

REVIEW OF ADMINISTRATION OF THE TASMANIAN FOREST CONTRACTORS FINANCIAL SUPPORT PROGRAM

As the administrator of the Forest Contractors Financial Support Program on behalf of the Minister and the Australian Government, DIER was keen to evaluate the effectiveness of different parts of the scheme from the applicants' viewpoint so as to learn what areas were done well, and what areas could be improved.

This section reports on a number of program areas that the successful applicants were asked to provide feedback on. Applicants were asked to rate each area using a scale of 1 to 5 representing bad (1), poor (2), satisfactory (3), good (4) and excellent (5) implementation.

ADVERTISING AND NOTIFICATION OF PROGRAM

89% of successful applicants ranked the advertising and notification of the Program as satisfactory or better, and only one contractor rated the advertising and notification as poor.

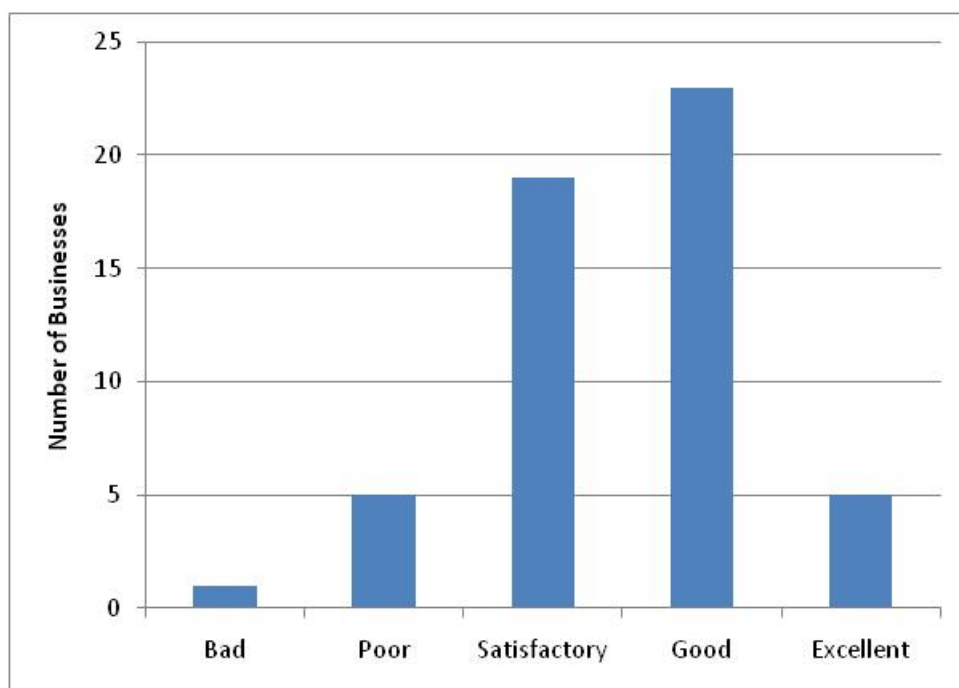


FIGURE 1 ADVERTISING AND NOTIFICATION OF PROGRAM

These results need to be interpreted in the context that these were the people who found out about and successfully applied for grants. It doesn't capture those who may have found out about the Program later.

Anecdotally, DIER was contacted by one business which had been monitoring the DAFF website for information on the Assistance Program. Unfortunately one page of DAFF's web site was advising, right up until the deadline for application of the Program, that the guidelines were still to be advised. Given this circumstance, this businesses was given three extra days, and as much assistance as was practicable, to try and submit a final application, but was unable to do so. No other contractors directly contacted DIER to complain about this particular situation or that they had missed out on applying due to poor notification.

DIER is however aware that business which were unsuccessful for the exit package were not notified by DAFF, as had been agreed, that they could now apply for the assistance package following a change in ruling regarding this in late December 2010, and several of these businesses contacted DIER at the last moment to try and apply for the Program. As noted in the section above, these contractors were given 24 hours to put in

an initial application, and three days to complete a final application. Twenty five applicants to the Assistance Program indicated that they had applied for the Exit Program.

GUIDELINES AND APPLICATION FORM

One of the key risks identified for this Program was that the drive to develop the guidelines in a very short time period meant that there was a risk that the guidelines would be ambiguous or lead to perverse outcomes.

To mitigate this risk, DIER actively engaged with the forest contracting associations in the development of the guidelines and the guidelines were tested with uninvolved parties, particularly staff at DEDTA who have experience in this area to validate the interpretation of the guidelines.

94% of the successful applicants rated the application form and guidelines as satisfactory or better (Figure 7), and pleasingly 70% of all successful applicants rated the guidelines and applications as good or excellent.

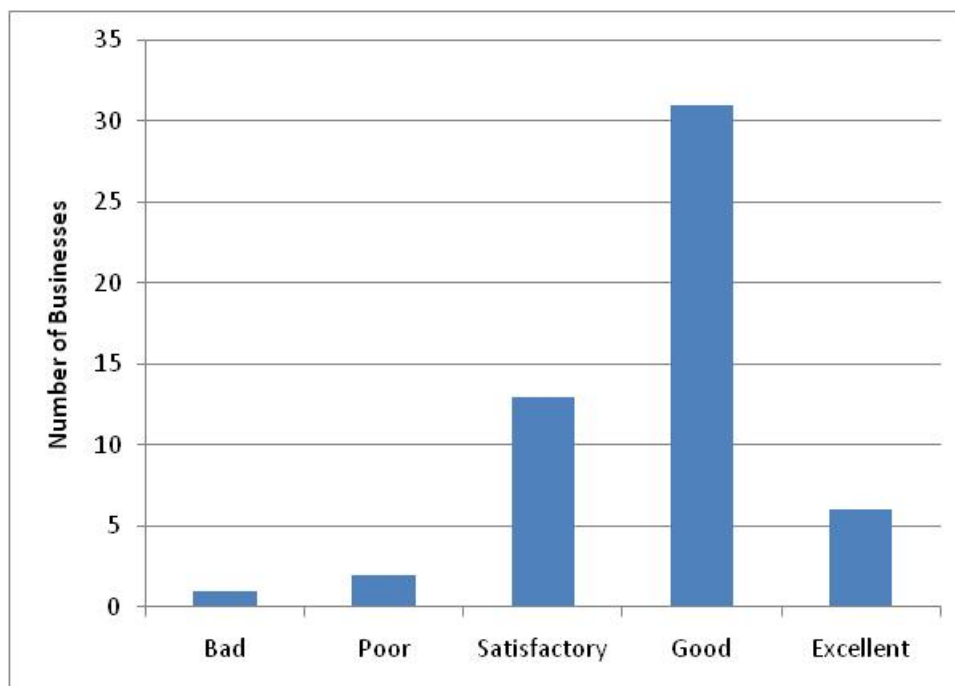


FIGURE 2 GUIDELINES AND APPLICATION FORM RATING

There were however two applicants who rated the guidelines as poor, and unfortunately, neither of these contractors provided any further comment on why they provided this rating.

One applicant rating the guidelines as “bad” with the following comment:

“The breakup of payments do not match the guideline criteria. Some contractors received over \$2 per tonne lost whilst others received less than 40 cents per tonne lost. Guidelines stated funds would be divided evenly (eg. if 5.4 million tonnes was lost each contractor would receive \$1 per tonne lost, unless cap funding was reached). Guidelines stated cap funding of \$100,000 as per contract held. DIER went against the guidelines and made the cap amount per contractor. This company's funding cap should of been set at \$600,000 for 6 separate contracts as per their Program Guidelines.”

On reviewing the guidelines with this feedback in mind, it can be seen how this contractor has come to this conclusion. DIER opted for “plain English” guidelines and some of the nuances between contracts and

businesses are therefore not as clear as they could be if the document was written using more legalistic language.

However, the intention of the funding caps were that they apply at a business, not contract level as agreed with the contracting associations to ensure that the money is distributed around as many contractors as possible (an equity factor). The guidelines therefore refer to the caps being applied to *applicants* not contracts.

The misunderstanding from this contractor probably occurred because the preceding paragraph to the one on capped funding levels talks about *“Where applicants have one or more contracts, each contract will be considered separately.”* which this contractor has interpreted to mean that each contract will be evaluated against the capped funding levels.

In hindsight it may have been clearer if this paragraph had been written as *“Where applicants have one or more contracts, the shortfall volumes for each contract will be evaluated separately against the eligibility criteria, and then only the aggregated tonnages for those contracts which are eligible will be considered in calculating each applicants total payment”*.

With that said, as only one contractor reported misunderstanding this, and with the guidelines and application criteria otherwise receiving an overwhelmingly positive report, on balance DIER is satisfied that the guidelines were fit for purpose. Importantly, there was no breach of the guideline criteria, just a misinterpretation by one contractor.

TIMEFRAME FOR APPLICATIONS

One of the difficult decisions made for the Program, which was instigated just before Christmas 2010, was whether to run the Program over the Christmas period, and whether to provide a longer or shorter time frame given this is a time that contractors traditionally take a holiday and hence may not be checking for the assistance scheme. On the advice of the forest contracting associations it was decided to go for a short timeframe.

This approach appears justified, with 94% of successful applicants feeling that the timeframe for applications was satisfactory or better, with only three contractors feeling they were bad or poor.

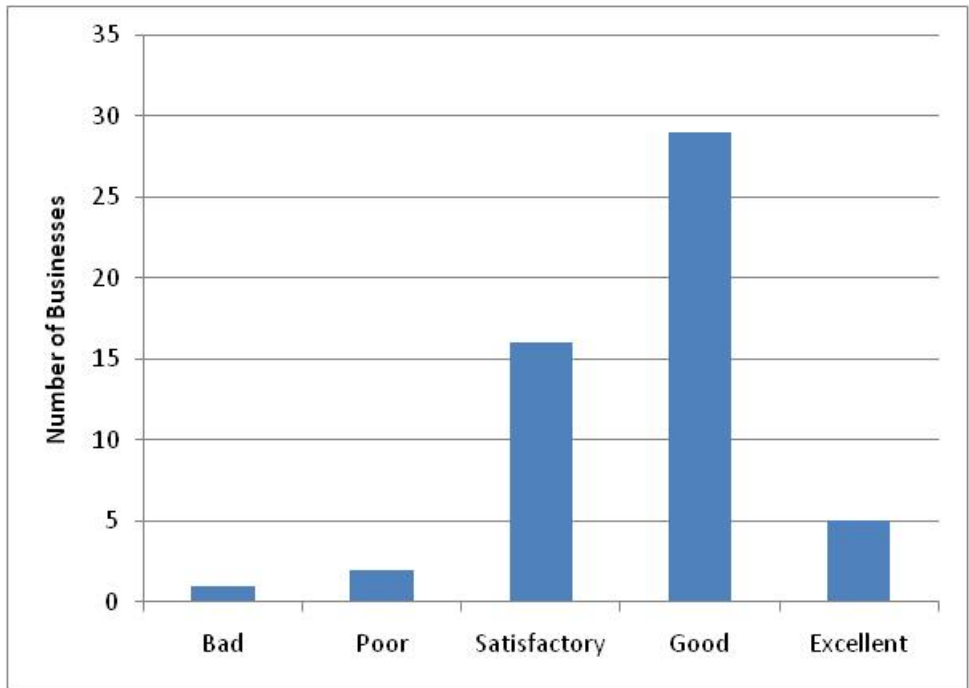


FIGURE 3 TIMEFRAME FOR APPLICATIONS RATINGS

The contractor that provided the “bad” rating provided no further comment, but this particular contractor was obviously dissatisfied with the overall process, as they scored all categories except “assistance from DIER staff” as bad or poor. They also received one of the smallest grant payments in the program.

The two businesses that rated the timeframe as “poor” both actually commented that the process was too slow and almost too late, not that it was rushed.

ASSISTANCE AND COMMUNICATION FROM DIER STAFF

DIER invested a large amount of effort assisting contractors with the application process, and ensuring that applicants weren’t disadvantaged because they had simply filled in forms incorrectly. Credit also needs to be given to Forestry Tasmania and Gunns Limited whose staff provided unbounded cooperation in assisting DIER and contractors in sorting through contracted and delivered tonnages in very tight time frames to ensure that the evaluation and payment process was delivered ahead of a promised and very tight time frame.

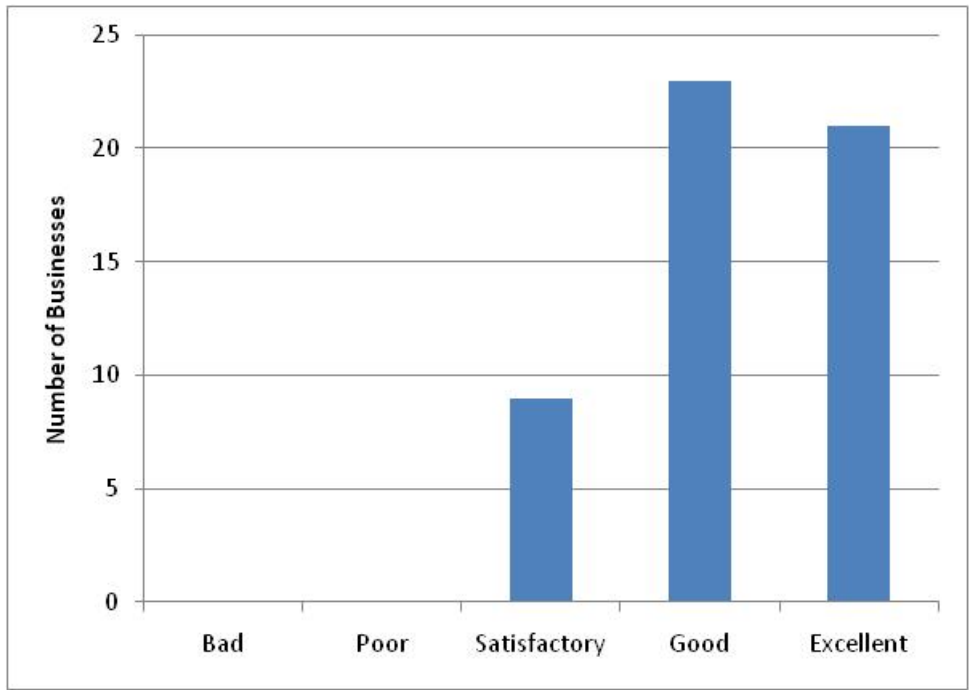


FIGURE 4 ASSISTANCE AND COMMUNICATION FROM DIER STAFF RATINGS

Reflecting this 100% of successful contractors rated the assistance and communication from DIER staff as being Satisfactory and in most cases better.

PAYMENT PROCESS AND TIMEFRAME

DIER promised a very ambitious payment timeframe: payments to be made within two business days of a correctly completed and signed deed and tax invoice.

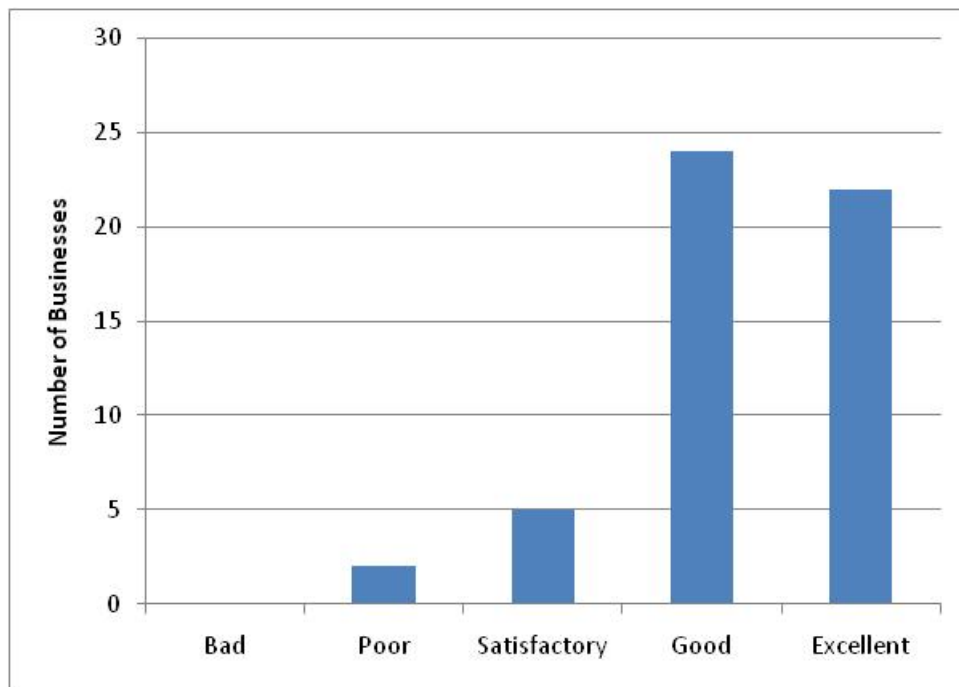


FIGURE 5 PAYMENT PROCESS AND TIMEFRAME

As can be seen in Figure 10, 96% of successful contractors felt that the payment process and timeframe was satisfactory or better with 87% rating it good or excellent. Given the tight promises this was very pleasing.

Unfortunately, neither of the two contractors who rated the payment process or timeframe as poor chose to provide any comment on this, so it is unknown if this had to do with the specific payment time (between receipt of the tax invoice and the payment) or whether it was a “protest vote” against the overall program delivery time from the Federal Election announcement to when they actually received some money.

FAIRNESS OF CAPPED PRO-RATA PAYMENT

The actual calculation of the capped pro-rata payment process attempted to balance the delivery of the Program objectives with efficiency and equity issues. It was the design of this element of the Program which was the focus of most discussions with the forest contracting associations to ensure a balance was struck.

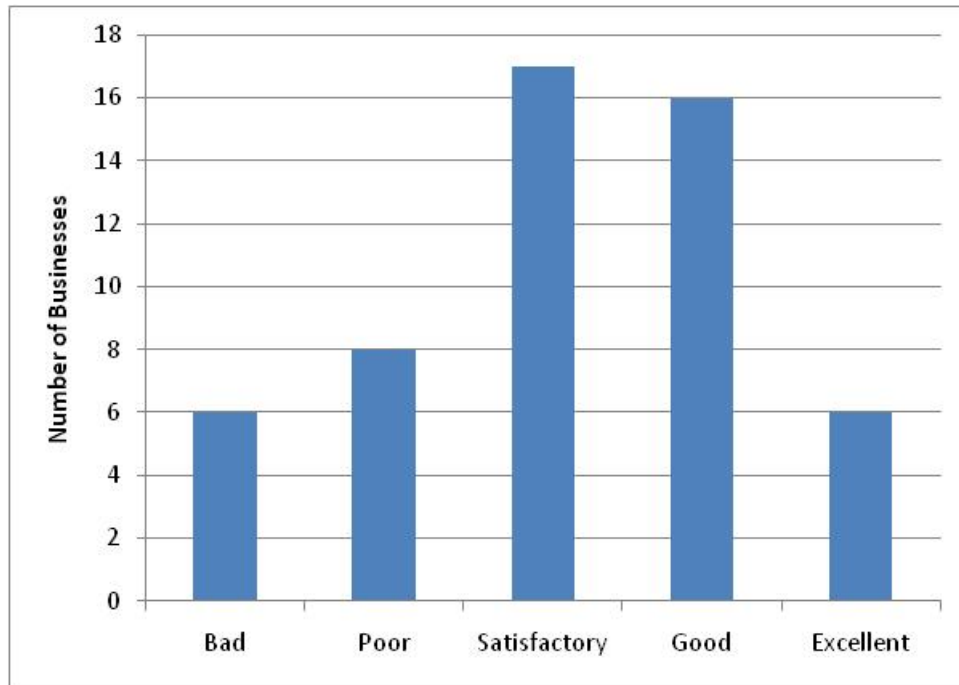


FIGURE 6 FAIRNESS OF CAPPED PRO-RATA PAYMENT RATINGS

In the end just under three-quarters of contractors felt that this system was satisfactory or better, leaving one in four contractors who felt it was a bad or poor method.

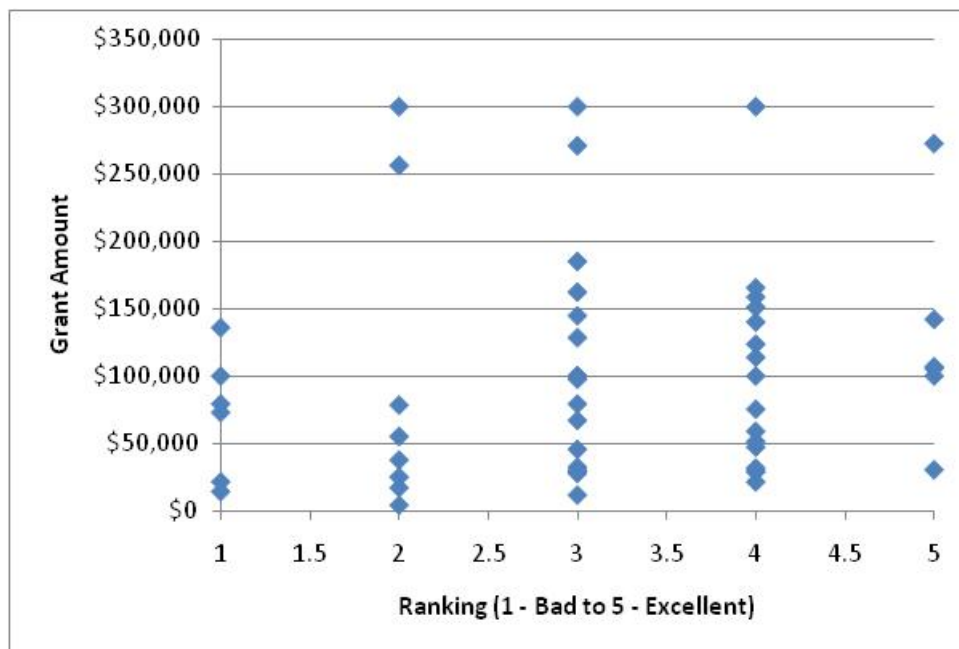


FIGURE 7 CONTRACTOR GRANT AMOUNTS VS CAPPED PRO-RATA PAYMENT RANKING

DIER initially suspected this poor rating may have been correlated to the level of funds provided, but as can be seen in Figure 12, there was actually a very low correlation between these factors. A further review of the comments provided by some contractors who provided low rankings (Table 4) showed that whilst one contractor (discussed above) gave a poor rating as they felt the guidelines had not been followed, the remainder of the poor ratings seem to relate more to the quantum of funds provided (ie, not enough) as against the actual capped pro-rata method.

TABLE 1 COMMENTS ON FAIRNESS OF CAPPED PRO-RATA SYSTEM

Rating	Comments
1	The break up of payments does not match the guideline criteria. Some contractors received over \$2 per tonne lost whilst others received less than 40 cents per tonne lost. Guidelines stated funds would be divided evenly (eg. if 5.4 million tonnes was lost each contractor would receive \$1 per tonne lost, unless cap funding was reached). Guidelines stated cap funding of \$100,000 as per contract held. DIER went against the guidelines and made the cap amount per contractor. This company's funding cap should have been set at \$600,000 for 6 separate contracts as per their Program Guidelines.
1	The grant was designed to make contractors who wished to stay in the industry more viable. It is very disappointing that the "exit package" seems to have had the reverse effect on remaining viable contractors who received some financial business support.
1	We were shutdown on the 17th of December 2011 and Gunns Limited would not allow us to return to work till the end of January. So the grant funds only assisted us with operating costs for the month we were shutdown. We used the funds to keep the business afloat for the period of the closure. We had expected that the funds would be able to make the business much more viable but at that stage we did not know that we would not be returning back to work till the end of January 2011. The whole assistance package was nothing but a waste of public money as was the exit package. The industry is in a shocking state contrary to what leaders in the industry are proposing and further assistance/exits are desperately needed. The funds may have helped this business if we had been given the opportunity to continue to work at full quota. All Gunns native forest contractors need to be exited out of the Industry as Gunns obviously have no interest in native forest harvesting in Tasmania.
1	The amount received \$XXXXX covered 1 month of payments only (machinery and insurance) It had no impact on our accounts payable that are in arrears or of helping us to get out of our overdraft.
2	The reason for my rating was we were not paid enough \$ per ton for the tons in quota we lost in the previous 18 months of our operation. In our case we are a stump to mill operation. We did what we thought was fair and paid half of what we received with our cartage sub-contractor.
1	We lost \$700,000 in cartage, not \$70,000 but it all helps thanks.
2	Timeframe too slow - nearly too late.
2	After 35 years of logging I feel we are just a number!

One contractor, despite giving a satisfactory rating, still noted that they felt it was unfair that those with both harvesting and haulage contracts were able to claim 'twice' – once for each business, whereas another contractor, who also gave a satisfactory rating, noted that he felt harvesting contractors should have got two-thirds of the funds set aside and haulage contractors only one third.

In developing up the capped pro-rata scheme, a formulaic approach was chosen as it was the only one available to DIER that would allow a transparent and equitable process to be undertaken and funds distributed in a very short time period. The checks and balances about caps and amounts were ultimately judgement decisions made in consultation with the industry associations, and the 75% acceptance rate of the method chosen and the commentary around the approach appears to support DIERs approach.

OVERALL RATING

Ultimately 89% of successful contractors were satisfied with the program, with 70% feeling the program was good to excellent. No successful applicants gave an overall rating of “bad” and only six contractors felt it was poorly managed.

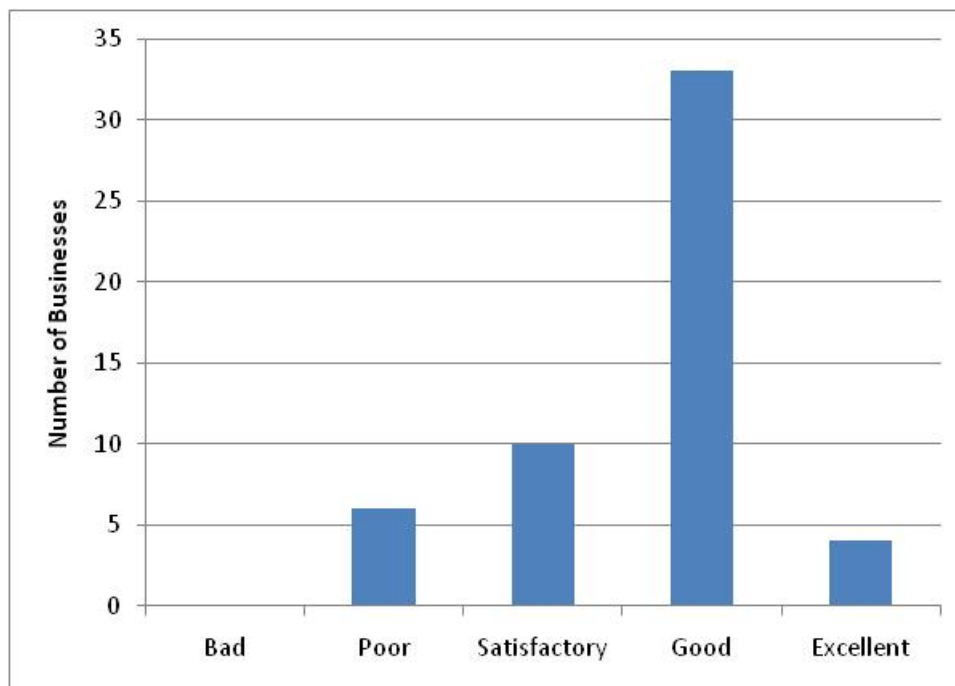


FIGURE 8 OVERALL RATING

The six contractors who rated the overall program as poor, included the first three contractors listed in Table 4 and so their reasons will not be discussed further as they are explained in that table. The other three contractors didn’t provide any comment, but were three of the four lowest grant recipients from the Program, each receiving under \$20,000.

OTHER COMMENTS

A section was provided for contractors to provide any final comments on any part of the Scheme.

Many of these comments have already been discussed above, however Table 5 contains a list of all comments not explicitly reported above as they provide an insight into many of the concerns and feelings of contractors trying to continue in the industry.

TABLE 2 OTHER COMMENTS FROM SUCCESSFUL RECIPIENTS

Overall Rating	Comments
3	After 35 years of logging I feel we are just a number!
4	We were very pleased to have the first lot of recognition on how bad things have been thank you for your support.
4	It wasn't as much as we needed to get on our feet properly but was a good help. The way the industry is at the moment unless you have a lot of money you will end up in trouble.
4	The support was welcome, but no enough to loss caused by the downturn. Exit package should have been fairer and checked who got what better.

Overall Rating	Comments
3	I would like to thank the staff of DIER for being so helpful about the support program.
2	The grant was designed to make contractors who wished to stay in the industry more viable. It is very disappointing that the "exit package" seems to have had the reverse effect on remaining viable contractors who received some financial business support.
4	Overall the assistance was useful in helping to control debt. Since the payment the industry has slowly declined further and should it continue I very much doubt we will be in business in a few months time.
4	Due to exit package I lost 7000 ton per month which [means] the forest support program [money] was gone in 45 days.
4	Harvesting contractors received double rating of lost quota compared to transport contractors.
5	Despite the assistance package, our trading position has deteriorated and if Triabunna fails to re-open our business will have no alternative but to cease trading.
5	The grant was very helpful to meet overdue payments caused by the downturn in the Industry. However our Company is facing the same predicament now Gunns Ltd has shut Triabunna although we are now harvesting for XXXXXX rates, [which] are all lower and have had no income for over a month leading to overdues we cannot repay.
4	As a multitude of factors continue to impact adversely upon the forest industry one appreciates the difficulties facing government. Contractor participants and industry service providers and indeed the communities in which they reside see decisions which will provide for the continuance of an industry which is demonstrably economically and environmentally sustainable in native forest as critical rather than exit packages.
2	The whole assistance package was nothing but a waste of public money as was the exit package. The industry is in a shocking state contrary to what leaders in the industry are proposing and further assistance/exits are desperately needed. The funds may have helped this business if we had been given the opportunity to continue to work at full quota. All Gunns Native forest contractors need to be exited out of the Industry as Gunns obviously have no interest in Native forest harvesting in Tasmania.
3	Definitely need more financial support as trading bank balance has dropped over \$70,000 since beginning of March.
4	Letter provided outlining impact of Triabunna woodchip mill closure.
4	Should've had more funds allocated. In dealings with the DIER I found John extremely helpful. This assistance was much appreciated and we can only hope that more is on the way.
4	If we did not receive the grant we would now have 1 bankrupt company which has been operating for 40 years, paying taxes, we would have put 6 employees out of work, so we thank those responsible for their efforts in getting us the grant.
4	Timeframe too slow - nearly too late.
5	Has been a simple and effective process for us.

