

Buyouts not Bailouts

Delivering a Fair Exit Package for Tasmanian Forest Contractors

Launched by Nick McKim
and Kim Booth MP

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READY TO DELIVER

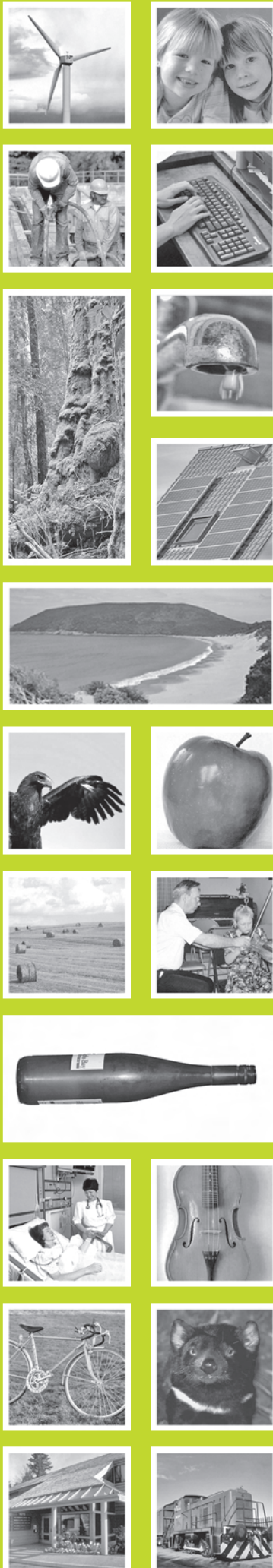
Fair and equitable buyout packages for Tasmania's embattled forest contractors.

Dignified exits from the industry for the 30 per cent of contractors unable to survive.

Cost neutral, industry funded, long term solution to the problems created by the deliberate strategy of over-capacity in the sector.

Sustainable jobs for contractors and security for struggling forestry families.

POLICY INITIATIVE OF THE TASMANIAN GREENS MPs



Buyouts not Bailouts

“The Greens will help contractors facing financial ruin through no fault of their own to exit the industry with dignity. It is the first step in our long term plan that will result in a forest industry we can all be proud of, which will satisfy market demands, and be truly socially, environmentally and economically sustainable”.

Nick McKim MP - Greens Leader

THE ISSUE:

Tasmanian forest contractors have been desperate for a package that will allow them to exit the industry with dignity, rather than endure the daily threat of financial ruin due to:

- ☒ Harsh, oppressive and exploitative contracts imposed by Forestry Tasmania and Gunns Limited through abuse of their market power;
- ☒ Recent inevitable downturns in the timber industry through an entirely predictable world glut of an undifferentiated product;
- ☒ An unsustainable business model based on volume not value;
- ☒ The so called “fair contract” code that favours timber barons not contractors;
- ☒ Deliberate contracted over-capacity that enables Forestry and Gunns to force contractors and their families to work for less than cost; and
- ☒ Short term, politically expedient bailout packages that fail to provide solutions and serve only to extend the pain.

THE TASMANIAN GREENS WILL:

- ☑ **Establish a cost neutral, industry funded program to offer buyouts - breaking the cycle of oppressive contracts and Government bailouts - enabling forest contractors to exit the industry with their dignity and homes intact; and**
- ☑ **Engage the Auditor-General to set a fair exit price, independent of Government.**

The Tasmanian Greens - Delivering for Tasmanian Forest Contractors

The Tasmanian Greens understand that Tasmania’s forest contractors are hurting.

The Labor and Liberal parties recently announced the establishment of the *Forest Contractors Support Program*, designed to provide short term loan relief - over the election period - to forest contractors involved in hardwood pulpwood, delivering less than 90 per cent of the contracted quota.

Short term, politically expedient bailout packages will not solve the fundamental problems within the industry.

The Tasmanian Greens’ *‘Buyouts not Bailouts’* initiative will:

- ▲ **Deliver** fair and equitable exit packages, providing security and certainty for Tasmanian forest contractors;
- ▲ **Restore** the balance in Tasmanian forestry; and
- ▲ **Prepare** the industry for a changing global market.

The Tasmanian Greens are committed to delivering justice for Tasmania’s embattled forest contractors.

Establishing the 'Buyouts not Bailouts Fund'

The new *'Buyouts not Bailouts Fund'* will:

- ▲ Provide up to **30 per cent of forest contractors** the means to exit the industry with dignity and their homes intact (as recommended in the 2005 report by Paul Cook and Associates prepared for the TFCA);
- ▲ **Receive an immediate allocation of approximately \$20 million** (the report by Paul Cook and Associates estimated that \$18.7 million would be required to fund the necessary buyouts); and
- ▲ Be a cost neutral, industry funded, long term solution to the problems faced by forest contractors.

This new fund will provide an opportunity for forest contractors to exit the industry immediately, restoring the balance by delivering long term industry security.

Role of the Auditor-General

The Tasmanian Greens will instruct the Auditor-General to:

- ▲ Determine a fair level of compensation for the 30 per cent of contractors facing financial ruin through no fault of their own and are seeking to leave the industry;
- ▲ Assessing applications to the *'Buyouts not Bailouts Fund'*, determining the least viable (based upon current and projected quota conditions of contracts);
- ▲ Recommend the applicants most in need of these exit packages, with the view to providing exit packages to up to 30 per cent of all Tasmanian forest contractors; and
- ▲ To assess fair compensation for those contractors already bankrupted due to deliberate over capacity.

Engaging the Auditor-General has the advantage of:

- ▲ Removing the responsibility for determining fair compensation from the hands of Government;
- ▲ Ensuring an open, independent and transparent process is followed; and
- ▲ Guaranteeing a fair deal for Tasmanian forest contractors.

Funding the 'Buyouts not Bailouts' Initiative

The Tasmanian Greens' 'Buyouts not Bailouts' initiative requires an immediate payment of \$20 million into a new 'Buyouts not Bailouts Fund'.

While this initial payment will be made by the State Government, the cost will be recovered in full through the addition of a temporary 'Buyouts not Bailouts Levy'.

The 'Buyouts not Bailouts Levy' will:

- ▲ Be set at the rate of **\$3 per tonne sold**;
- ▲ Apply until the cost of the 'Buyouts not Bailouts Fund' is recovered in full (an estimated period of three years);
- ▲ Be collected by Forestry Tasmania (as an addition to the sale price), to be recovered by the State; and
- ▲ Apply only to logs extracted from Crown Land - principally pulpwood and woodchip logs, and whole unprocessed logs for export (approximately 2.5 million tonnes annually).

The addition of this levy for a projected period of three years will ensure that the cost of the transition to sustainable jobs for forest contractors - as estimated by the industry itself - will be funded by the industry itself.

Investment in the 'Buyouts not Bailouts' Initiative

The Tasmanian Greens' 'Buyouts not Bailouts' initiative is ultimately a cost neutral initiative, its cost being met in full by the implementation of the temporary 'Buyouts not Bailouts Levy'.

| | 2009-10 Budget | 2010-11 Forward Estimate | 2011-12 Forward Estimate | 2012-13 Forward Estimate |
|--|-------------------|--------------------------------|--------------------------------|--------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Payment to the 'Buyouts not Bailouts Fund' | | 20 000 | | |
| 'Buyouts not Bailouts Levy' | | (7 500) | (7 500) | (7 500) |

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