

SE Local
HD **Fears as pulp mill bid run by ex-Gunns man falls flat - EXCLUSIVE -**
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AN overseas **company** pulled out of bidding for Gunns's Tasmanian pulp mill assets, prompting industry fears the plantation feedstock will be wood-chipped or fed to a basic "brown pulp" plant.

The Weekend Australian has learned that former Gunns chief executive Greg L'Estrange organised a bid with a major foreign pulp player hoping to build the \$2.5 **million** mill essentially as planned by the failed timber **firm**.

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The bid was withdrawn after the first round, with the **company** deciding the task was too complex and costly compared to Asian and Latin American opportunities.

While Gunns receiver KordaMentha insists two bidders remain interested in bidding for the mill permit, industry sources believe the L'Estrange bid was the only one capable of building the world-scale bleached eucalypt kraft mill "any time soon".

They now expect the Gunns assets to be **sold** to financial investors or a private equity **firm**, which would woodchip and export the plantations while searching for a pulp mill backer before the permit expires in 2017.

This would mean ongoing uncertainty for the Tamar Valley, where opinion on the project is divided among those hoping for jobs and those concerned about pollution and impacts on local food, tourism and **wine** industries.

One timber industry source said a **Chinese company** was interested in building a "brown pulp" mill, involving the simple extraction of water from the wood before it was shipped to **China** for final processing and bleaching.

There was also concern that surviving bidders were unwilling to fund the cost of replanting and regrowing the 90,000ha of Gunns plantations, intending to instead harvest them only once.

This would mean downstream timber processing would be short-lived unless the government agreed to fund the replanting and managing of the plantations.

Mr L'Estrange said yesterday he was unable to comment on whether he had been involved in organising a bid or related issues.

Industry sources said the L'Estrange-organised bid was the only serious interest from a party capable of building the world-scale pulp mill planned by Gunns and committing to multiple plantation rotations.

They said the pulp-mill permit was now expected to be **sold** very cheaply because the buyer would have to assume the project may not get off the ground and that the plantations would be exported as lower-value woodchips.

Even so, sources said the buyer would be able to use the three-year period before the mill permit expired to find a backer for the project and hope that market conditions, including the high Australian dollar, improved.

State Greens forestry spokesman Kim Booth said using public subsidies to replant plantations to feed a wood-chipper or pulp mill would amount to ``corruption".

Industry sources said whoever purchased the permit would not be in a position to secure financing to build the \$2 **billion**-plus project unless they found a far larger wood supply.

They said the plantations for sale via KordaMentha would supply less than half the 4.5 **million** tonnes of wood needed for the pulp mill each year.

A KordaMentha spokesman said six second-round bidders were undertaking due diligence for all or some of the assets.

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