

## Kidman sale to Chinese given preliminary 'no'

Written by The Conversation USA

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Treasurer Scott Morrison has announced that his “preliminary decision” is that the purchase of the Kidman pastoral empire by a Chinese-dominated buyer “is contrary to the national interest”.

The consortium, Dakang Australia, which is 80% Chinese owned with a 20% Australian partner, has been given until Tuesday to respond. Morrison described this as a “natural justice period”.

It would be open to the consortium to reduce the Chinese component in the bid, or to remove more land from it, in an attempt to save the deal.

It is not clear whether Morrison will make a final decision next week, before the pre-election caretaker period kicks in, or defer the issue until after the election. On April 20 he said he had extended the period for consideration of the bid by 90 days, and had not been expected to do anything ahead of the election.

The opposition said Morrison must explain his “extraordinary” intervention, and accused him of making the matter “a political plaything”.

The Kidman sale, worth \$371 million to its shareholders, has been politically controversial, fanning community feeling against increasing Chinese investment in agricultural land.

The CEO of S. Kidman and Co, Greg Campbell, said the company was confused and disappointed. But “we live in hope” and the bidding consortium would discuss over the weekend whether changes could be made.

Independent senator Nick Xenophon, who has opposed the sale, said: “I just hope this preliminary decision isn’t overturned once the election is over.”

Last year Morrison, who receives advice from the Foreign Investment Review Board but is the

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sole decision maker, rejected a sale of the Kidman land, citing national security considerations as well as the total size of the holding, which includes a string of stations in three states and the Northern Territory. The security problem was that Anna Creek, the biggest cattle station in the world, overlaps the Woomera weapons testing area. Anna Creek has been removed from the latest application.

Morrison, who declined to take questions on his statement, told a news conference on Friday the Kidman portfolio was about 1.3% of Australia's total land area and 2.5% of Australia's agricultural land.

He said even after the removal of Anna Creek and a related property Kidman would still be Australia's largest private land owner, with 2% of Australia's agricultural land.

"Given the size and significance of the Kidman portfolio I am concerned that the acquisition of an 80% interest in S.Kidman and Co Ltd by Dakang Australia Holdings Pty Ltd may be contrary to the national interest."

He said the form in which the Kidman portfolio had been offered, as a single aggregated asset, had made it difficult for Australian bidders to be able to make a competitive bid. The size of the asset made it hard for a single Australian group to acquire the entire operation.

When he extended the period for his decision Morrison commissioned a review of the sale process from the former head of the Australian Competition and Consumer Commission, Graeme Samuel. The review looked at whether the competitive bidding process offered a fair opportunity to Australian businesses to participate.

"While the review found the sale process followed a satisfactory commercial practice that offered opportunity to Australian parties to make an offer, the review also found there remains significant domestic interest in Kidman," Morrison said.

He said that when he rejected the earlier bid he had noted that the size and significance of the total portfolio of properties in the proposed form as a single composite asset was not in the

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national interest.

“I am not yet satisfied these concerns have been addressed by the revised proposal.

“The size and the significance of the portfolio, combined with the impact the decision may have on broader Australian support for foreign investment in Australian agriculture, must be taken into account in this case.”

Morrison said the Turnbull government “welcomes foreign investment where it is consistent with Australia’s national interest. However, we must always ensure it is on our own terms”.

Campbell said the Kidman bid was “a difficult issue politically” given that there was a lot of opposition to the sale of agricultural land to foreigners. But Australian agriculture needed foreign capital, he said. He said the Kidman company had addressed the various concerns raised earlier including the security matter and the size of the holding. It had also answered questions about ownership structure, the tax to be paid, and employment.

Campbell said the model of the enterprise, with properties across various states, was reasonably common in the cattle industry, allowing properties to help each other out by the transfer of cattle in the herd. Paring down meant losing productivity and jobs, he said.

*Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.*

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