conservation benefits; and
 - reduce the long term divisive community debate over native forests, including through seeking annual confirmation of the Signatories support for the implementation of all elements of this Agreement.
5. The Governments agree to work together to support the forest industry to progressively transition to a more sustainable and diversified footing and to build regional economic diversity and community resilience.
6. The Governments further agree that, through entering into this Agreement, they are seeking to achieve the following outcomes:
 - i. Forest workers, their families, communities and harvest and haulage contractors experiencing hardship as a result of the restructuring of the Tasmanian forest industry are provided with immediate support;
 - ii. Regional economies in Tasmania broaden their economic base and improve the productivity and income earning capacity of the

- Tasmanian economy;
- iii. Native forest with high conservation values is further protected through expansion of the National Reserve System and possible World Heritage listing of appropriate areas;
 - iv. The Tasmanian forest industry has a sustainable and guaranteed wood supply; and
 - v. Signatories to the Statement of Principles and other stakeholders including affected communities and local governments are committed to and appropriately engaged in delivering the above.
7. The Governments recognise that the above outcomes are interrelated and no one outcome takes precedence over another.
8. To give effect to this common policy intent, the Governments agree to the following three Streams of activity all of which will commence now:
- i. Stream One: Support for Workers, Contractors and Communities;
 - ii. Stream Two: Protecting High Conservation Forests and Ensuring Sustainable Wood Supply; and
 - iii. Stream Three: Economic Diversification.
9. The Governments will design and deliver the various components of these Streams to ensure complementarity and to maximise efficiency and positive outcomes.
10. Implementation of this Agreement will be overseen by an Intergovernmental Taskforce supported by a Reference Group of Signatories, and in consultation with community members and other relevant parties on matters such as:
- i. the modelling of options and outcomes under the independent verification process (Clause 20 refers); and
 - ii. further work and the transition plan required for successful delivery of the wood supply and conservation commitments set out in this Agreement.

STREAM ONE: SUPPORT FOR WORKERS, CONTRACTORS AND COMMUNITIES

Support for forest industry workers

11. The Commonwealth will work with State and local stakeholders to maximise employment and training opportunities at the regional and local level, including by working in partnership with ForestWorks and Skills Tasmania. This may include developing industry and community partnerships to identify and deliver appropriate solutions for displaced workers.
12. The Commonwealth will fund at least \$14 million and up to \$25 million (subject to demand) to provide immediate employment and training support for redundant forest workers in Tasmania. This will include intensive support

through Job Services Australia and other providers, for workers made redundant from eligible businesses in the forestry industry in Tasmania. In addition, support will include accelerated access to the Commonwealth's "Connecting People with Jobs" program, which will provide relocation support for redundant Tasmanian forestry workers.

13. The State will provide funding of \$15 million to ForestWorks Ltd to administer and provide transition support payments, subject to equity and efficiency criteria approved by the State, to workers directly impacted by the industry restructuring, including employees of contractors who are made redundant, as a result of Gunns Ltd's exit from native forest processing.
14. The Governments will provide funding of \$1 million over two years (\$0.5 million each) to support Rural Alive and Well Inc. mental health counselling and community well-being services for forest workers and contractors, their families and associated businesses adversely affected by the current forestry industry changes.
15. The Governments will work with major employers to identify sustainable employment opportunities.

Voluntary Exits for Native Forest Haulage, Harvest and Silvicultural Contractors

16. Following compliance by the State with Clause 22, the Commonwealth will provide and manage the allocation of \$45 million subject to demand in assistance for voluntary exits from public native forest operations for haulage, harvest and silvicultural contractors. The Commonwealth will consult with the State and, where appropriate, the forest contractors' associations during the design and delivery of this exit assistance mechanism.

STREAM TWO: PROTECTING HIGH CONSERVATION VALUE FORESTS AND ENSURING SUSTAINABLE WOOD SUPPLY

Legislated sustainable timber supply/Sustainable forestry industry

17. Wood supply for the remaining industry will be guaranteed:
 - At least 155 000 thousand cubic metres per year of high quality sawlog, by regulation.
 - 265 000 metres per year of peeler billets.
 - A speciality timber supply, noting that the industry claim is 12,500 cubic metres per year, subject to verification.
18. Contracts for native wood supply that are in existence at the time of this Agreement will be honoured. The Governments recognise the importance of this commitment for the successful implementation of the whole Agreement, particularly in relation to the guaranteed supply of peeler billets under their

current contract, including the option to extend that contract. In providing this commitment, the Governments also have a clear expectation that Signatories to the Statement of Principles will continue to respect those contracts and the associated need for guaranteed supply to meet them.

19. The independent verification group established under Clause 20 will advise Governments, Signatories and other relevant stakeholders on any further legislative requirements that will be needed to underpin guaranteed industry supply, conservation outcomes and an effective transition plan.
20. The Governments will establish and support an Independent Verification Group, to be led by Professor Jonathan West, to provide advice by the end of 2011 to the Prime Minister and the Tasmanian Premier. The Independent Verification Group will consult with the Governments (through the Intergovernmental Taskforce), Signatory organisations (through the Reference Group of Signatory representatives), experts and other stakeholders in undertaking its work. This Independent Verification Group will design and implement an independent and transparent verification process that will assess and verify stakeholder claims relating to sustainable timber supply requirements (including at the regional level), available native forest and plantation volumes, and areas and boundaries of reserves from within the ENGO-nominated 572,000 hectares of High Conservation Value native forest. This Group will also make recommendations on appropriate forms of land tenure for the purposes of Clause 29. The Independent Verification Group will seek the agreement of the Signatories within one month of the date of this Agreement on the process for conducting independent verification, and their agreement to accept its results. If they agree, both Governments agree to be bound by the results of the verification process for the purposes of Clause 29.
21. The Commonwealth Government will provide funding to support the verification process. The Governments will ensure timely access to all relevant data, including that held by Forestry Tasmania, to the independent verification process.
22. Pursuant to outcome (iii) in Clause 6, the State will enter into a process with Gunns Ltd to ensure that a sufficient volume of native forest sawlog supply is retired to achieve the objects of Clauses 17 and 29.
23. The State will establish under terms to be agreed with the Commonwealth, and the Commonwealth will fund, a voluntary sawlog contract buy-back program for additional sawmillers wishing to exit the industry. Buy-backs under this voluntary exit program will be completed by end of June 2012.
24. In accordance with the terms agreed by the Governments, and informed by the results of the independent verification process, the Governments will increase high conservation value areas of the National Reserve System as native wood supply capacity is retired under this voluntary exit program and when suitable plantation wood supply is available.

Conservation

25. The State will immediately place the 430,000 hectares of native forest identified in Attachment A (other than any areas that are not State forest), from the 572,000 hectares nominated by ENGOs through the Statement of Principles process, into Informal Reserves. The boundaries of this 430,000 hectares were verified through an independent verification process.
26. The State will ensure that, until the further independent verification process required under Clause 20 is completed, wood supply required under Clause 17 will be sourced from outside the 572,000 hectares of ENGO-nominated High Conservation Value forest area unless the remaining State Forest area is insufficient to meet the contractually specified quality and quantity of wood supply. Where this is the case, the Tasmanian Government will ensure that wood supplies are sourced outside the 430,000 hectares placed in Informal Reserves. The Tasmanian Government will ensure that the 430,000 hectares of State Forest identified in Attachment A is not accessed. Where harvesting work has already begun in coupes within the nominated 430,000 hectares, rescheduling will occur as soon as practical and a list of coupes that will be harvested will be agreed by the Governments and the signatories, advised by the Independent Verification Group, within two weeks of the signing of this agreement. If sourcing of wood supply from within the 572,000 hectares is considered to be necessary under any circumstances, the Governments will immediately consult with the Reference Group of Signatories and the Independent Verification Group in order to inform them of the basis for sourcing wood supply in those areas, and with the intention of providing this supply in a way that minimises impacts on conservation values.
27. During the independent verification process, in the event that Forestry Tasmania reports that it cannot meet contractual requirements from production resources outside the nominated 430,000 hectares, the Governments will undertake the following steps. First, an independent expert will be jointly appointed by the Governments to review scheduling and other relevant data and attempt to reschedule harvesting activities so as to meet the requirements of contracts and maintain the interim protection of the 430,000 hectares. In the event that the independent expert concludes that it is impossible to achieve this through rescheduling on a reasonable commercial basis or through sourcing alternative supplies, the Commonwealth will compensate the contract holder for the value of lost profits and unavoidable costs. Any such costs will be met, in the first instance, from within the \$7 million payment in financial year 2011-12 referred to in Clause 35.
28. Following completion of the independent verification process under Clause 20, and until their formal protection in accordance with Clause 29, the State will ensure that all areas determined by the independent verification process as being of High Conservation Value and compatible with the guaranteed wood supply in Clause 17 are placed or remain in Informal Reserves and are not used for wood supply.
29. The State will ensure legislative protection of the areas of reserve (from the ENGO-nominated 572,000 hectares) determined by the independent

verification process referred to in Clause 20 above as compatible with the guaranteed timber supply. This protection will be achieved through appropriate forms of land tenure, informed by the Independent Verification Group and compatible with other economic development opportunities, including National Parks and other Formal Reserves in the National Reserve System, and possible nomination of appropriate areas for inclusion in the Tasmanian Wilderness World Heritage Area.

30. The Tasmanian Government will introduce legislation no later than 30 June 2012 into the Parliament to formally protect the areas of reserve in Clause 29 with appropriate land tenure.
31. The Governments expect that Signatories to the Statement of Principles will support the provision of Forest Stewardship Council and/or Australian Forest Standard certification for appropriate remaining forestry activity in Tasmania. Progress towards agreement by Signatories to a process for achieving certification will be considered under Clause 45.
32. The Governments expect that the Triabunna mill will reopen and be operated in accordance with the Statement of Principles. If this does not occur, either Government may request a review of the terms of this Agreement, with a review to occur only if both Governments agree.
33. If legislation to give effect to Clauses 17 and 29 is not in place within three months of its introduction, either Government may request a review of the future funding under this Agreement.
34. The Commonwealth will provide \$43 million to the Tasmanian Government to assist the State to facilitate the implementation of this Agreement. At least \$15 million of this funding will be used by the State to support voluntary compensable exits by saw-millers wishing to exit the industry (as set out in Clause 23), and \$5 million is to be used in accordance with purposes and conditions to be agreed with the Commonwealth to support provision of information and consultation with affected communities.
35. The Commonwealth Government will provide an immediate payment of \$ 7 million to the Tasmanian Government in financial year 2011-12 to support management of the additional reserves. Following formal legislative protection by the Tasmanian Government of the areas of reserve identified in Clause 29, the Commonwealth will provide \$7 million per financial year, indexed to CPI, with a review of the base funding after 5 years.
36. Prior to formal legislative protection of the areas of reserve identified in Clause 29, and until completion of the independent verification process in accordance with Clause 20, the 430,000 hectares referred to in Clause 25 will be protected under a Conservation Agreement between the State, Forestry Tasmania and the Commonwealth under the *Environment Protection and Biodiversity Conservation Act*, with management of these new areas of reserve by the Forestry Tasmania. Following the completion of the independent verification process in accordance with Clause 20, this initial Conservation Agreement will lapse and all areas determined by the independent verification process for the purposes of Clause 29 will be

protected under a new Conservation Agreement between the State, Forestry Tasmania and the Commonwealth under the *Environment Protection and Biodiversity Conservation Act*, with management of these new areas of reserve by the Forestry Tasmania. This second Conservation Agreement will lapse when these areas of reserve are given formal legislative protection in accordance with Clause 29.

STREAM 3: ECONOMIC DIVERSIFICATION

37. The Regional Development Ministerial Advisory Council recently established by the Hon Simon Crean MP, Minister for Regional Australia, Regional Development and Local Government, and chaired by Mr Bill Kelty AC will assist in the identification and development of regional development opportunities in Tasmania. The initial stages of this process will include consultation with the community and stakeholders to identify the further work and the transition plan required for the successful delivery of the supply and protection commitments formalised through the operation of this agreement, and the identification of other opportunities for regional development. A detailed socio-economic study by Professor Jonathon West will also be undertaken to support the Governments in identifying opportunities.
38. The Commonwealth Government will work in partnership with the Tasmanian Government through a Memorandum of Understanding to be agreed between the Hon Simon Crean MP, Commonwealth Minister for Regional Australia, Regional Development and Local Government and the Hon David O'Byrne MP, Tasmanian Minister for Economic Development to analyse options for economic diversification to support transition to a sustainable Tasmanian economy including through state-wide, place-based support for economic diversification, consistent with the Tasmanian Economic Development Plan, to be released by the end of August 2011.
39. The Governments will develop a process to identify by mid 2012:
 - a. the impacts of forestry adjustment on affected regions, including the scope for alternative sectors and jobs to support regional adjustment;
 - b. progress in implementing Commonwealth and Tasmanian adjustment measures; and
 - c. the need for further regional development assistance.
40. The regional opportunities identified through the processes in Clauses 37 to 39 above will support development by the Governments of options for economic diversification which will include a focus on:
 - a. Skills—to develop and retain specialised skills required to support innovation and future skills needs of a strengthened economic base that builds on national opportunities and supports career paths;
 - b. Business development services—to provide support for businesses to improve innovation and competitiveness;
 - c. The potential for increased value-adding and greater use of plantation timber by the forestry industry;
 - d. Infrastructure investment—to transform supply chains or minor infrastructure investment to support connectivity for selected sectors;

e. Facilitation, research and collaboration – to support improved innovation, competitiveness and productivity.

41. Subject to formal legislative protection by the Tasmanian Government of the areas of reserve identified in Clause 29, the Commonwealth Government will provide \$120 million over a period of 15 years, including an initial payment of \$20 million in 2011-12, to fund regional development projects which meet rigorous criteria for improving the productivity and income-earning capacity of the Tasmanian economy. Any funding provided under this Clause will be repaid by the State to the Commonwealth in the event that the Tasmanian Parliament does not pass legislation to provide the protection referred to in Clause 29. The Governments will work collaboratively and agree on the design, criteria, joint assessment procedures, and monitoring and evaluation of the \$120 million package. Major regional development projects under this fund will be agreed by a joint Ministerial council, comprising the Tasmanian minister responsible for economic development and the Commonwealth minister for regional Australia before funding is provided.

42. The Commonwealth's position is that no Commonwealth funds will be paid to progress the Bell Bay pulp mill project.

Nature of Obligations under this Agreement and relationship to other agreements

43. This Agreement is not intended to create legally enforceable rights and obligations. In the event that any clause of this Agreement exceeds the power of either Government or is unenforceable for any other reason, that clause is to be read as not intending to create legally enforceable rights and obligations.

44. Where Governments have agreed to ensure that certain things occur, this means they will do everything within their legal and other powers to ensure that these things occur.

45. The Governments will ask the Signatories to report annually to both Governments on the durability of, and the Signatories ongoing commitment to, the Agreement. The first report will be required by 30 June 2012. If the report demonstrates that the Agreement is no longer durable, then both Governments will review the terms of the Agreement.

46. This Agreement between the Commonwealth and the State is not expected to have direct implications with respect to the ongoing administration of the Environment Protection and Biodiversity Conservation Act 1999, with the exception of flow on implications that may occur in relation to any amendments required to the Tasmanian Regional Forest Agreement. The State will ensure that Informal Reserves created under Clause 25 of this Agreement are treated consistently with the treatment of Informal Reserves covered by attachment 6 to the Tasmanian Regional Forest Agreement. The governments will consult on the amendments that should be made to the Regional Forest Agreement either during or following the independent verification process, to reflect the terms of this Agreement.

47. The Governments will continue to discuss issues around the treatment of any potential carbon offset opportunities that may arise for Tasmania from the creation of new formal reserves and/or the reduction in annual native forest sawlog production as a result of this Agreement. In particular, the Governments will work together to examine potential opportunities under the Biodiversity Fund arising from increased formal forest reserves.

Reporting

48. The Governments will work together to ensure that there are appropriate mechanisms in place to monitor and publicly report on the implementation of the commitments in this Agreement in consultation with the Signatories to the Statement of Principles.

Data Use and Access

49. The Governments recognise that the implementation and monitoring of this Agreement depends on appropriate mutual access to and accreditation of relevant information, including from Forestry Tasmania, and agree to provide such access and accreditation for the term of this Agreement.

Funding

50. A National Partnership Agreement will be created in addition to this Agreement to facilitate funding from the Commonwealth to the Tasmanian Government for those components of the forestry package that are classified as a payment to the States by the Department of Finance and Deregulation.

Treatment of Funding by the Commonwealth Grants Commission

51. The Commonwealth Government will:
- a. Instruct the Commonwealth Grants Commission to prepare its assessment of per capita relativities for the distribution of the GST revenue pool without reference to the Funding under this Agreement (that is, the Funding will be quarantined); and
 - b. Not reduce funding provided to Tasmania under any other current or future funding agreements, such as Specific Purpose Payments, as a result of the Funding. In agreeing future financial arrangements between the Commonwealth and Tasmania for any purpose, no regard shall be had to the Funding.

Termination

52. With the exception of Clause 53, this Agreement may only be terminated by the Commonwealth with the consent of the State; or by the State with the consent of the Commonwealth; or where the dispute resolution clauses have been observed.

53. This Agreement may be terminated by the Commonwealth, where the State has been given a 30 day period of notice on:
- i. a failure to proclaim the new Formal Reserves in accordance with Clause 30; or

- ii. a failure to use money for the purpose for which it was allocated by the Commonwealth.

54. The provisions of this Clause do not apply if the failure is of a minor nature or rectification is possible and has occurred before the end of the 30 day period.

Duration and Extension of Agreement

55. This Agreement will commence on the date of its execution, and remain in force for 15 years or until its codification within a further agreement under the Tasmanian Regional Forest Agreement.

Cooperation and Response to Requests

56. The Governments agree to work cooperatively to address any matters raised in writing by either of them relating to the interpretation or implementation of this Agreement and undertake to respond to any request within 20 days of its receipt.

Dispute Resolution

57. The Governments agree that if a dispute arises between the Governments it must be resolved expeditiously in accordance with the following:

- When a dispute arises, either Government may serve a notice on the other specifying the nature and substance of the matter or issue in dispute.
- Within 7 days of the notice being served the Governments must attempt to settle the dispute.
- Each of the Governments agrees to use its best endeavours to resolve the dispute.

Notices

58. Any notice or other communication to be given or made pursuant to this Agreement shall be in writing and addressed as follows:

The Commonwealth

The Secretary
Department of the Prime Minister and Cabinet
One National Circuit
BARTON ACT 2600

The State

The Secretary
Department of Premier and Cabinet
Level 7
15 Murray Street
HOBART TAS 7000

or in accordance with any other mode of service which may agreed in writing between the Governments.

All other terminology in this agreement is to be interpreted subject to the definitions specified in the Tasmanian Regional Forest Agreement.

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Julia Gillard MP
Prime Minister

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Lara Giddings
Premier

Launceston
7 August 2011

Definitions:

In this Agreement unless the contrary intention appears:

"Agreement" means all parts of this Agreement between the Commonwealth and the State and includes the Attachments to this Agreement.

"Eligible business" for the purposes of Clause 12 means a business operating in the forestry industry in Tasmania which has made workers redundant as a result of the decline in the native forest industry. A business is eligible once it has been confirmed by the Commonwealth Department of Education, Employment and Workplace Relations.

"ENGOS" means environment non government organisations which are signatories to the Statement of Principles, being The Wilderness Society, Australian Conservation Foundation, and Environment Tasmania; unless otherwise specified.

"Formal Reserve System" means the system of Formal Reserves in Tasmania which are equivalent to IUCN protected area management categories I, II, III, IV or VI, and as further defined in the Tasmanian Regional Forest Agreement.

"High Conservation Value (HCV) Forests" means those forest areas identified as High Conservation value by the Signatories to the Statement of Principles.

"Independent Verification Group" means a group of experts (including an expert on geology/mineralogy) jointly nominated by, but independent of, both Governments and all other stakeholders and led by Professor Jonathan West to provide advice to the Prime Minister and the Tasmanian Premier on the results of an independent verification process to be undertaken in accordance with Terms of Reference jointly agreed by the Governments.

"Intergovernmental Taskforce" means a high level group of senior officials nominated by each government to oversee implementation of this Agreement.

"Native Forest Industry Workers" means individuals employed predominantly in the harvest, haulage or processing of wood from Tasmanian native forests.

"Reference Group of Signatories" means a group of representatives nominated by the Signatories which will be consulted by the Intergovernmental Taskforce on matters including the modelling of options and outcomes under the independent verification process, and the transition plan required for successful delivery of the wood supply and conservation commitment set out in the Agreement.

"Regional Forest Agreement" means the Tasmanian Regional Forest Agreement signed by the Commonwealth and the State in 1997, and as varied on 19 July 2001 and 23 February 2007, and the Supplementary Agreement signed on 13 May 2005.

“Signatories” means all of those organisations which signed the Statement of Principles on 14 October 2010.

“Statement of Principles” means the Tasmanian Forests Statement of Principles to Lead to an Agreement signed by forest industry, union and environment organisations on 14 October 2010.

“Tasmanian forestry industry” for the purposes of this Agreement means those businesses and workers that depend on the growing, managing or processing of trees or wood products from native forests and plantations in Tasmania.