

ACCC MEETING NOTE			
File number:	C2005/1078	Meeting with:	Forestry Tasmania
Date:	12 September 2005	Participants:	Evan Rolley John McDonald
ACCC Officers:	John Martin Scott Gregson Cameron Martin	Time:	12:30pm
Subject:	Tasmanian Forest Contractors Association – application for authorisation		

On Monday 12 September 2005 John Martin (JM), Scott Gregson (SG) and Cameron Martin (CM) met with Evan Rolley and John McDonald of Forestry Tasmania (FT) to discuss issues relating to the Tasmanian Forest Contractors Association's (the TFCA) application for authorisation in respect of proposed collective bargaining and collective boycott arrangements.

The issues discussed at the meeting are presented below.

Role of the ACCC

ACCC staff outlined the reason for the meeting, discussed the role of the ACCC in assessing applications for authorisation and outlined the public register system.

Markets

FT stated that forest products are sold to export markets (with the mainland market being essentially an export market due to the logistics involved in transportation). FT noted that the real price of paper and pulp is in decline, and that wood companies are price takers in the export market. FT noted that it needs to continue to foster innovation from its contractors to remain competitive, and the current system of individual negotiations encourages this innovation.

Contract negotiations

FT noted that some, but not all of its harvesting contractors are members of the TFCA. FT noted that very few of its silviculture contractors are likely to be members of the TFCA.

FT note that its forest contracts have moved from being short term contracts to longer term contracts, while some contractors have rolling arrangements. FT noted that a typical contract negotiation may begin with an expression of interest, followed by an assessment of a contracting businesses' price, OH&S systems, skills and credit worthiness. FT's General Manager will then talk to the contracting business about the individual needs of the task and refine a contract on a one to one basis. This proposal is then be sent to the executive for approval.

FT stated that, while the Forestry Fair Contracts Code 2003 mandates certain standard terms, contracts are specific to tasks and will vary between contractors and coupes. FT also noted that the individual negotiation process allows for, and encourages, innovation on the part of forest contractors, which is essential for FT to remain competitive.

FT also noted that it currently has fuel adjustment systems in place which spread the risk across both parties to the contract, rather than placing the risk on to a single party.

Transaction costs

FT noted that the rate matrices proposed in the TFCA's application are likely to increase the cost and delay the finalisation of contract negotiations. FT also noted its concern that disputes that would normally be dealt with on a one to one basis would be escalated if dealt with by a group, resulting in a loss of time and greater cost.

FT also noted that each coupe requires individual and flexible negotiations as they each have different characteristics that are not always apparent before work begins. FT noted that it does not believe that a standardise bargaining process such as that proposed by the TFCA would offer the required level of flexibility, and that individual negotiations similar to those that currently occur would still be required. FT also noted that a process of collective bargaining may reduce the incentive for businesses to innovate.

The different types of wood products

FT noted that harvested wood is used for many products in addition to pulpwood and sawlogs. FT noted that wood is harvested for fuel, poles (such as electricity poles) and marine infrastructure. Forest contractors may be involved in selecting very specialised wood to harvest, which require differing skills.

Safety

FT noted that its forest contractors receive safety training and are monitored for safety performance. FT noted that it provides a formal auditable safety management system. FT stated that the difficult environment in which contractors work has made safety systems crucial. FT noted that accidents are currently at a historically low level.

Collective boycotts

FT noted that collective boycotts have the potential to cause disruptions in the industry. FT noted that reputation and certainty of supply are important in the markets in which they compete, and that any disruption in supply may have a detrimental affect on Tasmania's wood companies.