

Hon Bryan Green MP

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Senator the Hon. Joe Ludwig
Minister for Agriculture, Fisheries and Forestry
Parliament House
CANBERRA ACT 2600

20 JUN 2012

Dear Senator Ludwig *Joe*

I met Mr Dennis Iles, an applicant to the recent Tasmanian Forest Intergovernmental Agreement Contractors Voluntary Exit Grants Program, on Tuesday 12 June 2012 to discuss his concerns with the implementation of the Program and specifically his grievances with the recent grant offer made to him by DAFF that it was reduced significantly below the level that he had nominated in his application.

At this meeting Mr Iles showed me the letter sent to him by DAFF following an initial review of his application, and I am writing to let you know that I was dismayed to learn the basis on which the Advisory Panel determined the reduced offer to Mr Iles.

In short, I felt that the method used by the Advisory Panel fell outside the agreed understanding I had in signing off on the guidelines, and I would like to request that DAFF undertake a further review of the decision made on the offer made to Mr Iles in light of the information I will outline below.

I understand that DAFF's internal appeals process can not consider new information, nor review the Program Guidelines in considering an application for a review and so I want to be clear that my concern is with the interpretation of the guidelines by the Advisory Panel, and specifically the Advisory Panel's decision to use the actual tonnage for both harvest and haulage in public native forest in 2009-10 as the sole basis for calculating a "fair offer" to Mr Iles.

As stated in section 2 of the Program Guidelines, one of the objectives of the Program was to reduce the scale of harvesting and haulage by around 1.5 million tonnes. Section 10, paragraph 7 then directly links the Advisory Panel's ability to offer an amount lower than the amount nominated by the applicant to this reduction in tonnage, and it is on this basis that I believe the Advisory Panel has erred in interpretation.

It was understood by all parties involved in developing the guidelines that the 1.5 million tonnes of wood to be exited referred to the contracted harvesting and haulage capacity in the industry, not the actual volumes they were delivering in any one year.

In Mr Iles' case, he had a contracted volume of 90,000 tonnes harvest and haulage, and it is my understanding that his initial nominated amount of \$1.34 million worked out at about \$12.60 per tonne. This is the basis on which I expected offers of 'fair value' to be considered.

Whilst I note the argument put forward in Attachment A to the letter provided to Mr Iles (your reference IGAACEP092) as to the difficulties in dealing with Gunns Ltd's contracts, I do not

accept the argument that the approach adopted by the Advisory Panel "ensured fairness" in this case.

In looking at the information provided by Mr Iles, it can be clearly seen that in both 2007-08 and 2008-09 his business was operating at close to his full contracted volumes of 90,000 tonnes, and that half to two thirds of his business activity was based on State Forest.

In 2009-10 Mr Iles was then hit with the impact of both overall reduced volumes and an extremely significant, once off, drop in his actual tonnage of wood from State Forest, a decrease that was reversed in 2010-11, despite a continued overall reduction in volume.

Even a cursory examination of the information provided by Mr Iles shows that the average annual volume from State Forest for the four year period that was considered was 37,802 cubic metres - over twice the volume on which his "fair offer" was calculated. Furthermore, his average annual actual volume from both public and private land was 74,656 cubic metres, and his contracted capacity with Gunns Limited for the period was 90,000 tonnes.

Looking at this bigger picture, for the Advisory Panel to determine that a payment made to Mr Iles based on a volume of just 16,337 cubic metres is "aligned with the program guidelines" is patently wrong, especially when it is considered in the context of the Guidelines which were framed around contracted volumes.

I am not asking that a review of offers made to any other contractors be undertaken, as I can see that for most other contractors, particularly Forestry Tasmania's contractors, this method would have been a satisfactory proxy for contracted volume and hence business size, however I do believe that Mr Iles has been unfairly treated because of his particular situation.

In a Program that has otherwise appeared to have been very successful in meeting its objectives I am hopeful that a fair minded review can see that the method used by the Advisory Panel has led to an aberration in this one instance, and that this can be put to right by Mr Iles being made an offer more in line with his longer term average volumes from State Forest, if not his contracted volumes as originally intended.

Thank you for your consideration.

Yours sincerely

Bryan Green MP
Minister for Energy and Resources

cc: Mr John Talbot – Department of Agriculture, Fisheries and Forestry