

# Forestry sale probed

By **MALCOLM SUTTON**

**P**RIVATISATION of SA's South East forestry assets continues to face criticism following the release of the state Auditor-General Simon O'Neil's annual audit overview.

He reported that potential conflicts of interest declared by a sale adviser during the sale process had not been documented or addressed properly by the State Government.

Mr O'Neil also reported that a preliminary sales adviser was allowed to successfully bid for the position of sales adviser – receiving most of \$9.5 million allocated to the forward rotations sale process in success fees – and that there was a lack of evidence to support the project's short timeframe.

"In the absence of documentary evidence, the nature of the potential conflict of interest and impact on the sale process is unclear," he writes.

Family First MLC Robert Brokenshire says the sale was

rushed through for budget expediency and that there was no proper process.

He was a member of the Select Committee on Harvesting Rights in Forestry SA Plantation Estates which recommended that the sale should not proceed, and that there was no evidence to back up the Government's argument that the forward sale of three forestry rotations in the state's SE was justified to overcome risk.

"The inquiry found flaws with the sale process and today's report by the independent Auditor-General backs up those findings," Mr Brokenshire said.

"The Labor Government spent too much on fees for management and the successful consultancy company and remarkably concluded the sale without knowing if Glencoe Nursery was included or not."

The Department of Treasury and Finance said Glencoe Nursery's value had not been

calculated and consequently not included in the reserve price of the Forward Rotations, but it was included at the time of negotiating the contract.

Forward rotations were eventually purchased by successful bidder The Campbell Group, trading in Australia as OFO, who paid \$670 million for an initial 70-year contract in October 2012.

A Treasury spokesperson said the preliminary sales adviser was appointed after a competitive tender process, in which they were found to be the highest quality and best value-for-money respondent.

"Subsequent analysis was commissioned by Treasury to benchmark the fees paid to the sales advisor for the forward rotations sale and this showed they were within the normal range for equivalent transactions and certainly were not excessive, given

the very good price outcomes achieved," he said.

Opposition spokesman MP Adrian Pederick said the "giveaway" price of \$670m was too cheap for 70 years worth of forestry rotations, and the government should never have sold an "asset like that".

"Many of the commentators who had anything to do with forests down there said it was worth \$1 billion, minimum," he said.

"It was bringing in an annual income of about \$45m and I think it's farcical that they've sold something that, on present day incomes, would have brought in the same amount of money in 15 years anyway.

"The sale has already had a negative impact in terms of supplies, like pine fence posts.

"I know for a fact that 4 to 5-inch fence posts are now nearly \$10 a post, and they're very hard to get.

"That's just one example that's been put to me."

## KeyPoints

- Auditor-General criticises process
- Possible conflicts of interest
- A rushed project: Family First



**TALL FIGHT:** Family First MLC Robert Brokenshire at a rally on the steps of Parliament House three years ago protesting the then proposed forward rotation sale of state forests.