

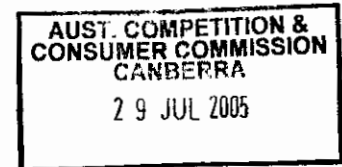


Australian Government
Department of Agriculture, Fisheries and Forestry

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26 July 2005

Mr Scott Gregson
Acting General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602



Dear Mr Gregson

I refer to your letter dated 7 July 2005 to Ms Joanna Hewitt, Secretary of the Department of Agriculture, Fisheries and Forestry, concerning applications for authorisations A90973 and A90974 lodged by the Tasmanian Forest Contractors Association Ltd.

The Department of Agriculture, Fisheries and Forestry (DAFF) is not able to comment on whether the public benefits arising from approval of the TFCA's application would outweigh the detriments to the public from lessened competition. However, we have some general comments which may assist the ACCC in its consideration of the application.

The Australian Government has made a significant financial investment in the Tasmanian forest industry in recent years. With the signing of the Tasmanian Regional Forest Agreement in November 1997, the Australian Government provided \$110 million to Tasmania to promote new forest management initiatives, enhanced conservation measures, infrastructure development and other initiatives.

More recently, in May 2005, the Prime Minister and the Tasmanian Premier signed the Tasmanian Community Forest Agreement under which the Australian Government agreed to provide \$156.8 million for a range of measures including support for investment in the hardwood industry (\$46 million), investment in the softwood industry (\$10 million) and changes to forest management (\$68 million).

The fundamental objective of the Australian Government's funding has been to promote a sustainable, competitive and value-adding forest industry while ensuring the maintenance of a comprehensive and representative forest reserve system. DAFF encourages the ACCC to take into account the Australian Government's investment in the Tasmanian forest industry.

TFCA is a non-profit organisation that represents the interests of harvesting and haulage contractors and other small businesses involved in Tasmania's forest industries. The TFCA has been expressing concern for some time about the lack of security for forestry contractors. In particular, the TFCA is concerned that harvesting and haulage contractors are required to purchase and maintain machinery worth hundreds of thousands of dollars but large sawmills usually offer the contractors only short-term contracts. The TFCA argues that the contractors need longer-term

secure contracts if they are to remain profitable and invest in new equipment which is safer and more environmentally sensitive than old equipment.

The TFCA considers that the high value of the Australian dollar and environmental protests about the export of woodchips from Tasmanian native forests have exacerbated the uncertainty amongst small forestry contracting businesses, to the extent that there is likely to be a shortage of trained harvesting and haulage contractors within a few years.

While the TFCA does not represent all harvesting and haulage contractors, we understand that TFCA members account for about 85% of wood flows in Tasmania. The TFCA is therefore a very significant organisation in the industry.

The TFCA has expressed its concerns directly to the Minister for Fisheries, Forestry and Conservation, Senator Ian Macdonald. The TFCA has also indicated its wish to be involved in the industry development programs for both the hardwood and softwood sectors referred to above. Senator Macdonald has assured the TFCA that their interests will be taken into account in the development of the two assistance programs but has made no commitments.

The industry assistance programs will provide grants of up to 50% of total project costs to participants in the Tasmanian forest industry who are undertaking investments involving value-adding, equipment upgrades, promotion of Tasmanian forestry and forest products and other initiatives. While the details of the industry assistance programs have not yet been finalised, the announcement by the Prime Minister and Premier on 13 May identified the upgrading of harvesting and haulage equipment as a priority area for assistance under the program.

The Australian and Tasmanian Governments recognise that modern harvesting and haulage equipment has significant health and safety benefits for forest workers as well as environmental benefits in the form of reduced damage to soils and retained vegetation. DAFF would be concerned if these intangible but important benefits of modern harvesting and haulage equipment were not realised simply because the rates paid to the contractors were insufficient to justify investment in the industry.

DAFF does not intend to make a submission on the TFCA's application to the ACCC. However, we would be willing to provide further information if required. The contact officer in DAFF is Mr Charles Body on telephone 6272 4196.

Yours sincerely



Daryl Quinlivan
Executive Manager
Fisheries and Forestry

26/7/2005