

FINANCIAL REVIEW

SE News

HD TransGrid bidders face restrictions

BY Angus Grigg and Geoff Winestock

WC 684 words

PD 11 November 2015

SN The Australian Financial Review

SC AFNR

ED First

PG 7

LA English

CY Copyright 2015. Fairfax Media Management Pty Limited.

LP Chinese companies bidding for the \$9 billion NSW electricity transmission network will be prevented from having any staff in management positions, and directors will require a security clearance, as part of strict conditions placed on the sale.

As final bids for [TransGrid](#) are due at the end of this month, The Australian Financial Review has confirmed the imposition of tough national security requirements for foreign bidders.

TD These include a majority of local directors for the privatised [TransGrid](#), security checks for directors being nominated and restrictions on foreigners in management positions.

A NSW government source said "Australian oversight and management" would be required by the Foreign Investment Review Board.

"It's also logical security clearances would be required for such an asset," said the person, who asked not to be named.

The sale of [TransGrid](#) has been a politically sensitive topic in NSW given the interest from Chinese state-owned bidders and a general perception that Beijing uses commercial enterprises to pursue its broader national security agenda.

The Chinese government-owned State Grid is bidding as a part of a consortium which includes Macquarie Infrastructure and Real Assets.

The consortium is favoured to win the auction.

The sensitivity around the sale is because of [TransGrid's](#) central role in the national electricity grid and its ownership of a fibre optic network that is used by data centres in Canberra, which count the federal government as a client.

Such is the secrecy surrounding these centres, even their location is considered classified.

In addition, TransGrid is at the core of the national electricity network, providing the back-up power supply for the whole grid which comes through the Snowy Hydro scheme.

NSW Premier Mike Baird said the Foreign Investment Review Board would consider the national security and foreign ownership issues surrounding the sale.

"My position in relationship to foreign ownership is that it is a matter which needs to be nationally consistent and nationally considered and the body that does that in terms of ownership and security concerns is the Foreign Investment Review Board," Mr Baird said during a visit to Shanghai on Friday.

"Any foreign bidder must clear the FIRB process."

Mr Baird stressed that the conditions on bidders were yet to be finalised.

The planned sale of NSW's electricity assets flared as an issue during the state election in March, when the Construction Forestry Mining and Energy Union ran an advertising campaign against Chinese ownership.

The Baird government slammed the CFMEU's campaign as "xenophobic" and a "racist rant", which would make it harder to attract investors.

The opposition also questioned why NSW Treasurer Andrew Constance had held meetings with State Grid in the lead-up to the assets being put on the market.

State Grid has been making investments over the world in recent years, as it looks to have 20 per cent of its assets outside China by 2020.

State Grid's first Australian investment came in November 2012 when it paid \$500 million for a 41 per cent stake in South Australian transmission company ElectraNet.

That deal required FIRB approval and State Grid emerged with four of the nine board seats at ElectraNet.

State Grid also has minority shareholdings in gas and electricity distributors in Victoria and NSW.

Chinese ownership of strategic Australian assets became an issue again last month when the Port of Darwin was sold to Chinese company Landbridge for \$506 million.

Peter Jennings, from the Australian Strategic Policy Institute, questioned the sale to a Chinese company, given the port's central role in the defence infrastructure of northern Australia.

"I think there is reason to be concerned about this sale and really the question that needs to be asked is, what assessment of national security implications was made before the sale was agreed," he said.

Geoff Wade, from the [Australian National University](#), pointed out that though Landbridge was a private company, it had intimate links to the Communist Party.

Key points

Chinese ownership of strategic assets has raised security concerns.

The CFMEU campaigned against the NSW assets sale.

CO tastr : TransGrid

IN i16 : Electricity/Gas Utilities | i16101 : Electric Power Generation | i1 : Energy | ieutil : Electric Utilities | iutil : Utilities

NS c181 : Acquisitions/Mergers/Shareholdings | c183 : Privatizations/Nationalization | gdip : International Relations | gpol : Domestic Politics | ccat : Corporate/Industrial News | c18 : Ownership Changes | cactio : Corporate Actions | gcat : Political/General News | gpir : Politics/International Relations | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

RE austr : Australia | china : China | nswals : New South Wales | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020151110ebbb0002d

© 2017 Factiva, Inc. All rights reserved.