

[REDACTED]  
General Manager Commercial  
Sustainable Timber Tasmania  
Level 1, 99 Bathurst Street  
Hobart Tasmania 7000

Dear [REDACTED]

## Probity Advisor Report – Project Eclipse – Long Term Log Supply Agreement

I attach the following report on my role as Probity Advisor for the sale of Sustainable Timber Tasmania's (STT) Eucalypt Plantation Hardwood Logs.

I became involved in the process in March 2023, at the commencement of the process to ensure from the outset a strong probity process was in place to achieve the following objectives:

- increase the economic contribution of the forestry and forest products industry in Tasmania;
- grow on-island processing and value adding of timber in Tasmania and otherwise achieve a positive contribution to Tasmanian government policy objectives;
- stimulate new capital investment, encourage innovation, and improve efficiency of timber processing in Tasmania;
- provide resource security to the wood products industry and job security for Tasmanians through new long- term Log Supply Agreements;
- achieve fair and market-based prices for logs from the Estate; and
- generate a sufficient return on investment and support for plantation reestablishment.

## Sale Process Design

In relation to the sale process design, I provided probity input into:

- meetings re potential sales processes;
- the Probity Plan and developed iterations;
- the Sale and Evaluation Plans;
- appropriate communication protocols with the Board, Minister(s) and peak bodies;
- advice on responding to the Tasmanian Forestry Products Association's specific request for information;
- real and potential conflicts of interest;
- the three-stage process which included an expression of interest/qualification for Stage 1, Stage 2 business case and Stage 3 wood supply agreement negotiations;
- the assessment basis for Stage 1 and the assessment criteria and relative weightings to meet the project objectives in Stage 2;
- required information to be supplied to proponents;
- the Business Case Assessment and Evaluation plan;
- the Stage 2 Business Case Assessment Guidelines for Proponents, which included clarity regarding assessment criteria and weightings;
- the support to be provided to proponents in completing Stage 2 of the submission process; and
- proponent response timeframes.

Through the sale process design, I was also informed of the long-term Native Contract sale process, and the potential impact on the plantation sale process. I was also made aware of the State Government's grant program impacting industry proponents.

### **Stage 1 – Qualification Process**

Stage 1 qualification process was undertaken by the assessment panel created for this stage. The assessment was completed in accordance with the sale process design.

### **Stage 2 – Business Case Assessment**

As Probity Advisor to the Stage 2 Business Case Assessment:

- I was present at the at the evaluation meetings on the 8<sup>th</sup> and 9<sup>th</sup> September 2025 and the 14<sup>th</sup> October 2025.
- I had informal discussion and correspondence with yourself during the Stage 2 assessment process; and
- I provided advice and clearance on probity matters during the evaluation committee meetings; and
- I provided clearance of correspondence on questions of clarification sent to proponents.

I advise that I have reviewed the Evaluation Report to which this letter is attached, and that in my view, for the matters subject to my review, it is an accurate record of the evaluation process and outcome.

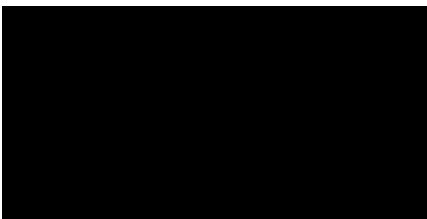
It is my opinion that the Sale Process was appropriately designed to meet the purpose of Project Eclipse. That at all stages the process was conducted fairly and equitably to all parties in a manner which ensured that issues of a probity nature were addressed and resolved on a timely basis and which identified and eliminated conflicts and potential conflicts of interest. The decision to preclude proponents from Stage 3 as 'not shortlisted' were based on a detailed and valid assessment.

### **Stage 3 – Wood Supply Negotiations**

Whilst contract negotiations are proceeding within STT's internal processes, it is important that the rankings are considered in the allocation of the plantation wood resource, noting under the Stage 2 Business Case Submission - Guidelines for Proponents, STT has detailed its rights to have 'absolute discretion' as to the allocation of resource to any proponent or proponents.

This is a summary report of my conclusion on the overall process and in particular the Stage 2 – Business Case process sufficient to provide a probity opinion on the outcome of that process. If you require further information, please do not hesitate to contact me.

Yours faithfully



Date: 31 October 2025

The Hon Eric Abetz MP  
Minister for Business, Industry and Resources  
Level 10, 15 Murray Street  
Hobart TAS 7000

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[sttas.com.au](http://sttas.com.au)

14<sup>th</sup> March 2025

Dear Minister

### **Sustainable Timber Tasmania - Native and Plantation Log Allocations to Industry.**

STT is acutely aware of the importance of the Tasmanian forestry industry and the vital role it plays in delivering economic and social prosperity for rural and regional communities in Tasmania.

STT also acknowledges the challenges and uncertainties faced by its customers as the industry transitions from a traditional native log supply towards a complementary mix of smaller regrowth logs and logs sourced from STT's hardwood plantations.

As you are aware, the transition process has raised concerns and STT wants to address these, to the extent possible, as quickly as we can, because the only way we can deliver resource security and provide industry the stability it needs is to expedite the log allocation process for both native and plantation logs as soon as possible.

STT acknowledges that this process has raised concerns but has always sought to navigate through complexity in a manner that delivers on the government's expectations, is fair to all and is compliant.

The history of the industry in Tasmania and its development over the last decades has played an important role in the current situation. In formulating its decisions, STT has had to consider the ramifications of:

- An inherited problem.

The Tasmanian Forest Agreement (TFA) in 2012 provided Forestry Tasmania with the forest areas known as Permanent Timber Production Zone (PTPZ) and the requirement to make available 137,000 cubic metres of High Quality Saw Logs (HQSL), Forestry Tasmania was not formally part of the roundtable that defined both the area of forest to be included in PTPZ and the potential log supply. It appears that the supply post 2027 was not tested in the TFA process for its ability to maintain the initial volume of HQSL in perpetuity. Unfortunately, PTPZ cannot maintain a volume of 137k cubic metres of HQSL beyond 2027 and we have advised our customers of this decline.



- Its commitment to current contracts

STT has advised all customers that their current contract volumes will be met to 2027 if they wish to maintain this supply. However, STT has offered its customers the option of negotiating a new contract at a lower volume which may prolong their supply of HQSL if they move to a new contract, up until 2040.

- Future supply risk

STT is aware that many of the future supply coupes in PTPZ have risks associated with social impacts such as the recent Dial Range controversy, environmental impacts such as Large Trees, Swift Parrot nesting sites, bushfire damage (i.e. post 2019 Riveaux Rd fire) and economic challenges due to the cost of access and/or extraction. To manage these risks, STT believes that it is prudent and good governance to only commit to volumes of HQSL that they believe there is a high chance of harvesting without causing social & environmental concerns and/or economic imposts on government or industry. For this reason, STT has profiled the future resource around a volume that is considered to have a reasonable probability of being able to be provided. This is sound risk management, and STT hopes that surplus volumes can be made available to industry periodically.

- The need for alternative supply

The total volume available post 2027 is not enough to maintain the current harvest volume which means if all STT's customers wish to continue at their current volumes then another source of supply is required which means that the Private non-industrial growers and the Future Potential Production Forest (FPPF) could provide additional volumes. The FPPF is currently being assessed by the government.

The private sector also has a considerable natural forest estate, and while it may not be as productive as the PTPZ it could provide significantly more volume if there is both a facilitation mechanism to allow them to easily access the market and some clear market signals in terms of log prices that will create both an incentive to harvest and to invest in their natural forests in perpetuity.

- Resource security

Resource security became an industry policy objective in the late 1990's to create certainty for processors via long term volume-based contracts from publicly owned forest agencies and an associated administered pricing mechanism. Unfortunately, this policy approach had the perverse outcome of excluding the private sector and this remains today where there is no formal process to allow the private forest owners to participate in the log market and there is no transparency around log prices to create interest from the private growers. In addition, resource security has had the perverse outcome of increasing the industry's vulnerability to government intervention. For example, in both WA and Vic the industry had resource security from their respective governments until their governments decided they would shut those industries. In both states there is over 1 million hectares of privately owned native forest and while there may be some opportunities for accessing private native forests in WA there is none in Victoria due to regulatory restrictions.



Resource security in form of long-term contracts have not provided any long-term supply security for the forest industry. Management security over public forests (like the security enjoyed by National Parks and Private Timber Reserves) will provide greater confidence for industry that wood will remain available in perpetuity.

- Pricing

There is neither independent recording of hardwood log prices in Australia nor any experts who specialize in hardwood log prices by species and grade. The Western Junction sawmill provides a list of their current log prices to Private non-industrial growers, and these are instructive and could be used as the basis to inform log prices in any new contracts. STT would accept these prices as a foundation for the initial contract period up to 30 June 2027, if there was some periodic market testing to provide confidence to both growers and processors.

- Legal considerations

STT's Board has obtained legal advice from a well-known Melbourne law firm and is highly cognisant of the requirement that any new contracts must be delivered via a process that is compliant with national competition law, and in accordance with Competitive Neutrality principles by allowing equal opportunity for the private sector in the markets we operate in and addresses concerns around potentially breaching the *Competition and Consumer Act 2010* if supply was divided unequally around selected but not all customers

With specific reference to recent Industry requests, I can offer the following responses for your consideration:

1. STT confirms that, coincident with the commencement of Stage 2 (12 week period) of the On Island Processing of Hardwood Plantation Logs in Tasmania process (Project Eclipse), STT agrees to expedite native forest sawlog and veneer log binding term sheets (including log pricing) within the first six weeks.
2. STT agrees to meet Industry half-way with respect to treatment of uncertainty (headroom) as it relates to contracted base volume at 10%.
3. STT agrees to engage in a formal process with native forest contract holders to determine agreed mechanisms (and contractual arrangements) to enable access by Industry to the maximum volume of commercially available logs during the term of the contract.

We remain committed to positively contributing to Tasmania's sustainable hardwood industry and working with Industry and the Government to implement a successful resource transition.

STT sincerely hopes the Government can assist in reassuring industry and providing STT the support it needs to complete an important process that is vital for the future of an industry that supports over 5,500 families in regional Tasmania.

Yours sincerely







McKay Timber



know & love  
timber



WESTERN  
JUNCTION  
SAWMILL



TT TORENIUS TIMBER  
CREATE WITH WOOD

Monday, 3<sup>rd</sup> March 2025

The Hon Eric Abetz MP  
Minister for Business, Industry and Resources  
Level 10, 15 Murray Street  
Hobart TAS 7000

Email: [Minister.Abetz@dpac.tas.gov.au](mailto:Minister.Abetz@dpac.tas.gov.au)

Dear Minister

Thank you for taking the time to meet with us on Monday 24 February 2025.

Our businesses are part of the Tasmanian forestry industry a vital component of the economic and social prosperity of rural and regional Tasmania, with over 5,500 families relying on the jobs that our industry provides.

The current situation has created uncertainty for the entire supply chain, and we are frustrated by the lack of progress over the past two years with regards to Sustainable Timber Tasmania's (STT) post-2027 contract negotiations. Secure contracts of supply for processors, imbedded with appropriate compensation, take or pay/supply or pay flexibility, sovereign risk and force majeure mechanisms will be the best means of providing long term security for the supply chain including Government, STT, contractors, processors and the wider market that relies on timber from Tasmania's forests.

As discussed at the meeting, the following points are what we require from STT:

- STT agrees to expediate the native timber contract to binding term sheets (including pricing) within six weeks. If STT is unable to bring native contracts to conclusion in the timeframe, we would welcome any oversight function that you see fit that would negotiate and finalise these contracts using best endeavours.
- The headroom is removed from A and B coupes.
- Industry acknowledges that approximately a third of the resource (C coupes) could be more costly to extract through a range of issues. We request that STT engages in a formal process with all native contract holders to determine an agreed mechanism to maximise resource extraction by STT for this volume of wood. This is also to occur in the six-week timeframe.

It is critical for our industry that both the native and plantation contracts are finalised expeditiously. We request that STT takes action to get to a position of agreed terms (including

pricing) for native resource for existing contract holders prior to the commencement of their plantation EOI process. The signatories below believe the six-week timeframe is adequate so that all parties can be held accountable for the timely conclusion of these negotiations.

For all of us resource security is fundamental to the industry, and our businesses require this certainty to underpin investment decisions. For the people working in our businesses, along with the contractors that help underpin this industry, we request your support to help make this happen to back local processors in Tasmania in line with the Government's commitment to processors at the recent election.

We understand this is a publicly owned resource. We welcome any oversight function you see fit that will help ensure all parties negotiate and finalise these contracts. We also stand ready to work with the Government to deliver any legislative changes to ensure supply volumes reflect the Sustainable Yield.

We look forward to working with the Government and STT to deliver a positive outcome where our businesses have certainty and confidence.

Yours faithfully,

**Glen Bakes**  
Bakes Sawmill

**Shawn Britton**  
Brittons Timber

**Brett McKay**  
McKay Timber

**Andrew Walker**  
NSFP

**Mark Bejatovic**  
Porta

**Robert Yong**  
Ta Ann

**Matt Torenus**  
Torenus Timber

**Vince Hurley**  
WJS

11th April 2025



#### Re-contracting Native Forest Sawlogs

Thank you for your response to the questions raised in the initial draft term sheet (Proposed Key Terms of a Wood Supply Agreement).

Following consultation with our Shareholder Ministers, STT is now able to re-engage with the process for re-contracting native forest sawlog supply.

To recommence the process, at our next meeting STT intends to:

- Outline the steps necessary to execute new Supply Agreements;
- Provide an update on the volumes available;
- Discuss allocation of Base Annual Volume (90% of (Type A + Type B)) and Additional Annual Volume (Type C), and with reference to the proportional distribution methodology used in the initial draft term sheet;
- Discuss preferred supply patterns as indicated in your response to the initial draft term sheet;
- Outline STT's approach to Mill Door Pricing for the Base Annual Volume, including log pricing;
- Engage on an approach for the Additional Annual Volume which seeks to optimise the available quantity of these logs on commercially agreed terms; and
- Provide an overview of key elements of the new Supply Agreement.

The outcome from these discussions is to develop binding term sheets which can be translated into new Supply Agreements. We expect this may take a number of meetings with each individual Customer however our aim will be to achieve the outcome as quickly as possible, cognisant of the requirement that all parties, both large and small, are afforded the opportunity to successfully participate.

We expect the initial meetings will commence from the week beginning 5th May 2025 and we will be in touch shortly to arrange appointments with you.

Should you have any question regarding any of the above, please do not hesitate to contact me.

