

CHAPTER 1

INTRODUCTION

Establishment of Inquiry

1.1 On 25 August 1999, the Senate referred the following matter to the Committee for inquiry and report by 2 December 1999:

1. Whether the proposed sale of Australian Defence Industries Limited (ADI) to Transfield Thomson–CSF has been conducted with prudence, discretion, integrity, skill and propriety necessary to:

- (a) protect the value of ADI and its assets;
- (b) realise the maximum price for ADI and its assets; and
- (c) protect Australia's national interest, national security and defence relationships from compromise.

2. That, in considering these terms of reference, the Committee examine and report on the following issues:

- (a) whether the actions of the Office of Asset Sales and IT Outsourcing, and those of all other parties in the sale process, best served the interest of Australian taxpayers and the broader national interest; and
- (b) any other issues or questions, reasonably relevant to the terms of reference but not referred to above, which have arisen in the course of the inquiry.

1.2 The Senate subsequently extended the reporting date to 17 February 2000.

1.3 The purpose of the inquiry was to review the sale process and not to interfere with that process or prevent the finalisation of the sale. In fact, the Committee delayed the start of the hearings until a time it thought the sale would have been concluded. As it turned out, the last stage of the sale took longer than expected and was only finalised as the Committee's last hearing was taking place.

1.4 The Committee noted that some submissions opposed the privatisation of ADI. As this was going beyond the terms of reference, the Committee could not pursue such an option. However, the Committee did address some of the issues underpinning calls for the retention of government ownership of ADI.

1.5 The Committee makes no comment on the selection of Transfield Thomson–CSF as the new owner of ADI nor on the bid of its rival Tenix. The Committee does, of course, discuss such matters as foreign investment in ADI and Transfield Thomson–

CSF's plans for ADI, particularly for its assets in regional areas, technology transfers and capital investment.

Conduct of the Inquiry

1.6 The Committee advertised the inquiry in the *Australian* calling for written submissions to be lodged with the Committee. It also approached directly key players interested in the sale. A total of 17 written submissions was received. Details of the submissions are listed in Appendix 1.

1.7 After considering the written submissions, the Committee conducted hearings in Sydney on 25 October, in Melbourne on 19 November and in Canberra on 26 October and 29 November 1999. Details of these hearings are contained in Appendix 2.

1.8 The Hansard transcripts of evidence taken at the hearings are located on the Internet at www.aph.gov.au/hansard

Acknowledgements

1.9 The Committee wishes to thank the people and organisations who made written submissions, gave evidence at hearings or contributed in some other way to the inquiry.