

CHAPTER 2

THE SALE PROCESS

Introduction

2.1 In this chapter, the Committee provides background information and then outlines the sale process. It also considers some issues relating to that process which arose during the inquiry.

Background

2.2 The Department of Defence's production facilities had evolved to meet defence needs during two world wars and later conflicts in Korea and Vietnam. This left Australia with a fragmented munitions industry comprising seven facilities at seven different sites and a vastly overdeveloped capacity for production.¹

2.3 The process of rationalisation began with the closure of the unprofitable Department of Defence Support in 1984. Since then, a continuing process of restructuring, rationalisation and commercialisation had overseen the closure of two government-owned Defence factories and the sale of the Williamstown Naval Dockyard in Victoria and of the Aircraft Work Shop in South Australia. Two former government-owned aircraft factories at Fisherman's Bend and Avalon were converted into the government-owned enterprise Aerospace Technologies of Australia, which was later privatised.

2.4 On 3 May 1989, Australian Defence Industries Pty Ltd (ADI) was created to take over the former Office of Defence Industries. The change put the Office's assets in the hands of a separate, limited liability company to be run as a commercial venture.² The overall objective was to revitalise the Australian defence industry and make it globally competitive.³

2.5 The corporatisation process, which began before corporatisation occurred in 1989, involved a major rationalisation of government-owned dockyards and factories. The rationalisation of munitions manufacturing capability involved the closure of two munitions factories, Albion Explosives Factory (1986) and the Explosives Factory at Maribyrnong (1993). The capabilities of these factories were moved to the Mulwala Explosives Factory. Associated costs of the closures were in the decontamination,

1 Max T. Hawkins, 'ADI moves to World Competitive Ammunition Manufacture', *Defence Industry and Aerospace Report*, vol. 9, no. 24, December 1990, p. 10.

2 *ADI Annual Report 1991*, p. 1.

3 *Defence Report 1989-90*, Program 2: Defence Development, p. 71.

demolition and preparation of those sites to meet regulatory requirements, preparatory to their redevelopment.⁴

2.6 Within its first year of operation, ADI Managing Director, Mr Ken Harris, announced that ADI would undergo a major restructuring program under which ADI would consolidate the currently fragmented industry by opening a new state-of-the-art ammunition facility at a 'greenfield' site, to be selected according to economic and strategic considerations. Other facilities at Maribyrnong, St Mary's and Footscray would be progressively closed and their sites sold for redevelopment for residential, light industrial or recreational purposes. These sales would in part fund ADI's new plant and the upgrading of the Bendigo factory, which was to become the centre of ADI's heavy engineering work. The Mulwala and Lithgow sites would continue production of explosives and small arms respectively as part of ADI's newly integrated business.⁵ In addition, ADI's profitable naval engineering and clothing divisions, through fulfilling a number of long-term Government contracts, would contribute to ADI's bid for sustainability.

2.7 In late 1992, ADI was given permission to build the new munitions factory at Benalla, Victoria.⁶ ADI considered that the introduction of modern technology and an 80 per cent cut in the labour force would give Australia one of the most efficient plants in the world.⁷ The new factory was opened on 6 August 1996.

2.8 In the mid 1990s, ADI focussed on enhancing its profile and participation in the international defence trade. In response to an increased international interest in ADI's products, the company had opened offices in Kuala Lumpur, Abu Dhabi, and Berlin.⁸

2.9 By 1997, the new munitions business in Benalla, now in full production, was a major contributor to the record profit.⁹ The Minehunter project was another strong contributor, also fuelling local confidence and expertise, with high Australian design and manufactured content.¹⁰

4 *Defence Report 1989–90*, Program 4: Defence Production, p. 85.

5 Hawkins, 'ADI moves to World Competitive Ammunition Manufacture', pp. 10–11.

6 *Australian Defence Report*, 24 June 1999, p. 6.

7 *ADI Annual Report 1991*, p. 6.

8 'ADI Reaches Mid-point in New Corporate Form', p. 5.

9 Company profits were also bolstered by the completion of major contracts for small arms completed at Lithgow and the sale of redeveloped properties at Footscray and Maribyrnong. A side effect of the latter was that ADI withdrew from its environmental decontamination business in Europe, with local work in this area largely completed.

10 80 per cent design and 70 per cent material, 'Year in Review', *ADI Annual Report 1997*, p. 3.

Preparation for Sale of ADI Limited

2.10 The possible sale of ADI, in its entirety or in parts, was considered in 1992 but no proposition acceptable to the Government was reached.¹¹ The matter was on the agenda again in 1995, when the then Minister for Defence announced that, after careful consideration of the question of privatising ADI, the Government had decided that it ‘was not appropriate to do so in the foreseeable future’.¹² Mr Harris told the Committee that whenever the Board of ADI was asked for advice before late 1996, the board replied that the company was not yet ready for sale.¹³ In February 1996, the then Leader of the Opposition, Mr John Howard, gave undertakings that they would not privatise ADI if they won government.¹⁴

2.11 The change of name to ADI Limited in January 1996 was designed to emphasise ADI’s private sector credentials. Mr Harris told the *Business Review Weekly*: ‘We operate as a normal private company under the Companies Act, and the Government happens to be a single share holder’.

2.12 In December 1996, ADI’s Board of Directors told the Government that ADI was ready for privatisation.¹⁵ Having proven that ADI could be viable as a corporate entity, the Board saw privatisation as the means to gain funding for further growth. Mr Harris later explained to ADI employees:

At the core of any debate that might take place about privatisation of the company, is the issue of the shareholder’s willingness to provide the company with capital to fund our future growth. Australian and overseas experience would lead to the conclusion that governments have some difficulty in funding the development of their companies.¹⁶

2.13 The new Government’s conviction was that governments are not appropriate partners for business enterprises.¹⁷ Mr Harris was confident that the commercial success ADI had achieved after corporatisation would attract the necessary investment for growth from the private sector.¹⁸

11 *Australian Defence Report*, 24 June 1999, p. 6.

12 Press Release, Minister of Defence, Senator Robert Ray, 27 June 1995.

13 *Committee Hansard* 19 November 1999, p. 113.

14 *Bendigo Advertiser*, Thursday, 15 February 1996.

15 See Ken Harris, *Committee Hansard* 19 November 1999, p. 113.

16 In the employee newsletter *Pursuit*, March 1997. Quoted in ‘Background to ADI’s Privatisation’, Privatisation News, *ADI Homepage* (21 September 1999).

17 For Harris see ‘ADI Welcomes Announcement’, 17 August 1999, ADI News Releases, *ADI Homepage* (16 September 1999) and for Liberal perspectives the Member for Mcpherson (QLD Liberal Party), Mr Peter White, in response to the Defence Minister’s statement launching ADI, *House Hansard*, 10 May 1989, p. 2348, [in particular, 1; 4–5].

18 ‘Background to ADI’s Privatisation’, Privatisation News, *ADI Homepage* (21 September 1999).

2.14 In the Budget of May 1997, the Government foreshadowed its intention to look into the optimal timing for the sale of ADI, the means of sale and related issues during 1997-98. On 1 July 1997, the Minister for Finance announced that the Government had appointed the firms Baring Brothers Burrows and Co. Limited and Blake Dawson Waldron as business and legal advisers (respectively) to the Office of Asset Sales & IT Outsourcing (OASITO) for the sale.¹⁹

2.15 The sale of ADI was complicated not only by the nature and structure of the company but also by its extensive relationship with the Commonwealth, which included:

- (a) the Commonwealth's role as sole shareholder of ADI;
- (b) the role of the Commonwealth, through ... Defence, as ADI's major customer;
- (c) various contractual arrangements between the Commonwealth and ADI, many of which related to the time of ADI's formation; and
- (d) the Commonwealth's responsibility for defence policy, defence industry policy and matters of national security.²⁰

2.16 OASITO submitted that it gave highest priority to protecting the interests of the Commonwealth at all times.²¹

Sale Process

2.17 The sale process began in July 1997. OASITO described the process as consisting of three phases:

- the scoping study;
- sale preparation; and
- the sale.²²

2.18 OASITO stated that the sale process was designed to take into account the nature of ADI and its relationship to the Commonwealth. Careful work was required to establish an appropriate structure for the sale and to identify areas for restructuring prior to it to reduce risk and to make ADI more attractive for prospective buyers.

19 'ADI Limited—Appointment of Advisers', Media Release, Minister for Finance and Administration the Hon John Fahey, MP, 1 July 1997 35/97. *Defence Acquisition Organisation* Internet site: http://www.dao.defence.gov.au/media/9-12-97_ADI_future.htm (16 September 1999).

20 OASITO submission, p. 8

21 OASITO submission, p. 8.

22 OASITO submission, p. 1.

Strict evaluation criteria were adopted to guide decision-making processes and to ensure the integrity of the sale process.²³

Scoping study phase

2.19 In the scoping study phase, the groundwork was done to establish the terms of the sale. It involved:

- a business analysis;
- vendor due diligence;
- an analysis of Defence policy; and
- a market testing exercise.

Business analysis

2.20 The business analysis involved consultation and site visits to each of ADI's facilities, presentations by ADI management, a review of ADI's financial performance as well as industry reviews and meetings with Defence representatives to gain a full understanding of ADI's business and the environment in which it operated.

Vendor due diligence

2.21 The vendor due diligence enabled the Commonwealth to make decisions about the sale structure, process and possible terms of sale. During this process and the sale phase, over 18,000 documents, which were identified and obtained from ADI and other Commonwealth agencies, were collated and tracked to form the Commonwealth Library. From these documents, a confidential four-volume Information Memorandum was compiled and provided to prospective buyers undertaking their own due diligence. They also had access to the Commonwealth Library through a CD ROM information dissemination system.²⁴

Analysis of Defence policy

2.22 The Government Sales Team analysed and reviewed Defence arrangements with ADI and consulted officers within Defence and other departments 'to identify key strategic and procurement policy issues and priorities'. Key issues and implications for Defence in the sale process were identified, including:

- (i) competition issues potentially arising in various defence industries, in particular the naval shipbuilding and repair sector. Defence agreed that the ACCC was the appropriate body to assess competition implications;

23 OASITO submission, p. 25.

24 OASITO submission, pp. 9–10.

- (ii) ADI's involvement in activities considered to be important to Australia's military strategic interests;
- (iii) ADI's operation or ownership of significant defence-related facilities such as Garden Island, Benalla and Mulwala (to which Defence may require access in emergency circumstances);
- (iv) possible foreign ownership in ADI;
- (v) the protection of classified information including that provided by other countries;
- (vi) security requirements for fulfilling Defence contracts;
- (vii) the need to remove Defence Required Support Capability (DRSC) arrangements at Garden Island, St Mary's and Mulwala;
- (viii) the need to remove a number of arrangements which were no longer appropriate for transmission to the private sector (eg foreign warship indemnity);
- (ix) the need to ensure any capabilities considered essential to Defence's strategic interests were recognised; and
- (x) potential issues for Defence's policy of achieving 'value for money' in all areas of procurement, in particular through arrangements maintaining open and effective competition.²⁵

Market testing exercise

2.23 The Government sales team conducted a market testing survey among defence industry participants in Australia and overseas, and among engineering/construction participants, investors and brokers. The survey revealed a strong preference for removal of defence property interests from the sale. OASITO reported that a number also saw no commercial rationale or market incentive for acquiring a merged ADI/Australian Submarine Corporation.²⁶ However, Dr White of SECA did express a strong interest in SECA buying the ASC in conjunction with ADI. He said that:

We believed that ADI was not in great shape in its current form. It really needed a great deal of work to it to turn it into a great company that we envisaged. We believed that ADI was really too small, as a stand-alone company, to compete in the international arena. Since our consortium of Australian companies was not backed in an equity sense by big overseas players, we believed we needed to bring ADI together with ASC, the Australian Submarine Corporation, in order to have a decent sized

25 OASITO submission, pp. 11–12.

26 OASITO submission, p. 12.

Australian company as the springboard for the internationally sustainable, majority Australian owned company we were envisaging in the long term.²⁷

2.24 The scoping phase was completed by December 1997.

2.25 On 9 December 1997, the Minister for Finance and the Minister for Defence issued a joint media release announcing that ADI Limited would be sold through an open tender trade sale. Expressions of interest were expected to be invited in the first quarter of 1998. The Government stated:

The sale of ADI Limited will represent the final stage of reform of the government-owned elements of the defence industry and is expected to facilitate growth in the defence industry through private capital investment and technology transfer.²⁸

The sale preparation phase

2.26 In this phase, OASITO addressed a wide range of matters identified during the scoping phase where action had to be taken to prepare ADI Limited for a smooth transition from government to private ownership. These were:

- restructuring of the long-term agreement between the ADF and ADI for the supply of munitions from ADI's Benalla facility to become the Strategic Agreement for Munitions Supply (SAMS), to meet Defence's long-term needs and keep an Australian munitions capacity.
- restructuring of the terms of supply of high explosive and propellants from Mulwala, a Commonwealth facility leased to ADI;
- identification and clarification of ADI's intellectual property and establishment of an intellectual property register;
- protection of the Commonwealth's commercial interests in the frigate upgrade and Bushmaster tenders, and separation of the two tenders from the ADI sale process;
- removal of ADI property interests from the sale;
- restructuring and renegotiation of the Garden Island lease;
- environmental assessment of ADI sites;
- development of strategies to identify and resolve as much as possible litigious or potentially litigious matters to which ADI was a party;

27 *Committee Hansard*, 19 November 1999, p. 135.

28 'The Future for ADI Limited and Australian Submarine Corporation Pty Limited', Joint Media Release, Minister for Finance and Administration the Hon John Fahey, MP and Minister for Defence, the Hon Ian McLachlan, AO, MP, 9 December 1997, 83/97, *Defence Acquisition Organisation* Internet site (16 September 1999).

- establishment of a contracts register;
- review of taxation issues;
- restructuring of debt facilities and guarantees;
- removal of indemnity arrangements and substitution of insurance suitable for private ownership;
- development of an occupation, health and safety strategy at ADI sites;
- clarification and amendment of ADI constitutional documents to remove references of Commonwealth ownership;
- identification and monitoring of human resources and industrial relations issues during the sale process;
- identification of competition issues and development of strategies in anticipation of possible contingencies, such as possible action by the ACCC under section 50 of the Trade Practices Act;
- seeking of third party consents to provision of sale information to Commonwealth and prospective buyers;
- analysis of risks arising from vendor due diligence covering terms of sale, warranties, indemnities, insurance, litigation and other arrangements; and
- foreign ownership in relation to structural approvals under the Government foreign investment policy.

The sale phase

2.27 The sale phase was conducted in four stages:

- the establishment of a sale strategy;
- calling for expressions of interest and requests for proposal;
- buyer due diligence; and
- evaluation of proposals received.

Sale strategy

2.28 The sale strategy was established in June 1998 to set a timetable for the process, and to assign roles and responsibilities. It set out the following sale objectives, against which the bids of tenderers would be evaluated:

- (i) to optimise sale proceeds within the context of the Government's other sale objectives;
- (ii) to minimise the Commonwealth's exposure to residual risks and liabilities;

- (iii) to ensure the new owner has the necessary financial capability to complete the sale and meet ADI's current and likely contractual arrangements;
- (iv) to ensure the new owner has the appropriate contract management expertise, capability and commitment to the fulfilment of ADI's current and likely contractual obligations with the Commonwealth;
- (v) to ensure the new owner has the necessary management expertise, defence and/or relevant general industry experience and a long term commitment to operate as a credible and effective participant in the Australian defence industry;
- (vi) to achieve a sale outcome which avoids the retention of any of ADI's businesses by the Commonwealth post sale;
- (vii) to ensure fair and equitable treatment of ADI staff in the Sale Process; and,
- (viii) to achieve a sale outcome which contributed to a competitive, sustainable and efficient Australian defence industry, as well as to regional industry development.²⁹

Expressions of interest

2.29 The calling of expressions of interest did not eventuate as predicted in the first quarter of 1998. On 22 April 1998, the Minister for Finance and Administration announced that expressions of interests would not now be called until June 1998. Defence was in the process of negotiating a new seventeen-year ammunition supply agreement with ADI which would lock any potential buyer into a continuing commitment to local munitions capability. The Government, therefore, wished to delay the sale process until this important agreement was settled.³⁰

2.30 It was also widely speculated that the new munitions contract would increase the estimated value of ADI (unofficially at \$400 million) to potential buyers. Mr Harris fuelled this speculation, saying that the new defence agreement was more 'commercially robust' than the previous one and that he was: 'sure that this outcome will be recognised by those companies currently preparing bids.'³¹

2.31 The expressions of interest and request for proposal phase was aimed at informing prospective buyers about how their offers would be assessed and was

29 OASITO submission, p. 18.

30 'Sale of ADI', Minister for Finance and Administration, the Hon John Fahey, MP, 22 April 1998, 37/97, *ADI Homepage* (21 September 1999).

31 Reported Andrew White, 'Plant Upgrade Lifts ADI Sale Outlook', *Weekend Australian*, 11 July 1998, p. 54.

conducted according to a pre-defined methodology, with the roles and responsibilities of each party being fully defined.³²

2.32 The invitation to register expressions of interest in ADI Limited was advertised in the media on 10 June 1998.³³ Expressions of interest were to be lodged by midday on 9 July 1998.³⁴ One hundred invitations to register an expression of interest were issued.³⁵ On 10 July 1998, the Government announced that the munitions contract had been finalised. It also stated that it had received expressions of interest for ADI which were being assessed, concluding that the 'signing of the ammunition agreement will assist short-listed parties to formulate their formal bids'.³⁶ On 31 July 1998, a press release announced that five consortia had been short-listed. Mr Hutchinson told the Committee that the identities of the five consortia were never disclosed.³⁷

2.33 In August 1998, a request for proposal was issued to the five short-listed prospective buyers. These provided an overview of the sale process, listed requirements for buyers and outlined the evaluation criteria by which offers would be assessed.

2.34 In September 1998, ADI was one of two contenders short-listed for Defence's billion-dollar guided missile frigate upgrade contract which was to be awarded later in the year. The Government was explicit about its expectations: 'Should ADI be selected as the preferred tenderer for the FFG Upgrade Project, the value placed by bidders on the company could be expected to be significantly enhanced.' A further variation to the original sale specifications were that ADI properties at St Mary's, Footscray and Maribyrnong, which were undergoing site redevelopment in a joint venture with Lend Lease, would not be included in the sale.³⁸

2.35 A phased date for receipt of offers was devised to accommodate the letting of the frigate upgrade contract. If ADI was not the preferred tenderer, offers for ADI were to be lodged by 25 February 1999. If it was the preferred tenderer, the closing

32 OASITO submission, p. 19.

33 OASITO submission, p. 19.

34 'Sale of ADI Limited', Joint Media Release, Minister for Finance and Administration the Hon John Fahey, MP and Minister for Defence, the Hon Ian McLachlan, AO, MP, 12 June 1998 55/98 *Defence Acquisition Organisation* Internet site (16 September 1999)

35 OASITO submission, p. 4.

36 'Defence and ADI Sign Ammunition Supply Agreements', Joint Media Release, Minister for Finance and Administration the Hon. John Fahey, MP and Minister for Defence, the Hon Ian McLachlan, AO, MP, 10 July 1998, Canberra, 65/97

37 *Committee Hansard*, 26 October 1999, p. 93.

38 'Sale of ADI Limited', Joint Media Release, Minister for Finance and Administration the Hon John Fahey, MP and Minister for Defence, the Hon Ian McLachlan, AO, MP, 31 July 1998, 72/98 *Defence Acquisition Organisation* Internet site (16 September 1999)

date for offers was deferred to 9 June 1999.³⁹ As it turned out, ADI secured the contract.

Buyer due diligence

2.36 Buyer due diligence began in September 1998.⁴⁰ This involved the supply of information to prospective buyers to ensure that the Commonwealth complied with its obligations of full disclosure prior to the sale. It was a two-way process during which site inspection and access to the Commonwealth Library led to formal question and answer engagements. Draft sale documents were issued to potential buyers in October and November 1998 and their comments on SAMS sought. Mid-term review meetings were held with representatives of the potential buyers in April 1999 to seek their opinions of the Commonwealth's approaches on a number of issues. During the period a number of consortia sought and were granted permission to make changes to their composition.⁴¹

2.37 With each new contract won by ADI, the consortia tendering for the purchase of ADI were required to undertake a fresh round of due diligence processes and site inspections in order to take into account the new contract in their bids. Responding to the rising uncertainty, on 3 May 1999, the Minister for Finance and Administration announced that it was the Government's intention that bids for ADI should be lodged by the end of June 1999 and that the sale should be completed by late Spring.⁴²

Evaluation of bids

2.38 After receipt of bids, they were evaluated against sale objectives. On 17 August 1999, Transfield Thomson-CSF was selected as preferred buyer of the Commonwealths shares in ADI Limited.

Preferred buyer due diligence phase

2.39 In the final part of the sale process, the preferred buyer was given the opportunity to undertake further due diligence and to inspect material withheld during previous due diligence phases. The Commonwealth also negotiated with Transfield Thomson-CSF Investments Pty Ltd to 'resolve all issues outstanding with its Offer'. As a result of these negotiations, agreement was reached between the Commonwealth and the preferred buyer on all major issues. 'This agreement has clarified the areas of uncertainty in the Offer of 30 June 1999 and has removed or revised a significant number of terms and conditions that were considered unacceptable to the

39 OASITO submission, p. 19 and supplementary submission, p. 3.

40 OASITO submission, pp. 21–4.

41 OASITO, supplementary submission, p. 23.

42 Jason Clout, 'ADI Bids to be in Place by June: Fahey', *Australian Financial Review*, 8 May 1999, p. 52.

Commonwealth'.⁴³ For commercial-in-confidence reasons, the terms and conditions in contention were not provided to the Committee.

2.40 At the same time, ADI's property interests were transferred to a new Commonwealth-owned company group, ComLand Limited. Sales documentation was finalised with provision of documents that had previously been available only in draft form. These comprised:

ADI Share Sale Agreement;

1999 Deed of Indemnity;

Intellectual Property and Material Transfer Deed;

Wrap UP Deed;

Record Transfer Deed; and

Environment Deed.⁴⁴

2.41 The ADI Share Sale Agreement was executed on 8 October 1999 subject to a number of conditions. These conditions were satisfied on 1 November 1999.⁴⁵ Details of these conditions were not made available to the Committee for commercial-in-confidence reasons. Final settlement of the transaction occurred on 29 November 1999, at which time Transfield Thomson-CSF Pty Ltd assumed ownership and full operational control of ADI Limited.

The integrity of the sale process

2.42 The terms of reference of the inquiry required the Committee to consider whether the sale of ADI had been conducted with the '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.

2.43 The terms also required the Committee to examine whether OASITO, its advisers and others engaged in the sale process had best served the interests of Australian taxpayers and the broader national interest.

43 OASITO, supplementary submission, p. 3.

44 OASITO, submission, p.5.

45 OASITO, supplementary submission, p. 5.

2.44 Mr Michael Hutchinson, Chief Executive of OASITO, told the Committee:

We have a high degree of confidence in the probity arrangements we have in place for the sale. We have every reason to believe they have worked as intended and no reason to believe there have been any flaws or failings in the probity process.⁴⁶

2.45 In its submission, OASITO documented the sale process, drawing out relevant details at issue in every sequence.⁴⁷ This approach, while somewhat repetitive, aimed to support OASITO's claim that the sale of ADI Limited was conducted 'with prudence, discretion, integrity, skill and propriety', sufficient to satisfy the terms of reference of this inquiry.

2.46 During the hearings, most witnesses expressed overall satisfaction with the process. In his opening statement, Mr Tony Shepherd, Chief Executive Officer, Project Development, Transfield, said: 'We consider the sale of ADI has been conducted with the utmost prudence, discretion, integrity, skill and propriety'.⁴⁸ Mr Ian Sharp, Managing Director of GEC-Marconi Systems Pty Limited agreed that 'with respect to probity, the process was fine'.⁴⁹ Group Manager-Commercial of Tenix Pty Limited, Mr John Favalaro, told the Committee:

I do not think that we have any objections to the way in which the process was conducted. I would agree that probity was paramount in the government's mind and I think they kept the process very clean. The confidentiality agreements, which they drove over the top of all this, were in our view extreme. They were very demanding. They were, in our view, probably more than was required. But, if nothing else, they drove home the point that probity was absolute.⁵⁰

2.47 The nature and complexity of ADI's business arrangements, its relationship to Government, and the fact that ADI was tendering for major Defence contracts during the sale period made probity and the integrity of the sale process a challenge for OASITO. Conjecture that the Government was seeking to appreciate the value of ADI by awarding it the billion-dollar frigate upgrade and Bushmaster contracts made OASITO's task even more difficult.⁵¹ Mr Hutchinson stated: 'In terms of the sale process, I have to say that it would have been an awful lot easier had those tenders not been in the marketplace during the sale process.'⁵²

46 *Committee Hansard* 26 October 1999, p. 89.

47 OASITO, submission.

48 *Committee Hansard* 25 October 1999, p. 27.

49 Mr Sharp, *Committee Hansard*, 25 October 1999, pp. 9–10.

50 *Committee Hansard* 25 October 1999, p. 60.

51 See 'Five to Contest ADI Sale', Headlines, *Australian Defence Business Review*, 31 July 1998, p. 5.

52 *Committee Hansard* 26 October 1999, p. 101.

2.48 Mr Hutchinson judged that the frigate upgrade was ‘one of the top three complexity factors’ in the sale process, with the other two being management of intellectual property and environment matters.⁵³ While the last two required sensitive handling, for strategic and economic reasons respectively, the need to guarantee separation of the tendering processes for ADI and the frigate upgrade, in particular, drove OASITO to adopt measures in pursuit of probity which were to have wider effects on the process.⁵⁴

2.49 Two steps were taken: the appointment of a special probity monitor and the phasing of the ADI sale process. The probity monitor was engaged to provide a degree of confidence to all parties that there would be no correspondence of information between individuals conducting the ADI sale process and Defence staff evaluating the contract tenders.⁵⁵ In relation to the phasing of the sale process, Mr Hutchinson told the Committee that this would:

allow the Commonwealth’s interest in those tenders to be settled before the Commonwealth’s interest in the sale process was settled, on the grounds that these tenders were far larger in scale than the Commonwealth’s financial interest in the ownership of ADI. Therefore, the Commonwealth’s overall interest was to be maximised by buying the right defence equipment and then selling the contractor rather than selling the contractor on the basis that we had awarded a tender to it or that we might award a tender to it ...⁵⁶

2.50 The Committee heard that OASITO’s concern for probity in the separation of tenders had other consequences for the sale process. ADI’s former Managing Director, Mr Ken Harris, noted that: ‘everybody in the government decision-making team was so nervous about the political consequences of those sort of allegations that they redoubled their efforts to be cautious’.⁵⁷ One effect was the lengthening of the time frame of the sale.

2.51 The Committee received no information that cast any doubt on the integrity of the sale process. It appeared that OASITO and its advisers went to considerable lengths to ensure the integrity and propriety of the sale even though this lengthened the process. These measures included OASITO’s requirement that participants adhere to extensive confidentiality provisions. As far as the Committee could determine, the confidentiality provisions were not breached. It notes, however, comments from some participants that the confidentiality provisions were too onerous.

53 *Committee Hansard* 26 October 1999, pp. 101-02. See also discussion of intellectual property in Chapter 4.

54 *Committee Hansard* 26 October 1999, pp. 100–01.

55 *Committee Hansard* 26 October 1999, p. 100.

56 *Committee Hansard* 26 October 1999, p. 100.

57 *Committee Hansard*, 19 November 1999, p. 121.

The length of the sale process

2.52 While OASITO was commended for its overall handling of the sale, the length of the sale process received comment and expressions of concern from some witnesses. Mr Harris (ADI) commented:

I have got admiration for the Office of Assets Sales...They have handled some large complex privatisation and they have done well. With this one, the time seemed to get out of hand and that really was the issue. The time was, I think, unduly long for a commercial sale such as this.⁵⁸

2.53 Apart from the deliberate phasing of the sale to protect the integrity of the tendering process, the complexity of ADI's businesses was an acknowledged cause of much of this delay. As Mr Shepherd (Transfield) said: 'ADI is a complex business, with 3,000 staff, many contracts and a diverse range of assets and facilities. This complexity contributed to the lengthy sales process'.⁵⁹

2.54 The complexity of the businesses meant that the vendor due diligence process was a long and difficult task. Mr Sharp (GEC-Marconi) said that his organisation had received literally 'boxes and boxes of wonderful data' during the sale process. He took this as being indicative of the Government sale team's determination to inform fully prospective bidders, given that Defence projects entail considerable risk and require extensive due diligence.⁶⁰

2.55 Even so, Mr Sharp did judge the sale process to be inordinately long. He noted that 12 months from concept to reality was normal for a merger or acquisition process, with a data room being set up within months, open for a number of weeks and an offer made within the following two weeks.⁶¹ He thought that part of the reason was that the cumulation and provision of information was not conducted as pragmatically as had been done in other merger processes in which his firm had been engaged.⁶²

2.56 Mr Sharp was not uncritical of the content of the information provided and, in particular, the timing of its provision. He noted that a lot of the information was of an historical nature. Information on ADI's present business position and future prospects was not provided until late in the process.⁶³ Mr Favaloro (Tenix) confirmed that the late release of this important financial information had meant that Tenix had lodged three bids and yet there were 'still hundreds of unanswered questions' about ADI. He

58 *Committee Hansard*, 19 November 1999, p. 118.

59 *Committee Hansard* 25 October 1999, p. 27.

60 *Committee Hansard*, 25 October 1999, pp. 9-10.

61 *Committee Hansard*, 19 November 1999, pp. 7-8.

62 For example, between Marconi Electronic Systems with British Aerospace, or Marconi Sonar with Thomson.

63 *Committee Hansard*, 19 November 1999, p. 2.

thought that the withholding of this information had been the ‘main sticking point’ for all bidders in the process.⁶⁴

2.57 Further, the late provision of this information made the process more expensive for prospective purchasers. Mr Sharp explained that GEC-Marconi had to pay its advisers a retainer fee on fixed rates for the whole sale process, with most of the valuation work having to be done in the last two months. This made the bidding process very expensive, a point reiterated by representatives from SECA, Tenix and Transfield.⁶⁵

2.58 However, Mr Hutchinson (OASITO) replied:

All the bidders received the information in line with the information disclosure plan that we had in place for the sale. It is always the case in a sale process that a bidder will want information that you are not yet prepared to release or that you do not yet have ready before you are ready to give it to them. I would be very surprised if any bidder told you that they got everything they wanted precisely when they wanted it, but we are confident that the information disclosure regime we put in place was appropriate, given our need to not only meet the needs of the bidders but also protect the value of the business from inappropriate disclosure and the post-sale interests of the Commonwealth by ensuring that the information that was disclosed was appropriately verified and appropriately reviewed before release.⁶⁶

2.59 The cost and complexities involved in bidding were similarly dismissed as ‘just a fact of life’. Mr Hutchinson explained that ADI’s business arrangements meant dealing with complexity and volume, and that, therefore, time and money would be spent in reaching the goal.⁶⁷ Overall, the contenders, while expressing some dissatisfaction, agreed with that view.

2.60 For ADI itself, the length of the process caused other problems. Mr Harris said that ADI’s management team was often distracted from running the company’s commercial interests by having to spend a lot of time providing information for due diligence upgrades and inspections with prospective buyers. The morale of ADI’s staff during the period also required continual support.⁶⁸

2.61 Dr White expressed similar sentiments:

64 *Committee Hansard* 25 October 1999, p. 58.

65 SECA’s former Managing Director, Dr John White, put the cost at around \$10 to \$12 million, see *Committee Hansard*, 19 November 1999, p. 142; Mr John Favoloro of Tenix put overall costs of bidding at in excess of \$2.5 million dollars, see *Committee Hansard*, 25 October 1999, p. 57; and see Mr Shepherd of Transfield at *Committee Hansard*, 25 October 1999, p. 37.

66 *Committee Hansard*, 26 October 1999, p. 89.

67 *Committee Hansard*, 26 October 1999, p. 90.

68 *Committee Hansard*, 19 November 1999, p. 117.

I think the process was too long. It made it very expensive and very changeable. ADI continued to deteriorate in its commercial viability. I think the process was started without any real statement of strategically desired outcomes in terms of Australian ownership industry capability.

...

I think any business which is up for sale suffers morale problems and problems in the market because potential customers, suppliers or partners are dealing with a situation of total uncertainty as to whom the future owner will be, what business they will be in, how they will be in it and who is employed.⁶⁹

2.62 Mr Harris also said that the extended sale process meant that necessary restructuring that would have given ADI Limited a stronger combat systems focus had not taken place. He had identified the need for the restructuring in 1997, but it had not been carried out because the sale, at that time, was thought to be imminent.⁷⁰ Even so, he concluded that the proposed restructuring would not have appreciated ADI's market value had it gone through. He explained that companies interested in ADI would have conducted their own evaluation and arrived at their own game plan for the company.⁷¹

2.63 Mr Hutchinson agreed with this view, noting that three serious bidders - SECA, Transfield Thomson-CSF and Tenix - all had very different structures in mind for ADI Limited. He discounted the suggestion, however, that OASITO had in any way discouraged Mr Harris from restructuring ADI at that time.⁷² Mr Hutchinson also partly attributed the length of the sale process to ADI's unpreparedness for sale when the process was started, despite contrary advice from ADI.⁷³

2.64 He explained that issues arising out of ADI's structure and method of operation, legacies of its days under Commonwealth ownership, were 'fairly lengthy and intractable' in resolution. He singled out three areas of particular concern:

Firstly, there was the need to resolve the occupational health and safety and environmental considerations at Mulwala, the explosives operation. Secondly, there was the need to completely redraft and reshape the strategic ammunitions supply contract with the Department of Defence, the cornerstone of the cash flows in the business. Thirdly, there was the need to resolve the indemnity structure that had been put in place on the foundation

69 *Committee Hansard*, 19 November 1999, p. 142.

70 *Committee Hansard*, 19 November 1999, p. 115.

71 *Committee Hansard*, 19 November 1999, p. 115.

72 *Committee Hansard*, 29 November 1999, p. 172.

73 *Committee Hansard*, 29 November 1999, p. 171.

of ADI that needed to be unwound, and unwound through the various Commonwealth contracts.⁷⁴

2.65 In addition to the need to address these matters and the deliberate phasing of the sale to accommodate the letting of tenders for defence contracts, Mr Hutchinson listed one other important factor which lengthened the sale process. This was the need to transfer and document intellectual property, and to allocate intellectual property between ADI and the Commonwealth. This had been a commitment made at the time of the foundation of ADI but which had never been finalised. Mr Hutchinson concluded that these were simply facts of the process, and not the fault of any party.⁷⁵

2.66 In answer to a question whether OASITO kept ADI informed of developments in the sale process, Mr Harris said;

It was an extremely difficult period but it was difficult for them as well. It was a difficult thing for everybody involved in the sale process. They told us as best they could what was happening, but I just do not think they were fully in control of all the events either, because you had another layer involved in it, namely the Department of Defence, and they had a program. they had activities which were influencing the outcome as well. So I think, in some respects, the Office of Asset Sales were caught in a project that turned out to be perhaps a bit larger and more complicated than people expected. Where they did not tell us of deadlines and dates, I think it was because they were not really in a position to be firmly clear about them.⁷⁶

2.67 The Committee acknowledges that it was undoubtedly a very long sale process, which was due to a number of factors. ADI's structure and the complexity of its business operations and OASITO's cautious and thorough approach to the task to ensure the integrity of the process and the protection of the Commonwealth's interests were never conducive to a quick sale. ADI's involvement in two major tenders also contributed to the length of the sale process.

2.68 The length of the sale process made the exercise more expensive for prospective buyers and made it difficult for management of ADI to keep its businesses going and maintain morale of staff. It also increased the Commonwealth's costs by having to keep the Government sale team together throughout the process. However, no-one suggested ways by which this particular sale process might have been shortened to any significant extent.

The price & the value

2.69 Throughout the sale process there was conjecture about the value of ADI and the price likely to be realised from its sale.

74 *Committee Hansard*, 29 November 1999, p. 171–72.

75 *Committee Hansard*, 29 November 1999, p. 172.

76 *Committee Hansard*, 19 November 1999, pp. 116-17.

2.70 The Government sale team determined that it would receive a better price for ADI if it were sold as a whole rather than broken up into several entities. However, ADI's property development interests were excluded from the sale when market testing suggested they lacked coherence with its core engineering businesses.⁷⁷ The sale team also agreed that complications in the ownership of the Australian Submarine Corporation (ASC) would cause problems if it was sold with ADI. The Government therefore decided that the sale of the ASC should be considered at a later time.⁷⁸

2.71 As the Government was unwilling to release official estimates of the value of ADI for fear of jeopardising the sale process, the value and likely sale price were subject to widespread speculation. Media estimates of the possible price for ADI ranged from \$225 million to twice that amount.⁷⁹ It should be noted that when the Office of Defence Production became ADI, it had assets of \$426 million, including the three properties excised from the ADI sale.⁸⁰

2.72 Dr John White told the Committee that SECA had made an unsolicited bid for ADI at book value of \$320 million in 1997, provided that SECA 'could also buy the Australian government's shares in ASC for some sort of book value or agreed value'.⁸¹

2.73 On 2 November 1999, the Ministers for Finance and Administration and Defence announced that the final price for ADI was \$346.78 million.⁸² The final price did not include ADI's development property assets, included in the early valuation, and which Mr Harris estimated to be valued at about \$160 million.⁸³

2.74 However, the value of ADI was not static over the period of the sale process. Mr Hutchinson told the Committee:

The factors that affected the evolving picture of the value of the company as the sale process advanced were principally its trading record, its success in winning new contracts, the resolution of outstanding commercial issues such as litigation within the business and the evolving expectation of future work

77 Mr Michael Hutchinson, *Committee Hansard*, 26 October 1999, p. 90.

78 Announced Joint Media Release, 'The Future Sale of ADI Limited and the Australian Submarine Co-operation Pty Limited', 9 December 1997 83/97.

79 See Mr Michael Hutchinson, OASITO, *Committee Hansard*, 29 November 1999, p. 170.

80 Gary Brown, *Australia's Security: Issues for the New Century*, Australian Defence Studies Centre, March 1994.

81 The bid was based on the proviso that SECA could also purchase the Government's shares in the ASC. Dr John White, *Committee Hansard*, 19 November 1999, p. 140.

82 See 'Sale of ADI Limited', Joint Media Release, 2 November 1999 71/99 and Stephen Spencer, FED: 'ADI Sold for \$346.7 Million', 2 November 1999, Australian General News, Parliamentary News Service.

83 *Committee Hansard*, 19 November 1999, p. 119; Board of Director's estimate of \$162.4 book value quoted in Trevor J. Thomas, 'Thomson Pays Twice for ADI', Advance Copy of *Australian Defence Business Review* Article, vol. 18, no. 17, 26 November 1999.

flow and therefore future cash flows. They are the sorts of factors that, as they changed, the expected value of the company would change.⁸⁴

2.75 Information received by the Committee late in the inquiry reported that, after a year of achievement in 1997, ADI experienced a year of marginal growth in 1998-99.⁸⁵ According to company accounts lodged with the Australian Securities and Investments Commission on 29 October 1999, ADI posted a \$190.6 million loss on a consolidated turnover of \$571.9 million after abnormals and tax were taken into account. ADI's operational profit pre tax in the year ending June 1999 had fallen sharply to \$12.2 million, down from \$37.5 million the previous year. To balance these losses, the Commonwealth had agreed to forgive ADI debts to the extent of \$45.5 million. This meant that ADI now had an asset value of \$163.7 million, less than half Transfield Thomson-CSF's final price.⁸⁶

2.76 Mr Hutchinson confirmed that ADI had been sold for approximately twice net asset value.

2.77 Mr Harris dismissed the idea that ADI's value could be ascertained from its fluctuating balance sheets. He argued that ADI was saleable because of its strong position in the market place, earned by the intellectual and technical skills of its staff, and not because of its material assets.⁸⁷

2.78 These two factors were clearly criteria rated highly by Transfield Thomson-CSF. The Joint Venture stated explicitly in its submission that ownership of ADI Limited constituted a 'major strategic investment opportunity', because it will bridge their aspirations to growth globally and in the region.⁸⁸ Mr Shepherd (Transfield) stated that the Joint Venture saw that the 'real asset value' of the company lay in ADI's staff.⁸⁹

2.79 The combination of the price paid for ADI by Transfield Thomson-CSF and Mr Harris' estimate of the value of ADI's development properties not included in the sale amounted to approximately \$500 million, which was towards the upper end of the speculated value of ADI during the sale process. The Committee received no evidence to suggest that the Commonwealth did not receive due value from the sale of ADI. There was also no criticism during the inquiry to suggest that the sale process used by OASITO and its advisers resulted in a lower price than might otherwise have been achieved. The integrity of the sale process was also not questioned by witnesses.

84 OASITO, *Committee Hansard*, 29 November 1999, p. 171.

85 Trevor J. Thomas, 'Thomson Pays Twice for ADI', *Advance Copy of Australian Defence Business Review* Article, vol. 18, no. 17, 26 November 1999.

86 Thomas, 'Thomson Pays Twice for ADI'.

87 *Committee Hansard*, 19 November 1999, p. 115.

88 Media Release, Transfield Thomson-CSF, Non-ADI News Releases, *ADI Homepage* (16 September 1999)

89 See *Committee Hansard* 25 October 1999, p. 47.

It is not possible for the Committee to establish whether the Commonwealth achieved the best price it could for ADI. However, the Committee does accept that OASITO did the best it could to achieve this goal.

2.80 It should, of course, be noted that price was not the only factor used in the evaluation of bids for ADI. The bids were evaluated against a number of criteria. The Committee was not privy to whether the price offered by Transfield Thomson-CSF was the highest price. The Government accepted the package offered by Transfield Thomson-CSF, which was subject to refinement before finalisation of the sale on 29 November 1999.

ADI staff

2.81 The Committee considered the position of ADI employees during and after the sale of ADI.

Staff Morale

2.82 Mr Shepherd and Mr Harris both commented on the negative effects of the long sale process on the morale of ADI's staff.⁹⁰ However, Mr Hutchinson told the Committee that:

it was explicitly an obligation on ADI management to keep its staff informed of both the development of the sale process - within the bounds of what was able to be said to them - and in respect of its own position. That is something that ADI management undertook to do, and did, during the sale process. It did not need, require or want any help from us in dealing with its own employees.⁹¹

2.83 Mr Harris told the Committee that on his extensive tours of ADI sites during the sale, it was not privatisation itself but the outcomes of privatisation that were of concern to employees. Employees asked, 'who is going to buy the company? What are they going to do? What does it mean for me? What does it mean for my local area?'⁹²

Post-sale conditions of service

2.84 Sale objective VII provided 'to ensure fair and equitable treatment of ADI staff in the sale process'.⁹³ While issues relating to industrial and human relations, such as redundancy, workers compensation and superannuation were reviewed in the scoping study, they did not raise matters that needed 'to be addressed in the sale

90 See Shepherd, *Committee Hansard* 25 October 1999, p. 47; and Harris, *Committee Hansard*, 19 November 1999, p. 118.

91 *Committee Hansard*, 26 October 1999, p. 95.

92 *Committee Hansard*, 19 November 1999, p. 118.

93 OASITO, submission, p. 18.

process - that is, matters that the sale process needs to intervene in as between employees and the company'.⁹⁴

2.85 Mr Hutchinson told the Committee that the Government had determined during the scoping phase that these issues were between ADI's management and its staff. They were not the responsibility of the Commonwealth during or after the sale process.⁹⁵ Asked whether 'there was nothing in the bidding process where you stipulated to the bidders that there was to be no loss of entitlements to the employees as a result of the sale of ADI', Mr Hutchinson said:

No, because the employees remain in a continuing employment relationship with ADI and therefore their future employment prospects are wholly governed by general community applicable industrial relations practices and laws. There is no change of employer and, therefore, there is no call to intervene between the employer and the employee. The employer, ADI Ltd, remains the same body.⁹⁶

Superannuation

2.86 In his submission, Mr Mervyn Smith urged the Committee to investigate any possible disadvantage to ADI's staff holding membership of the Commonwealth superannuation under the process of transferral to private ownership.⁹⁷

2.87 When ADI was corporatised, several hundred employees out of 4,000, who were at lower pay levels, were assessed as being disadvantaged by the move to private superannuation. As ADI was an approved authority under the *Superannuation Act 1976*, these disadvantaged employees were allowed to remain within the Commonwealth Superannuation Scheme (CSS). In mid 1999, ADI engaged consultants, Parker Financial Services, to analyse the effect of the forced change in their superannuation arrangements for the 337 employees still contributing to the CSS. The consultants found that there were 147 CSS members (44%) potentially detrimentally affected by the mandatory termination of their CSS contributory membership as at ADI's sale date (taken as 30 June 1999). They divided the employees into three age groups and calculated their positions at retiring ages of 55, 60 and 65.⁹⁸

2.88 The 36 employees aged 55 or more who had entered the CSS after 1 July 1976, were likely to be in detriment and would not be able to buy their way out. This means they would not have accumulated sufficient CSS and new ADI cash benefits as would have applied had they retired as a member of the CSS at their selected

94 *Committee Hansard*, 26 October 1999, p. 94.

95 *Committee Hansard*, 26 October 1999, pp. 94, 95.

96 *Committee Hansard*, 29 November 1999, p. 176.

97 Mr Mervyn Smith, submission.

98 Letter dated 18 May 1999 from Group General Manager Business Development, ADI, to OASITO, p. 4, attached to submission of Mr Mervyn Smith.

retirement age. ‘Of the remaining 111 potentially affected members, 65 are likely to be worse off at age 55, 48 are likely to be worse off at 60, and only 23 likely to be worse off at 65’.⁹⁹

2.89 ADI sought the approval of OASITO and the Government to allow the remaining 36 employees to stay with the CSS. The Government, however, rejected the proposal. In its reply to ADI of 1 June 1999, OASITO explained:

The policy departments are unable to support ADI’s proposal to establish a ‘virtual CSS’ arrangement and consider that such an arrangement has the potential to compromise the Government’s principles that guide privatisation initiatives from a human resource management policy viewpoint. These are:

- maximising return to the Commonwealth;
- minimising the transfer of Commonwealth employment conditions and any associated higher employment costs to the private operators; and
- maximising the future commercial viability of, and employment flexibilities available to, new operators.¹⁰⁰

2.90 Mr Hutchinson emphasised that ‘there was nothing unique’ in the process adopted by the Commonwealth in regard to ADI.¹⁰¹ It was the same as that followed for every other fully privatised government business enterprise. He explained that after a government entity passes to private ownership, employees are no longer eligible, by law, to be members of the Commonwealth or Public Sector Superannuation Schemes. Their employers are required to put in place alternative superannuation arrangements.¹⁰²

2.91 Mr Hutchinson stated that Commonwealth superannuation arrangements for ADI staff offered ‘no financial disadvantage’ as, although no future benefits would accrue, the accumulated entitlements of employees would be met.¹⁰³

2.92 Mr Hutchinson also told the Committee:

In terms of their future, their position is governed by their relationship with ADI and the relationship that ADI as the new owners establish for their

99 Letter dated 18 May 1999 from Group General Manager Business Development, ADI, to OASITO, p. 4, attached to submission of Mr Mervyn Smith.

100 Letter dated 1 June 1999 from Senior Director, OASITO, to Group General Manager Business Development, ADI, attached to submission of Mr Mervyn Smith.

101 *Committee Hansard*, 26 October 1999, p. 94.

102 *Committee Hansard*, 26 October 1999, p. 94. Later, Mr Hutchinson explained that these conditions apply once Commonwealth equity falls below 50 per cent. See *Committee Hansard*, 29 November 1999, p. 175.

103 *Committee Hansard*, 26 October 1999, pp. 94–95.

industrial relations and staff management arrangements. If ADI were to offer these employees an Australian workplace agreement, then that arrangement would have to pass the no disadvantage test.

As I understand it, the employer would advocate it. That no disadvantage test would then look at the arrangements that are on now and the arrangements that are offered to them and say, 'As a whole, do these arrangements pass the no disadvantage test?' It would not just be line by line, nor is the superannuation, the leave, and the pay the same, but as a whole the new deal is no disadvantage. That is what we had expected and expect to see happen because of the application of industrial relations law and practices generally.¹⁰⁴

2.93 On 4 January 2000, OASITO provided further written advice to the Committee on options available to ADI's CSS members. This information is contained in Appendix 3.

2.94 It is clear that ADI's CSS members were required to leave the CSS when ADI was sold to Transfield Thomson-CSF. It is also clear that the Government will not make any special arrangements for those CSS members disadvantaged by the forced change in their superannuation arrangements. The former Managing Director of ADI, Mr Harris, best summed up the position when he said, 'I do believe in any situation like this that if individuals are disadvantaged then it is the responsibility of the people running it to redress that disadvantage. I have always felt that.'¹⁰⁵

2.95 The Committee believes that there is an issue of equity to be addressed in this matter. As pointed out in evidence, if employees of ADI were to be offered workplace agreements, the no disadvantage rule would apply to their overall terms and conditions of service. In light of the evidence given by Mr Hutchinson and Mr Harris, referred to above, the matter now rests in the hands of the new ADI management to ensure that those former CSS members are not disadvantaged overall, even if their superannuation arrangements are less beneficial than they were before the sale of ADI.

104 *Committee Hansard*, 29 November 1999, p. 176.

105 *Committee Hansard*, 19 November 1999, p. 130.