

# RE: IGACEP092 - letter of offer questions [SEC=UNCLASSIFIED]

From: IGACEP

Sent: Thursday, 1 March 2012 1:28:37 PM

To: Dallas Frost

Cc: sandra iles



Dear Dallas,

My apologies for the delay in responding to your request. The following response was provided by the advisory panel. Please let me know if this does not answer all your queries.

*To determine your funding offer the advisory panel and the decision maker will have considered a range of things including:*

- *Your requested amount will have been considered in conjunction with the individual merit of your application and the information you provided for example on your business operation including your contract/s and actual volumes for public native forest harvest and/or haulage.*
- *Your requested amount will also have been considered against industry financial information, including the value for money of your application compared to industry standards.*
- *An independent financial assessment was also undertaken on your application, the results of which contributed to the advisory panel's recommendations.*
- *The panel and the decision maker also sought to achieve the program objectives, which include assisting the Tasmanian public native forest industry to adjust to the industry downturn and the reduced scale of native forest harvesting.*

Kind regards

Secretariat

Tasmanian Forests Intergovernmental Agreement

Contractors Voluntary Exit Grants Program

**From:** Dallas Frost  
**Sent:** Friday, 24 February 2012 4:54 PM  
**To:** Ogilvie, Paula  
**Cc:** sandra iles  
**Subject:** IGACEP092 - letter of offer questions

Dear Paula,

Further to our recent discussion we wish to review the award of exit assistance to our abovenamed client.

Our client wishes to be provided with further understanding as to:-

- How the sum of exit assistance was calculated ?
- What was the impact of subcontractors, if any, on the level of exit funding offered ?
- What was the impact of historical performance on the exit funding offered ?

Our client is concerned that, for a relatively similar level of supply chain tonnage exited to others in the industry, the amount offered appears to be approximately half in comparison.

Should the provision of answers above provide for any factual inaccuracies, our client would wish to have the determination reviewed.

Should there not be any avenue for the amount offered to exit to be reviewed, our client would like to review any conditions attached to the payment for any leniency surrounding restrictions on non public forest harvesting or haulage activities.

## Exit Package update

From: **Dallas Frost**  
Sent: Wednesday, 21 March 2012 11:59:18 AM  
To:  
Cc: Ed Vincent

Gentlemen,

I have signed off on the letter to ministers Ludwig and Green as discussed.

Prior to doing this I again called Paula Ogilvie of the Department in an attempt to try and work out how the number was arrived at.

Specifically, Paula confirmed that your contract was recorded as 90,000 tonne per annum. as such, we have at least had it confirmed this was not the source of the reduced offer.

\* Paula then reiterated her comments in respect to the merit criteria as distinct from the eligibility criteria.

\* The % in public forests was only used for eligibility and had no further bearing on the offered sum.

The merit criteria, included:-

The percentage of undelivered wood from public forests over the agreed annual tonnage was for 2010/11 only.

In your case, that year you delivered only 34.12% of the agreed volume from public native forest. As per the criteria, the difference was 65.88%.

On Criteria 2, where the amount you ask for is used to provide a per tonne value, the dollar amount is divided by the agreed tonnage for 2009 / 10 only. For you, this was 90,000 tonne and therefore calculates to be \$12.61. This figure is not higher than others.

On criteria 3, which was only worth 20% - we suspect you should have received a good score based on Gunns agreeing to let you go.

In essence, we have not been satisfied with our own review and benchmarking internally that the outcome is properly calculated.

We have therefore sent the review request today.

We have been advised by DAFF that you will be given time to sign a deed once the review has been completed. so the 28 days will not apply until your review case has been resolved one way or the other.

Sorry for not being able to provide any further comfort, but we remain unconvinced the correct numbers have been used in the calculation of your exit sum.

we will await review.

Regards



11 March 2012

## DRAFT

Minister Ludwig

Address to be confirmed

Canberra, ACT

Dear Sir

### DM & SJ ILES PTY LTD – APPLICANT 092

We refer to our abovenamed client and the offer of exit assistance under the Tasmanian Forest Intergovernmental Agreement Contractors Voluntary Exit Grants Program.

Our clients wish to have a full review as a result of being awarded approximately 50% of the amount requested.

Our clients have previously sought a review and have only been provided with a very proforma response.

We do not find this an adequate response on such a serious matter.

Our client's details pertaining to the Application are as follows:

1. They conducted a 45,000 tonne harvest and haul operation for Gunns Ltd.
2. Gunns' exit from the native forest industry left this contract without any available options for supply of timber from public native forests.
3. The contractor was supported by its customer to exit.
4. The qualification of trading at least 50% or more in public native forests was achieved in two of the last four years.
5. Although no formal arrangements and/or contracts with subcontractors were enforced, our client, once the information sought was clarified, was duly provided when requested.

In our experience of this program, we have not been able to reconcile the amount offered for exit to this client to the same basis to which other clients have successfully had their applications paid in full.

We advise the methodology that we used internally to calculate our clients' applications was done so based on the identification of tonnes to be exited from the industry per the guidelines, and in complete consistency throughout.

The amounts so calculated were then compared to the amount required by the contractor to exit. This was done to ensure that the amount requested was neither excessive nor deficient in order to achieve the end which was to provide assistance that allowed the contractor to exit the industry.

The methodology applied to arrive at the sum offered for this 45,000 tonne harvest and haul contract does not appear consistent with other awards made.

Our client therefore respectfully requests specific details of the methodologies used in reaching the conclusion and offer made. To this date we have not been provided with any information that allows this to occur, and given the gravity of the situation faced by