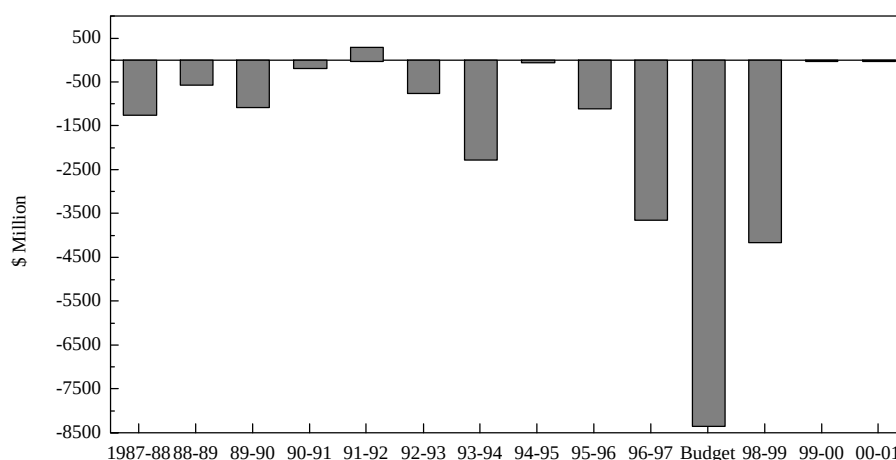


14E. ASSET SALES

NATURE OF OUTLAYS

This classification records the net proceeds of the Government's programme of major asset sales (proceeds of sales offset by the costs of sale and the running costs of the Office of Asset Sales). Proceeds derived from the normal on-going Property Disposal Programmes of the Departments of Administrative Services and Defence are reported elsewhere (see *1. General Public Services* and *2. Defence*). Asset sales proceeds are recorded as offsets within outlays. Most proceeds of sale are net advances and are not included in underlying outlays.

**Chart 1. Overview of Commonwealth Outlays on
Asset Sales
(1989-90 prices)**



1997-98 AND FORWARD ESTIMATES

			1996-97	1997-98	1998-99	1999-00	2000-01
			Estimate	Budget	Estimate	Estimate	Estimate
14E	Asset Sales	\$m	-4200.0	-9830.0	-5010.0	-10.0	-
		%		134.0	-49.0	-99.8	-100.0
TOTAL		\$m	-4200.0	-9830.0	-5010.0	-10.0	-
		%		134.0	-49.0	-99.8	-100.0

Major asset sales previously announced which are expected to be completed in 1996-97 or in the budget and forward years include:

- one-third of the Commonwealth's equity in Telstra;
- the lease of Melbourne, Brisbane and Perth Airports;
- Australian National and National Rail; and
- a number of the business units of the Department of Administrative Services.

NEW MAJOR ASSET SALES

Australian Multimedia Enterprises Limited

The Government has decided that the Commonwealth will divest Australian Multimedia Enterprises Limited by March 1998 with the means of sale to be settled as a part of the sale process.

Australian Defence Industries Limited

In 1997-98, the Government is expected to consider the optimal timing for offering Australian Defence Industries Limited for sale with the means of sale and other sale issues also to be considered.

Auscript

The Government has decided to divest Auscript as soon as possible by trade sale.

National Transmission Network

In light of the recent completion of a scoping study, the Government will shortly consider whether to offer the Network for sale with the means of sale and other sale issues also to be considered.

Phase 2 Airports

The sale of Melbourne, Brisbane and Perth Airports will be concluded in mid-1997, at which time Phase 1 Airport activities, including establishing an appropriate regulatory regime, will be completed. It is expected that the process for addressing the sale of Phase 2 airports will begin early in 1997-98.

Australian National Line Limited

The sale of Australian National Line Limited is a major asset sale previously announced. It is expected to be completed in the budget year or forward years.

SALES COMPLETED AFTER THE 1996-97 BUDGET WAS PRESENTED

Commonwealth Bank of Australia

The Government sold its remaining 50.4 per cent shareholding in the Commonwealth Bank of Australia (CBA) in July 1996, following a public share offer and a buyback of shares by CBA. The 399.1 million shares sold in the public share offer were purchased by investors under an instalment payment arrangement. Final instalments are due to be paid by November 1997.

Commonwealth Funds Management

Commonwealth Funds Management (CFM) was sold in two parts during December 1996. The CFM business was sold to the Commonwealth Bank for \$61.6 million. The subsidiary company, Total Risk Management (TRM), was sold to Tower, Perrin, Forster and Crosby Inc for \$0.9 million. Proceeds were received in 1996-97.

Avalon Airport Geelong (AAG)

In February 1997, the Government reached agreement with Foxerco Pty Ltd, a company jointly owned by Linfox and Serco, to grant it a long term lease of Avalon Airport (50 years with a 49 year option) and to sell the Commonwealth's shares in Avalon Airport Geelong (AAG). The Government will receive \$11 million in net present value terms (over 20 years) based on current revenue projections. Proceeds of \$1.5 million from the sale of the shares in AAG, together with initial lease payments, were received in 1996-97.

Newington Armament Depot

The Newington Armament Depot site was sold during 1996-97 to the New South Wales Government. Sale proceeds are expected in 1998-99 and 1999-2000.

CURRENT MAJOR ASSET SALES

Telstra

The *Telstra (Dilution of Public Ownership) Act 1996* was passed by the Parliament in December 1996 and proclaimed on 1 May 1997.

Planning for the partial sale of Telstra is now underway using private sector advisers including: joint global coordinators and joint lead managers; an independent business adviser (without a selling role); domestic and international legal counsel; and accounting advisers. Other roles in the selling syndicate will be filled later in 1997. It is expected that all Australian stockbroking firms will be asked to sell Telstra shares.

Federal Airports

The sale of the long-term leases over all Federal airports forms an important part of the Government's privatisation programme.

The Government intends to sell long-term leases over the airports in two stages. Expressions of interest for Melbourne, Brisbane and Perth Airports were sought from interested parties in September 1996. The sale process for these Phase 1 airports is now well advanced, with revised bids from a short-list of bidders being lodged in mid-April 1997, and sale completion expected by 1 July 1997. The next round of airport sales is expected to commence in mid-1997.

The leasing of Sydney and Sydney West is to be deferred pending resolution of noise issues at Sydney Airport and an environmental impact study being conducted for a second Sydney airport.

Australian Industry Development Corporation Limited

The Government announced in December 1996 that it would seek expressions of interest in the acquisition of Australian Industry Development Corporation Limited. Expressions of interest were received in January 1997 and it is expected that the sale will be finalised by 30 June 1997.

Australian National

The Government announced its \$2 billion rail reform package in November 1996. As a part of this package, the Commonwealth's interests in Australian National and National Rail will be offered for sale. Expressions of interest for Australian National, as a whole or in component parts, were sought in March 1997. Preliminary work is progressing in regard to National Rail.

Department of Administrative Services Businesses

The sale of a number of business units of the Department of Administrative Services (DAS) was announced in August 1996. These were: Asset Services; Works Australia; DAS Interiors; DAS Centre for Environmental Management; DAS Distribution; and DASFLEET (to be either sold or re-financed). The Government subsequently decided to sell Australian Operational Support Services and the commercial arm of the Australian Property Group. The scoping studies for all of the businesses have been completed and expressions of interest have been sought from the market. Sales are expected to be concluded by mid-1997.

OTHER SALE ACTIVITY

MacLeod Repatriation Hospital Site

The former MacLeod Repatriation Hospital is adjacent to the Bundoora-Mont Park psychiatric precinct in Melbourne. Discussions are being held with the Victorian Government regarding possible purchase of the site as part of the proposed redevelopment of this precinct.

Cockatoo Island

There was no progress on the sale during 1996-97 due to ongoing litigation between the Department of Defence and Cockatoo Island Dockyard Pty Ltd, the former manager of the Island. The future disposal of the Island is the portfolio responsibility of the Department of Defence.