

The Hon. Jack Snelling M.P.



**Government
of South Australia**

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Mr Trevor Smith
Chair
South East Forestry Industry Roundtable
Department of Treasury and Finance
G.P.O. Box 1045
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Dear Mr Smith

Thank you for your letter of 29 August, 2011, putting forward the criteria the Roundtable believes should be incorporated in the divestment conditions.

I thank the Roundtable for its constructive approach.

The Government has committed to selling the cutting rights only to a reputable organisation. In addition to the replanting obligations, the Government will ensure the purchaser meets the Forest Standards proposed by the Roundtable or an equivalent standard or level of accreditation. I trust these commitments will meet the Roundtable's proposals under points i) and vii) dealing with forest management standards.

I believe Roundtable's point ii) about forestry research can be included in the documentation.

I appreciate the intent of the Roundtable's proposal under point iii) about the support for the South East forestry industry. I suggest an alternative approach to achieve this outcome is through specific contractual obligations that will be placed on the purchaser (such as the domestic supply and the rotation length requirements). The Expressions of Interest process is another mechanism through which the Government can ensure that good corporate citizens are considered as eligible bidders.

The Government stands by the commitments it has already given on the rotation length and domestic supply. The Government will ensure any sale condition includes the purchaser agreeing to target rotation length consistent with the current and planned ForestrySA standard and will ensure there is an appropriate commitment from the new purchaser to match ForestrySA's current level of planned viable domestic supply. These will address the matters in the Roundtable's points iv) and vi) on rotation. Similarly, the Roundtable's concerns about log supply in points v) and viii) will be appropriately recognised by the Government in the divestment documents.

The Government agrees with the importance of fire fighting capacity as highlighted by the Roundtable in point ix). The Government confirms that the current level of fire protection will remain. It will be expected that the successful purchaser will fund the specific fire management costs that would be borne by a private plantation estate in the region. The provision of additional fire services over and above the private land owner obligations will continue and be funded by the State through community service obligation payments. These services will continue to be carried out by ForestrySA.

The Government agrees with the workforce and occupational health and safety requirements proposed in the Roundtable's points x) and xi).

I reaffirm the Government's statement that all of ForestrySA's existing customer and supplier contracts will be honoured and transferred to the successful purchaser of the cutting rights (unless unable to do so). I also reaffirm the commitment to provide sawmill owners who have existing log supply contracts with ForestrySA an option to extend their current contracts by up to five years. I believe the keeping of these commitments will address the supply contract concerns expressed by the Roundtable in point xii).

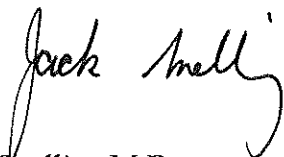
Consistent with the Roundtable's proposal, the Government will seek to ensure the purchaser's compliance with its obligations through potential financial penalties.

The Government will later this year release an expressions of interest document to the market. Following that, the Government will seek the Roundtable's further advice on the specific wording, once developed, of the conditions of sale of the forward rotations of ForestrySA's Green Triangle plantations. That is extension of existing log supply contracts; domestic supply; and rotation length. It is planned that this will occur before the Government issues detailed information to the market at the information memorandum stage.

I am advised by the Office of the Minister for Forests, that a "Thorough Water Briefing" has been requested from PIRSA and the Department of Water for your information. I also look forward to receiving a long-term blueprint of the Forest and Wood Industry, prepared by the Roundtable in conjunction with various government departments.

I thank you and the Roundtable again for your advice and I look forward to continuing to work with the Roundtable.

Yours sincerely



Jack Snelling M.P.
Treasurer