



# AUSTRALIAN FOREST CONTRACTORS ASSOCIATION LTD.

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## “The Log”

16<sup>th</sup> August 2011



Hello and welcome to this week’s edition of “The Log”, the Australian Forest Contractors Association Ltd’s own internal electronic Newsletter for all of our Members and Corporate Partner Sponsors.

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Here is an update contributed by Colin Shipard

There are some current trends/activities regarding contracts of which members need be aware. Let me start with Gunns:

- Gunns have been anything other than good corporate citizens and have sold the Tasmanian industry down the river in a last ditch attempt to save their own skins
- At the height of the Tasmanian crisis their CEO had his base salary doubled to around \$1million per year with a bonus package attached that must be dependent on the mill getting done
- Their final act of bastardry was a beauty: they tried to sell the Triabunna Chip Mill to an industry player for \$16million and their fall-back position was to sell to a group of Green sympathiser’s for \$10million.
- All the while they are seeking FSC for their continuing operations and AFCA is taking this opportunity to see how substantial the social license “leg” of the FSC “three legged stool” actually is. Watch this space.



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On a more general note I saw recently with Forests NSW that, before the tenders were even due for submission, a mob called Corporate Scorecard had to be supplied with all manner of financial information – including the last three years financial accounts and current management accounts – with all of that information being available to pass to Forests NSW. This week, a company in the West has proposed that the contract principal be free at any time to conduct a full audit on the books and records of the contractor at any time during the contract and for two years after.

The ramifications from these developments are obvious and, for starters, if the contract principal wants to exercise that degree of informed control, then they should be covering the borrowing and trading risk. We need to nip this in the bud or accept that we are – at best – reverting to the financial and work life of an olden day share farmer. Not sure that wouldn't be a backward step.

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David will be back next week. We hope he has had a well-deserved rest and a great holiday.

Well, that's all for this week. Thanks for taking the time to read this edition of "The Log". We hope you all have a safe and profitable week and we look forward to bringing you some more news from our industry again next week



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