**SOUTH AUSTRALIAN TIMBER CORPORATION BILL 1979**

**Legislative Council, 22 February 1979, pages 2880-1**

Second reading

Received from the House of Assembly and read a first time.

**The Hon. B. A. CHATTERTON (Minister of Agriculture):** I move: That this Bill be now read a second time.

In introducing this Bill for the establishment of a Timber Corporation, I would like to explain the background to the Bill, for the information of members. As a result of recent negotiations with overseas producers of pulp and paper, there appear to be good prospects for the Woods and Forests Department to establish long-term contracts for the sale of pulpwood, probably in chip form, from plantations in the South-East region. The sale of pulpwood is vital to the economics and silvicultural wellbeing of our plantations’.

Discussions so far with potential buyers have assumed the establishment of a ship loading facility at Portland, Victoria, the port of exit. The complex would be established as a joint venture between the overseas buyer and the South Australian Government, with the Government holding a majority interest. The advantages of such an arrangement are twofold: it gives added security to long-term contracts negotiated; and it spreads the funding load.

The Government intends the corporation to hold shares on its behalf in the proposed joint venture company. Capital required by the corporation will be raised by way of semi-Government borrowings. The corporation will meet capital service costs on its borrowings from dividend income on investments and will therefore not be a burden on the State’s Revenue Budget.

The Bill also provides for the corporation to engage in trading in timber and timber products in its own right. This feature will enable the corporation to trade in other States where necessary and provide the flexibility needed to successfully market the timber products of the State’s forests in a highly competitive national market. The present Forestry Act does not provide this flexibility.

The Bill also provides for the corporation to hold shares in other ventures, with the intention of promoting markets for products of the South Australian Woods and Forests Department. In this regard, the Government proposes to transfer to the corporation its shares in Shepherdson & Mewett Pty. Ltd. and Zeds Pty Ltd.

It is important that negotiations for the establishment of this venture be concluded as quickly as possible to take advantage of the additional employment and revenue to the State. I seek leave to have the explanation of the clauses inserted in Hansard without my reading it. Leave granted.

Explanation of Clauses

Clauses 1 to 4 are formal. Clause 5 describes the corporation’s legal status and accountability to the Minister. Clause 6 provides for the appointment of the Chairman and members of the corporation. Clause 7 provides for the term of office and conditions of appointment of members of the corporation. This clause also deals with the filling of casual vacancies, the removal of members of the corporation, and vacating of office by members.

Clause 8 provides for allowances and expenses payable to members. Clause 9 establishes the number required for a quorum and procedures for the conduct of meetings of the corporation. Clause 10 determines the validity of acts of the corporation. Clause 11 requires members of the corporation to disclose to a meeting of the corporation any interests they may have in proposed contracts or contracts entered into by the corporation. Clause 12 provides for the execution of documents under the common seal of the corporation.

Clause 13 sets out the powers and functions of the corporation to trade directly and acquire undertakings and interests in undertakings involved in trade in timber, timber products, and other products sold or traded with timber and timber products. Clause 14 provides for the corporation to delegate its powers or functions. Clause 15 provides for the corporation to employ a staff outside the provision of the Public Service Act. Clause 16 provides for the corporation to arrange superannuation for employees through the South Australian Superannuation Board. Clause 17 provides for the engagement of employees on a secondment basis from other departments of the Public Service or Government instrumentalities.

Clause 18 requires the corporation to prepare estimates of income and expenditure for the approval of the Minister and for the appropriation of income by the corporation to meet expenses incurred by the corporation and for the Treasurer to determine the distribution of surplus profits. Clause 19 sets out the borrowing powers of the corporation. Clause 20 provides for the banking arrangements of the corporation. Clause 21 provides for the corporation to invest surplus funds. Clause 22 requires the corporation to keep proper accounting records and to have such records audited each financial year. Clause 23 requires the corporation to submit an annual report to the Minister upon the conduct of the business of the corporation during each financial year, together with audited financial accounts. This clause also requires the Minister to table the report before each House of Parliament. Clauses 24 and 25 are formal.

The Hon. R. C. DeGARIS (Leader of the Opposition): At this stage, no Bill is before the Council, to my knowledge. I understand that the Bill originally introduced in the House of Assembly has been amended. However, owing to the lateness of the session, I feel that I should make some opening remarks at this stage, and then I will seek leave to conclude my remarks when the Bill is on members’ files. In his explanation, the Minister states:

As a result of recent negotiations with overseas producers of pulp and paper, there appears to be good prospects for the Woods and Forests Department to establish long term contracts for the sale of pulpwood, probably in chip form, from plantations in the South-East region. The sale of pulpwood is vital to the economics and silvicultural wellbeing of our plantations.

It is agreed that the sale of pulpwood is important to the management of the South-East forests. I remember a prominent German many years ago saying in the SouthEast that it was a crime that any of the timber resources of the South-East were committed to the saw. The whole production should be converted to chip production. Whether that was a valid comment I do not know, but it is 22 February 1979 essential for the best management of the forests that a market be found for wood chips.

t was expected that, with the establishment of Apill, the Woods and Forests Department and the private forests would have an outlet for their surplus timber, suitable for pulping. The quantity thought to be required for this purpose has been over-estimated, and for some years it appears that a surplus of pulping timber will be available.

There is, of course, a ready overseas market for wood chips, and it is to this market that the Woods and Forests Department is turning its attention. In the management of our forests, no objection can be raised to the sale to overseas buyers of this surplus. It is expected that, if this market is established, the export will be made from Portland in Victoria. The Government intends by this legislation to establish a Timber Corporation which will be responsible for the sale of surplus wood chips from the forests. The Government also expects to establish a joint venture with a majority shareholding to the corporation to build in Portland loading and storage facilities for the export of wood chips.

The reasons given by the Government for a joint venture are that such a joint venture will give added security to long-term contracts and that it spreads the funding load. One could make a long comment regarding that statement. The capital required for the corporation will be raised by semi-government borrowings. In other words, it will be another of the multiple corporations and statutory authorities that the Government will have at its disposal with a borrowing capacity of, I think, $1 000 000 a year.

It is at this point that the first questions must be directed to the Government. The Woods and Forests Department has been successful as a grower of timber in the SouthEast, but I have always considered that that is where the departmental role should finish. The processing and marketing of that product should be in the hands of a statutory authority or left entirely to the private sector. The Woods and Forests Department has been successful in growing timber in the South-East. However, I do not think it can be said that it has been successful, as a Government authority, in marketing or in the secondary part of the industry.

The Hon. B. A. Chatterton: Why not?

The Hon. R. C. DeGARIS: I do not think it has; that is all.

The Hon. B. A. Chatterton: Qualify it.

The Hon. R. C. DeGARIS: I will qualify it by asking: if the Woods and Forests Department has been successful, why is the Government now establishing a corporation?

The Hon. B. A. Chatterton: That has been explained.

The Hon. R. C. DeGARIS: It is all very well for the Minister to say that. The statutory authority should be handling the secondary part of the industry, or the private sector should be doing it. Do I understand from the Minister’s interjections that the Government is opposing its own Bill?

The Hon. B. A. Chatterton: No.

The Hon. N. K. Foster: Obviously, you don’t understand it.

The Hon. R. C. DeGARIS: There does not seem to be any reason to establish a timber corporation to handle the sale of wood chips to overseas customers. I am certain that, if a customer can be found, the loading facility at Portland is hardly a pressing reason for the establishment of a timber corporation.

The Hon. B. A. Chatterton: Where will the money come from?

The Hon. R. C. DeGARIS: I suggest that people all over the world are buying wood chips. Indeed, this is being done in New Zealand and elsewhere, where there is no statutory corporation, and where people enter into a joint venture to provide loading facilities for that export trade. If an overseas customer wants to buy wood chips from us, let us sell them to him. However, why should we get involved in a joint venture, involving the construction of facilities in another State that will cost the Government $5 000 000 or $10 000 000? If the customer exists, let him buy our products and, if necessary, provide the loading facilities, or let the Victorian people provide the loading facilities at their port.

Further, it must be remembered that surrounding Portland is a considerable area of Victorian Government forests and a considerable area of private forests. There must also be, from those forests, a surplus of wood chip timber, because there is no close pulping industry other than the Snuggery mills. If the export wood chip industry is established and loading facilities are required at Portland, it does not seem to be a reasonable excuse to establish a timber corporation to carry out that function. Has there been any contact with the Victorian Government on its views?

The Portland Harbours Authority may be prepared to construct its own loading and storage facilities. It would seem to me that, without further information, to commit the South Australian taxpayer to underwrite the establishment of facilities at Portland, particularly if those facilities may at some stage be duplicated by the Victorian Government or a statutory body in Victoria, would be foolish. Has there been any contact with the private forest operators regarding their views? If so, will the Minister tell the Council about those negotiations?

My first questioning therefore relates to why the Government needs a Timber Corporation for this purpose. In the second reading explanation it is given as the first and, I would suggest, major reason for its establishment.

However, the Bill has a much wider application than just the export of wood chips. It is my guess that no case has been made out to establish a Timber Corporation in order to export wood chips. However, the Bill goes much further and is wider than that. Indeed, it seems to have all the trade marks of the Hotels Commission Bill. If we struck out “tourist industry” and inserted “timber and those products associated with it”, it would fit the bill. For the second time, the Government has seen fit, probably because of the pressure exerted on it, to shelve, albeit temporarily, the Hotels Commission Bill.

I am quite sure that, if the private sector, associated with any part of the hardware, building, furniture, importing, and exporting industries, was aware of the wide scope of the Bill, it would be as irate as the tourist industry was with the Hotels Commission Bill. As no Bill is yet on file, I seek leave to conclude my remarks later. Leave granted; debate adjourned.