

DEPARTMENT OF FINANCE AND DEREGULATION

SENATE

FINANCE AND PUBLIC ADMINISTRATION LEGISLATION COMMITTEE

QUESTION ON NOTICE

Senator Richard Di Natale asked Mr Alan Greenslade, First Assistant Secretary, Department of Finance and Deregulation, on notice, ‘there currently is the capacity within the act to outline the list of exclusions—and, in fact, there already is one around Telstra. Is that correct?’

The Department of Finance and Deregulation

The *Future Fund Act 2006* (the Future Fund Act) was established with the intent that the Board makes its investment decisions at arm’s length from the Government. To further strengthen the Board’s independence, the Government introduced section 18A, which prevents responsible Ministers from giving directions that require the Board to invest in particular assets, businesses or activities.

The restrictions on the Future Fund’s Telstra shares are not an exclusion to the holding of Telstra shares.

The Government transferred \$9.21 billion worth of Telstra shares to the Future Fund in 2007 and 2008. In the T3 Prospectus the then Minister for Finance and Administration, the Hon Senator Nick Minchin, stated that:

“It is the Australian Government’s intention that the Future Fund will manage its Telstra shareholding at arm’s length from Government and, after an escrow period of two years, will be required to sell down the shares over time and reinvest the proceeds. In accordance with this policy, the Government does not intend to direct the voting of Telstra shares held by the Future Fund. In this way, the Australian Government will resolve its conflict of interest as both regulator and majority shareholder of Telstra”.

Accordingly, the investment mandate restricted the Future Fund from directly acquiring additional shares in Telstra but did not require the Future Fund to dispose of all of its Telstra shares. The Future Fund’s Annual Report for 2010-11 shows that, at the completion of its strategy for rebalancing the portfolio and reducing its holding in Telstra, it held 100 million shares in Telstra.