

Freehills

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By email

Dear Scott

TFCA authorisation applications

Thank you once again for giving Gunns the opportunity to meet with the Commission in relation to these matters. We understand that a written record of our meeting will be placed on the Commission public register. We are also pleased to provide the Commission with a copy of the powerpoint presentation that Gunns prepared for the meeting.

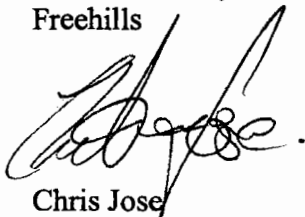
As you will recall, during the meeting Commissioner Martin asked Gunns to provide a general overview of its position in the Tasmanian marketplace (including in relation to the acquisition of forestry contractor services). So that it might provide the Commission with a meaningful response, Gunns effectively asked to take this question on notice. In response to the query we note the following:

- (a) Gunns is the leading employer of forestry contractors in Tasmania in relation to hardwood harvesting and silvicultural activities (although Gunns manages a much smaller share of the Tasmanian softwood harvesting activities). Details of Gunns' existing forestry contractors have previously been provided to the Commission. However, there are many other entities in Tasmania that employ forestry contractors, including some of the contractors with whom Gunns deals. Gunns also purchases substantial volumes of wood from Forestry Tasmania and other smaller mill operators who themselves employ Tasmanian forestry contractors. These arrangements reflect the interconnected supply chain of the Tasmanian forestry industry.
- (b) Great Southern Plantations has commenced operations in Tasmania but is another wood company not named in the TFCA application;

- (c) The Tasmanian forestry industry supply chain cannot be viewed independently of the broader Australian and international environment in which it operates. For example:
- (1) in Australia there are other significant forestry product supply regions, including:
 - (A) southwest Western Australia, where the key market participants are Great Southern Plantations, Timbercorp, ITC (Futuris), WAPRES and CALM;
 - (B) the 'Green Triangle' (Victoria and S.A.), where the key market participants are Timbercorp, Auspine and ForestsSA;
 - (C) Victoria, where the key market participants are Timbercorp, Hancock Victoria Plantations Company, Midway, Neville Smith Timber Industries and VicForests; and
 - (D) the southern highlands of NSW, where the key market participants are Wilmott, State Forests of NSW/Rothschilds and Hume Forests.
- Several of the Australian forestry companies listed above are larger than Gunns in some industry sectors;
- (2) in the international market place, Gunns has little influence in what are essentially commodity markets.
- (d) Gunns competes in this broader context for investment funds, contractor services, land and in downstream markets. Inefficiencies in a critical part of the Gunns supply chain, such as competitive contractor services, would put Gunns at a competitive disadvantage as against wood companies in Tasmania that are not named in the TFCA application, against other Australian forestry regions and against foreign sources of supply.

Please feel free to contact us if you would like to discuss these matters in more detail.

Yours faithfully
Freehills



Chris Jose
Partner



Peter McDonald
Senior Associate