

23 June 2006

Tasmanian Freight Equalisation Arrangements Inquiry  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

Dear Sir/Madam

I write in regard to the review of containerised and bulk shipping between the Australian mainland and Tasmania, but specifically the Tasmanian Freight Equalisation Scheme (TFES) and its contribution to Tasmania's forest and timber industries.

For your information, the FFIC represents a broad cross-section of forestry and timber processing interests, including those of Forestry Tasmania and the State Government, forest workers, timber companies, private forest growers, farmers, contractors, the CFMEU, sawmillers, the Tasmanian Aboriginal Land and Sea Council, beekeepers, local government, tourism interests and furniture manufacturers.

As an industry council, we play an important leadership role in the development and communication of forest industry policy, industry development initiatives and applied scientific advice.

The FFIC believes that Tasmanians should have a secure working environment, and that secure employment opportunities augment investor confidence and Tasmania's economic performance. Tasmania's forest industry employs over 10,000 working Tasmanians directly, or about 5% of the Tasmanian workforce. The turnover generated by this industry alone is 23% of Tasmania's total manufacturing value, or about \$1.3 billion. Forest product processing is our second largest manufacturing industry after food and agriculture.

We believe that the assistance offered under the TFES is essential to providing certainty and security to our forest and timber workers, small and large businesses alike with established markets on the mainland, and those simply wishing to invest in Tasmania because of our rich resource base and our reputation for high quality products. Without an effective TFES, it is unlikely that a number of important Tasmanian forestry and timber processing operations would be able to compete with their mainland counterparts. The TFES renders fairness and equity into freight and

transportation arrangements that would otherwise place Tasmania at a significant disadvantage to other States.

There are a number of impending industry development initiatives under the Tasmanian Community Forest Agreement (TCFA) and a proposed pulp mill development in northern Tasmania that are likely to change the nature and shape of forestry and timber processing in Tasmania. Significant quantities of timber, pulp and paper will continue to be freighted across Bass Strait to mainland markets albeit in possibly different product types or specifications. An effective TFES will play a substantial role in assisting a successful transition to a greater reliance on products based on regrowth and plantation timber as opposed to older-growth timber products. It will also provide greater confidence to those who are on the verge of investing substantial financial resources into new technologies and processing operations. A secure business operating environment, including the TFES, will assist in this transition.

At this stage in the review process, the FFIC does not have any specific prescriptions on how the current TFES should be changed, or whether there are more effective alternatives for treating this issue at this time. However, the FFIC would be willing to assist in this inquiry by providing industry specific information and worked examples on supply chain impacts from freight cost disadvantages to Tasmania.

I would like to take this opportunity to thank you for contacting the FFIC in regard to this issue, and ask that you please keep us informed on its progress. Not only is it important from an industry perspective, but it relates directly to the interests of some of the members on our Council. Please do not hesitate to contact Mr Sean Riley on (03) 6233 8221 if you require any assistance or additional information on this matter.

Yours sincerely

Rob Woolley  
**Chairman**  
**Forests & Forest Industry Council**