



Australian Paper

Managing Director

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Fax No: 9651 0877	Date: 4 January, 1996
Attention: Mr Kevin Love	Sender: Mr I M Wightwick

Kevin, this is the fax I have sent to R Rawson this evening..

Number of pages including this page: 6

cc: R Ryan (AR &H), JSF

Dear Richard,

RE: DFA AGREEMENT/SCOPING AGREEMENT FOR RFA'S

I have had Arthur Robinson & Hedderwicks review the details of the proposed amendments forwarded by you today and I attach for your information a copy of their reply together with an earlier response on the Premier's and PM's letters.

You will see that, as far as this resource security hurdle is concerned, we are prepared to proceed to the next step in our project.

Concerning any further amendments to the DFA Agreement and Scoping Agreement, would you be kind enough to liaise with Pat Ryan of Arthur Robinson & Hedderwicks in so far as any further changes which you agree with the Federal Government may have any potential impact or qualification on the understand associated with Australian Paper and Amcor.

Thank you for your assistance with this matter to date.
I M WIGHTWICK

4th Flr, 685 Burke Road, Camberwell, Australia, 3124

**Arthur Robinson
& Hedderwicks**

**ALLENS
ARTHUR ROBINSON
GROUP**

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MELBOURNE STOCK EXCHANGE

4 January 1996

BY FACSIMILE TRANSMISSION

Mr Ian Wightwick
Managing Director
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685 Burke Road
CAMBERWELL VIC 3124

Dear Ian

Regional Forest Agreement

We refer to our telephone conversation today.

Attached is a draft of a proposed letter from Don Macfarlane to the Prime Minister setting out Amcor's understanding of the effect of the letter from the Prime Minister to Amcor dated 22 December 1995.

We have reviewed the proposed amendments to the Deferred Forest Agreement and the Scoping Agreement which you forwarded to us today. It seems to us that these amendments, according to their ordinary meaning, accomplish the objectives of the amendments requested in our letter to Ms Tinney of the Department of Prime Minister and Cabinet dated 20 December 1995. However, as discussed, we were concerned that clause 1C of the Deferred Forest Agreement and clause 2 of the Scoping Agreement do not specifically refer to the *Forests (Wood Pulp Agreements) Act 1961* as amended from time to time or any law enacted in place of that Act, or any agreement validated or approved under any such law.

Therefore, as instructed, we have contacted Ms Tinney and requested an explanation for the exclusion of these specific references. Ms Tinney informed us that, on the advice of the Attorney-General's Department, the words were excluded in order to achieve, as far as possible, uniformity between the Deferred Forest Agreements and Scoping Agreements to be entered into by the Commonwealth with each state. Ms Tinney also assured us that the specific references sought by Amcor were not excluded for any other purpose. We understand that the Attorney-General's Department considers that the amended clauses have the same effect as the clauses

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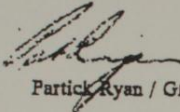
Australian Paper

Page 2
4 January 1996

requested in our letter to Ms Tinney dated 20 December 1995. This accords with our understanding of the ordinary meaning of the clauses in question.

We look forward to hearing from you to discuss the draft letter to the Prime Minister.

Yours sincerely



Partick Ryan / Greg Prutej

Atack

[AMCOR LETTERHEAD]

[Date]

The Hon P J Keating
Prime Minister
Canberra

Dear Prime Minister

Thank you for your letter dated 22 December 1995 and your good wishes on my appointment. I was also very pleased to read that Amcor's operations fall within the Commonwealth's forest management objectives.

Your letter states that the Scoping Agreement and the Deferred Forest Agreement to be signed with Victoria will acknowledge that nothing in those agreements will over-ride the existing rights of the Amcor group under Victorian law, and that any Regional Forest Agreement entered into with Victoria will be consistent with this approach.

These statements provide significant assurance to Amcor that the Commonwealth does not intend to enter into any of these agreements if they are inconsistent with or in any way affect the rights of the Amcor group of companies under legislated wood supply agreements enacted under Victorian law. In particular, we are assured that nothing in the Deferred Forest Agreement, the Scoping Agreement or any Regional Forest Agreement shall impose on the Commonwealth or Victoria any obligation that is inconsistent with the *Forests (Wood Pulp Agreement) Act 1961 (Vic)* as amended from time to time or any law enacted in place of that Act or any agreement validated or approved under any such law.

On the basis of this assurance, Amcor feels that it now has the security of wood supply to enable it to proceed with the development of its value-adding operations at its Maryvale Mill.

Yours sincerely

Don Macfarlane
Deputy Managing Director
Amcor Limited

Arthur Robinson & Hedderwicks

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4 January 1996

BY FACSIMILE TRANSMISSION

Mr Ian Wightwick
Managing Director
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Dear Ian

Regional Forest Agreement

We have been asked to review and comment on the letters from the Prime Minister (the *Prime Minister's letter*) and the Premier of Victoria (the *Premier's letter*) to Amcor Limited dated 22 December 1995. We have been asked to do so in the context of Amcor wishing to gain the degree of certainty of wood supply necessary to enable it to proceed with its proposed investment at its Maryvale Mill.

We advised earlier (in conference) that, irrespective of their terms, the Prime Minister's letter and the Premier's letter will not be legally enforceable by Amcor. In our view, the Commonwealth and Victoria cannot be restrained from resiling from the representations contained in the letters by resort to legal causes of action in contract, tort, estoppel or misleading and deceptive conduct. No compensation will be payable to Amcor for loss and damage incurred as a result of any failure by the Commonwealth and Victoria to honour the commitments given in the letters. Accordingly, the letters, at best, can only provide a degree of commercial/political comfort. It is this aspect of the letters which we discuss below.

We have some reservations about the content of the letters, particularly the Prime Minister's letter. Our reservations stem from the ambiguity surrounding the references in the letters to Amcor's legislated rights.

The Premier's letter states that Victoria does not intend to enter agreements which are "inconsistent with or in any way affect the rights of the Amcor group of companies ... under legislated wood supply agreements enacted under Victorian law". The Prime Minister's letter states that "the final Scoping Agreement and Deferred Forest

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Australian Paper

Page 2
4 January 1996

Agreement to be signed with Victoria will acknowledge that nothing in those agreements will over-ride the existing rights of the Amcor group under Victorian law".

These phrases could possibly be interpreted as referring only to the rights of Amcor under agreements which have been approved by the Victorian parliament at the time the Deferred Forest Agreement and the Scoping Agreement are signed. In the case of the Prime Minister's letter, this interpretation is particularly suggested by the use of the words "existing rights". It is even arguable that these words limit the assurance given by the Commonwealth to rights of Amcor which had already been given legislative force at the time the Prime Minister's letter was signed.

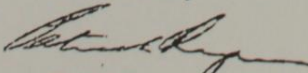
On this interpretation, the letters give Amcor no comfort that its rights under the draft wood supply agreement (which is to extend the supply period from 2004 to 2030) will not be interfered with by the agreements to be entered into by the Commonwealth and Victoria.

However, it seems to us that the Premier's letter does provide a reasonable degree of assurance to Amcor in respect of the rights it will gain under the draft wood supply agreement. The Premier's letter reaffirms the commitment of the Victorian government to execute that agreement and submit it to the Victorian parliament for confirmation. The Premier's statement of Victoria's intentions specifically extends to any Regional Forest Agreement, which clearly would not be entered into until after the draft wood supply agreement has become law. The letter also states that the Victorian government has no intention of signing any agreement which, in the Premier's opinion, "disadvantages the industry or compromises new developments".

It is also arguable that the assurances given in the Prime Minister's letter are given in respect of rights to be acquired by Amcor under future Victorian legislation. The Prime Minister's letter confirms the Commonwealth's commitment to "ecologically sustainable development" and acknowledges that Amcor's proposed investment program falls within this objective. It also states that any Regional Forest Agreement "will be consistent with this approach". These statements could be taken as suggesting that Amcor's extended rights under the draft wood supply agreement will not be interfered with by the proposed agreements.

In summary, it seems to us that the Premier's letter provides Amcor with an assurance of security of wood supply under the draft wood supply agreement. However, the terms employed in the Prime Minister's letter are too ambiguous for us to state confidently that the assurance given by the Prime Minister is given in respect of Amcor's rights under the draft wood supply agreement. Much of the uncertainty regarding the security of those rights would be removed by the amendments to the Deferred Forest Agreement and the Scoping Agreement proposed in our letter to Ms Tinney of the Department of Prime Minister and Cabinet dated 20 December 1995 (which we copied to Mr Geoff Willis). We are still awaiting an update from Ms Tinney on the status of those proposed amendments, and will continue to press the matter with Ms Tinney. We have no other contacts in the Department. We were referred to Ms Tinney by Ms Kerrie Milburne-Clarke, whom we understand has been in contact with several people in the Department in relation to this issue.

Yours sincerely



Partick Ryan / Greg Prutej

