

Public Statement by Forestry Tasmania Chairman

Miles Hampton

September 17 2012

Thank you for coming this afternoon. I intend to read a prepared statement for you, but given the nature of what I am about to say, I will not be taking questions.

On the 27<sup>th</sup> of August, I was appointed Chairman of Forestry Tasmania by the Executive Council to replace Adrian Kloeden who was to have stepped down on June 30 after 12 years on the Board and five years as Chairman, but agreed to extend his term until this month.

With great sadness, a short time ago I tendered with immediate effect my resignation as both Chair and a director of Forestry Tasmania to the Acting Premier.

I do not believe the government has any intention of establishing a viable forestry business through its proposed re-structuring of Forestry Tasmania.

I resigned because I no longer have confidence in the assurances given to me by government, nor do I support the policies of the government.

On the basis of those assurances, I was led to believe that a viable, stand alone Forestry Tasmania, with sufficient control over commercial forests and market development, operating within clearly defined and understood parameters, would be the outcome of the URS Review.

I also was comfortable that Forestry Tasmania would have sufficient financial support, as outlined in the contingency funding announced in the State Budget, while we worked to turn around the fortunes of FT and indeed the industry.

However, on August the 22<sup>nd</sup>, I was provided with a draft letter from the Deputy Premier to the Chairman which revealed the government had decided to implement Option Two of the URS Report – an outcome inconsistent with the assurances made to me by the Deputy Premier and senior representatives of the government.

The letter contained detailed information about the structures and reporting arrangements that had or would be put in place which were complex and obviously involved considerable preparatory work.

Clearly the government had been working on it for some time.

The document outlined the plan to make the FT Board accountable to a committee comprising a number of heads of government departments, to implement URS Option Two and to immediately appoint a senior bureaucrat to the board of FT.

The plan if executed could not in any way be construed as likely to deliver a viable standalone Forestry Tasmania in appropriate control of its own destiny.

In my view it would result in a complete emasculation of FT.

This complete about face caused me to review other actions of the government over the past two years, in particular in relation to funding.

It is my firm belief that the government has been trying to starve FT of cash by refusing to pay for the community services undertaken by FT; by refusing to pay \$7m per annum to manage reserves as promised in the Intergovernmental Agreement and as funded by the Federal Government; the refusal to pay FT compensation for the surrender of sawlog contracts; and by reducing FT's loan facility with Tascorp. These actions, in combination with statements by the Greens leader Nick McKim that not one dollar would go to FT until it was re-structured, have convinced me the government want to bleed FT of cash with the intent of forcing FT to request government assistance so that its political objective – to bring FT under ministerial direction – could be justified publicly.

I may never know if the government would have achieved its objective if the leaked email to staff had not been made public – but it is apparent the government was more inclined to respond to the Board's concerns after the email was raised in parliament and published by news outlets.

As a consequence of push back from the Board, we now have correspondence from the Deputy Premier confirming the government will pay \$20m this financial year for the community services and non-commercial functions provided by FT. This is line with URS' estimate that it would cost \$17m to \$19m per annum if a government agency was to take over these non-commercial obligations..

The government has also confirmed that Forestry Tasmania will be compensated for any contracts it is required to forego under the Sawlog Buyback program and has modified the proposed governance arrangements.

These commitments were secured at two meetings on Tuesday last week – the first between the Minister and the full Board of Forestry Tasmania – and a second follow-up meeting between the Minister, his advisors, me and another FT director.

But we have been unable to secure a guarantee that FT would continue to manage commercial forests. The most that could be achieved was a suggestion that FT should “trust us” that management of commercial forests by FT would be the outcome of the cabinet sub-committee process.

My trust was shaken the very next day when the Minister announced that “in principle” he supported commercial forests being managed by an Independent Statutory Authority. I am at a loss to understand why the Minister did not explain this concept at either of the two meetings the day before.

The Minister has been aware since last Tuesday that I was re-considering my decision to accept the Chairman's position.

I have served five years on the Forestry Tasmania Board, and during that time my respect for my fellow board members, the management and people of Forestry Tasmania has grown. I admire their professionalism, I admire their resilience and I admire their care for the environment. I have a great deal of loyalty for them, and it indeed would be an honour to be their chairman.

There is no denying that our trading circumstance is very difficult, but I am confident that we can turn it around, albeit that it will take some time.

Forestry is vital to Tasmania and the employment generated by forestry is important to our State, particularly to the many smaller communities for which I have had a life-long involvement.

Our forests are one of nature's most renewable resources and, in a sense, we have a moral obligation to sensibly use the resource.

Like most things in life there is often a need for balance, but those who would have us lock up our forests entirely seem to me to be missing the point that to do so serves to make us more dependent on less renewable resources, resources that are more damaging to the environment than forestry. Locking up the forests will also increase fire risk to people, property and the environment.

These are the reasons why I was prepared to take on the role of Chairman at FT, albeit recognising the enormity of the task.

On the other hand, it is a responsibility of all company directors, government or otherwise, to meet high ethical standards.

If I was to continue as Chairman the government could reasonably expect that I would support its intentions regarding the company's future and assist with the implementation of the government's policy. I cannot support the government's intentions for FT.

Further as Chairman, my fiduciary duty is to act in the best interests of the company and in my view the government's direction is not in the best interests of the company.

Even if I was able to reconcile these conflicting obligations, the sole focus for the new Chairman should be on turning the business around.

Unfortunately, the sole focus for the next period is likely to be on managing government relations and politics.

But perhaps above all else I no longer have the required level of faith to assume that assurances made will be delivered and in that circumstance as a matter of principle I cannot continue as a director.

And that is why today I advised the Acting Premier, that as matter of principle and for ethical and professional reasons, I cannot continue as Chairman, nor as a director of Forestry Tasmania.

I do not intend to make any further comment, but if you do have questions or would like further information and comment, I am happy for Ken to assist. He is very aware of my concerns and the reasons why I have taken the action I have.

Thank you.