



RIKSREVISIONEN
The Swedish National Audit Office

RiR 2010:2 Summary

The Swedish Government's sale of the Vasakronan
property company

Summary

The Swedish Government decided on 3 July 2008 to dispose its shares in Civitas Holding, a company which owned all of the shares in the Vasakronan property company. The shares in Civitas Holding were sold to AP Fastigheter for SEK 41.1 billion, including the buyer's take-over of net liabilities and other commitments amounting to SEK 16.5 billion.

Selling a company, in whole or in part, is an extensive project. According to Report 2006/07:NU16 of the Committee on Industry and Trade of the Riksdag (parliament), the Government must comply with the Budget Act during the sale process and should not take account of any non-commercial factors when implementing such sales. There is a limited extent of legislation specifying how company sales should be carried out. The sale process may be adapted to the specific company and its conditions, to the wishes and conditions of the sellers, and to any other relevant conditions in the market.

Riksrevisionen (the Swedish National Audit Office, SNAO) has carried out an audit of the sale of Vasakronan. When drawing up more specific assessment criteria for its audit, the SNAO attempted to identify the quality requirements that should be met in a sale process to ensure that the highest possible price and other conditions are obtained. This operationalisation of 'commercial grounds', often referred to as 'best practice', has been made with the assistance of market experts and on the basis of experience from comparable sales. It should be noted that, as assessment criteria, best practices are subordinate to legal rules and parliamentary decisions.

Scope of the audit

The audit should answer the following overall questions:

- Did the Government implement the sale of Vasakronan in accordance with the applicable legislation, the relevant Riksdag decisions and best practice for the sale in question?
- Has the Government reported to the Riksdag on the implementation of the sale in a satisfactory manner?

Conclusions

Audit Question 1: Did the Government implement the sale of Vasakronan in accordance with the applicable legislation, the relevant Riksdag decisions and best practice for the sale in question?

The audit shows that the sale of Vasakronan was implemented in accordance with the applicable legislation, the relevant Riksdag decisions and, in several respects, what can be characterised as best practices for the sale in question.

However, the audit also shows that the preparatory phase could have been implemented in a more efficient manner. The fundamental preparatory work, such as the establishment of a project team, the initial analysis of the company and its market, and the hiring of advisors, could in the SNAO's opinion have been initiated and carried out earlier. The SNAO finds that this would have made it easier to adapt the sale to the current market conditions. There were delays in the joint preparation at the Government Offices (ministries collectively) of matters relating to the removal of certain culturally important properties from Vasakronan. The lack of clarity in this removal process created uncertainty and made it more difficult for bidders to calculate their bid on the company.

It is reasonable that the sale of Vasakronan was implemented during the first six months of 2008. However, if the preparatory work had begun earlier and the joint work at the Government Offices on the removal of the culturally important properties had been carried out faster, the sale could have been implemented earlier and thus in slightly more favourable economic conditions. Given the large sums of money involved, a small impact on a bid amounts to quite large sums in absolute terms.

Audit Question 2: Has the Government reported to the Riksdag on the implementation of the sale in a satisfactory manner?

In its Budget Bill for 2009, the Government provided a good description of the sale of Vasakronan. In addition to a presentation of the course of events, the Government also specified the amount that would be used to repay some of the central-government debt. In the Budget Bill for 2010, the Government reported total advisory costs in relation to the sale.

Comparison with previous company sales by the Government

The Government has reinforced its skills in terms of practical experience of transactions by recruiting additional people with relevant skills in the field of company sales. At the time of the sale, however, those people were few in number. As a result, the organisation and the sale process became dependent on a small number of individuals, who from time to time were overburdened with work.

The Government Offices have evaluated the implementation of the sale. However, future evaluations should focus more on identifying opportunities for further improvement.

The Government Offices' case file contains extensive documentation of the sale. The file is systematically organised and provides a good overview of how the matter was handled.

The Government's presentation to the Riksdag is better for this sale than it was for its previous sales of Vin & Sprit, a producer and distributor of alcoholic beverages, and of 8 per cent of the shares in Telia Sonera, a telecoms operator.

Recommendations

Against the background of its observations and conclusions in relation to the Government's sale of Vasakronan, the SNAO makes the following recommendations:

- Ahead of future sales, the Government should draw up quality criteria for the sale process on the basis of previous experience from comparable sales;
- In the context of future sales, the Government should initiate and carry out the fundamental preparatory work at an early stage of the process, to make it possible to adapt to changes in market conditions;
- In conjunction with future sales, the Government should make it clear at an early stage exactly what is going to be sold, to make it easier for potential buyers to submit bids.