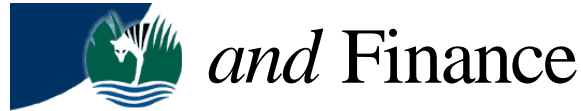


Department *of* Treasury



**Request for Expression
of Interest
for the Sale of the
Tasmanian Grain Elevators Board**

July 2003

Commercialisation and Financing Branch
21 Murray Street
Hobart Tasmania 7000
Australia

CONTENTS

Information for Respondents	1
Specification	6
Conditions of Response	8
Evaluation Criteria	11

INFORMATION FOR RESPONDENTS

Background The Tasmanian Government has made a decision to sell the Tasmanian Grain Elevators Board (TGEB). The Department of Treasury and Finance (Treasury) is responsible for the sale and will represent the interests of Government in dealing with interested parties and making determinations in relation to the sale process and offers received. The Treasurer and the Minister for Primary Industries, Water and Environment will make the final decision on the preferred proponent.

Sale Process The sale will be in accordance with *Government Business Enterprises (Sale) Act 2003* (the Sale Act). The Sale Act provides the mechanics by which the TGEB will be sold and also addresses employee entitlements and other issues associated with the transmission of business.

A buyer for the TGEB will be selected through a two-stage competitive bid process. The first stage is an invitation to submit a non-binding indicative offer via an Expression of Interest. The short-listing process will be undertaken using the suite of criteria contained in this document.

Short listed bidders will proceed to stage two and, subject to the signing of a Confidentiality Agreement, will be invited to submit a binding offer based on a more detailed Information Memorandum and following access to a data room.

To this end, the sale process will involve:

- Submission of a written, non-binding indicative offer;
- Short-listing of bidders;
- Completion of detailed due diligence by short-listed bidders;
- Submission of a final unconditional offer; and
- Signing of a contract and completion within a relatively short period following submission of the final unconditional offer.

Discussions will be held with short-listed parties during the due diligence period to verify and resolve sale pre-conditions and the terms and conditions set out in the proposed contract of sale.

Business Description The TGEB is established under the *Grain Reserve Act 1950* and conducts its business in accordance with this Act and with the *Government Business Enterprises Act 1995* (GBE Act). The TGEB participates in the National Tax Equivalent Regime in accordance with part 10 of the GBE Act.

The TGEB is a vertically integrated grain storage and handling business. Its main business is the importation of wheat from the Australian mainland for sale to Tasmanian businesses, including those operating in flour milling, stock feed and intensive animal industries. The TGEB has diversified into grain trading and there is an opportunity for trading to continue.

The TGEB is the major grain handler in Tasmania, handling the acquisition, storage and distribution of both imported and domestic grains, legumes and meals. The TGEB imports on its own account and also provides a receival and handling service through its Devonport facility to other importers that seek to import bulk grains into Tasmania.

*Business
Description
contd*

The TGE B is a net importer of grain as the local market produces insufficient grain to service the State's needs. The TGE B has been active in encouraging local cereal production by trading and storing locally grown grain. For local grain growers, the TGE B provides warehousing and pooling arrangements.

The TGE B is structured so that it does not have a vested interest in any organisation or group. As such, the TGE B competes mainly with mainland grain handlers and, to a lesser degree, with local grain handlers. The TGE B conducts its operations as a non-discriminatory receiver and supplier.

The TGE B is the only remaining Government owned grain storage and trading business in Australia.

*Sales,
Marketing, and
Distribution*

The TGE B differs from its mainland competitors, which are predominantly export oriented, in that it services a local market. The TGE B services clients across a range of industries, including flour milling, the dairy industry, stock feed, livestock producers, aquaculture, egg producers and a myriad of small livestock enterprises. The TGE B is also relied on as the main supplier of stock feed in times of drought.

The TGE B's influence is significant in the Tasmanian industry, through providing the benchmark for commodity prices and standards, and as a provider of market information.

The TGE B has total storage capacity of 35 000 tonnes and operates in four locations state wide:

- Devonport silos – storage which also acts as the terminal for the delivery of bulk shipments;
- Launceston – six titles comprising a warehouse and shop front, four 2200 tonne concrete silos, two 1300 tonne steel silos and adjoining land with a range of farm style storage;
- Powranna – bunker storage; and
- Bridgewater silos – storage and head office.

The TGE B handles all grain imports via bulk ships into Tasmania through its Devonport terminal. Storage facilities at Devonport and Powranna have been earmarked for further development to increase storage capacity, and these improvements should increase the efficiency of the TGE B's operations. The facilities at Bridgewater, whilst smaller in capacity than the other sites, provide a flexible, customer friendly base in the south of the State.

The TGE B has contracted to purchase 4.64 hectares of land at Powranna, where its current storage facilities are sited. Sale completion is awaiting the issue of title. The TGE B has also contracted to purchase land adjacent to its current storage facilities in Devonport with settlement expected in September 2003.

*Sales,
Marketing, and
Distribution
contd*

Up until 2002-03, the TGEB's trading operations comprised just under 50 per cent of the business' activity, with the balance representing storage charges for grain handled on behalf of other suppliers. From 2002-03 onwards, the proportion of revenue from trading activities has increased, reflecting that the TGEB no longer has an arrangement to store wheat for AWB Limited. In addition to storage and handling of imported grains, the TGEB has widened its operations to cover:

- Trading – the TGEB trades in a wide range of grains. Grain trading activities are undertaken within the confines of a comprehensive risk management policy;
- Storage and handling of local grain – the TGEB has encouraged the local grain growing sector. Whilst Tasmania is unable to grow some grains competitively (eg hard, flour grade wheat) it can produce reasonable crops of other grains at various grades of quality. The TGEB has offered services including pooling arrangements and warehousing, to encourage the increase in local grain production; and
- "Retail" activity – the TGEB sells grains in smaller sized quantities. It also sells other products not specifically related to grains, including pet food and other stock feeds.

Personnel

The TGEB employs 14 staff comprising a Chief Executive Officer (CEO), eight permanent full time staff and five fixed term staff. The employment instrument of appointment (contract) for the CEO is consistent with that for Officers in the State Service. The permanent and fixed term staff are employed in accordance with the *State Service Act 2000*, Ministerial Directions, and relevant public sector awards and agreements, including the Operational Employees Award, the State Service Wages Agreement, and the General Conditions of Employment Award.

The main office is located at Bridgewater where there are eight employees. There are three employees at each of the Launceston and Devonport sites.

*Selected
Income
Statement
Items*

\$A '000s	1999-00A	2000-01A	2001-02A	2002-03*
Trading Revenue	4 723	6 537	6 153	11 189
less Cost of Goods Sold	4 033	5 517	5 166	9 725
Net Trading Revenue	690	1 020	987	1 464
Storage and Handling Revenue	1 046	1 267	1 389	1 243
Total Revenue	1 736	2 287	2 376	2 707
Expenses	1 500	2 063	2 030	2 232
EBIT	236	224	346	475
Dividends Paid	7	76	58	121
Total Assets	4 766	5 196	5 777	6 584
Total Liabilities	1 692	2 058	2 091	2 716
Shareholders' Equity	3 074	3 138	3 686	3 868

Note: Dividends paid in the following year

*12 months trading based on management accounts - no change in provision for superannuation liabilities from 2001-02 as data is not yet available. Data is unaudited

Financial statements for the last three years are available on the sale website www.treasury.tas.gov.au/sale_tgeb.

<i>Regulation</i>	<p>The <i>Grain Reserve Act 1950</i> is to be repealed on completion of sale. Other than existing industry regulations, there is no regulatory impact resulting from the sale of the TGEb.</p> <p>Existing industry regulations that apply include:</p> <ul style="list-style-type: none"> • <i>Plant Quarantine Act 1997</i> • <i>Weed Management Act 1999</i> • <i>Seeds Act 1985</i>
<i>Investment Considerations</i>	<p><i>Potential to develop new products</i> – Additional services might include a more complex array of grower contracts, greater choice of products, improved supply chain costs and efficiency, greater export and import opportunities to both growers and end users, and more secure product supply.</p> <p><i>Alternative Use</i> – with the further development of additional storage at Powranna and Devonport, the Launceston silos may no longer be required for storage. There may be, subject to Council approval, an opportunity to consider an alternative use for the Launceston site.</p> <p><i>Tasmanian Wheat Freight Scheme</i> – The Commonwealth has provided funding for the Tasmanian Wheat Freight Scheme of \$1.2 million per annum up until 2005-06.</p> <p><i>Investing in Tasmania</i> – Tasmania offers a competitive business environment with relatively low labour costs and low set-up and operating costs.</p> <p><i>Cost savings potential</i> – Cost saving opportunities may exist for investors through the synergies available to a larger operator, for example, IT systems, and head office requirements. A local investor may obtain savings from efficiencies in combining distribution channels. Removal of the current Board structure would provide a further saving.</p>
<i>Indicative Sale Timetable</i>	<p>A buyer for the TGEb will be selected through a two-stage competitive bid process. An indicative timetable is outlined below.</p> <ul style="list-style-type: none"> • Request non-binding indicative bids: week commencing 14 July 2003 • Indicative bids due: week commencing 28 July 2003 • Distribute information memorandum to short listed parties: week commencing 11 August 2003 • Binding bids due: week commencing 15 September 2003 • Sale completion: 30 November 2003
<i>Relevant Websites</i>	<p>Information on the sale of the TGEb: www.treasury.tas.gov.au/sale_tgeb</p> <p>Tasmanian legislation: http://www.thelaw.tas.gov.au/</p>
<i>Contact Details</i>	<p>The Commercialisation and Financing Branch of the Department of Treasury and Finance is managing the sale of TGEb. A Specification has been prepared setting out the Department's requirements, which bidders should specifically address in their submission. Any queries should be addressed to:</p>

Contact
Person

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This Information for Respondents and the information provided on the website www.treasury.tas.gov.au/sale_tgeb is being provided to interested parties solely to assist them in deciding whether to register an expression of interest in relation to the sale of the TGEB. The Tasmanian Government does not warrant or represent that this Information for Respondents and the information provided on the above website contains all information relevant to making such a decision, or that the information provided is otherwise complete, accurate, audited or prepared with reasonable care. Where information relates to future matters, no representation, express or implied, is given that these future matters will occur. Without limiting the foregoing, the Government expressly reserves the right to vary any aspect of the sale process (including the indicative timetable) at any time and with or without notice to any person. To the maximum extent permitted by law, the Government expressly disclaims and excludes any and all liability (whether under contract, tort or statute) to any person for any loss, damage, claims, costs or expenses of whatever nature arising in any way out of, or in connection with, or as a result of reliance on, the information contained in this Information for Respondents or the information provided on the above website.

SPECIFICATION

Written indicative offers are sought in a **succinct** format by parties interested in participating in the sale process of the TGEB. Expressions of interest will not constitute an offer binding the party but will form the basis on which prospective parties will be short-listed.

Detailed information beyond this Request for Expression of Interest and access to the business will only be provided to those parties that establish a strong and genuine interest to proceed with an acquisition of this nature.

Statement of Requirements

Respondents are required to address the following in their Expression of Interest. In addressing these items the Respondent should ensure that each item within the attached evaluation criteria is clearly addressed:

Bidding Party

- The legal identity of the party expressing an interest in participating in the sale process, including details of the beneficial ownership interests in that entity and the beneficial ownership interests in any shareholders in that entity. Where more than one party has an interest, the proposed roles of each of the parties should be described.

Extent of Interest

- A statement by the interested party that it has a **serious** interest in acquiring the TGEB. Details of the level of approval that has been obtained in submitting the indicative offer (eg Board, Chief Executive) and all additional internal or external (including regulatory) approvals, which would be required prior to entering into an unconditional binding sale agreement.

Financial Capacity

- Information regarding the financial capacity of the interested party, in particular net tangible assets. Information provided should include the most recent annual report of the interested party or parties. Please refer to Evaluation Criteria 2 for further guidance.

Finance of Acquisition

- An explanation of how the acquisition will be financed, which substantiates the potential purchaser's ability to proceed with a transaction of the size and nature contemplated.

Operational Capacity

- Information regarding the operational capacity of the interested party to operate the TGEB as well as the background and industry experience of the party. Please refer to Evaluation Criteria 3 for further guidance. Information provided may include corporate information brochures or annual reports.

Industry Development

- Information regarding commitment to and strategies for the ongoing development of the Tasmanian grain using sector and the local grain growing industry. Please refer to Criteria 4 for further guidance.

Indicative Non-Binding Offer

- An indicative non-binding offer detailing the purchase price to be offered for the business of the TGEB and the basis on which you arrive at the purchase price. Respondents should also highlight any other significant sale terms and conditions that would be sought.

Other Relevant information

- Other information that Treasury would reasonably require for the purpose of considering the indicative offer includes:
 - material commercial or financial assumptions that underlie the offer;
 - intentions in relation to the TGEb's employees;
 - circumstances which, if varied, would cause the prospective purchaser to vary the price or conditions of the indicative offer;
 - any critical timing issues; and
 - any other matters.

Contact Details

- Name of contact person, address, telephone and fax number, e-mail of bidder and/or advisors.

CONDITIONS OF RESPONSE

1. INTERPRETATION

1.1 In this instrument, unless the context precludes it:

“**Closing Time**” means 2.00pm on 1 August 2003 as extended pursuant to clause 4.3;

“**Contact Officer**” means James Pirie or such other person communicated to the Respondent by the Secretary of the Department;

“**Crown**” means the Crown in Right of the State of Tasmania;

“**Department**” means the Department of Treasury and Finance;

“**Department’s Requirements**” means the requirements described in the Specification;

“**Person**” includes a natural person, a corporation, a partnership, a joint venture, an incorporated association, a government, a local government authority and an agency;

“**Request for Expression of Interest**” or “**REOI**” means this document inviting Respondents to express an interest in delivering the Department’s Requirements by submitting a response as provided in this document;

“**Specification**” means the Specification contained in this REOI;

“**Response Box**” means the locked box at the reception desk of the Department located at 21 Murray Street Hobart specifically reserved for the purpose of receiving responses to the REOI;

“**Response**” means the documents constituting an expression of interest in the delivery of the Department’s Requirements;

“**Respondent**” means a Person who submits a Response under the REOI.

1.2 Monetary amounts are expressed in the currency of the Australian Dollar.

1.3 The Department is part of the Crown and any rights and obligations of the Department under the provisions of this REOI are to be read and construed as rights and obligations of the Crown.

2. REOI AND REPRESENTATIONS

2.1 The REOI remains the property of the Department. It may only be used for the purpose of preparing a Response.

2.2 The Department retains the right to change any part of the REOI.

2.3 The Department does not warrant the accuracy of the content of the REOI and the Department is not liable for any omission from the REOI.

2.4 No representation made by or on behalf of the Crown in relation to the Response or the REOI (or their subject matter) is binding on the Crown

3. RESPONSE DOCUMENTS

- 3.1 The Response must contain the documents, information and details required by the REOI.
- 3.2 Unnecessarily elaborate responses or other presentations beyond what is sufficient to present a complete and effective proposal are neither desired nor required. Elaborate art work and bindings, expensive visual and other presentation aids are not necessary.
- 3.3 All Responses and accompanying documents become the property of the Department.
- 3.4 Despite any copyright or other intellectual property right that subsists in the Response, the Respondent licenses the Department to reproduce the whole or any portion of the Response for the purposes of response evaluation.
- 3.5 Subject to the previous paragraph, the Response will be held in confidence, so far as the law permits.

4. LODGING A RESPONSE

- 4.1 A Response must be lodged in accordance with this REOI and be placed in the Response Box with a diskette containing a copy of the Response by the Closing Time.
- 4.2 An acknowledgment of receipt of the Response will be sent to the Respondent.
- 4.3 At any time before the Closing Time has passed, the Department may extend the Closing Time in its unfettered discretion and will inform the Respondent.

5. LATE RESPONSES

Late Responses may be considered at the absolute discretion of the Department.

6. INCOMPLETE RESPONSES

The Department may reject a Response that does not fully comply with the terms of the REOI.

7. PREPARATION OF RESPONSES

The Department will neither be responsible for, nor pay for, any expense or loss incurred by a Respondent:

- (a) in the preparation of a Response; or
- (b) in taking part in the evaluation of a Response.

8. CONFIDENTIALITY

The Respondent must keep confidential all information concerning the Crown and the Tasmanian Grain Elevators Board, received as a result of, or in connection with, the submission of a Response.

9. EVALUATION OF RESPONSES

Responses will be evaluated against the Evaluation Criteria contained in the REOI. Discussions will not be entered into in relation to the Department's assessment of the Response.

10. UNAUTHORISED COMMUNICATION

Respondents must direct all communications through the Contact Officer unless directed otherwise by the Contact Officer. Unauthorised communication with the TGEB or other staff of the Department or State Service may lead to disqualification of the Response.

11. CONTRACTUAL RELATIONSHIP

11.1 Subject to clause 12, no contractual relationship or other obligation arises between the Department and a Respondent, in respect of the supply of the Department's Requirements.

11.2 This REOI process will be used as a means of pre-qualifying purchasers based on the Evaluation Criteria. It follows that only those Respondents who are shortlisted by the Department will be requested to participate in any future process initiated by the Department for the purposes of delivering the Department's Requirements.

12. CONDITIONS OF RESPONSE BINDING

By lodging a Response and in consideration of the Department commencing evaluation of the Response, the Respondent agrees to be bound by the provisions of clauses 2, 3, 7, 8, 10, and this clause 12 of these Conditions of Response.

EVALUATION CRITERIA

In assessing Responses, the Department will have regard to the criteria below. Hierarchical ranking of the criteria has Criterion 1 as most important, Criteria 2, 3 and 4 of equal importance and Criterion 5 of less importance.

	Criteria
1	<ul style="list-style-type: none"> • Sale price
2	<ul style="list-style-type: none"> • Financial strength: <ul style="list-style-type: none"> ▪ capacity to fund the acquisition of the TGEB unconditionally; ▪ capacity to inject the necessary working capital into the business; and ▪ a strong credit standing.
3	<ul style="list-style-type: none"> • Experience or capacity to operate a grain storage and handling business, including: <ul style="list-style-type: none"> ▪ commitment to maintain certainty of supply; ▪ maintenance of the business as a non-discriminatory supplier and handler of all types of grain, including grain imported to Tasmania by third parties; and ▪ a demonstrated capacity or experience in the implementation of quality control policies to meet market demands and quarantine requirements.
4	<ul style="list-style-type: none"> • A commitment to and strategies for the ongoing development of: <ul style="list-style-type: none"> ▪ the Tasmanian grain using sector; ▪ the local grain growing industry, including the continuation of pooling arrangements; and ▪ consultative skills to support the commitment for industry development.
5	<ul style="list-style-type: none"> • Continuation of employment of existing TGEB employees.