



**Federal Member for Fairfax
Federal Leader of the Palmer United Party
Clive Palmer MP**

The Hon Malcolm Turnbull MP
Prime Minister of Australia
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Dear Prime Minister

RE: Queensland Nickel Pty Ltd

Notwithstanding your or my comments in the press about the above matter, I am duty bound to write to you to make it absolutely clear so that you have the relevant facts of the matter.

In 2009, when BHP Billiton had decided to close the facility and devastate the North Queensland economy, the world nickel price was higher than US\$7 per pound. Today, the world nickel price is US\$3.80 per pound and the plant is still in operation, employing directly over 550 people and providing a further 1600 jobs from its activities to the people of Townsville.

In 2009, following discussion with the then labor Queensland Premier Anna Bligh, companies that I own agreed to inject tens of millions of dollars for the acquisition of Queensland Nickel and to operate it more efficiently and continue to impact the employment of thousands of people.

The productivity gained in the plant's operations is the best achieved in any manufacturing facility in Australia, where the cost of production has halved in comparison to the cost of production under the former BHP management. The excellent work carried out by the management of Queensland Nickel has allowed over \$4bn to be invested in North Queensland since 2009.

As you are aware, the management and workers of the plant can only concentrate on their cost base. As a 100% export plant, they are totally dependent upon the world commodity prices. During our meeting late last year in Sydney, I made you aware that the Nickel price had collapsed since October 2015.

The company's auditors, Ernst & Young, signed an auditor's report including solvency of the company in September 2015. At that time it was my understanding the company had projected a surplus of \$73m for the year and, in the audited accounts, had a net asset base of \$1.95bn and no substantial debt. It was reasonable to assume that a banking institution would have funded a small amount of debt on the balance sheet. For reasons best known to the Treasurer, they failed to do so.

In contrast to the Australian Government's attitude in respect of our metals manufacturing industry, the Canadian Government has waived all charges for power and electricity for all their metals manufacturers due to the low commodity prices. The Chinese Government has provided CNY\$30,000,000,000 directly to its metals manufacturing industry. It is disappointing that the Australian Government on this issue is more interested in taking cheap political shots against a management team that has worked so hard to achieve a positive outcome for the company and the country that the Australian Government has obfuscated its duty to ensure there is a level playing field for Australian manufacturers under the World Trade Organisation.

Other Issues

Whilst there have been other issues raised in the press, we have to remember that 22,000 jobs have been lost in Queensland in the resource industry because of declining resource prices, international manipulation of those prices and the failure of the government to even be alive to these issues. These are issues for which the Australian Government refuses to take any actions necessary to counterbalance the effect of these measures on our economy.

The media coverage of this matter has been politicised without addressing the real issues. From a policy perspective, there has been the redundancy of 237 workers in Townsville which has had the effect of preserving jobs for the 550 workers that are still employed directly by Queensland Nickel and jobs for the 1600 workers that depend upon the refinery operations in Townsville.

I have been informed that on the Thursday, when redundancies were carried out, each employee of Queensland Nickel was immediately paid two weeks wages in advance pending final calculation of their entitlements in accordance with the Fair Work Act.

During the period when calculating their entitlements, the director of the company, in accordance with obligations under corporation law, appointed an administrator to the company. That administrator then made the determination that workers' entitlements would not be paid under the administrators and would be subject to a deed of arrangement. Neither the shareholders nor the management had any decision making powers over such matters and it is therefore very unreasonable for there to be any attack politically on the management of the company pending the outcome of the administrators' report. There can be no doubt that in the years from 2009 onwards, when the company was subject to audit, that it met all solvency tests as certified by the company auditor.

There has been substantial comment by your ministers that raised the question whether a private family-owned company, which is certified as being fully solvent, has the right to donate funds to the political party of its choosing. As you should be aware, in the years prior to 2013, the political party which you lead, was the beneficiary of substantial donations from Queensland Nickel Pty Ltd. I have heard no such criticism in respect to those donations. Moreover, it is not reasonable or proper to make comments in respect of matters that are subject to any administrators' report while that report is being compiled.

As you are aware, as I have publicly stated at the time following my election to the federal parliament, I have retired from business. I am concerned with the decline of jobs in the country and the systematic failure of the Australian and State Governments to seriously address industrial policy in this country.

Yours faithfully,



Clive F Palmer
Federal Member for Fairfax

4 February 2016