

ACCC MEETING NOTE			
File number:	C2005/1078	Meeting with:	Norske Skog
Date:	12 September 2005	Participants:	Arnold Willems
ACCC Officers:	John Martin Scott Gregson Cameron Martin	Time:	3:15pm
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 Arnold Willems of Norske Skog (NSA) 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.

The 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.

Norske Skog

NSA stated that it is the world's second largest producer of newsprint paper. NSA's three mills in Australia and New Zealand supply approximately 95 per cent of Australia's newsprint requirements.

NSA noted that wood used in the production of newsprint at Boyer represents around 14 per cent of the cost of production. The cost of wood is thus critical as it directly affects its ability to remain competitive and therefore be attractive for future capital investment, essential for Boyer's long term operation..

The markets into which newsprint is sold

NSA noted that newsprint is a commodity and its price NSA receives is directly linked to international benchmarks and is sensitive to movements in the exchange rates. That NSA is basically a "price taker" and although the price does fluctuate from year to year the trend is for prices to decrease. In the last 10 years the price received has decreased by 17%.

Forest contractors

NSA engages 4 harvesting, 2 transport and 2 silviculture contractors, who in turn employ around 110 people. These businesses provide NSA with approximately 50 per cent of its wood requirements, with the remainder being provided by the other wood companies. NSA noted that the Forestry Fair Contracts Code 2003 did not substantially affect their contracts as the requirements of the Code were already being met.

NSA noted that many innovations have been developed/utilised by its forest contractors such as using softwood equipment to debark eucalypt logs, and covering snick tracks prior to use to reduce the impact on the environment and reduce operation costs. Innovation is critical to the ongoing competitiveness of contractor operations and the costs of wood production..

NSA also noted that it was surprised at being named in the application as it has excellent relations with its forest contractors and no issues had been raised by contractors regarding the current agreements.

Silviculture

NS stated that silviculture demands are seasonal and vary from year to year. NS noted that it tends to use the same silviculture contractors when the work is available and work is tendered for each coupe. NS noted that silviculture contractors mostly have low capital inputs.

Negotiations

NSA noted that contracts may be tendered, but this has not taken place for some time. NSA noted that its harvesting and transport contracts are for a period of five years (have all been renewed over the last 18 months) with defined terms and definitions of the work. They also take into account the type of harvesting being carried out (i.e. cable or conventional) and have indexing provisions that take into account movements costs such as wages, repairs, maintenance, tyres and fuel. Contracts also prescribe minimum harvest volumes.

Matrices

NSA stated that it would be difficult for a standardised rate model, such as the one proposed by the TFCA, to be applied objectively to all forest contracts. NSA noted that the classification of coupes into the proposed categories would be difficult and cause potential disputes when being applied to new coupes.

Safety

NSA stated that they work very closely with contractors to improve safety outcomes and that safety performance of its contractors is monitored and information shared. NSA noted that specific initiatives included NSA sponsoring safety consultants to assist contractors, contractor safety forums and auditing. NSA also noted that the involvement of an external party in safety matters, such as the TFCA, may reduce the effectiveness of its own safety systems.

Boycotts

NSA noted that its holds only 5 to 7 day supply of wood at the Mill at any time as its manufacturing processes relies on obtaining fresh stocks of wood. NSA stated that a boycott would have a major impact on its business, as without fresh stocks the paper mill would not be able to operate, which would affect its ability to supply newsprint to

its customers. NSA also noted that a boycott would put at risk the operation of its Boyer mill, which employees around 400 people.