Privatisation in NSW: a timeline and key sources

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1. INTRODUCTION

This Issues Backgrounder features a timeline of privatisations that have occurred in NSW since the Greiner Government completed its first privatisation with the sale of the NSW Investment Corporation in 1989. Since the late 1980s, large-scale privatisation of many government-owned enterprises has occurred at the national, State and Territory levels. The timeline identifies the enabling legislation (where relevant) and the proceeds of the sale in nominal terms. The remainder of this paper lists key sources recently published by the NSW Government, the Council of Australian Governments (COAG) and the Commonwealth Government, as well as relevant research, media and stakeholder material.

Privatisation can be described in two ways. In the broader sense, as used in public debate, privatisation is the full or partial transfer of a public enterprise, property or service to the private sector, and also encompasses public private partnerships. In the narrower sense, privatisation is the full or partial transfer of a public enterprise to the private sector. This may be accomplished by sale or lease. This paper deals solely with the privatisation of public enterprises.

Australian governments have recently adopted a related term, asset recycling, or capital recycling, to refer to the privatisation of public assets (enterprises and property) specifically in order to use the proceeds to finance new infrastructure projects. As noted by Property NSW, the term originated with the property portfolio management industry:

Essentially, property portfolio managers utilise capital recycling as a mechanism to finance the purchase of new properties or re-balance their portfolio of assets, divesting underperforming assets and acquiring new or reinvesting in existing high performing assets.

The NSW Government’s Budget Statement 2014-15 describes the purpose of its asset recycling strategy:

In 2011, the Government introduced its asset recycling strategy. The strategy aims to effectively manage the State’s balance sheet by unlocking equity, de-risking the balance sheet, and recycling proceeds into new economic and social infrastructure investment. The Government established Restart NSW, to quarantine net proceeds from transactions for the delivery of new infrastructure projects.

Potential assets for recycling are identified by reviewing the State’s commercial business interests and undertaking an assessment of the relative benefits of government versus private ownership.

The asset recycling strategy has resulted in several successful initiatives, removing significant liabilities and commercial risks from the State, and contributing over $6.0 billion towards Restart NSW.

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1 Prior to the 1980s, privatisation occurred rarely in NSW. For example, a number of State enterprises were sold in 1923 and 1925. See M Abbott and B Cohen, A Survey of the Privatisation of Government-Owned Enterprises in Australia since the 1980s, The Australian Economic Review, 2014, Vol 47(4)

2 For copyright reasons, some linked items are only available to Members of Parliament.
Restart NSW funds have been committed for major projects including WestConnex, NorthConnex, Pacific and Princes Highway upgrades, Western Sydney Land Infrastructure Package and Bridges for the Bush. The Government has also reserved funding for future projects, including the Newcastle CBD revitalisation.

In May 2014, the NSW Government signed up to the Council of Australian Governments (COAG) National Partnership Agreement on Asset Recycling (the Asset Recycling Initiative). Under the Initiative, the Commonwealth provides incentive payments equal to 15 per cent of the sale or lease proceeds that are reinvested in new infrastructure.

Privatisation is a hotly debated topic. Recent inquiries by NSW and Commonwealth Parliamentary Committees have covered the issue, and a 2014 Productivity Commission report highlighted some of the risks involved in capital recycling:

Capital recycling involves the linking of two separate decisions; the decision to privatise state-owned assets, and the decision to invest in a new infrastructure project or set of projects. While the linking of the two decisions may be a useful mechanism to alleviate community resistance to privatisation, this should not replace the need to undertake these sets of analyses separately. Ideally, both sets of decisions would be made within a transparent decision-making environment, where a robust cost–benefit analysis is undertaken, and there is scope for independent review.

The main risk from the capital recycling model is the potential for it to distort either of these decisions. In particular, an arrangement where the proceeds of sale are automatically hypothecated to investment in new infrastructure projects may create risks for over-investment in new greenfields infrastructure which, by its nature, typically involves significant risks in the early construction and operational phases. The crucial issue is effective project selection, which is not addressed by locked-in finance.

... 

A further potential risk with capital recycling is that the availability of funds from privatisation may mute the incentives for state governments to properly consider the extent to which user charges can be used to ‘fund’ the new infrastructure (on the basis that taxpayers feel they have already paid for it); and/or prevent funds from being directed to higher value uses, which may not necessarily be new infrastructure investment.

A final problem with capital recycling is that it might cement in the public a view that the only time an asset should be privatised is if there is some new infrastructure project in which to invest — that is, that privatisation is not of benefit in and of itself.

As of 12 May 2017, two government assets have been privatised in 2017. The most recent privatisation is the 99-year lease of a 50.4% share of Endeavour Energy. On 11 May 2017, the NSW Government announced that a consortium led by Macquarie Group’s infrastructure arm had been successful in securing the tender for a price of $7.6 billion. Along with Ausgrid and Transgrid, the lease of Endeavour Energy represents the final of the three “poles and wires” sales – a key policy of the Liberal/National government in the 2015 State election. Announcing the sale, NSW Treasury stated:
The NSW Government will retain a 49.6 per cent interest in Endeavour Energy and will have ongoing influence over operations as lessor, licensor and as safety and reliability regulator.

The other privatisation is the 35-year long-term concession for the titling and registry business of Land and Property Information (LPI). The NSW Government first announced its plans for the LPI in May 2016, stating that net proceeds from the transaction would be invested in new infrastructure. Prior to its sale, LPI was separated into four discrete business units in order to facilitate the transaction.

The announcement of the Government’s plans for the LPI was not without issue. In particular, the NSW Opposition expressed its lack of support for the proposal, with the Member for Cessnock, Mr Clayton Barr, introducing the Land and Property Information NSW (Authorised Transaction) Repeal Bill 2017 into the Legislative Assembly in March 2017 to repeal the Land and Property Information NSW (Authorised Transaction) Act 2016. The Bill did not pass the Second Reading Debate stage.

On 12 April 2017, LPI was leased to a consortium composed of Hastings Fund Management and First State Super for $2.6 billion. The NSW Government plans to invest $1 billion of the proceeds into upgrading Parramatta and ANZ Stadiums and refurbishing Allianz Stadium. The remaining $1.6 billion will be invested into other infrastructure projects through the Restart NSW fund. The Government has stated that at least 30 per cent of the total proceeds will be spent in regional NSW.

As part of the lease, the Registrar General will monitor and audit performance during the concession period. This body will also have the power to resume control of the LPI business if deemed necessary. The concession is subject to a number of legislative and contractual safeguards, with price rises capped at CPI for its full term.

The NSW Government plans to privatise WestConnex in the near future, with further details expected to be announced on or before the 2017-18 State Budget.

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3 The South Australian Government is currently in the process of privatising its Land Services, having released an Expression of Interest on 7 July 2016. The Victorian Government announced that it would privatise its land titles registry in its 2017-18 Budget.
2. TIMELINE

PRIVATISED GOVERNMENT ENTERPRISES

<table>
<thead>
<tr>
<th>Year</th>
<th>Government enterprise</th>
<th>Transaction</th>
<th>Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>NSW Investment Corp</td>
<td>Sale</td>
<td>$65 million</td>
</tr>
<tr>
<td></td>
<td><em>New South Wales Investment Corporation</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>(Sale) Act 1988</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>NSW Egg Corporation</td>
<td>Sale</td>
<td>$18.519 million</td>
</tr>
<tr>
<td></td>
<td><em>Egg Industry (Repeal and Deregulation) Act 1989</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>Kooragang Coal Loader</td>
<td>Sale of 20% share</td>
<td>$20.2 million</td>
</tr>
<tr>
<td>1990</td>
<td>Newcastle Wharfside Services</td>
<td>Sale</td>
<td>$18 million</td>
</tr>
<tr>
<td>1990</td>
<td>Port Kembla Coal Loader</td>
<td>20 year lease</td>
<td>$2.50/tonne</td>
</tr>
<tr>
<td>1991</td>
<td>No. 6 Jetty, Outer Harbour, Port Kembla</td>
<td>Lease</td>
<td>n/a</td>
</tr>
<tr>
<td>1991</td>
<td>Inner Harbour RO/RO Terminal, Port Kembla</td>
<td>Lease</td>
<td>n/a</td>
</tr>
<tr>
<td>1991</td>
<td>No. 2 Kooragang Berth, Port of Newcastle</td>
<td>6 year lease</td>
<td>n/a</td>
</tr>
<tr>
<td>1991</td>
<td>Berths 3 and 4 Darling Harbour</td>
<td>3 year lease</td>
<td>n/a</td>
</tr>
<tr>
<td>1991</td>
<td>Liddell State Mine</td>
<td>Sale</td>
<td>-$8.374 million</td>
</tr>
</tbody>
</table>

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4 The privatisations listed in this timeline were primarily identified through a survey of NSW Government Budget papers and Reports on State Finance papers back to 1989. These papers contained details on the privatisations listed here which are of most significance in terms of the size of the proceeds received by the Government. In the process of researching the details of these privatisations, a number of smaller privatisations were discovered that have also been included. This timeline does not purport to be exhaustive as there may have been other small privatisations that are unreported in the Budget papers and Reports on State Finance papers.

5 A number of different sale figures are sometimes reported for privatisations. Unless otherwise noted, the figures here are all referred to as either “gross proceeds” or “gross consideration” in the relevant NSW Government source. Gross proceeds are reported here as they are the largest sale figures generally reported for a privatisation. Other sale figures reported included “sale proceeds” and “net proceeds”. The difference between these figures may be substantial in some cases. For example, the sale of the Port of Newcastle raised $1,750 million in gross proceeds, $1,697 million in sale proceeds and $1,500 million in net proceeds.

6 Proceeds from the sale of business and stock before adjustments

7 Sale price, which included back dividends of $1.6 million

8 Sale proceeds

9 Revenue stream based on a tonnage charge of $2.50 per tonne during the first year, reducing incrementally to $2.00 per tonne during subsequent years. In the first year of after being privatised (13 August 1990 to 30 June 1991), the Government received $31.5 million from the lease. In the first full financial year after privatisation (1991-92), the Government received $37.6 million from the lease.

10 In this timeline, n/a has been inserted where a figure was not found in either Annual Reports, Auditor-General Reports, Budget Papers, Reports on State Finances or media releases.

11 This figure represents the loss on sale of Liddell State Mine. Sale proceeds figure not available in Annual Reports, Auditor-General Reports, Budget Papers, Reports on State Finances or media releases.
<table>
<thead>
<tr>
<th>Year</th>
<th>Government enterprise</th>
<th>Transaction</th>
<th>Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Government Insurance Office (GIO)</td>
<td>Sale</td>
<td>$1.8 billion</td>
</tr>
<tr>
<td>1992</td>
<td>First State Computing</td>
<td>Sale</td>
<td>$11 million&lt;sup&gt;12&lt;/sup&gt;</td>
</tr>
<tr>
<td>1992</td>
<td>NSW Grain Corp</td>
<td>Sale</td>
<td>$90 - $110 million&lt;sup&gt;13&lt;/sup&gt;</td>
</tr>
<tr>
<td>1992</td>
<td>Western Basin Berth 3, Port of Newcastle</td>
<td>20 year licence</td>
<td>n/a</td>
</tr>
<tr>
<td>1992</td>
<td>Maritime Services Board Sydney Ports Authority pilotage service</td>
<td>3 year lease</td>
<td>n/a</td>
</tr>
<tr>
<td>1992</td>
<td>Glebe Island Berth 1 and 2, Sydney Ports</td>
<td>5 year lease</td>
<td>n/a</td>
</tr>
<tr>
<td>1992</td>
<td>Darling Harbour Berth 7</td>
<td>Lease</td>
<td>n/a</td>
</tr>
<tr>
<td>1993</td>
<td>Maritime Services Board Construction and Installation of Signs business</td>
<td>Sale</td>
<td>n/a</td>
</tr>
<tr>
<td>1993</td>
<td>MSB Navigation Beacons business</td>
<td>Sale</td>
<td>n/a</td>
</tr>
<tr>
<td>1993</td>
<td>MSB Waterfront Construction Services business</td>
<td>Sale</td>
<td>n/a</td>
</tr>
<tr>
<td>1994</td>
<td>Government Cleaning Service</td>
<td>Sale</td>
<td>Negligible&lt;sup&gt;14&lt;/sup&gt;</td>
</tr>
<tr>
<td>1994</td>
<td>School Furniture Complex</td>
<td>Sale</td>
<td>$5.35 million&lt;sup&gt;15&lt;/sup&gt;</td>
</tr>
<tr>
<td>1994</td>
<td>The Fish Marketing Authority</td>
<td>Sale</td>
<td>$3 million&lt;sup&gt;16&lt;/sup&gt;</td>
</tr>
<tr>
<td>1994</td>
<td>State Bank of NSW</td>
<td>Sale</td>
<td>$567.815 million&lt;sup&gt;17&lt;/sup&gt;</td>
</tr>
<tr>
<td>1995</td>
<td>Gumly Gumly Irrigation District</td>
<td>Ownership and management transferred to local irrigators</td>
<td>Nil&lt;sup&gt;18&lt;/sup&gt;</td>
</tr>
<tr>
<td>1995</td>
<td>Jemalong Wyldes Plains Irrigation Ltd</td>
<td>Ownership and management transferred to local irrigators</td>
<td>Nil&lt;sup&gt;18&lt;/sup&gt;</td>
</tr>
<tr>
<td>1995</td>
<td>Lower Murray Irrigation Areas Ltd</td>
<td>Ownership and management transferred to local irrigators</td>
<td>Nil&lt;sup&gt;18&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>12</sup> Purchase price of approximately $11 million plus any tax compensation achievable
<sup>13</sup> The minimum price for the business equates to a net present value of $90 million, with the maximum price being $110 million
<sup>14</sup> The sale proceeds for this privatisation were negligible according to Volume 3 of the Auditor-General’s Report for 1994. The sale included five year cleaning contracts, the transfer of all regular cleaners and sale of all equipment to the contractor
<sup>15</sup> Sale proceeds from sale of plant, equipment and stock to Furniture Australia Pty Ltd.
<sup>16</sup> Sale proceeds
<sup>17</sup> Sale proceeds
<sup>18</sup> As described in the Department of Land and Water Conservation Annual Report 1994-95, the irrigation districts and corporations were transferred to irrigator autonomy in order to remove the conflict inherent in the Department of Land and Water being both manager of the water resource and operator of an irrigation area. The irrigation scheme was not made available for sale to private companies.
<table>
<thead>
<tr>
<th>Year</th>
<th>Government enterprise</th>
<th>Transaction</th>
<th>Proceeds$^5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>Murray Irrigation Limited</td>
<td>Ownership and management transferred to local irrigators</td>
<td>Nil$^{18}</td>
</tr>
<tr>
<td>1996</td>
<td>Hay Irrigation District</td>
<td>Ownership and management transferred to local irrigators</td>
<td>Nil$^{18}</td>
</tr>
<tr>
<td>1996</td>
<td>Axiom Funds Management</td>
<td>Sale</td>
<td>$215 million$^{19}</td>
</tr>
<tr>
<td>1997</td>
<td>Sydney Market Authority</td>
<td>Sale</td>
<td>$0.626 million$^{20}</td>
</tr>
<tr>
<td>1998</td>
<td>TAB Ltd</td>
<td>Sale</td>
<td>$1.017 billion</td>
</tr>
<tr>
<td>1999</td>
<td>Murrumbidgee Irrigation Limited</td>
<td>Ownership and management transferred to local irrigators</td>
<td>Nil$^{18}</td>
</tr>
<tr>
<td>2000</td>
<td>Coleambally Irrigation Ltd</td>
<td>Ownership and management transferred to local irrigators</td>
<td>Nil$^{18}</td>
</tr>
<tr>
<td>2002</td>
<td>FreightCorp</td>
<td>Sale</td>
<td>$669 million$^{22}</td>
</tr>
<tr>
<td>2002</td>
<td>Integral Energy Gas Pty Ltd</td>
<td>Sale</td>
<td>$2.1 million$^{23}</td>
</tr>
<tr>
<td>2003</td>
<td>Powercoal Pty Ltd</td>
<td>Sale</td>
<td>$323.6 million$^{24}</td>
</tr>
<tr>
<td>2004</td>
<td>Pacific Power (International) Pty Ltd</td>
<td>Sale</td>
<td>n/a</td>
</tr>
<tr>
<td>2004</td>
<td>Plug &amp; Power (Pacific Solar Pty Ltd business)</td>
<td>Sale</td>
<td>n/a</td>
</tr>
<tr>
<td>2004</td>
<td>Pacific Solar Pty Ltd low cost solar cell technology business</td>
<td>Sale</td>
<td>n/a</td>
</tr>
<tr>
<td>2005</td>
<td>Qstores and cmSolutions</td>
<td>Sale</td>
<td>$38 million$^{25}</td>
</tr>
<tr>
<td>2006</td>
<td>Emmlink (Country Energy)</td>
<td>Sale</td>
<td>$85 million$^{26}</td>
</tr>
<tr>
<td>2007</td>
<td>Energy Australia Pty Ltd</td>
<td>Sale</td>
<td>$207 million$^{27}</td>
</tr>
</tbody>
</table>

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$^{19}$ Sale proceeds
$^{20}$ Sale proceeds
$^{21}$ This Act authorised a proclamation to be made under section 27 of the *Irrigation Corporations Act 1994* designating Coleambally Irrigation Limited as a class 2 irrigation corporation and Murrumbidgee Irrigation Limited as a class 2 irrigation corporation. A class 2 irrigation corporation is a company whose shares are held by private irrigators.
$^{22}$ Figure includes proceeds from the sale of FreightCorp operations ($608m) and National Rail Corporation shares ($61m).
$^{23}$ Sale proceeds
$^{24}$ Sale proceeds
$^{25}$ Sale proceeds.
$^{26}$ Figure represents $85m in cash received for disposal of a business unit.
<table>
<thead>
<tr>
<th>Year</th>
<th>Government enterprise</th>
<th>Transaction</th>
<th>Proceeds[^3]</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>NSW Lotteries</td>
<td>Sale</td>
<td>$1.008 billion</td>
</tr>
<tr>
<td>2010</td>
<td>Country Energy Gas Pty Ltd</td>
<td>Sale</td>
<td>$107.642 million</td>
</tr>
<tr>
<td>2011</td>
<td>WSN Environmental Solutions</td>
<td>Sale</td>
<td>$234 million[^28]</td>
</tr>
<tr>
<td>2011</td>
<td>Gentrader transaction: Country Energy retail business</td>
<td>Sale</td>
<td>$1.3 billion</td>
</tr>
<tr>
<td>2011</td>
<td>Gentrader transaction: Energy Australia retail business</td>
<td>Sale</td>
<td>$1.48 billion</td>
</tr>
<tr>
<td>2011</td>
<td>Gentrader transaction: Integral Energy retail business</td>
<td>Sale</td>
<td>$1 billion</td>
</tr>
<tr>
<td>2012</td>
<td>Sydney Desalination Plant</td>
<td>100% lease for 50 years</td>
<td>$2.3 billion</td>
</tr>
<tr>
<td>2013</td>
<td>Port Botany</td>
<td>Sale</td>
<td>$4.31 billion</td>
</tr>
<tr>
<td>2013</td>
<td>Port Kembla</td>
<td>Sale</td>
<td>$760 million</td>
</tr>
<tr>
<td>2013</td>
<td>Eraring Energy</td>
<td>Sale</td>
<td>$657 million</td>
</tr>
<tr>
<td>2013</td>
<td>Mt Piper and Wallerawang Power Stations (Delta West)</td>
<td>Sale</td>
<td>$475 million</td>
</tr>
<tr>
<td>2014</td>
<td>Port of Newcastle</td>
<td>100% lease for 98 years</td>
<td>$1.75 billion</td>
</tr>
<tr>
<td>2014</td>
<td>Green State Power</td>
<td>Sale</td>
<td>$72 million</td>
</tr>
<tr>
<td>2014</td>
<td>Bayswater and Liddell Power Stations (Macquarie Generation)</td>
<td>Sale</td>
<td>$1.505 billion</td>
</tr>
</tbody>
</table>

[^27]: Sale proceeds
[^28]: Sale proceeds
[^29]: This sale included assets formerly held by Macquarie Generation, including the Bayswater and Liddell coal-fired power stations
## Privatisation in NSW: a timeline and key sources

<table>
<thead>
<tr>
<th>Year</th>
<th>Government enterprise</th>
<th>Transaction</th>
<th>Proceeds$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Colongra Power Station</td>
<td>Sale</td>
<td>$233 million</td>
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<tr>
<td></td>
<td><em>Electricity Generator Assets (Authorised Transactions) Act 2012</em></td>
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<td></td>
</tr>
<tr>
<td>2015</td>
<td>M7 rental payments</td>
<td>Monetisation of M7 base rent payables</td>
<td>$174.2 million</td>
</tr>
<tr>
<td>2015</td>
<td>Vales Point Power Station</td>
<td>Sale</td>
<td>$21.3 million</td>
</tr>
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<td></td>
<td><em>Electricity Generator Assets (Authorised Transactions) Act 2012</em></td>
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<td></td>
</tr>
<tr>
<td>2015</td>
<td>Transgrid</td>
<td>100% lease for 99 years</td>
<td>$10.273 billion</td>
</tr>
<tr>
<td></td>
<td><em>Electricity Network Assets (Authorised Transactions) Act 2015</em></td>
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<tr>
<td></td>
<td><em>Electricity Retained Interest Corporations Act 2015</em></td>
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</tr>
<tr>
<td>2015</td>
<td>Kooragang Island Advanced Water Treatment Plant</td>
<td>Sale$</td>
<td>$35.5 million</td>
</tr>
<tr>
<td>2016</td>
<td>Brown Mountain Hydro Power Station and Cochrane Dam</td>
<td>Sale</td>
<td>$4.5 million</td>
</tr>
<tr>
<td>2016</td>
<td>AusGrid</td>
<td>50.4% lease for 99 years</td>
<td>$16.2 billion</td>
</tr>
<tr>
<td></td>
<td><em>Electricity Network Assets (Authorised Transactions) Act 2015</em></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td><em>Electricity Retained Interest Corporations Act 2015</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>Construction Services Group, NSW Public Works</td>
<td>Sale</td>
<td>-$0.805 million</td>
</tr>
<tr>
<td>2016</td>
<td>Pillar Superannuation Administration</td>
<td>Sale</td>
<td>$35 million</td>
</tr>
<tr>
<td></td>
<td><em>Superannuation Administration Corporation (Pillar) (Authorised Transaction) Act 2016</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>Titling and registry business of Land and Property Information</td>
<td>35-year lease</td>
<td>$2.6 billion</td>
</tr>
<tr>
<td></td>
<td><em>Land and Property Information NSW (Authorised Transaction) Act 2016</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>Endeavour Energy</td>
<td>50.4% lease for 99 years</td>
<td>$7.624 billion</td>
</tr>
<tr>
<td></td>
<td><em>Electricity Network Assets (Authorised Transactions) Act 2015</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Electricity Retained Interest Corporations Act 2015</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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30 Sale proceeds. Note that Hunter Water Australia Pty Ltd was an engineering consultancy subsidiary of Hunter Water Corporation. Hunter Water Corporation remains a state owned corporation.
31 Monetisation of M7 base rent payables
32 Contracted for sale on 18 December 2015
33 Figure represents net cost to the Department of Finance, Services and Innovation. Sale proceeds figure not available in Annual Reports, Auditor-General Reports, Budget Papers, Reports on State Finances or media releases
3. NSW

PARLIAMENT

Inquiries

Leasing of electricity infrastructure
Legislative Council Select Committee on the Leasing of Electricity Infrastructure
June 2015

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