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HD Australian government's approval of property sale to majority-domestic consortium underlines pressure against foreign ownership, ongoing regulatory uncertainty

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LP On 9 December, the Australian government approved the sale of Kidman & Co, Australia's third-largest cattle property, with a reported bid of approximately USD290 million. The successful bid was composed of Australian-owned Hancock Prospecting and the Chinese company Shanghai CRED. The Australian company will own 67% of the property, with Shanghai CRED acquiring a 33% stake. The sale of assets in the strategic sectors such as agriculture and energy infrastructure has proved controversial over 2016, with increasing economic populism affecting government decisions on foreign investment (see Australia: 22 August 2016: Blocked Ausgrid sale indicates scrutiny over foreign investment likely to continue in Australian strategic sectors). Two previous attempts by foreign investors to acquire Kidman & Co were vetoed by the government on national security grounds.

TD In November 2015, the government blocked a bid by Chinese investment firm Genius Link Assets Management citing national security concerns, while in April 2016 a bid of USD282.2 million for a reduced component of the property holding was also rejected. The current deal entails the acquisition of a smaller component of the cattle holdings – located in close proximity to a sensitive defence site at Woomera – by a local family. With this in mind, the government claimed the sale increased the level of Australian ownership in the S Kidman & Co cattle property holdings from 66.1% to 74.7%. Nevertheless, the deal has been criticised by minor party politicians such as Nick Xenophon and Bob Katter.

Significance: Foreign consortiums bidding for strategic assets such as ports, large property holdings, or information-technology infrastructure face an ongoing risk of regulatory uncertainty, although current owners are unlikely to be affected over the next year. Chinese companies in particular are likely to be scrutinised due to a public perception – particularly among conservative politicians in minor parties – that Chinese foreign ownership in Australia is excessive. Despite pressure and speculation following previous rejections that the government would amend the foreign investment rules, the government appears to be comfortable with the level of ambiguity surrounding such decisions, which provides room for flexibility in responding to public sentiment when considering strategic investments.

Risks: State contract alteration; Regulatory uncertainty

Sectors or assets affected: Agriculture; Mining; Ports; Information-technology infrastructure; Energy utilities

CO hkpros : Hancock Prospecting Pty. Ltd.

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