

# Chapter 1

## Introduction

### Inquiry terms of reference

1.1 On 10 February 2011, the Senate referred the following matter to the Senate Rural Affairs and Transport References Committee for inquiry and report:

The impact of the decision by the South Australian Government to forward-sell the state's \$2.8 billion timber assets on the state's economy, timber industry and on jobs and any other broader impacts, with particular reference to:

- (a) the likelihood of regional job losses;
- (b) the flow-on effects to communities in timber-reliant regions;
- (c) the potential for the private buyer not to consider local impacts;
- (d) the potential for reduced value-adding locally and increased off-shoring; and
- (e) any other related matters.<sup>1</sup>

### Conduct of the inquiry

1.2 Notice of the inquiry was posted on the committee's website. The committee also advertised the inquiry in *The Australian* on Wednesday, 16 February 2011 and wrote to key stakeholder groups, organisations and individuals to invite submissions.

1.3 The committee received 19 submissions, a list of which is at Appendix 1.

1.4 The committee held a public hearing in Mount Gambier on 30 March 2011. A list of witnesses who appeared at the hearing is at Appendix 2. Copies of the *Hansard* transcript are available on the internet at <http://aph.gov.au/hansard>.

### Scope of the inquiry

1.5 The committee acknowledges that the issue at the centre of the inquiry's terms of reference—the potential decision of the Government of South Australia to forward-sell that state's timber assets—is ultimately a decision for the state government and the people of South Australia.

1.6 However, the committee notes that many of the particular issues that arise from the proposed sale are relevant to the interests of rural communities in Australia

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1 The inquiry's terms of reference and other information may be accessed through the committee's website at [http://www.aph.gov.au/senate/committee/rat\\_ctte/timber/tor.htm](http://www.aph.gov.au/senate/committee/rat_ctte/timber/tor.htm).

more generally, particularly in relation to the impacts of the privatisation of public assets on rural communities.

1.7 Further, the committee notes that the inquiry has provided a valuable opportunity for members of potentially affected communities and other interested stakeholders to express their views and to explore the important issues that arise from the proposed forward sale. This is particularly so where the processes of community consultation and engagement at the state level may be lacking. While the committee is restricted in its ability to directly influence the decisions of the state government in relation to its own resources, the committee hopes that it may, 'by shining a light into dark corners', promote accountability of government process and decision-making in relation to this matter. This goal is an intrinsic part of the work of Senate committees, and one that justifies the committee's inquiry into the matters addressed in this report.

1.8 In light of the above, the recommendations contained in this report recognise that the decision to forward-sell the timber assets of South Australia is ultimately a decision for the state government. However, they also acknowledge that the issues and quality of processes around decisions to privatise public goods or assets are broadly relevant to the interest of all Australians and the Commonwealth.

1.9 In its final report on the inquiry's terms of reference, the committee intends to explore some of the broader issues relating to forestry assets, including the implications of private management and foreign ownership.

## **Background**

### ***Forward sale proposal***

1.10 On 19 December 2008, the South Australian Government announced in the 2008-09 Mid-Year Budget Review a proposal to 'sell the harvesting rights of ForestrySA plantations for up to three harvesting cycles'.<sup>2</sup> This was one of several measures proposed by the government to reduce the state's net debt in response to the global economic crisis and its impact on the state budget.<sup>3</sup>

1.11 The South Australian Government has indicated that it will be 'considering a range of issues' and undertaking 'consultation with affected parties and analysis of the regional [impacts of the proposed forward sale]'.<sup>4</sup> An external consulting firm, ACIL Tasman, has been commissioned to develop a regional impact statement identifying the potential social and economic impacts of the proposed forward sale.<sup>5</sup>

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2 Government of South Australia, *Mid-Year Budget Review 2008-09*, presented by the Hon Kevin Foley MP, Deputy Premier and Treasurer of South Australia, p. 4.

3 The Hon Jack Snelling MP, Treasurer of South Australia, *Submission 7*, p. 1.

4 The Hon Jack Snelling MP, Treasurer of South Australia, *Submission 7*, p. 1.

5 The Hon Jack Snelling MP, Treasurer of South Australia, *Submission 7*, p. 1.

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### ***South Australia's timber assets***

1.12 The committee received evidence that timber production in South Australia is wholly plantation-based. South Australia has 183 000 hectares of dry-land plantations, consisting of 122 000 hectares of softwood and 61 000 hectares of hardwood.<sup>6</sup> The committee heard that the region's established softwood processing industry is well integrated with the region's economy, and includes 'sawlog, engineered wood products, posts, pulp and paper, and other forest products and processing waste industries'.<sup>7</sup>

1.13 The committee heard that the state's plantation forests provide 'multiple benefits'. These include natural resource management outcomes, such as salinity and erosion control, and significant socio-economic, regional development and employment opportunities.<sup>8</sup>

1.14 ForestrySA manages the approximately 94 000 ha of South Australia's state-owned plantations, which are predominantly located in the 'Green Triangle' region. The Green Triangle is one of Australia's major forest regions, with extensive plantation resources spanning an area of 6 million hectares between the states of South Australia and Victoria.<sup>9</sup>

### **Acknowledgement**

1.15 The committee thanks those organisations and individuals who made submissions and gave evidence at the public hearing.

### **Note on references**

1.16 References in this report to individual submissions are to those submissions as received by the committee, not to a bound volume. References to the committee *Hansard* are to the proof *Hansard*; page numbers may vary between the proof and the official (final) *Hansard* transcript.

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6 National Association of Forest Industries, *Submission 9*, p. 1.

7 National Association of Forest Industries, *Submission 9*, p. 2.

8 National Association of Forest Industries, *Submission 9*, p. 1.

9 Department of Agriculture, Fisheries and Forestry website, 'Australia's Green Triangle: a growing region with significant opportunities for forest sector investment', 26 May 2007, [http://www.daff.gov.au/\\_\\_data/assets/pdf\\_file/0008/37565/green\\_triangle\\_investment\\_ver8.pdf](http://www.daff.gov.au/__data/assets/pdf_file/0008/37565/green_triangle_investment_ver8.pdf) (accessed 12 April 2011).

