



Request for Proposal
for the Purchase and Processing
of Hardwood Residual Timber

RFP_RT 2012

Disclaimer



- > This Presentation is only a broad summary of the RFP document.
- > Registrants, Proponents and potential Registrants should not rely on any express or implied statement, warranty or representation (including this Presentation), whether oral, written, or otherwise made by or on behalf of VicForests, its officers, employees, agents or external consultants **other than**:
 - a statement, warranty or representation expressly contained in the RFP document (including any written document formally amending the RFP document) relating directly to the RFP Process; or
 - a written statement of VicForests which forms part of the formal clarification process described in Part C, 8.3 which relates directly to the RFP Process, and

to avoid any doubt, a Proponent may not rely on any statements relating to the availability of resources, log specifications and break-even pricing whether in the RFP or otherwise.

- > Under no circumstances whatsoever, will VicForests be liable for any expense or loss that may be incurred by Registrants, Proponents or potential Registrants which arise (whether directly or indirectly) in relation to this RFP.
- > VicForests has various rights in relation to the RFP and the RFP process as set out in Part C, 12.3 and Registrants, Proponents or potential Registrants should make themselves familiar with these.

Welcome

Timber Industry Action Plan :

- > greater resource certainty for industry
- > secure long-term access to native timber supplies.

Aims of the RFP :

- > To sell available residual timber resources to maximise long-term economic returns to Victoria
- > To examine alternative timber markets with sufficient flexibility and security to enable new processing facilities to be established
- > To align the forward sales with an informed outlook of the future of the Victorian hardwood industry and resource availability

RFP – Key highlights

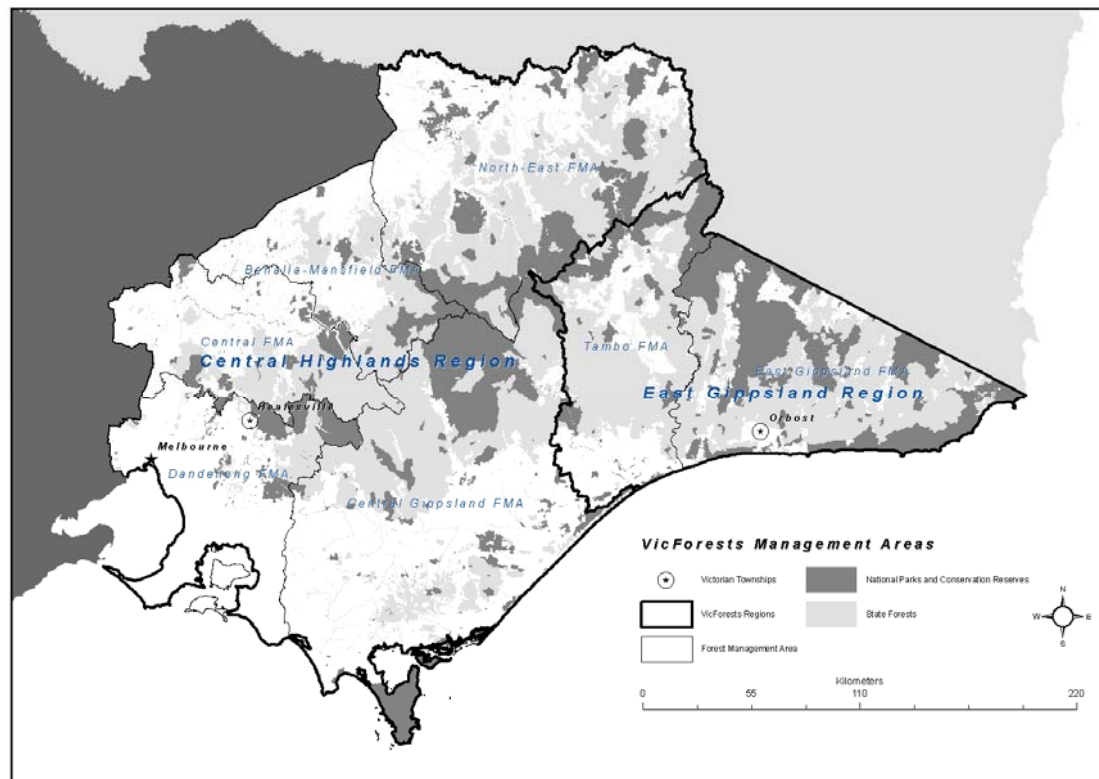
- > Significant annual volume (approx 837,000 tonnes per annum)
- > Long-term Agreements possible (up to 20 years)
- > Existing and new log and fibre products for VicForests supporting a range of processing possibilities (biomass, renewable energy products, engineered wood products, pulp and paper)
- > Sustainably managed State forests with AFS certification
- > Point of Sale options (MDS or Stumpage Sales (standing or felled trees))
- > Tailored Timber supply arrangements (quantity, quality, location, supply years)

RFP Protocols

- > Probity principals apply (RFP process is subject to Probity audit)
- > Information provided in this session including questions and answers will be published on our website
- > Communication processes (RFP Manager: vfs.auctions@vicforests.com.au)

Resource Location

- > Located east of the Hume Highway across 7 Forest Management Areas (FMAs)
- > Residual products traditionally supplied into international paper markets or left unutilised
- > Supplied from allocated Working Forest Areas



Resource Offering

- > Approximately 837,000 tonnes per annum of residual log product available for purchase across 7 Forest Management Areas. Includes:
 - approximately 270,000 tonnes of mixed species pulplog.
 - approximately 567,000 tonnes of residues.

Residual log products	Indicative Annual Quantity (tonnes per annum)						
	Benalla Mansfield	Central	Central Gippsland	Dandenong	East Gippsland	North East	Tambo
MSH (Int)	20,000	-	-	-	58,000	21,000	-
MSH (TH)	-	-	-	-	38,000	-	-
MSM	13,000	-	-	-	103,000	12,000	7,000
ASR	1,000	18,000	10,000	6,000	-	4,000	8,000
MSR	16,000	15,000	39,000	4,000	90,000	40,000	33,000
ASN	1,000	18,000	10,000	6,000	-	4,000	8,000
MSN	16,000	15,000	39,000	4,000	90,000	40,000	33,000
Total	67,000	65,000	98,000	20,000	379,000	120,000	88,000

Resource Description

- > Sawlog and Ash pulplog material is excluded from the RFP process
- > These product characteristics, excluding Residues are described in detail within Attachment F - Code of Procedure for Log Buyers (Log Specifications)
- > Products available within the RFP are more defective than sawlog and ash pulplog.

Product Grade	Clearfell / Seed tree operations		Thinning
	Ash species	Mixed species	Mixed species
Pulpwood - High Quality (H)	-	MSH	MSH
Pulpwood - Standard Quality (M)	-	MSM	-
Other Residues - Logs (R)	ASR	MSR	-
Other Residues - Non-log (N)	ASN	MSN	-

Sawlog



Residues



Product Specifications – General Characteristics



> Residue Groups

- Logs (R)
 - Log material is more defective than sawlog and pulplog specifications and is generally not suitable for papermaking. This product may be suited to conventional log transport.
- Non – Log (N)
 - Products not currently utilised and not suited to conventional log transport.
 - Head material, branches, excessive sweep, short lengths.

> General Residue Characteristics

- Unlimited gum veins, sap pockets, pipe and barrel defects.
- May include timber with excessive pipe defect, excessive sweep, and rot and charcoal may be present.
- May include shattered timber or splintered wood under <10cm diameter, and have less than 10cm of holding wood.
- May include timber products with diameters > 70cm, or diameters < 10cm.
- May include undesirable species for paper making – Stringybarks, yertchuk, bloodwood, peppermints, grey gum.

RFP Process & Timetable

Event	Date & Time
RFP Released	25 January 2012
RFP Briefing Session	7 February
Closing Time for Registration	3:00 pm, 24 February
Break-even Prices provided	9 March
Closing Time for Proposals	3:00 pm 30 March
Preliminary evaluation, negotiation & final evaluation	April – May
Offers made	April - May
Announcements	April - May

Agreements

Timber Sale Agreement (TSA)

Provides for Stumpage Sales and Mill Door Sales; Five yearly Review; Price indexation (CPI & fuel), Renewable Energy Certificates

Includes the Buyers' obligations relating to harvest and haulage under Stumpage Sales

VicForests' Credit Policy explained in the Guideline "Understanding VicForests' Credit Policy"

Services Agreements : Harvest Agreement, Haulage Agreement

Buyers opting for a Stumpage Point of Sale may need to enter into Services Agreements with VicForests where log products outside the Buyer's specification need to be supplied to other VicForests' customers (RFP 5.1.1).

Timber Resource Reservation Agreement



- > Allows for the “reservation” of an allocation of Timber prior to entering into a TSA
- > Tenure of up to 3 years
- > Reservation Fee and Milestones with Milestone Payments apply.

Registration

Registration (RFP Part D) is mandatory

Information required : Business & contact details, Delivery sites, Log supply requirements (quantities, specifications, timing), Timber processing intentions

Send to vfs.auctions@vicforests.com.au or the Tender Box by the Closing Time for Registration

Registrations are not subject to evaluation.

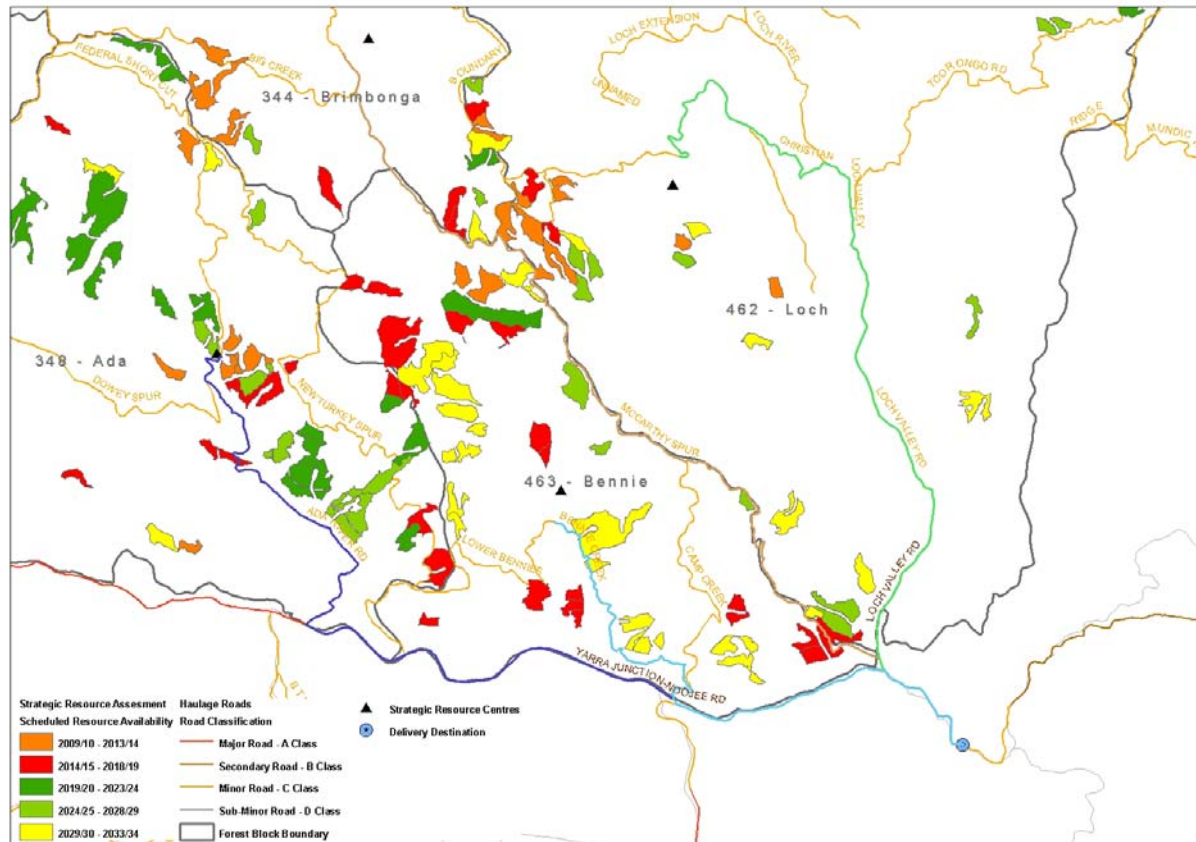
Registration is required to:

- > Facilitate communication with Registrants
- > Facilitate financial assessments if required
- > Prepare break-even prices.

Break-Even Prices

- > Break Even Prices (BEP) are estimates of costs incurred in making products available to log buyers at differing points of sale.
- > BEP are not formal or strict reserve prices.
- > BEP are provided to assist a Proponent in gauging what may be an acceptable price to VicForests.
- > BEP may include a reserve margin deemed appropriate for a particular product.
- > BEP are based upon information provided in a Registration:
 - Delivery location
 - Desired quantity of timber products
 - Desired product specifications and range
 - Duration of supply
 - Point of Sale

Break-Even Price Cost Components



- > BEP for a Mill Door Sale is the sum of :
 - Harvest Cost
 - Haulage Cost
 - VicForests Costs

- > **Harvest** - Average weighted Forest Management Area (FMA) product grade harvest rates. Considers all current contracts.

- > **Haulage Cost (\$/t)** = (A Class Km x A Class Haulage Rate (\$/t)) x Distance Adjustment Factor (%). Considers all current contracts.

- > Recovery of **VicForests costs** in making timber products available, dependent upon the Point of Sale.

Forest Block	Delivery Destination	D_Km	C_Km	B_Km	A_Km	Total Length (km)	Total A Class Eq (km)
344	Delivery Destination 1	-	17.7	1.7	-	19.3	37.4
348	Delivery Destination 1	-	8.1	10.5	2.0	20.6	31.2
462	Delivery Destination 1	-	13.3	4.1	-	17.3	31.6
463	Delivery Destination 1	-	6.2	5.3	-	11.5	19.0

Evaluation Process – the Proponent’s Proposal

A Proponent’s Proposal (Part E) must include:

- > Proponent’s Information
- > Investment in Processing
- > Capability – technical knowledge and experience; experience and capability to conduct harvest & haulage (Stumpage Sale); referees
- > Resource Requirements and Specifications
- > Synergies for VicForests
- > Markets
- > Safety
- > Community Engagement
- > Commercial capacity
- > Risk
- > Compliance with Proposed Agreements
- > Conflict of Interest Declaration
- > Price offer

- > **Send to vf.tender@vicforests.com.au or the Tender Box by the Closing Time for Proposals**

- > Must be in the required format and meet the Conditions of the RFP process.

Evaluation Process

Mandatory Eligibility Criteria: ABN, financially solvent, no history of significant contract defaults, intend and are able to take and pay for timber, no Conflict of Interest.

Financial Assessment may be required (Credit Reference Agency)

Domestic Processing Proposals will receive priority. Export Log Proposals MAY be considered for remaining unallocated resource (subject to Board and Government approval).

Preliminary Evaluation:

- (1) Proposals will be assessed for:
 - Value (\$) for VicForests – net of VicForests' costs
 - Investment and innovation
 - Risk (through time)
- (2) Risk adjusted value to VicForests calculated

Shortlist - for negotiation or proceed through to Final Evaluation

Evaluation Process (continued)

- > Negotiations – by invitation at VicForests' discretion
- > Final Evaluation

Best fit of proposals using the risk adjusted value and annual quantity to identify the combination of Proposals that maximises the overall value to VicForests

- > Notification and Award

- > **Multiple Proposals and multiple variants of Proposals**
- > Must be clearly specified
- > Independent proposals must be submitted
- > Variants of individual Proposals must be prioritised

- > **Non-conforming Proposals**
- > May be considered at VicForests' discretion

Communications

- > ALL communications to be made to :
- > Vfs.auctions@vicforests.com.au

- > One important exception – if Proponents wish to submit their Proposal electronically they must send their Proposal to:
- > Vf.tender@vicforests.com.au
- > This is an electronic Tender Box and will not be opened until the Closing Time.

- > Unless only applicable to a specific proponent, questions and answers or requests for additional information or clarification will be published on VicForests' RFP webpage.