Audit Reports Summaries

Audit Report No. 2 1995-96

Summary

MATTERS RELATING TO THE PROPOSED SALE OF ANL LTD

Performance Audit

Background

This report has been prepared in response to a resolution of the Senate on 8 December 1994 which referred certain matters relating to the possible sale of ANL Ltd to the Senate Finance and Public Administration References Committee. The resolution directed the Committee to consider a report from the Auditor-General and drew the Auditor-General's attention to a range of specific issues and questions.

ANAO has considered all the issues and questions referred to it by the Senate to the extent possible under its mandate and within the confined framework of those issues and questions. The responses should be seen in that context. Given the restricted timetable and lack of access to ANL per se, this is not a complete audit of all the actions taken in relation to furthering the prospect of any partial or complete sale of ANL.

The audit has therefore focused primarily on the responsibilities of the Task Force on Assets Sales (TFAS) in the Department of Finance and, to the extent that they impact on particular aspects, those of the Department of Transport.

Report Summary

In summary, the answers to the Senate's questions are set out below.

(A) Whether public officials (elected and unelected) associated with the proposed disposal of the Australian National Line (ANL) have acted with prudence, discretion, integrity and propriety.

The actions of the Departments generally conformed with these qualities. Although there were many examples of extensive consultation and documentation, the situation may have been handled better if:

- the draft Price Waterhouse - Salomon Brothers (PWSB) Report had been shown to the former ANL Board; and
- the advice to Ministers relating to the PWSB Report had been more adequately documented.

(B) Whether the actions of the Department of Transport, the Department of Finance (Assets Sales Task Force) and the Boards of ANL, as individual organisations and collectively, have been effective in serving the taxpayers' best interests.

In any sale process as complex as ANL's there needs to be full confidence, understanding, trust and a common focus among those involved to secure a successful outcome. ANAO considers that the type of cooperation needed to achieve an effective sales process between the Departments and ANL was not readily apparent. Partly as a result of this, there has been ongoing uncertainty as to the future of ANL and therefore about any implications for taxpayers' interests. The audit was not able to determine cause and effect in a very complicated and changing environment. ANL has continued to make operating losses since the proposed sale of ANL was first announced in 1991 amounting to $53.7m to 30 June 1994.

(C) What was the status of the Price Waterhouse - Salomon Brothers Report in the sale process, and was there any reason for preferring the Price Waterhouse - Salomon Brothers valuation to other valuations.

ANAO considers that the tasks undertaken and the corresponding report prepared by PWSB could best be classed as a preliminary due diligence report and similar in nature to the 1992 Price Waterhouse Potter Warburg (PWPW) report.

The valuation of ANL contained in the PWSB Report was only one factor in a range of issues considered in the Report. Given the difficulties of comparing the various valuations and the wide variety of methodologies applicable, ANAO has not attempted to rank those various valuations of ANL. However, as with most such exercises, certain aspects of the PWSB valuation are open to question which does not suggest it should necessarily be preferred, even though it was the most independent up-to-date review of ANL's assets.

(D) Whether the Minister behaved with prudence, discretion, integrity and propriety by publishing the Price Waterhouse - Salomon Brothers Report and making the comments he did when publishing the Report.

The decision to release the edited summary of the PWSB report was a Government policy decision and outside the efficiency audit mandate of ANAO. It is not possible to comment on any advice given to the Minister by officials which may or may not have influenced his statement because briefings on this aspect were not documented. Nevertheless, there appeared to be close contact between the relevant Ministers and officials at critical times.

(E) Whether the disposal of Australian Stevedores to Jamison Equity against the advice of both the old and the new ANL Boards, was justified, whether the sale price was maximised, and whether the financial arrangements were acceptable on legal and commercial grounds.

ANAO notes that the decision to sell Australian Stevedores was a Government policy decision and outside the efficiency audit mandate of ANAO. ANAO considers that the price realised of $28.0m for ANL's share was reasonable. As far as can be determined within its mandate, ANAO concludes that the financing arrangements were generally acceptable on legal and commercial grounds although there were some unusual features which exposed the Commonwealth to a slight risk of loss which needed to be weighed against the possible risks involved in continuing with Commonwealth ownership.

(F) The circumstances leading up to the agreement with the Maritime Union of Australia, the nature of the agreement including financial arrangements, and whether the agreement was in the best interests of the Commonwealth.

ANAO is unable to express an opinion on whether or not the agreement with the Maritime Union of Australia (and others) was in the best interests of the Commonwealth because it was a Government policy decision and therefore outside ANAO's efficiency audit mandate.