

**SOUTH AUSTRALIAN MEAT CORPORATION
(SALE OF ASSETS) BILL**

Received from the House of Assembly and read a first time.

The Hon. R.I. LUCAS (Minister for Education and Children's Services): I move:

That this Bill be now read a second time.

I seek leave to have the second reading explanation inserted in *Hansard* without my reading it.

Leave granted.

This Bill is to authorise and facilitate the sale or lease of the assets and undertaking of the South Australian Meat Corporation ('SAMCOR').

It is intended that this asset sale will be concluded in the next few months.

SAMCOR was established in 1934 as the Metropolitan and Export Abattoirs Board and changed its name to South Australian Meat Corporation in 1972.

SAMCOR operates an abattoirs at Gepps Cross where it conducts the business of slaughtering livestock for the production of meat and meat products for human consumption. It provides the slaughtering service for a fee for its customers. It does not itself own any of the livestock presented to the abattoirs for slaughter. SAMCOR also operates a by-products (rendering) plant.

SAMCOR slaughters cattle, sheep, pigs and goats. In 1994/95, SAMCOR slaughtered 96 439 cattle, 556 359 sheep and 138 987 pigs which represented a 55% utilisation of its capacity.

Due to under-utilisation, high fixed costs and the fact that SAMCOR is entirely dependent on its customers for throughput, SAMCOR has continued to record financial losses. SAMCOR's losses in 1992/93 were \$2.494 million, in 1993/94 were \$0.486 million and in 1994/95 were \$3.273 million. These have been funded from SAMCOR's own cash reserves, however losses in the 1995/96 year are expected to exceed SAMCOR's remaining reserves.

This sale is important in that it will enable a continuing burden on the State's finances to be eliminated. It is no longer appropriate that Government operate an abattoirs. This service is adequately provided by the private sector. The Australian and South Australian

meat processing industry has and continues to suffer from over-capacity in slaughter facilities.

South Australia has seven export registered and seven domestic abattoirs in a relatively confined space. Existing capacity utilisation across the State is estimated at no more than 50%. South Australia is well supplied with abattoir services.

If at all possible, the Government is most anxious to sell the abattoirs as a going concern. This will not only maximise the price obtainable but should enable a significant number of the existing employees to continue to have employment.

In selecting a purchaser, the Government will not determine the matter on price alone. Although price is a key objective, it is a matter to consider along with the other objectives of:

- achieving economic benefits to South Australia;
- ensuring fair and equitable treatment of SAMCOR employees;
- ensuring, as far as it is possible to do so, the Government carries no residual responsibility for or liability from its prior ownership of the assets and business;
- ensuring a viable pro-competitive ownership structure for the business post-sale;
- maintenance of good relations with existing suppliers and customers; and
- achieving a timely sale.

Government has paid particular attention to the plight of SAMCOR's employees in the sale and is endeavouring to secure ongoing employment for as many employees as possible. Communication and negotiations with unions and employees has been ongoing. Government is proposing to offer a generous above-Award and above-industry standards redundancy package to apply to employees who do not receive job offers. Details of this package are still being finalised.

The Bill enables the Treasurer by agreement with a purchaser to sell the assets and undertaking of SAMCOR and, if necessary, to lease all or part of its land, buildings, fixtures and plant to a purchaser or other party.

In order to avoid continuing financial losses, the Treasurer is given power to close down the abattoirs if that is the only option available.

Small parts of the Gepps Cross land not required for the business are leased out to various bodies in general for purposes unassociated with the conduct of the abattoirs. Subject to their accommodation in the sale of the abattoirs, it is proposed that these parcels be divided from the main parcel and leases in respect of them continue with the bodies concerned or a separate sale of the subdivided parcels effected. Subclauses 14(2) and 14(3) have been included in the Bill to facilitate these lease arrangements.

Once the abattoirs is sold, there will be no need for SAMCOR to be managed by a board. It is proposed that at that stage SAMCOR will convert to a corporation constituted of the responsible Minister who will take over the conduct of the winding up and dissolution of the corporation.

I commend the Bill to Honourable Members.

PART 1

PRELIMINARY

Clause 1: Short title

Clause 2: Commencement

Clause 3: Interpretation

Clause 4: Territorial application of this Act

This clause applies the Bill outside the State to the full extent of the extra-territorial legislative power of the State.

PART 2

SALE OF ASSETS

Clause 5: Sale of assets

This central clause authorises the Treasurer to enter into an agreement for the sale of assets of the SA Meat Corporation. The clause

provides that any balance from the net proceeds of the sale, after discharging or recouping outstanding liabilities of the Corporation, must be used for retiring State debt.

Clause 6: Lease of land

This clause enables the Treasurer to lease Corporation land on behalf of the Corporation.

Clause 7: Transferred instruments

This clause allows the sale agreement to provide for the modification of instruments to enable the purchaser to succeed to rights and liabilities as a consequence of the sale.

Clause 8: Registering authorities to note transfer

This clause allows the Treasurer to require a registering authority to make relevant entries relating to a sale agreement.

PART 3

PREPARATION OF ASSETS FOR SALE

Clause 9: Preparation of assets for sale

This clause authorises relevant persons to prepare for the sale including by making relevant information available and providing assistance to prospective purchasers authorised by the Treasurer.

Clause 10: Authority to disclose and use information

This clause provides protection to matters involved in that process.

Clause 11: Evidence

This evidentiary provision allows matters relevant to preparation for a sale to be certified by the Treasurer.

PART 4

MISCELLANEOUS

Clause 12: Effect of things done, authorised or allowed under this Act

This clause protects the parties to a sale agreement from adverse consequences through entering the agreement and prevents a sale agreement from having unintended consequences.

Clause 13: Closure of Gepps Cross abattoirs

This clause enables the Treasurer to close the abattoirs to avoid continuing financial losses and provides for the winding up of the affairs of the abattoirs.

Clause 14: Interaction between this Act and other Acts

This clause provides that the *Land and Business (Sale and Conveyancing) Act 1994* and Part 4 of the *Development Act 1993* (and consequently the requirement for a Part 4 certificate under section 223ld of the *Real Property Act 1886*) do not apply to a sale.

Clause 15: Accounts and audit—95/96 financial year

This clause requires the current members of the Corporation to prepare accounts for 1995-1996 and to have the accounts audited.

Clause 16: Regulations

This clause provides general regulation making power.

SCHEDULE

Consequential Amendments to South Australian

Meat Corporation Act 1936

The schedule amends the current Act, including by providing that the Corporation is constituted of the Minister and allowing the Corporation to be dissolved by proclamation.

The Hon. R.R. ROBERTS secured the adjournment of the debate.