



May 22, 2007



Gunns' pulp ambitions

By Robert Gottliebsen

PORTFOLIO PONT: The Tasmanian company's wine, sawmilling, merchandising and building activities would be maintained but their income might be eclipsed by one, possibly two, pulp mills within a few years.

The Tasmanian wood products group Gunns is pushing ahead with plans to build a pulp mill valued at almost twice the market capitalisation of its stock.

What's more, despite intense debate over the planned construction of the mill, long-time executive chairman John Gay says the company could ultimately sustain two mills once the first project gets under way.

In today's video interview with Robert Gottliebsen, Gay outlines his plans for Gunns, a stock that has been struggling to retain its price growth momentum in recent months. At \$3.50 it remains off its highs of \$3.68 for the year (the stock is also battling with *Sell* recommendations – see today's [Collected Wisdom](#) column).

The interview

Robert Gottliebsen: Why do you want to build a pulp mill in Tasmania?

John Gay: Gunns has such a large plantation-based forestry area in Tasmania that lends itself to a pulp mill. It adds value to Tasmanian forestry and it also adds a lot of cash flow to Gunns as a company.



Usually our manufacturing in Australia is too costly. Why pulp here?

Well a pulp mill here ... in the future you'll find pulp mills that will end up being built where the trees are, and paper companies will be built where the population is. Mainly because of transport: it takes four tonnes of wood to make one tonne of pulp and people carting wood around the world in pantech ships really is too expensive long-term to make pulp.

John, what's happening to the global pulp market and its access to timber?

The pulp market is obviously growing in plantation areas and slowing down in large areas of native forest around the world because the forests have been over-cut, but generally pulp prices are moving up because of the China market and because of the lack of pulp in other parts of the world.

How do you rate the chances of an agreement with the Tasmanian and Australian Governments?

Oh well, I'm now sure that there's a 99% chance that the pulp mill would get approval through the Tasmanian Government. The mill has met the guidelines, and the forestry side of our business meets the environmental standards so there are no real reasons why the forestry and pulp can't be a product of Tasmania.

How much timber do you have in your own plantations and those of the managed investment groups?

Well, in the total 150,000 hectares we have – 70,000 hectares belong to Gunns; we have 30,000 hectares in the managed investment schemes and we have about 20,000 hectares in joint ventures

Dear User

Thank you for trying out our EasyConverter PDF to Word format program. We hope you have found it useful to convert the first three pages of any unlocked PDF document. The formatted conversion to RTF will allow you to access contents of the PDF such as text, lists, tables, and image. If you should want to access the contents of PDF documents larger than 3 pages, please visit <http://www.bcltechnologies.com/purchase/> to upgrade your copy of EasyConverter at a very affordable price.

In either case please enjoy the evaluation copy as long as you want and feel free to share it with your friends.

The BCL Team.