



## TAMAR PULP MILL

### COMMUNITY IMPACTS AND RESPONSE (CIR)

#### 'World scale' mill - world scale problems

*Submission to RPDC on Gunns' draft IIS*



### Saving our State

*Protecting our valued industries, our rural communities and our children's futures.*

This community-generated submission signed by more than 1400 community members (see Appendix 5) draws attention to the serious problems, oversights and unsatisfactory process that exist with Gunns' draft IIS for a pulp mill. The purpose of integrating the many aspects of concern about the proposal is to reveal that the 'big picture' justification is deeply flawed and detrimental to Tasmanians, as well as to Australia's strategic options.

NB This submission was developed from the ideas and experiences of ordinary Tasmanians belonging to TAP who are engaged in farming, tourism and similar activities or who had special knowledge eg. chemical engineering. All are highly concerned about the proposal and its impact on their lives and on the lives of their loved ones. It was developed without any support from any level of government.

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## EXECUTIVE SUMMARY

1. There appears to be no overall benefit for Tasmanians in this proposal. Broad scale impacts on Tasmania include among others:

- the rapid expansion of the plantation estate in Tasmania's North;
- progressive decline of northern rural communities;
- removal of over 300 sq km of forest and trees per year;
- significant increases in log truck traffic;
- regular broadscale biocide applications to our land and leaching into waterways;
- severe depletion of water yield from catchments at a time of decreasing rainfall;
- the strategic threats created by shifts to corporate ownership from individual ownership.

2. Siting one of the world's largest pulp mills in the same airshed and upwind of a valley of 100,000 people engaging in mixed industry carries many unpredictable risks. One only has to reflect on Bhopal, India to appreciate the results of poor planning.

3. State and local government have abandoned their prime function of exercising a duty of care towards its citizens. There are multiple breaches of rigorous evaluation procedures, promotion of biased information, the removal of potential barriers such as being able to on-sell the project, and an unseemly rush to publicly support the proposal before any assessment of the impacts had taken place.

4. The risks are further compounded by an evaluation process that does not assess all of the risks but only a selected group. This has arisen from the decision of the responsible Minister to declare the proposal a Project of State Significance and proscribe certain areas from review by the RPDC. In this case fundamental issues of wood supply and water resource management are excluded and the restricted terms of reference bias the review process in favour of the proponent, leaving the Supreme Court as the only avenue of appeal available to the community.

5. Reporting pulp mill income as an overall benefit when much of the agricultural farming sector and tourism appears to be heavily compromised was always highly misleading and raises the ire of the community.

6. Public participation has been severely constrained by lack of funding, a brief period for evaluation and difficulties in making sense of the proponent's claims.

7. Finally, as a community of people we object to our needs being ignored by the government that we are paying to represent us. We object to the impacts on us being defined by a private company that is not authorised by its Articles of Association to represent the our interests in any way. We object to the exclusion from consideration of major public detriments that disprove the proponent's economic justifications. We object to a company with a clear conflict of interest in this matter being given such far reaching powers. We also object to that company being offered access to the kind of economic control over our lives and lands that would result from approval of their draft IIS proposal.

## Recommendations to the RPDC

### 1. Government actions to protect the public interest

When such a large volume of public resource is proposed to be used or transferred to private hands, and when a novice proponent expects to place so much of our land, community and environment at risk, it is reasonable to expect that there would be:

- a) competitive tenders sought for public timber;
- b) safety and environmental guarantees established;





## PART 1 - OVERVIEW

### TAP - our community group

TAP is a community based, non-politically aligned group of residents from throughout Tasmania who share a common concern over the scale of impacts of the proposed Gunns' pulp mill on livelihood, amenity, life-supporting capacity of our environment and the needs of future generations.

### What the community wants

Members of the community would like to retain the natural beauty and diversity of Tasmania consistent with sufficient economic opportunity to allow them to enjoy a reasonable lifestyle. They also want a major project evaluation system that is free of conflicts of interest and that provides them with comprehensive and independent evaluations of risks. These values are well reflected in the Tasmania Together goals and values (see Appendix 1).

The effects of approval of Gunns' draft IIS proposal would be the antithesis of these admirable goals and values.

Our concerns are captured by The *Mercury* Sep 16, 2006 which writes about:

...dismay in watching a "New Tasmania" -- which had been on the path to becoming less parochial, more outward-looking and more confident -- turn back towards policies focused on footy teams, race tracks, single projects such as a big pulp mill and a general cargo-cult mentality. And of how another lifestyle and direction for the state was worth fighting for.

One where Tasmanians were proud of themselves and their state -- but not bombastically or pig-headedly so. Where they were confident but not afraid to look at how things could be done better, or were not too busy or self-centred or money-focused to look after each other; who were certain enough of their place in the wider world to be able to take criticism and dispassionately inspect it to see if there was a kernel of knowledge that could be gained and improvements made.

From Gunns perspective, the community's wants and needs are not relevant; their Articles of Association force them to adhere to narrow profit and business goals. That the proponent's view is different to that of the community is self-evident. What is missing from the system is a fair and proper balance of community views and aspirations.

### Submission purpose

The purpose of this community submission is:

- to alert readers and decision makers to the strategic and other community impacts that would stem from approval of Gunns' pulp mill proposal;
- to outline the reasons for those problems; and
- to request that the entire proposal be completely rejected.

Our submission is prepared for a wide audience and is designed to help engender a good understanding of our situation. The lack of financial or other support coupled with the lack of time and the cumbersome size of the draft IIS, combine to prevent us from presenting 'scientific' proofs, or supporting our case with large bodies of data. Instead we rely on the onus of proof being on the proponent.

## Organisation of this report

The key themes addressed are strategic, economic, legal, process and other issues.

When we analysed process and other issues associated with the proposal, it became clear that there were so many flaws in the process and the information developed from it, that a fair and balanced evaluation could not be reached. The most serious flaws were the outsourcing to the proponent of the determination of impacts on the public, and the exclusion of the most serious impacts from consideration. The effects of these latter were to leave the interests of a broad cross-section of the community entirely unrepresented. See the diagram next page - Simplified Integrated Impacts Assessment Model.

Part 1 – Overview sets the background for this submission. Part 2 – Reasons to Reject The Proposal identifies strategic, economic, systemic, specific hazards and other serious problems with the draft IIS. Part 3 – Factors Impinging on Quality Decision Making identifies significant issues to do with the assessment process, jurisdiction, policy and onus of proof all of which threaten to compromise good quality decisions.

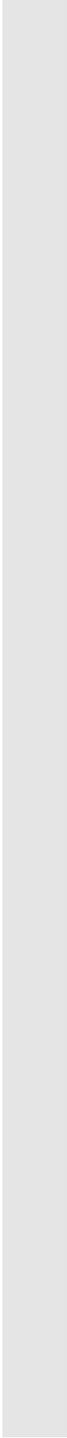
## Overview conclusions

It is clear that Gunns will benefit at the expense of other active and successful industries in Tasmania or from critical elements of the environment that make Tasmania a place worth living in or visiting.

Catchment clearing and plantation expansion will significantly disrupt or even destroy rural communities, impoverish the area for water and create a severe overall detriment, including many lost jobs in the rural North. It is our conclusion that the detriments outweigh any advantages to Tasmania from this proposal. We also note that these detriments are neither reported nor discussed in Gunns' draft IIS which, in our view, confirms that authorising a proponent with a conflict of interest to determine impacts on the community is a serious error.

We submit that the mill proposal must be rejected for strategic reasons, State economic reasons, legal and process reasons, as well as important issues of scale and location coupled with major risks to the area around the mill.

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Simplified integrated impacts assessment model (refer to Appendix 3 for image of full model)

	Economic and legislative environment	Conversion of land to plantations	Farm closure impacts	Plantation impacts on water budget	Logging and regeneration impacts	Mill construction and traffic	Outputs into receiving environments solid, liquid, gas	Community disaster management
Types of pulp mill impacts- economic, social, environmental								
Pulp mill processes								
Government action – federal, state, local								

Scope of integrated impacts according to RPDC and government



## **PART 2 - REASONS TO REJECT THE PROPOSAL**

### **2.1 Strategic reasons for rejecting the proposal**

#### **A threat to our sovereignty over Tasmania’s productive farm land**

Using MIS schemes, Gunns has become the major landowner in Tasmania as well as having a 20 year contract with Forestry Tasmania that allows low or below cost access to timber from our forests. Gunns therefore controls much of Tasmania’s natural resources on land.

Since the total of Gunns’ shares is around \$900 million, Gunns can be acquired for something close to that sum. A mill approval will likely pick up the pace of farm to plantation conversions and that, coupled with land title transfers to Gunns, will make Gunns an attractive takeover target to a foreign corporation or power, eg. China. While such a takeover is already possible, approval of a pulp mill coupled with a ‘futures contract’ on Tasmania’s resources will combine to increase the likelihood of a takeover. If this happens Tasmanians will no longer control their own lands.

#### **Substantial loss of Australia’s strategic flexibility**

As if the impacts of losing vital agriculture industries were not enough, losses of these lands to corporations inhibits the development of an adequate scale biofuel industry. As fuel supplies lessen there is a real chance that in future we will need to produce biofuels. Since fuel restrictions would have far-reaching and fundamental consequences to our economy, it makes sense to leave open the option of encouraging as many farmers as possible to produce crops suitable for biofuel feedstock production. Approving the mill at its current ‘world scale’ would immediately limit our ability to produce biofuels for our own use. Given the current world oil supply situation, such strategic restrictions are not in the national interest particularly given the paucity of any real benefits to Tasmanians from the proposal (as outlined in the economic impact section of this submission).

#### **Threats to water supplies**

Untrammelled forest operations in upper catchments create severe downstream consequences apart from removing an important public and tourist amenity. Over centuries, forests have built a rich, deep organic soil complete with tremendous biodiversity and a huge surface area. These forests function as sponges to trap water in the high country and release it slowly over time into waterways thus maintaining environmental flows and protecting our rivers and creeks during drier months. The removal of forest cover also removes our natural protection mechanisms from drought, accelerates erosion and causes siltation problems downstream. Regeneration burns destroy soil organics and facilitates erosion (sheet, tunnel, headwall etc) of soils particularly following high rainfall events.

Plantations are treated frequently with large amounts of chemicals including simazine like compounds, which are known endocrine disruptors. These biocides and their various derivatives leach into groundwater and creeks presenting an unpredictable health risk to any person or animal drinking the water. Animal deaths from eg.1080 also lead to multiple carcasses in the water that rot and make water unpotable.

Unnecessary reductions in water availability clearly impact everyone downstream. The frequent replacement of mature forests with plantations places much greater demand on remaining water available compounded by lost soils no longer being





## 2.2 Invalid economic justification

We challenge the following assertions by Gunns:

- Gunns revenues represent additional total revenues to Tasmania;
- economic growth for Tasmania will result from a mill approval;
- there will be significantly increased tax revenues;
- there are no substantial community costs for mill detriments and hazards.

The economic justification for the mill relies on a computer model that can be neither inspected nor tested. It is a 'black box' that impedes understanding and conceals risks from public inspection.

Significant 'inputs' and assumptions used in the model appear to come from invalid claims made by the proponent. For example, Gunns states that:

*Once operational, approximately 3.2 Mt to 4.0 Mt of logs that would otherwise have been processed into woodchips for export will be manufactured into 820,000 tonnes per year of hardwood pulp.*

It can be seen that the economic model presented with this draft IIS deals with the original scope, not the revised and expanded scope and does not take account of any impacts of the additional 3 mt of timber required.

Much of the economic justification arises from a consideration of benefits without corresponding assessment of costs. See the submission by Naomi Edwards (Too much Risk for the Reward).

These excluded costs include among others:

- The impacts of intensification and expanded logging operations on other industries such as agriculture and tourism;
- Declining water quality for domestic water consumption from intensified logging;
- Declining water yield from catchments as a result of conversion of farms to plantations;
- Losses of production (eg. from browsing animals) for farmers adjacent to the increasing plantation estate;
- Costs of health care for individuals and families from spray drift of biocides on plantations and water supplies;
- Job losses for rural Tasmanians from closure of farm produce processing companies and the many support industries that serve farming needs;
- Subsidies eg. MIS schemes, from the public purse to give the chip/pulp industry;
- Decline of yields from fishing grounds for Tasmania and Victoria;
- Losses of amenity for both tourists and locals;
- Undermining of Tasmanian brand that may hurt vital export orders in fine foods, wineries and fishing;
- Upkeep of roads and bridges from additional log truck traffic;
- Losses from timber sales at less than commercial returns;
- Upgrades to emergency services to cope with disasters;
- Health costs for asthma and related diseases arising from air pollution.

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The revised project scope impacts are likewise excluded because the revised scope treated logging as if it were already happening at the scale proposed. The revised scope determined by Gunns does change the total amount of timber taken from Tasmania's limited resource. Even relatively simple statements in the modelling section are rendered false by the change in scope.

Errors of this magnitude have no place in a proposal that presents so many 'world scale' risks to such a small island.

### **Conclusions from this section**

The economic risks from the proposal cannot be understood when critical economic factors (eg. losses to other industries) are excluded.

The proposal should be rejected until the complete system and its economic consequences for Tasmania and Australia are fully understood.



## 2.3 Systemic problems with the proposal

The proposal highlights threats that are systemic and structural in nature.

### Systemic threats

#### **Timber industry support programs are themselves unregulated**

There is no braking mechanism on the MIS tax incentive scheme. There is no limit to the amount of farmland that can be converted to plantation. There are no cost/benefit studies on the impact of disappearing rural communities (eg. Preolenna) that are bulldozed to reduce plantation owner's rates. There are no figures on losses to government revenues as rates decline, income tax losses as farms disappear, or full reporting of the costs of all of the subsidies given to plantation companies. There is no defined stopping point for the program, only incentives for MIS schemes to convert as much farm land to plantations as quickly as possible. The program is only really regulated by the rate at which each MIS can buy land.

Our concern is that the MIS program and a pulp mill will be used to reinforce the need for each other. The pulp mill proponent will want a substantial and secure source of timber relatively close to the mill, as well as wanting more taxpayer subsidised land as a corporate asset, and will therefore support the MIS. MIS operators will want to assure their 'investors' of markets for the timber and will want to support the mill as a potential purchaser. From a political perspective, having these groups support one another means that approval of the mill is likely to make it considerably more difficult to restrict MIS schemes in Tasmania to appropriate levels.

#### **Whole of system impacts**

If approved, the pulp mill creates a web of detrimental impacts to Tasmanian environment lifestyles and future. These are not reflected in the supposedly 'integrated' IIS since Gunns has monopolised the definition of impacts and the collection and distribution of information. Such outcomes are entirely the opposite of the requirements of the SPPA Schedule 1 and therefore of the RPDC's charter. This disqualifies the proposal from consideration as too many critical impacts on the public have been omitted.

#### **Legal ambiguities**

The State government has laws that purport to help assure fair and equitable treatment of the public in planning and development of the State. The only way in which the draft IIS can conform to the guideline is if it is construed that Gunns' claims of meeting the guidelines are reflexive – something akin to papal powers. We contend that these requirements are not attended to in the case of the Gunns draft IIS and that this precludes the RPDC from fulfilling its mandate.

All statutory authorities must fulfil their duty of care obligations by assessing to their own satisfaction the impacts of the proposal. Failure of even one authority to agree will create all kinds of legal problems for the government but this has not been discussed in the public arena.

### Structure, process and evaluation flaws

#### **Gunns reports on their part of system (partiality) but not their impacts on the whole**

The draft IIS describes Gunns' activities as if they were the whole of the system. They are not. They are part of complex interacting social, industrial, nutrient and physical systems where actions in one part can affect many others.

Gunns has failed to disclose critical information required for any sensible evaluation of their proposal. It is obvious that wood supply issues are ‘relevant to the project’ and consequently must form a part of the set ‘all’ specified earlier.

While it may be understandable that Gunns would take a partial view, we argue that it is not reasonable for the government or the RPDC to accept it as descriptive of the whole, given the requirement to address “all environmental, social, economic and community issues relevant to the project”.

This creates a decision environment of partial ignorance, thereby preventing the RPDC from obtaining a complete and valid picture and properly fulfilling its mandate eg. under SPPA Schedule 1. This failure exposes communities to unknown but significant risks.

### **A process flawed by biased actions, information and support**

Balanced evaluations, particularly for complex systems, cannot be carried out in an information vacuum, neither can good judgements be reached from distorted information or omissions.

No competitive uses for the resources proposed to be consumed by the mill are provided, neither were tenders sought for the forest resources, nor are there published studies about alternative uses for our water or alternative uses for plantation timber. There is nothing with which the RPDC or the community can compare the proposal, or its elements, to reach a rational evaluation.

The ‘approval’ process appears compromised with every level of government endorsing the proposal before strategic, community and environmental risks were even known, let alone quantified. Our State government provided no support for public expressions of concern, for mounting a documented contrary case or for supplying copies of the draft IIS for review.

The State government appears to have outsourced its role of duty of care entirely to the proponent of a commercial project thereby biasing the information at source. As if this were not enough, the State government has invested countless public service hours and poured millions of tax payer dollars into supporting and promoting the proposal, and it has provided upgraded infrastructures like roads.

The information available to the public via the IIS is inadequately presented, very difficult to navigate in electronic form, too complex and too vague to allow an adequate evaluation of the proposal. (eg. there is no identification of the biocides to be used on plantations, nor of their quantities per hectare therefore it is impossible to evaluate the consequent risks presented to the water supply and to human health).

Notwithstanding the process in place, the RPDC is empowered, in part, “to secure a pleasant, efficient and safe working, living and recreational environment for all Tasmanians and visitors to Tasmania”. In addition article 1 (c) of the SPPA states that “to encourage public involvement in resource management and planning” is an objective of the RPD Act itself. We contend that these outcomes and objectives are not possible without balanced input from the community and that various government actions have prevented the public’s view from being fairly and proportionately represented.

### **Biased evaluation**

The RPDC committee charged with the evaluation contains legal, planning and pulp industry expertise yet there is no balancing expertise from the industries most threatened by such a proposal, eg. farm agriculture and tourism. Similarly decisions made to exclude other aspects (eg. use of plantation biocides, impacts on rural water supplies etc) that could have a profound effect upon the ecological and socio-economic systems, will prevent access to proper weighting of information about significant impacts of such exclusions.

Even at a simple level, this structural bias introduces substantial real-world doubt about the legitimacy of the exclusions, as well as upon any later decision based upon

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such a partial view. Our studies and the reports from rural Tasmania demonstrate that concerns about the exclusions are not only valid, but substantial, immediate and of strategic concern.

#### **Inability of RPDC to meet its terms of reference**

Overall the whole affair stands contrary to the requirements of the State Planning and Policies Act (SPPA). The Act sets out laudable and reasonable objectives (eg. Schedule 1) for subsequent processes and actions, but those objectives are defeated by the processes employed and the bias towards the proponent, as if the proponent's statements were enough to settle all questions of threats to strategic capacity, rural communities and the environment. This is a naïve and implausible view given actual experience with pulp mills around the world.

By leaving out the supply side and other key aspects from its considerations the RPDC cannot fulfil its mandated functions. The word 'all' in the act should not mean 'excluding selected areas'. If detriments created by the supply side were included in the justification for the mill, then the justification would probably have been nullified. Their exclusion from consideration can only be regarded as sinister, particularly given the strategic and political risks involved.

The objectives of SPPA Schedule 1 can only be met if the RPDC and others can fully evaluate the risks presented. We submit that this is impossible under the conditions that exist and that the RPDC should reject the draft IIS and recommend that the project be terminated until all risks can be evaluated.

#### **No risk contours or enforced standards**

The proximity of such a large, chemical processing facility to a major centre like George Town represents a hazard that creates undeniable risks for the population. There are no risk contours available to the public for up to 50km from the mill site or to distances where risks diminish to background levels. There are no enforced standards that would guarantee community safety during the life of the mill.

There are no performance guarantees, measurement and shut down regimes that would support claims by the proponent. Until enforced standards, metrics and guarantees are available the promises made by the proponent are unenforceable and therefore meaningless from a community protection standpoint.

Guarantees of performance must be obtained and only then can the RPDC assure itself and the government that risks will be controlled or mitigated.

#### **No safety processes specified**

There appears no information about how community safety will be assured. Given the extreme hazards presented by quantities of highly reactive chemicals, clear and concise plans should be published that show how workers and communities will be protected from catastrophic events at the mill, such as liquor boiler explosions, flue gas explosions or storage tank ruptures.

Emergency services will require different equipment and new training to respond effectively to new hazards. Communities will need to know safety drills and emergency procedures. Where will the budgets for these activities come from?

The lack of specified safety processes implies both inexperience on the part of the proponent and unknown risks for the population.

### **Conclusions from this section**

As an alternative, the government should require the proponent to present a complete business plan, then authorise a competent and independent group to evaluate the impacts on the various communities and on Australia's strategic capacities. Such an approach would make major bias less likely and reduce the risks of crippling other industries and communities 'by mistake'.



## 2.4 Specific hazards arising from the proposal

There are a wide range of specific hazards and risks that compromise health, amenity and environment. The following is not exclusive.

- a) Crash risks to the public involving trucks carrying raw materials (in particular toxic and corrosive chemicals) as well as logs.
- b) Risk management plan for flue gas explosions (a recognised insurance risk) and accidental toxic chemical releases including delineation of the sacrifice zone, risk contours and public awareness program and response training. The plan should also provide satisfactory warning and emergency response systems including protection systems for workers and emergency services equipment requirements and training.
- c) Impacts of log truck traffic on Tasmania's attraction as a tourist destination and associated businesses.
- d) Impacts on respiratory health of populations exposed to aerial pollutants including gases such as sulphur dioxide and methylmercaptan, as well as micro-particles. In 2004 the Tasmanian Government in its Air Quality policy made exemptions for two key pulp mill pollutants with the strongest odours, hydrogen sulphide and methylmercaptan, so the adverse impacts of an approval decision are likely to be greater than otherwise.
- e) Impacts on markets for our fine foods and wines in the Tamar valley and surrounds.
- f) Impact on the Tasmania brand as a desirable destination for living and recreation.
- g) Compensation for decreasing property prices caused by odours from the mill (Gunns has given no satisfactory guarantees that these will not happen).
- h) Impact on recreational users of the Tamar River and Bass Strait areas around the mill and outfall.
- i) Poisoning of expanding plantation estate from repeated doses of biocides, contamination of rural water supplies and impact on human health. Plantations to be established on Karst areas could pollute underground flows of water threatening distant water users.
- j) Risks to current and future water users (water supply authorities, irrigators, rural towns, homesteads, new developments eg. Greens Beach and Beauty Point) of insufficient volumes of water being available from catchments feeding Trevallyn dam over the 30 year life of the mill. Risk assessment should be framed around the notion of water budgets and include impacts on reductions in rainfall and reduced river volumes due to plantations on input, storage reservoirs and outputs. (These and other issues are included in D. Leaman's submission.).
- k) Leaching from landfill of toxic sludge into groundwater and bioaccumulation of dioxins and heavy metals in food chains.
- l) Impact of 30 years of pollution at the rate of 70 million kilograms per day for 30 years on fishing grounds in Tasmania and Victoria.

### Conclusions from this section

The proposal should be rejected until all hazards are fully assessed and debated, management plans prepared, monitoring established, guarantees locked in or compensation with aggrieved parties agreed to.

## 2.5 Other serious problems with the proposal

### Scale and jobs

Gunns asserts (with no supporting evidence) that only a world scale mill will allow them to be profitable; however Tasmania is not a world scale island.

The mill may require upwards of 200,000 ha of land (depending on real growth rates) as plantation feedstock. Given that 18% of our farmland has already been converted and that this is about 85,000 ha, then we'd need to convert another 35-45% of our farmland just to feed the pulp mill, and that's presuming that Gunns doesn't want more feedstock/profits and that they don't use more taxpayer funded plantations for woodchip feedstocks.

The conversion of so many farms to plantations would total approximately 40 – 60% of our farmlands. Job losses from this conversion process have not been assessed but would significantly exceed the 'new jobs' offered by the mill. In addition economic impacts could be profound for many rural communities. This is particularly so as a significant percentage of rural Tasmania is not suitable for growing mill feedstock plantations (eg. midlands) and plantations are likely to be centred in the north.

Government support in the form of generous tax breaks, subsidised inputs and community funding of infrastructure, has unbalanced the level playing field and skewed market forces to the detriment of large sections of Tasmanian society.

### Location

Given a management with no experience in chemical plant, siting a 'world scale' hazardous chemical facility, with toxic effluents and industrial chemical transportation in the same airshed and upwind of a community of 100,000 people and within a few kilometres of George Town is a very courageous decision for all concerned.

The location chosen is near other hazardous industries that can, and do, emit toxic fumes and produce dangerous catalysts (eg. aluminium dust) and carries many unknown risks. Adding the various outputs from a pulp mill to the mix in the air significantly increases overall threat levels from hazardous substances and places local populations under threat.

The only way both to assure public protection, and for the RPDC to fulfill its charter, is to assess all possible risks to the public, industry and the environment, and to mitigate those risks with strategies, standards and guarantees. Gunns IIS leaves many hazards undisclosed which prevents the public from evaluating the proposal with any confidence and makes risk reduction practically impossible. The ensuing situation increases risk to all parties, including the proponent, and places the evaluation of risk entirely out of public reach.

### Conclusions from this section

There are too many unknown risks of unknown magnitude to assess the proposal with any confidence. The proposal should be rejected until and unless all of the risks are known and considered in a balanced assessment. Some of the more important unquantified factors are listed in Appendix 2.



## PART 3 - FACTORS IMPINGING ON DECISION-MAKING

### Global changes – rising energy costs, uncertain climate

Our global situation is characterised by rapid change, military activity in the Middle East and unstable investment environments. Oil prices, and energy prices in general, are trending upward. World institutions such as the Centre for International Forestry Research (CIFOR) are warning that investors are failing to properly assess risks associated with pulp mills. The report states that these failings have already created massive losses for many investors and that investor protection can only be achieved with careful due diligence work, robust standards and adequate insurance coverage. World experience with pulp mills shows huge pollution and economic risks to communities, investors and ecologies, particularly when assessments are inadequate due to insufficient due diligence testing. (Source *Financial Times*, London (UK): May 11, 2006 p.26). See Appendix 4.

Other countries are forming major alliances to assure themselves of adequate energy supplies eg. SCO. There is also concern because our climate is changing and becoming both drier and less predictable. Pollutants in the atmosphere appear to be reducing the available sunlight for growing plants thereby slowing growth, and creating rain shadows around polluted areas. Global pressures for energy security and food security increase the likelihood of Australian companies being seen as easy takeover targets, particularly given Australia's openness and the ease with which company stocks can be traded.

Gunns' draft IIS takes no account of how these changes might affect the proposed mill and its impacts.

### Jurisdictional inconsistencies

The jurisdictional questions surrounding Gunns' pulp mill proposal are vexing.

Gunns' draft IIS excludes impacts from their wood supply operations, claiming that there will be no impacts as their activities are already covered by a Regional Forest Agreement (RFA) which expires in 2017. These claims are contradicted by the intensification of activity needed to feed a 'world scale' mill, and by the area of forest and farmland required to support their chipping and pulping plans. As a result, the RFA will need to be renegotiated by the State and Federal governments.

The federal Environment Protection and Biodiversity Act 1999 clearly applies. Contrary to the intent of that Act, Gunns proposal would explicitly reduce biodiversity, remove much of the natural environment and replace high biodiversity natural forests with monoculture plantations.

The federal government should also be involved in any decision such as this which puts Australia's sovereignty over its own farmlands and forests at risk; threatens the future survival of rural Tasmanian communities; and prevents Australia and Tasmania from being able to produce vital agricultural products (eg. bio-fuels) in the event of escalating fuel prices, continuing nation wide droughts or other strategic threats.

The Victorian government should also be involved because of the real threat to fishing grounds in Bass Strait. Effluents from any such mill would present a significant impact on marine life, particularly given the published images showing 160 day or more flushing rates in Bass Strait. Such low flushing rates would lead to pooling and concentration of mill effluents and consequently would present a real threat to fishing grounds off Tasmania and Victoria. Which government will underwrite the threat to human health from eating those fish?

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**Serious reservations about the role of the RPDC.**

The State has mandated that the decision will be made by the RPDC but their terms of reference ignores several key areas. The role of the RPDC is defined in the State Policies and Projects Act (SPPA). We cannot see how the RPDC can fulfil that role given the important impacts excluded from consideration by Gunns, and apparently endorsed by the Minister. We are not clear therefore that a final decision can legitimately remain within the jurisdiction of the RPDC as long as the distortions remain.

For example, the impacts of ‘world scale’ logging on Tasmania’s water catchments would be severe and come at a time when Australia’s climate is becoming drier, and water access and supply are becoming major strategic issues. Those impacts would lower the value of land in the catchments, a result that plays directly into the hands of the proponent.

We maintain that water, environment and social impacts appear to be the most significant and detrimental of all of the impacts and that it is the combined effects of those impacts that lead to overall economic losses for Tasmania. Precluding inspection of these impacts to justify the mill cannot be construed as diligent or fair.

The major economic, social, business and health impacts appear to be in areas outside RPDC consideration. Because they are relevant considerations they cannot be ignored and we feel pressed to also present this report to different decision makers in addition to those involved in the State process.

The RPDC does not include representatives from areas of knowledge vital to community protection such as ecology, social geography, toxicology and hydrology. This means that balanced consideration of these aspects cannot be achieved by the Commission *per se* which will be internally informed about legal, planning and pulp industry related matters without commensurate balancing from the missing areas of knowledge.

It is also worth noting that many in the community believe that the Chairman should not be in any decision making capacity in this matter due to his prior close relationship with the current chairman of Gunns. Such a potential conflict can do no other than give the appearance of justice not being done in this important matter.

### **Factors which preclude reaching a balanced decision**

Issues relevant to the proposal are substantially broader than the terms of reference admit. We are deeply concerned with the ‘big picture’, i.e. fallacies in the justification for the mill. We are also concerned about the details, ambiguities and loose methodologies in Gunns’ draft IIS.

Both the proponent and the State government have portrayed the mill as a boon to the Tasmanian economy but by omitting such severe impacts from their draft IIS, Gunns has failed to assess properly the negative impacts that in our opinion outweigh the benefits.

The whole proposition is predicated on the supposed increased total benefits to Tasmania. The \$6.7 billion income to Gunns is conceived as adding to total income to Tasmania and the whole proposition is argued as being a positive contribution to Tasmania (see Gunns’ press release). The research and modelling we have conducted, along with real-world experiences of real people living in real situations, shows us that what’s good for Gunns will actually be bad for the Tasmanian community. The impacts on rural Tasmania and the environment would more than offset any benefits, both economically and strategically.

The bigger picture exposes the results of a distorted decision environment with one company, aided by governments, pressing its own interests by various means. These include limiting rational debate, restricting balancing input from the affected sectors, no information about the wider implications of approving the proposal, no independent checking of the impacts nor comprehensive risk analysis or mitigation

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strategies. In fact the process virtually precludes reaching a balanced decision. The draft IIS gives the appearance of a *fait accompli*.

For a proposal with such profound consequences, the decision making process and information accessibility is distorted and totally inadequate. Members of the public have been given 8 weeks to respond to a proposal that reportedly cost \$11 million, and approval of which could have large impacts on many. The government has also signally failed to support the community to make submissions thereby adding to overall risk and alienating many of those impacted. This is not a proposal like a block of flats, or a housing development. This proposal could adversely skew the economy of Northern Tasmania, disrupt the environment and blight the lives of tens of thousands of people.

The entire process - the method of gathering and disseminating information, how resources are deployed, the elements excluded from consideration, the inherent bias of the review body - everything prevents the RPDC from reaching a balanced decision in the long-term interests of the State.

### **Diminishing agricultural capacity**

Tasmania is a small island with limited arable farmland. Productivity of farmland is impacted by long-term unsustainable land use practices and a changing climate. Like much of Australia, rainfall patterns have been changing in Tasmania, with the central and eastern parts of the State becoming significantly drier. Reports also indicate that this driest winter on record introduces the very real possibility of water becoming a scarce resource for many Tasmanian farms, communities and cities. (q.v. submission by D. Leaman)

In Tasmania, the pulpwood industry has enjoyed favoured treatment by governments for many years including subsidised bridge and road repairs, forest access, FOI and planning exemptions, commonwealth payouts eg. Helsham, low cost inputs, taxpayer sponsored research, monies through the RFA and CFA. These subsidies have sheltered the industry from the rigours of the free market and delivered to them substantial taxpayer funded advantages that are in violation of National Competition Guidelines.

Farmers, by contrast, have not enjoyed the same favourable treatment eg. loss of various subsidies, global competition and free trade agreements. They have been forced to become very attuned to market realities and very efficient in their operations.

Thus federal programs that might have helped rural Tasmanians somewhat at their inception (when there may have been many marginal farms available), is now eating into the remaining superior, and most productive, farm properties and significantly decreasing our overall agricultural capacity. Complementary forest clearing of catchments, including cable logging of steep slopes, is creating erosion problems, diverting waterways and depleting our summer reserves. These two forces are now having a significant adverse impact on rural Tasmania.

### **Australia – land transfer from individual to corporate owners**

#### **Displacement of farmers from the land**

Coupled with a federal/forest industry program called 2020 Vision, Australia has devised an incentive scheme for investors that allows 100% tax deductions for creating timber plantations. Tax minimisation schemes such as Managed Investment Schemes (MIS) create the conditions under which ‘investors’ can take advantage of tax deductions for establishing plantations in order to avoid paying tax. These schemes promise at least some return for money otherwise lost to tax but lead to displacement of farmers and their communities from the land and to loss of flexibility and agricultural capacity.





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**No limiting market or regulatory signals**

There are no boundary conditions on the proponent's activities, no signals or parameters on the impacts of the intensity of their operations, and no regulatory body (except themselves) to assure community protection. This propels the entire proposal into a domain of risk and consequence that is both all encompassing and deeply distressing.

It allows one company to have an inordinate amount of influence over the whole northern region. We believe that it is an egregious error to allow one company to have such power. If approved, the draft IIS proposal would;

- give the proponent the power to strongly influence land values;
- justify their continued use of tax monies to suit their corporate ends;
- allow the proponent to control Forestry Tasmania's business through monopoly power;
- allow them to sell their assets to anyone including overseas investors; and
- allow them to control the economy of Northern Tasmania to their own advantage.

#### **Problematic public access to the draft IIS**

The document costs the public \$70 and contains over 7,000 pages - well beyond any reasonable person's ability to read and digest. The large number of missing critical factors draws attention to the very real risks entailed in allowing a novice management group to create one of the world's biggest pulp mills at the head of a highly populated river valley studded with mixed industries. A world scale chemical processing facility in the same airshed and upwind of a population of 100,000 people under the management of novices is an unconscionable and unnecessary risk to the area and its population.

#### **Draft IIS is limited to a subset of overall risks**

To advance their proposal, Gunns has published a draft Integrated Impact Statement (IIS) which purports to quantify and define all of the impacts on the community viz. "environmental, social, economic and community issues relevant to the project" as required by the RPDC draft Scope guidelines (9.1). We argue that the draft IIS fails the draft Guidelines in that it does not describe 'all risks' but only a small group of selected risks. Substantial impacts from the proposal will be created by the resource supply system but these are only partly considered in the guidelines, ie transport of logs. These impacts directly affect thousands of rural residents and present real strategic threats to both Tasmania and Australia. Their exclusion makes any evaluation of holistic impacts systemically impossible.

The draft pulp mill IIS does not describe or quantify the likely impacts of the corporation's proposal on other industries in Tasmania. No evidence has been provided to prove the impacts, or lack thereof, even though the proponent must be aware of impacts.

Gunns' assurances of low impacts on the overall environment are unconvincing but more to the point, they are partial and/or non-evidence based. For example, hazard assessments for Chlorine Dioxide are based on 60 Kgs being the maximum quantity on site whereas Gunns states in their project proposal that they may on-sell chemicals to third parties. This could result in storage of larger quantities of ClO<sub>2</sub> but no hazard assessment for these possibilities is presented in the IIS. The draft IIS therefore fails Appendix B 1.01f and 2.01a, page 92, of the draft Scope Guidelines.

Gunns' IIS does not explore the impacts of their processes on rural Tasmanians. In particular, the common resources of land, air and water are largely ignored. Given the profound impact on rural communities coupled with locking up very large areas of the State, these omissions distort the proposal and serve to conceal the wider and far more serious implications of an approval decision. Indeed the risks and impacts of the proposal appear so broad and deep-seated that any decision to approve the mill automatically becomes a decision about the fate of Northern Tasmania; about Australia's sovereignty over its own land; and about Australia's ability to respond to strategic threats (see Strategic Reasons to Reject the Proposal).

#### **Selected exclusions favour the proponent**

The exclusion of the environmental impacts of some of the most intensive logging in the world can serve no other purpose than to advantage the proponent. The removal





## APPENDIX 1

The Tasmania Together goals and values provide a good indication of the expectations that the community has of government in Tasmania, particularly:

- Foster and value vibrant and diverse rural, regional and remote communities that are connected to each other and the rest of the world;
- Ensure our natural resources are managed in a sustainable way now and for future generations;
- Provide all Tasmanians with the opportunity to participate in decisions that affect their lives;
- Have a system of government that is open, seeks and listens to people's views and ideas, and uses them in decision making at all levels;
- Promote our island advantages including our 'clean-green' image, natural resources, location and people;
- Value, protect and conserve our natural and cultural heritage;
- Value, protect and maintain our natural diversity; and
- Ensure there is a balance between environmental protection and economic and social development.

## APPENDIX 2

### Indeterminate unknowns and risks of approving the proposal

A feature of considerable concern is the impossibility of assessing the risks to the community, the environment or Gunns' business because there are too many unknowns or contradictory data. Unknowns are amplified by Gunns' ability to do whatever is 'convenient' to the project under the planning Act and by their ability to sell the project at any time. Unknowns, instabilities and uncertainties include:

#### Business issues

- Gunns' total lack of experience in pulp mills including
  - managing industrial plant operations
  - designing and operating hazardous industrial systems
  - forecasting outputs and consequences
- Process instabilities if Gunns' management changes its specifications
- Uncertainties about
  - effluents from the mill
  - impacts of pulp operations on local communities
  - Gunns' ability to on-sell the project and consequent uncertainty about the results of such a sale
  - costs and profitability, particularly given the impact of rising fuel prices
  - growth rate of plantation timber in view of down trending rainfall
  - liabilities created by Gunns' decisions
  - availability and cost of appropriate levels of insurance
- Ambiguities in growth rates and wood lot yields
- No 'worst case' planning in draft IIS
- Wide exposure to law suits and class actions (water, smell, toxins)

#### Community issues

- Unpleasant or foul odours downwind of the mill
  - Pollution trapped in inversion layers
  - Reduced property values
- Safety of drinking water downstream of plantation activities
  - Toxic effects
  - Birth and genetic abnormalities
  - Build up of toxins in animals (eg. cows)
- Substantial drying of whole water catchments
  - Insufficient water available
  - New water infrastructures needed
- Log truck traffic increases
  - Accidents
  - Stress from driving
  - Reduced property values
- Terrorist attacks

#### Economic issues

- Degradation of rural communities
  - Population losses
  - Business losses
  - Tourism losses
  - Losses of farms and cash flow
  - Poisoning of water supplies
  - Loss of possible alternative land use eg, biofuels industry
- Erosion of marketing power of the Tasmanian 'clean green' brand
  - Reduced value of specialist products & services



- Losses of business in the Tamar valley
  - Tourism
  - Fine wines and food production
- Losses of alternative forest industries
  - Beekeepers
  - Wood design based production (eg. furniture, architecture)
- Terrorist attacks
  - Pulp mill
  - Water intake pipe
  - Effluent pipe





## APPENDIX 4

### CIFOR publication

Section: *COMPANIES ASIA-PACIFIC*

Publication title: *Financial Times*. London (UK): May 11, 2006. p. 26

Investors and lenders are failing to properly assess the financial risks behind pulp mill projects around the globe, setting the stage for a possible repeat of the Dollars 14bn Asia Pulp & Paper debacle that affected financial institutions worldwide, according to a new study.

The results of the study released today by researchers at the Indonesia-based Centre for International Forestry Research (CIFOR), one of the world's leading forestry research centres, come amid a major expansion in capacity in the pulp and paper industry.

To meet growing demand worldwide for cardboard and paper, the researchers estimate that Dollars 54bn in fresh investment in pulp mills will be needed through 2015, with much of that focused on developing countries such as Brazil, China and Indonesia.

But CIFOR's study of 67 global pulp projects also found that many investment banks, credit rating agencies, equity groups and even multilateral lenders do not understand even the basic economics of pulp mills. As a result they often conduct sub-par due diligence on projects and have little idea of the real financial risks.

What risk control and monitoring mechanisms are in place are geared more to avoiding legal liabilities than uncovering "real risks and operational problems," the report says.

APP's 2001 default on Dollars 14bn owed by its Singapore parent company and operating subsidiaries in China and Indonesia hit banks, government export credit agencies and major international institutional investors worldwide, and left a vast trail of legal disputes, some of which continue today.

The losses incurred in the APP saga were often the result of the failure of financial institutions to conduct proper due diligence, said Chris Barr, a CIFOR re-searcher. But even five years later, "the financial sector has been reluctant to look at what the lessons of APP's collapse have been," he said.

In many cases, the report says, investors and lenders do little to verify the nature - or real costs - of the wood supply for projects, despite the fact that it is crucial to the economics of a mill, making up as much as 65 per cent of cash costs.

Due diligence also has major environmental implications, with consequences for forests in the Amazon basin, Borneo and beyond.

Many banks now operate under ostensibly strict environmental guidelines. But CIFOR found bankers and investors relied too heavily on companies' own environmental assessments.

One example, the CIFOR researchers said, has been the attempt by Singapore-listed United Fiber System, to buy a controversial Borneo pulp mill for up to Dollars 600m. Merrill Lynch and Australia's ANZ are now working to line up financing for the acquisition.

Although UFS claims it has secured an environmentally- sustainable plantation supply for the mill, CIFOR says the project is likely to put major pressure on the remaining natural forests in Indonesian Borneo.



## **Business: Trouble at mill; The paper industry**

*The Economist*. London: May 20, 2006. Vol.379, Iss. 8478; p. 76

Investors and the environment

ACROSS the Far East, Latin America and Central Europe, new pulp mills are springing up and existing mills are being extended. But these projects may carry a much bigger financial risk than investors have realised. Many schemes have exaggerated how much timber they can fell and crack downs on illegal logging threaten to make their new mills unprofitable.

Pulp mills are expensive. Building even a modest one from scratch can cost more than \$1 billion. Small pulp mills tend to be financed by banks in their home markets. But the biggest projects, designed to produce more than 200,000 tonnes of pulp a year, generally seek funds from overseas. Over the past decade investment banks have invested some \$40 billion in pulp mills, as demand for paper has soared. Some industry analysts foresee over \$50 billion in new investment by 2015, much of it in Brazil, China and Indonesia.

The Centre for International Forestry Research, which is based in Indonesia, has just issued a new report on logging, which was paid for by the European Commission and Britain's Department for International Development. It examined 67 projects proposed between 1995 and 2003--just under half of them in Asia. The report argues that at least 20% of the projects had no proper environmental assessments. It is hardly surprising that a green lobby group should decry the practices of the logging industry. But what is new is that the report's author, Machteld Spek, a financial analyst, argues convincingly that a disregard for the sustainability of wood supplies and changing attitudes to logging, has exposed investors to considerable financial risk.

In Indonesia two pulp-mill companies, Asia Pulp & Paper and Asia Pacific Resources International, borrowed more than \$15 billion in the 1990s from international capital markets, after convincing investors that they had sustainable supplies of cheap fibre for pulp. But both companies are still years away from planting enough trees to operate sustainably; and a recent crackdown on illegal logging in Indonesia promises to make their business even more difficult.

On the other side of the world Uruguay and Argentina are feuding over two pulp mills being built in Uruguay. The dispute has led to the blockade of a bridge between the two countries, and a halt to construction work on the mills. Argentina alleges that the mills will pollute the river on which they are being built, over which the two countries share sovereignty. Supporters of the mill argue that the Argentine government has taken no action against its own older, dirtier pulp mills, and argue that much of the opposition is driven by anti-capitalist militants. But David Kaimowitz, head of the Centre for International Forestry Research, says that the original environmental assessments failed to show that the mills will have enough wood from sustainable sources. He argues that private and public investors are going to have to be much more demanding with future projects.

The International Finance Corporation, the investment arm of the World Bank, is trying to tackle these problems by enforcing the "Equator Principles". These allow lenders to sort projects into low, medium or high risk, and to demand environmental and social assessments accordingly. So far, more than 40 big banks have agreed to adopt them. A better grasp of environmental risk will help ensure that wood, and not investors' money, gets pulped.



