



**Government
of South Australia**

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17 March, 2011

Ms Jeanette Radcliffe
Committee Secretary
Senate Rural Affairs and Transport References Committee
P.O. Box 6100
Parliament House
CANBERRA A.C.T. 2600

**Treasurer
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Dear Ms Radcliffe

This letter is in response to the invitation from the Secretary of the Senate Rural Affairs and Transport References Committee to provide a submission to the inquiry into the Sale of Timber Assets by the South Australian Government.

In the wake of the unfolding Global Financial Crisis, the South Australia Government announced in the 2008-09 Mid-Year Budget Review, several measures aimed at realising some of the value of the State's assets, with the intention of reducing net debt. Reducing the State's net debt will improve the long term sustainability of our finances, contribute to the retention of our triple A credit rating and reduce interest borrowings, thereby helping our operating balance. One of these measures was looking at options to sell the harvesting rights of ForestrySA (F.S.A.).

I note that the South Australian Government is the owner of F.S.A. and needs to consider, in the context of a tight fiscal position, whether a forward sale of F.S.A. timber rotations will deliver better value to the State than proceeding with FSA operating on a business as usual basis. Other State Governments have taken similar decisions, albeit with different models for realising value, for example Victoria in 1998 and Queensland in 2010. Such a decision will not be taken without considering a range of relevant issues, consultation with affected parties and analysis of the regional impacts (including the factors listed at (a) to (d) in your letter).

As part of the decision to investigate the sale of the forward harvest, the State Government has commissioned an independent external economics consulting firm, ACIL Tasman, to develop a Regional Impact Statement (R.I.S.), to identify the potential social and economic impacts on the South-East from selling the forward harvest.

ACIL Tasman has begun a comprehensive consultation process with interested parties including local councils, timber industry representatives, unions and chambers of commerce and it is expected that ACIL Tasman will deliver its report by the end of this month. The report will include:

- issues and views expressed through the consultation;
- costs and benefits to the region and community, particularly looking at employment;
- the impact of the proposal on social inclusion and economic development; and
- strategies for managing identified risks and impacts, including those on downstream industries and mills in the area.

For further information on the Terms of Reference for the R.I.S., please refer to the enclosed attachment.

I believe this is a matter for the South Australian Government, as the asset owner, and the South Australian Parliament is the appropriate forum for these matters to be debated.

Yours sincerely

Jack Snelling M.P.
Treasurer