



Sustainability and Teamwork

Gunns Mill Scenario

Description	Case Study Analysis
Task Type	In-class or tutorial activity
Time	50 minutes
Level	Advanced
Class Size	Up to 35 students
Learning Outcomes	<p>Student should be able to:</p> <ul style="list-style-type: none"> ✦ Demonstrate an understanding of sustainability in three dimensions: environmental (green; organisational (long term)); responsibility for present and future generations ✦ Develop an argument and counterargument in two contexts
Method	<p>Choose a case example of an organisational activity that raises sustainability issues ('the Project')</p> <p>Prepare a general factual introduction and up to five statements of the viewpoints of stakeholders.</p>
Concluding Activity	<p>Link this back to learning about sustainability from the student activity. Issues to address might be:</p> <ul style="list-style-type: none"> ✦ What do we mean by sustainability? ✦ How do stakeholders view sustainability differently?
Tips	Keeping time is key to the success of this activity

<p>Student Instructions</p>	<p>You will work in groups of five. Everyone will be given some background material on the Project. Each group will then be given some material relating to five stakeholders with differing views about the Project. One group member will be assigned to each stakeholder. You should read the material for the stakeholder you've been assigned to but don't discuss it with the rest of your group.</p> <p>The groups will then be rearranged so that those with the same information become an expert group on each stakeholder's views. Each of these expert groups will consider the information given and decide how each member will present their views to 'non experts'. For example, if you're part of the Organisation's Stakeholder Group how could you best explain the company's position to other stakeholders?</p> <p>The original groups will then reconvene and will now contain an expert on each stakeholder's views.</p> <p>You will then consider and discuss the issues based on the background information you've been given, and the contributions of each expert who will argue the interests of their respective stakeholder.</p> <p>Your discussion should include, but need not be limited to the following:</p> <ul style="list-style-type: none"> ✱ What sustainability issues does the Project raise? ✱ How would the stakeholder you are representing argue the sustainability case? ✱ Based on your view of sustainability should the Project proceed? ✱ Assume the Project is going ahead; what concessions or assurances would the stakeholder you represent seek in order to feel satisfied that the project was sustainable? <p>You will have about 25 minutes to work on this: 10 minutes for each expert group, and then 15 minutes for the original groups.</p> <p>At the end of this time each original group must give a 5 minute group presentation which addresses the following questions:</p> <ul style="list-style-type: none"> ✱ What sustainability issues are relevant to the Project? ✱ Did you reach a consensus? ✱ How did your group arrive at a consensus? ✱ What conclusion did you reach as to whether this Project can proceed in a sustainable way?
<p>Additional Material</p>	<p>attached below</p>

Information Sheet

Gunns Limited is proposing to build a \$2 billion pulp mill in the Tamar Valley near Launceston in Tasmania.

The proposed mill will use the Kraft process Elemental Chlorine free bleaching and will process eucalypt forest and plantation timber.

The proposed mill has polarised public opinion in Tasmania, and in Australia as a whole. Some say that 61% of Australians are opposed to the project. A similar proposal in 1989 to establish a pulp mill at Wesley Vale (near Devonport) in Tasmania also polarised public opinion. This proposal did not proceed mainly for the reason that it used elemental chlorine in the production process.

The project has been assessed and approved (subject to conditions) by relevant State and Federal Government agencies. Considerable debate has ensued regarding the process by which these approvals were obtained.

The project has been delayed partly due to the proponent's inability to secure finance and partly due to the imposition of a number of additional conditions by the Federal Government that relate principally to the effect of emissions from the proposed mill into Bass Strait.

Supporters of the project argue that it will create employment within the Tamar Valley region both during construction and during the operational phase.

Tasmania is a small State with a population of just over 500, 000. It has in the past relied on a number of large projects to support economic growth – the most notable of these was 'hydro industrialisation' which involved the construction of a number of hydro electric power developments in the western region of the State to supply power at attractive rates to a number of industries that relocated to Tasmania. Some argue that similar motives underpin the Tasmanian Government's support of this project.

About half of the land surface of Tasmania is forested – half of the forested area is reserved. About 80% of old growth forests on public land are reserved and almost all wilderness forests are reserved. Forest practices with a view to the long term sustainability of the resource are managed by the Forestry Commission. The forest and wood products industries are one of the largest sectors in Tasmania's manufacturing base.

The project raises two main environmental issues:

- ✱ First the question of emissions from the proposed mill – both into the atmosphere and into the ocean.
- ✱ Second the question of supply of timber to the proposed mill and the effect that this may have both on the sustainability of the Tasmanian forests and broader issues relating to climate change.

Perspective of Gunns Limited

Gunns Limited is a listed Australian company that operates within Tasmania. Its principal business is forest products although it has diversified into managed investment schemes, wine making, merchandising, and project management and design. Revenue for the 2008 financial year was \$861.9 million and its profit after tax was \$64.5 million. The net profit generated earnings per share of 14.2 cents with an annual dividend payment of 10 cents per share.

Its rationale for the proposed pulp mill is that it will value add to its renewable, sustainable forest estate thereby generating shareholder wealth and economic growth, employment and community benefits.

The Company argues that the proposed pulp mill will have no adverse environmental effects as:

- ✦ there will no increases in timber harvesting: the project will divert woodchips that would be exported from Tasmania to the mill for downstream processing;
- ✦ no old growth forests will be harvested;
- ✦ there will no conversion of native forest to plantation or cleared land;
- ✦ the mill will export 90MW of power to the national grid and will reduce carbon emissions in consequence;
- ✦ the project is based on the use of the Company's managed plantations with a minimum of 60% at commencement increasing to 100% within 5 years;
- ✦ the project has received separate regulatory approvals from the State and Federal Governments and the Company is working towards satisfying outstanding conditions within the time frames allowed

As to its forest practices the Company now has a total plantation estate of 200,000 hectares which in its view provides the basis for its continued operations (including the proposed mill). The Company claims to observe a range of sustainability practices and complies with the relevant standards. Recent surveillance audits have confirmed this. About 45,000 hectares of the Company's plantations are reserved for a range of flora, fauna, heritage biodiversity, soil and water landscape values.

The Company has not yet secured finance to fund the project and has experienced a number of setbacks in that regard – the most significant of these was the refusal of its principal banker (the ANZ Bank) to be involved. In more recent times the Company has been exploring joint venture partners and financing from a number of overseas sources. Its 2008 Annual Report stated that the Company could not be at all sure that the project would proceed.

Perspective of Government

The proposed pulp mill requires a range of approvals as to environmental effects, building, transport, water supply and a whole host of incidental matters. Responsibility for granting these approvals rests with the Tasmanian and Federal Governments and both of their associated agencies or instrumentalities.

A number of Integrated Impact Statements were prepared by Gunns for submission to both Governments and/or their relevant agencies/instrumentalities. The Tasmanian Government obtained an independent assessment from an offshore consultant and the Federal Government at a later stage in the assessment process sought advice from its Chief Scientist.

The Tasmanian Government has been an enthusiastic supporter of the proposed pulp mill. This has not come without criticism from the opponents of the proposal who have accused the Tasmanian Government of lacking objectivity and of breaching established process to 'fast track' approval of the project. The Tasmanian Government's view essentially is that the long term benefits of the project (increased employment, increased economic activity, and increased contribution to earnings for the Tasmanian community as a whole) as outweighing potential adverse environmental effects which it thought could be effectively managed by the permit process. It was thinking similar to this that drove the earlier 'hydro industrialisation' policy in the last third of the 20th century.

After lengthy delays in the Tasmanian approval system the Government determined to have the Tasmanian Parliament grant the necessary approvals and permits (subject to conditions) and this occurred in spite of considerable public disquiet during 2007. The effect of Parliament's action was to substitute its approval for those ordinarily given by the Resource Planning and Development Commission and further to circumvent any legal appeals.

The Federal Government gave conditional approval to the Project in 2007 but limited to its jurisdiction – mainly this relates to the environmental effects of the discharge of effluent from the proposed pulp mill into Bass Strait. Those conditions were varied in 2009. Final approval is not expected until later in 2010 and is subject to Gunns undertaking further modelling of the likely impacts of the operation of the proposed pulp mill.

Aspects of the approval process are the subject of a number of legal challenges.

Perspective of Workers

The Tasmanian forest and wood product industries employ about 11,000 people (about 1 in 20 of all persons employed in Tasmania), contribute more than \$1.3 billion to the State's economy, and are the second largest industry sector. The amount generated by these industries is about equivalent to total spending on education and health in Tasmania.

Gunns Limited is the largest participant in these industries and holds about a 50% market share. The unemployment rate in Tasmania is currently 4.5%. Much of the employment in these industries is in small rural districts and towns and as such is considered to be essential to the survival of many of those communities.

The areas of employment include:

- ✦ Forest operations: road construction; harvesting and supporting trees; regeneration works; establishment of new forests. Many of these activities are undertaken by independent contractors some of whom have substantial investments in plant and equipment
- ✦ Forest management: forest practices plans; research; supervision; control
- ✦ Manufacturing: veneers; sold timber (hardwood & pine)
- ✦ Timber processing: pulp and paper mills (2); medium density fibreboard mills; value adding

Construction of the proposed pulp mill will provide direct employment for about 2,500 people, and indirect employment for another 1,500 people. There is conjecture as to the number of continuing jobs that will be provided by the project during the operational phase – some put this at about 320 skilled positions.

If the proposed pulp mill is not built Gunns has said that it will merely continue to export woodchip products offshore or interstate. Its position is that existing employment in the forest and timber industries ought not be affected all other things being equal.

Workers and contractors employed in the forest and wood product industries and represented by a range of industry and union bodies. The most significant of these is the Forest Industries Association of Tasmania which has maintained a policy of strong support for the proposed pulp mill.

Perspective of Conservationists

Opposition to the proposed pulp mill has not surprisingly been led by the conservation lobby. The most prominent member of this lobby is the Wilderness Society which has a history of leading environmental activism over many years commencing most notably with opposition to the Tasmanian policy of hydro industrialisation and its effect on the natural environment.

The major arguments of the conservation lobby include the following:

- ✦ A flawed approval process: it is argued that the Tasmanian Government in its support for the proposal circumvented process by allowing the proposal to escape the usual approvals and instead to substitute those approvals with a decision of the Parliament; this is seen as a fundamental breach of human rights
- ✦ Economic costs: taxpayer subsidies; jobs will be taken up by non Tasmanians; very few jobs remain after the construction period
- ✦ Environmental effects: adverse effects on marine life and environment caused by the release of effluent into Bass Strait; atmospheric pollution caused by emissions into the already polluted Tamar Valley; change in the ecological balance by the harvesting of timber wherever situated; visual pollution of the Tamar Valley
- ✦ Technology: questioning the appropriateness of the selected technology for the bleaching process in the pulp mill and the lack of evidence as to its safety both in terms of storage of the chemical and the operation of the mill
- ✦ Timber Supply: the alleged use of 'old growth' timber to fuel the pulp mill (and not plantation timber as claimed by the proponent); forest destruction (4.5 million tons consumed annually)
- ✦ Water Supply: the proposed pulp mill will use considerable quantities of fresh water diverted from domestic or agricultural use; the amount used would supply three major cities in Tasmania annually
- ✦ Site Selection: the worst possible place in Tasmania (close to Launceston)
- ✦ Climate change: the destruction of forest resources and an increase in Australia's total greenhouse gas emission by 2%

Opposition to the proposed pulp mill is being undertaken on a number of fronts and using a variety of communication strategies. Many public rallies have been held in the Launceston area beginning in 2006. These rallies have attracted crowds of up to 10,000. Additionally a number of legal challenges have been mounted against the approval process – some of these are unresolved.

Perspective of Community

Launceston is the second largest city in Tasmania with a population of nearly 100,000. It is situated at the head of the Tamar Valley at the confluence of the North and South Esk Rivers which combine to form the Tamar River which flows into Bass Strait just to the west of George Town on the North Coast. Bell Bay, Launceston's port is situated to the south east of George Town and handles the greater part of container traffic into Tasmania. Bell Bay itself is a port and general industrial complex. Gunns Limited has an existing woodchip mill at Longreach (just to the South east of the Port) and proposes to build the pulp mill on land adjacent to this site. The Bell Bay and Longreach areas are zoned heavy industrial and industries already operating in those areas include an aluminium smelter, a ferro alloy processing plant, a gas fired power station, woodchip mills and other light industrial concerns.

The topography of the Tamar Valley combined with calm winter days and extensive use of wood for heating has resulted in high levels of air pollution in the winter months. This is exacerbated by motor vehicle pollution. The number of woodheaters has been reduced over the past five years as a result of action by the Launceston City Council in introducing a woodheater replacement program. There has been an active campaign by respiratory physicians to draw attention to the question of air pollution in Launceston that has heightened community awareness of this issue. Linked to this awareness is the question of whether the proposed pulp mill will increase the levels of air pollution in the Tamar Valley.

The Tamar Valley is a very popular tourist destination. There are a number of vineyards situated on both sides of the River and wine tourism has been very actively marketed. There is community concern that the proposed pulp mill will have adverse effects on the wine industry in particular and other agricultural pursuits in general, particularly with respect to perceived levels of pollution. Some argue that the proposed pulp mill will have adverse effects on the tourism industry in that the appearance of the upper reaches of the Tamar River will be visually changed.

Launceston is now a service centre for its surrounding hinterland. There is a substantial timber and forestry industry in that hinterland that supports a range of occupations and contractors. It previously sustained a number of manufacturing operations (textiles, railway workshops, and general engineering) which have now closed or relocated elsewhere. Leaving aside the effects of the present world economic crisis Launceston has in the past not shown growth in employment patterns and strong community support could be expected for any project that increased employment.

An area of concern to the community is the effect that the proposed pulp mill will have on the road network. There is a perception that traffic will increase on an already inadequate road system largely due to the inability of the Tasmanian Government and the operator of the State Railway system to provide a satisfactory rail transport access to the pulp mill site. This is closely linked to the tourism issue.