

Chapter 3

Committee view and recommendations

3.1 As noted in Chapter 1, the committee acknowledges and respects that the responsibility for the decision to forward sell the timber assets of South Australia's ForestrySA is one that ultimately rests with the South Australian Government.

3.2 However, the committee notes that many of the issues arising from this proposal represent the interests and concerns of communities across Australia that are dependent on rural industries, particularly where those industries are dependent on publicly owned assets.

3.3 Further, the committee notes that its participation in the inquiry has provided an important opportunity for consultation with stakeholders in the South Australian forestry and forest products industries.

Committee view

3.4 The committee heard that there is significant community concern regarding the potential for job losses and broader negative flow-on effects from the proposed forward sale of South Australia's timber assets. Such concerns are exacerbated by the absence of any guidance to date from the South Australian Government on what conditions, if any, would attach to the forward sale, particularly in respect of requirements for a purchaser to enter into supply agreements with local sawmills, and to positively consider the region's economic interests in exploiting and managing the timber assets.

3.5 The committee notes evidence suggesting that, in the absence of any such conditions, there is a substantial likelihood of significant job losses in the region. This would arise not only from the direct impacts on local sawmilling operations, but also from flow-on effects to value-adding activities and the local goods and services economy more generally. The imposition of any such conditions, however, may well reduce the expected sale price of the timber assets, and thereby undermine the financial imperative underpinning the proposed forward sale.

3.6 The committee notes that the lack of information on potential sale conditions renders many of the issues outlined in the inquiry's terms of reference uncertain. In particular, the potential for a purchaser not to consider local impacts in exploiting the timber assets would be directly defined by the conditions of the forward sale agreement. In the absence of any conditions requiring the purchaser to consider local impacts, or to continue with non-commercial activities currently undertaken by ForestrySA, the evidence to the inquiry strongly suggested that commercial imperatives would override, and could ultimately undermine, local jobs and economic activity.

3.7 In much of the evidence to the inquiry, the considerations outlined above, and the current and ongoing value of South Australia's timber assets as an income stream, were weighed against the apparent justification for the proposed forward sale as stated by the South Australian Government. While the committee acknowledges the evidence of the South Australian Treasurer that a range of factors will be assessed in making the decision regarding the forward sale, the committee notes that any sale price would need to reflect the potential risks and impacts of privatising the timber assets, as well as annual income foregone over the period contemplated by the forward sale.

3.8 On the question of the likely value for money of the forward sale alone, when foregone profits are set against a likely up-front sale price, the evidence received would suggest that there is as yet, prima facie, no compelling case for the proposed forward sale.

3.9 Further, the committee notes that the forward sale proposal to date has failed to engage with any of the broader factors which affect the economics of the forestry and forest products industries, such as processing economies of scale and exchange rate fluctuations. These factors would shape the commercial imperatives of a prospective buyer and, in the event that the sale did not proceed, would need to be taken into account in any strategy to ensure the ongoing viability, development and success of the timber asserts in the Green Triangle region. The committee considers that the South Australian Government should ensure that any further consideration of the proposed forward sale explicitly assesses such matters to ensure the protection of the public interest.

3.10 The committee acknowledges the stated view of the South Australian Treasurer that the decision regarding the proposed forward sale is 'a matter for the South Australian Government, as the asset owner, and [that] the South Australian Parliament is the appropriate forum for these matters to be debated'.¹ However, the committee would respectfully observe that any government that holds public assets holds such assets on trust for the public benefit. Accordingly, it is incumbent on a government proposing to alienate public assets to ensure that this is done to achieve an explicit social benefit, and on the basis of a clear social licence or political mandate.

3.11 On this point, the evidence to the inquiry strongly suggests that the forward sale proposal has to date been characterised by a lack of transparency, information and public engagement. This is particularly the case, as noted above, with respect to what sale conditions, if any, are proposed, and in relation to broader considerations around potential social, environmental and economic impacts.

3.12 The committee urges the South Australian Government to ensure that the deficiencies highlighted through the inquiry are addressed in future public consultation and information processes around the proposed forward sale. These

1 *Submission 7*, p. 2.

should also be addressed in the Regional Impact Statement, which should be made available to the public as soon as possible.

3.13 The committee notes with great concern evidence which strongly suggests that the proposed forward sale has already negatively impacted on the economic confidence and activity of the areas which rely on the forest and forest products industries. This serves to demonstrate the importance of ensuring that the contemplation of a forward sale occurs with the highest regard for transparency and public engagement.

3.14 Finally, the committee notes that certain evidence received in the course of the inquiry went to issues relating to the sale management and foreign ownership of agricultural assets more broadly. The committee has had an ongoing interest in these subjects and, although they are not addressed in this report, notes that these issues are under consideration for future inquiry.

Recommendations

Recommendation 1

3.15 The committee recommends that the South Australian Government facilitate the timely release of the Regional Impact Statement relating to the proposed forward sale of South Australia's timber assets, as well as any relevant information that is currently, or comes to be, held by the South Australian Government.

Recommendation 2

3.16 While the committee recognises that the proposed forward sale of the state's public timber assets is a matter for the South Australian Government, the committee recommends that, in making any such decision, the South Australian Government have regard to:

- **the potential impact on the region's economy, employment opportunities, property values and business viability;**
- **the conditions under which the sale might proceed having regard to these potential impacts, and**
- **the relative financial benefits and/or disbenefits of the sale to the state Government's finances in the short and longer term.**

Recommendation 3

3.17 The committee recommends that, in the event of a decision that the proposed forward sale will proceed, the South Australian Government engage in a public consultation process on the proposed forward sale and any conditions on which it might proceed, through the release of a public discussion paper and public engagement strategy.

Senator the Hon Bill Heffernan
Chair