



Speech by

Mrs J. SHELDON

MEMBER FOR CALOUNDRA

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SUNCORP/METWAY/QIDC MERGER

Mrs SHELDON (Caloundra—LP) (11.30 a.m.): As a Courier-Mail headline of Saturday, 5 September stated, the announcement by the Labor Government, namely Treasurer David Hamill and Premier Peter Beattie, constitutes a major Labor backflip. I suppose that Queenslanders will not be surprised at that, as the Premier is widely known as "Backflip" Beattie.

When in Government, Premier Rob Borbidge and I as Treasurer achieved the merging of Suncorp, Metway and the QIDC and the subsequent sell down to 15% of the entity. Mr Beattie and Mr Hamill expressed what was obviously mock shock and horror, and accused the coalition Government of selling off the family's—in this case Queensland's—silver. The plan as stated by Mr Borbidge and me was to create a major allfinanz institution in Queensland, because we did not have one, to fend off what was a hostile takeover of Metway Bank by St George, which would have shifted yet another Queensland bank headquarters to Sydney; to use the merged vehicle to sell a majority Government ownership in this new financial institution down to 15%; to ensure through legislation that this new allfinanz institution was headquartered in Queensland; and to ensure that Queensland mums and dads and existing policyholders had first option at buying the Government share. The whole plan was pivotal on the Government holding a 10% to 15% investment after the sell down to fend off takeovers by larger predators that would effectively shift the new finance company south or overseas.

In a desperate effort to fund its election promises, this hypocritical Labor Government is now selling out the people of Queensland to try to save itself. It is selling out Queenslanders in two ways: firstly, by virtually guaranteeing that, with no blocking shareholding being held by the Government, this attractive company will be swallowed up by a larger southern or foreign predator; secondly, it is depleting its own income stream by not reinvesting the nearly \$1 billion required to guarantee its income stream that it would have had from tax equivalents and dividends paid by the two Government corporations, that is, Suncorp and QIDC.

This may help the Government in the short term, but it will not prevent financial chaos in the long run because it is a fact that Queensland and, therefore, its Government is asset rich but revenue poor. Thanks to the financial management of the previous coalition Government, Queensland has \$54 billion of assets over liabilities but, because it is the low-tax State, its recurrent revenue stream struggles to keep pace with a growing population and a growing State. Hence the vital necessity to maintain the recurrent revenue that would have come from the Government corporations. David Hamill knows that if the State does not invest reasonably from assets sold, then it will eventually go broke. Of course, that is the history of previous State and Federal Labor Governments down south. It is a case of current political expediency versus prudent financial planning for the future.

Under the Labor plan, Queensland will indeed be "Bountiful One Day, Empty the Next", as the Australian Financial Review of 9 September stated. On 8 September Mr Beattie erroneously and it would seem deliberately misled Queenslanders when, on ABC Radio, he stated—

"The future of Suncorp/Metway is to go off shore, then the blame lies very clearly with the Borbidge/Sheldon government. Now I don't believe that will happen, but that's up to the market."

Mr Beattie knows that the only way that Suncorp-Metway can go offshore is if he does a complete backflip and sells down fully the Government holding. It is common knowledge amongst all financial

investors that a holding of between 10% and 15% by one shareholder is a blocking holding against takeover, as the rule still applies that in any takeover of a bank the would-be raider must have a clear 90% holding.

A headline in the Australian Financial Review of 8 September states, "Suncorp Metway opens its doors to a \$4 billion takeover bid". In that article a financial analyst states, "If it is a complete sell out, clearly it puts Suncorp-Metway into play." The Sydney Morning Herald of Monday, 7 September ran the headline, "Queensland Government to quit Suncorp". The article states—

"The Queensland government will sell out of Suncorp Metway, the \$20 billion Brisbane based group it created to keep a major financial institution in this State leaving it a vulnerable takeover target."

It further states—

"Institutional investors said the Government's exit would leave the group, which has assets of \$20 billion, vulnerable to a takeover by predators such as Westpac Banking Corporation and St George Bank. It is attractive because of its monopoly of the Queensland services market. Arthur Andersen, Corporate Finance, is determining the price at which the shares would be offered to the public. They are expected to be at a discount to ensure the large parcel is offloaded successfully in the event of continuing share market volatility."

Lately we have been facing a very volatile market which, if one follows the trend, has been moving up and down like a yoyo. With the Asian crisis continuing to loom, this is surely not a good time to off-load a major Government asset. However, this does not seem to worry the Premier or the Treasurer, although I am sure that it worries the people of Queensland who own the asset.

The Macquarie Equities Limited daily report of 8 September discusses the impact of a full Government sell down. It states—

"In the light of this MEL estimate the probability of a takeover during 1999 at 75% with Westpac Banking Corporation the most likely acquirer. The acquisition of the Suncorp Metway would be a logical extension to WBC's strategy of buying strong regional brands giving WBC a 34% market share in Queensland."

Finally, the Courier-Mail headline of Monday, 14 September 1998, states "Suncorp exposed to \$4b takeover". That article throws into doubt how much money the Government would get for its remaining shares. It states—

"Treasurer David Hamill is understood to be considering another issue of exchanging instalment notes under which the government would retain the voting rights until they converted into shares in 2001. However the Government could find itself under intense pressure to support an attractively priced bid in the interests of all shareholders, unless the voting rights automatically reverted to noteholders in the event of an offer."

This very seriously throws into question how much money the Government will finally get for fully selling down. The Government may say that it is going to hold the voting rights of the instalment notes until they are converted into shares in 2001. However, in order to make those offerings attractive to shareholders, it may well be that shareholders will want voting rights. That shows how ill planned the Government's whole idea is.

When in Government, the coalition devised what was at the time a fairly bold but very necessary plan to sell down to 15% the Government shareholding in Suncorp, Metway and the QIDC, and we looked at the economic benefit that the bank merger would bring to our State. It was a problem that there was no major financial institution in the State. We offered a broad range of financial services from a Queensland institution that would be better placed to meet the needs of businesses and households. The increased capital of the new bank allowed it to offer much larger loans. For example, the Reserve Bank's large exposure limits effectively restrict lending to any one company or individual to up to 10% of the capital base of the bank. At that time, Metway's capital of around \$460m meant that it could not lend more than \$46m to any one customer. Obviously, that was clearly inadequate for medium-sized banks and larger businesses.

Time expired.
