

VOS

"making a positive {+} difference"

COPY

4 April, 2011

Mr Peter Hortle
Tasmanian Transport Programs (Centrelink)
GPO Box 1269
HOBART TAS 7001

Dear Peter,

**Re: Verification of the Principal Business Activity of Vos Construction and Joinery Pty Ltd
(Your Reference NSF180 & VOS004)**

We refer to your letter dated 17 March 2011. We do not agree there is a need to clarify the 'principal business activity' of Vos Construction and Joinery Pty Ltd ("Vos"). As you are aware, Vos is a multi faceted and diversified company, with many activities falling under different ANZSIC divisions. Section 9.1 of the Ministerial Directions state:

The southbound and intrastate components of the Scheme apply to persons engaged in manufacturing, mining, agriculture, forestry and fishing industries in Tasmania as those industrial classifications are specified in Divisions A, B and C of the Australian and New Zealand Standard Industrial Classification prepared by the Australian Bureau of Statistics.

There is no reference to principal activity and it seems clear that if you engage in any of the activities mentioned you are eligible. Vos only submits claims for assessment for the manufacturing activities it undertakes.

Furthermore, the joinery business of Vos is one of the largest manufacturers of its type in the state, employing over 70 workers with a turnover in excess of \$10m. This represents a significant business in its own right, which I note from the Australian Bureau of Statistics' website, of which you refer, would indicate the application of its own ANZSIC. We understand that if we were to set this business up as a separate legal entity it is unlikely there would be any question of eligibility; however, to do so would be inefficient and commercially illogical.

Your intention to disallow businesses from claiming southbound TFES where they form part of a larger entity seems to be discriminatory against a business such as ours and we urge you to reconsider your interpretation of the Ministerial Directions. We note that the Ministerial Directions Guidelines upon which you are relying to make your assessment are for information and assistance purposes only and do not purport to be legal advice on a claimants duties, rights and responsibilities. Furthermore, the Ministerial Directions Guidelines clearly refer to a business that involves multiple activities. It does not refer to an entity that carries on multiple businesses. To classify an entity with multiple businesses with a single ANSIC code for freight equalisation purposes is nonsense. As a large entity carrying on multiple businesses, how can the supplies we

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procure to manufacture joinery not qualify for southbound freight equalization when the supplies of our smaller single business competitors do qualify? Clearly, Vos is engaged in joinery manufacturing which is defined in Division C Manufacturing (ANZSIC code 1492). Accordingly, it meets the criteria for eligibility set out in clause 9.1 of the TFES Ministerial Directions.

In response to your survey, we consider that the main business of Vos is commercial construction on the basis of turnover and employee numbers. However, the joinery manufacturing business is a fundamental part of the overall operations which is evidenced by the name of the company. The joinery manufacturing business is operated separately to the other business units and has its own financial reports, manager, staff, clients, plant and equipment. Its operations are not integrated with the construction businesses and it charges them on an arms length basis for any work performed.

We will be forwarding a copy of this letter to the Department of Infrastructure in the hope that common sense will prevail and that a potentially arbitrary interpretation of the southbound TFES eligibility criteria based on an entity's legal structure and other operating activities does not discriminate against successful businesses employing many Tasmanians.

Until this matter is clarified by the Department of Infrastructure, we will instruct Net Sea Freight – Tasmania to stop submitting southbound TFES claims on our behalf.

Should you have any queries or require any further information, please contact me.

Yours sincerely

Adrian Bott
Chief Financial Officer