**SOUTH AUSTRALIAN TIMBER CORPORATION (SALE OF ASSETS) BILL 1996**

**Legislative Assembly, 7 February 1996, pages 910-1**

Second reading

**The Hon. S.J. BAKER (Treasurer)** obtained leave and introduced a Bill for an Act to provide for the privatisation of the South Australian Timber Corporation, to amend the South Australian Timber Corporation Act 1979, and for other purposes. Read a first time.

The Hon. S.J. BAKER: I move: That this Bill be now read a second time.

I seek leave to have the second reading explanation inserted in Hansard without my reading it. Leave granted.

This Bill provides for the eventual sale of Forwood Products Pty Ltd ("Forwood") and such of the assets as are owned by the South Australian Timber Corporation ("SATCO") and utilised by Forwood in its business operations.

It is intended that this asset sale will be concluded in the early part of 1996. Forwood was established for the purpose of corporatising, and ultimately privatising, the Government’s sawmilling and timber processing operations in the South-East of this State.

As of 1 July, 1993, the timber processing, marketing and related service activities of SATCO were amalgamated with the sawmilling operations previously operated by the South Australian Department of Primary Industries and located at Mount Burr, Mount Gambier and Nangwarry. This resulted in the transfer of the Woods and Forests assets into SATCO and all of the amalgamated operations being undertaken by Forwood, a wholly owned subsidiary of SATCO.

The key objectives of the amalgamation was to create a single integrated production, distribution and marketing group for timber products produced by Government owned facilities and to improve the ability of the previous separate businesses to respond to changing market conditions in a co-ordinated manner. Forwood undertakes its operations through the lease of the SATCO owned sawmills and the SATCO owned plant and equipment located at these mills.

Since 1993, Forwood been successful in meeting the objectives of the amalgamation and has gained a significant market share of the Australian market for structural radiata pine sawn timber, timber engineered products and plywood. As such, it is a important employer and contributor to the economy in the South East. It is important that the full potential of the company an the economic benefits it brings to the State will be maximised as much as possible.

The sale of Forwood will provide an opportunity for the company to seek capital it cannot otherwise obtain from the Government. The injection of such capital will further enhance the ability of the company to continue to consolidate and improve its profitability. Given that it is no longer feasible for the Government to properly fund further capitalisation of the company nor continue to fund the commercial risk associated with the operations, the necessary capitalisation can clearly only be achieved through significant private sector participation. Such private sector involvement is the only means by which the full potential of the company and the economic benefits it can bring to the State can be achieved.

As with all asset sales, the sale is an also important part of the Government’s program to substantially reduce the State’s debt.

In selecting a purchaser, the Government will not determine the matter on price alone. Although price is a key objective in the process, it is a matter to consider along with the other objectives of: achieving economic benefits to South Australia; ensuring fair and equitable treatment of all Forwood employees; ensuring that the Government carries no residual responsibility for, or liabilities from, its prior ownership of the assets and businesses; ensuring a viable and pro-competitive ownership structure for Forwood post-sale; maintenance of good relations with existing suppliers and customers; and achieving a timely sale.

As with all sales, the Government is aware of the sensitivities of employment issues. The management and employees of Forwood have worked closely together to achieve many production efficiency initiatives and gains. These gains and other improvements have resulted in making Forwood an attractive purchase option for those persons seeking to enter into, or expand their operations in, the market for sawn timber, timber engineered products and plywood.

In this sale transaction, the future welfare of the Forwood management and employees is of primary concern to the Government. Although the purchaser will not be obligated to offer employment to all Forwood staff, the skill base developed over the years is such that there is a realistic expectation that the purchaser will require the skills of the majority of the Forwood staff. In addition, all potential purchasers will be required to provide full, accurate and detailed written explanations of their intentions towards these employees.

Whilst the objective of fair and equitable treatment of all Forwood staff is a factor in the assessment process, the Government will give high regard to proposals which: provide a range of on-going employment commitments to the Forwood staff; and demonstrate an appreciation of staff and client needs and a capability and preparedness to consult and accommodate such needs where possible.

Further, in accordance with other sale legislation such as the Pipelines Authority (Sale of Pipelines) Amendment Act 1995, the Bill will also provide a means by which those Forwood employees who are members of the State’s contributory superannuation schemes will be able to preserve their benefits under the existing resignation preservation or alternative lump sum provisions of those schemes. As with the PASA sale, this will ensure that there is a "clean break" from the Government at the time of sale.

Although the proposed sale of Forwood and the ancillary assets of SATCO will result in a significant diminution of the assets owned by SATCO, the sale will not involve all of the SATCO assets. These assets will not be of sufficient quantity to require a Board. Accordingly, the Bill seeks to reconstitute SATCO as a sole corporation constituted by the Minister to whom the administration of the Act is committed from time to time.

The Bill also seeks to provide certainty to the new owner as to compliance with all building and development work undertaken over the years on land presently owned by the Government through SATCO. This certainty is sought as there is some doubt that the work undertaken over the years for and on behalf of the Crown was required to comply with such requirements. In deeming compliance, the necessary certainty can be provided to the new owner.

The Bill will enable the successful sale of Forwood and ancillary assets owned by SATCO and utilised by Forwood in its business operations. I commend this Bill to the House.

Explanation of Clauses

*PART 1 PRELIMINARY*

*Clause 1: Short title*

*Clause 2: Commencement*

*Clause 3: Interpretation*

*Clause 4: Territorial operation of Act*

This clause applies the Bill outside the State to the full extent of the extra-territorial legislative power of the State.

*PART 2 SALE OF ASSETS*

*Clause 5: Sale of assets and liabilities*

This central provision authorises the Treasurer to enter into an agreement for the sale of the assets and liabilities of the SA Timber Corporation, Forwood (a wholly owned subsidiary of the Corporation) or a Forwood Subsidiary (International Panel and Lumber (Australia) Pty Ltd, International Panel and Lumber (New Zealand) Limited or IPL (Marketing) Limited). The clause contemplates a sale by way of a transfer of shares (which may incidentally include transfer of assets from the Corporation to Forwood or a Forwood Subsidiary) or a transfer of other assets (land, plant and equipment) and liabilities.

The clause provides that any balance from the net proceeds of the sale, after discharging or recouping outstanding liabilities of the Corporation, Forwood or a Forwood Subsidiary, must be used for retiring State debt.

*Clause 6: Transferred instruments*

This clause allows the sale agreement to provide for the modification of instruments to enable the purchaser to succeed to rights and liabilities as a consequence of the sale.

*Clause 7: Legal proceedings*

This clause allows for the continuance of legal proceedings by or against the Corporation, Forwood or Forwood Subsidiaries, subject to the terms of the sale agreement.

*Clause 8: Registering authorities to note transfer*

This clause allows the Treasurer to require a registering authority to make relevant entries relating to a sale agreement.

*Clause 9: Stamp duty*

This clause exempts transfers from the Corporation to Forwood or a Forwood Subsidiary incidental to a sale agreement from stamp duty and related receipts from financial institutions duty.

*Clause 10: Evidence*

This evidentiary provision allows matters relevant to a sale to be certified by the Treasurer. A certificate is to be accepted by courts, arbitrators, persons acting judicially and administrative officials.

*Clause 11: Saving provision*

This clause protects the parties to a sale agreement from adverse consequences through entering the agreement and prevents a sale agreement having unintended consequences.

*PART 3 PREPARATION FOR SALE OF ASSETS*

*Clause 12: Preparation for disposal of assets and liabilities*

This clause authorises relevant persons to prepare for the sale including by making relevant information available and providing assistance to prospective purchasers authorised by the Treasurer.

*Clause 13: Protection for disclosure and use of information, etc.*

This clause provides protection to persons involved in that process.

*Clause 14: Evidence*

This evidentiary provision allows matters relevant to preparation for a sale to be certified by the Treasurer.

*PART 4 MISCELLANEOUS*

*Clause 15: Act to apply despite Real Property Act 1886*

*Clause 16: Interaction between this Act and other Acts*

This clause excludes the Land and Business (Sale and Conveyancing) Act 1994 and Part 4 of the Development Act 1993 from applying to the sale.

*SCHEDULE 1 Staff and Superannuation*

This schedule creates a transitional superannuation scheme for employees affected by a sale who were members of a State scheme.

*SCHEDULE 2 Consequential Amendments and Transitional Provisions*

This schedule amends the South Australian Timber Corporation Act 1979, including by providing that the Corporation is constituted of the Minister and allowing the Corporation to be dissolved by proclamation. The schedule also removes any inhibitions to a sale by reason of any past non-compliance with building and development rules.

Mr CLARKE secured the adjournment of the debate.