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Official Committee Hansard

JOINT COMMITTEE ON CORPORATIONS AND
SECURITIES

Reference: Matters arising from the Company Law Review Act 1998

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JOINT COMMITTEE ON CORPORATIONS AND SECURITIES

Wednesday, 17 February 1999

Members: Senator Chapman (*Chair*), Senators Conroy, Cooney, Gibson and Murray and Ms Bishop, Mr Cameron, Mr Rudd, Mr Sercombe and Dr Southcott

Senators and members in attendance: Senators Chapman, Conroy, Cooney and Gibson and Ms Bishop, Mr Rudd and Mr Sercombe

Terms of reference for the inquiry:

To examine whether:

- directors of a listed company should be elected by a proportional voting system;
- companies should be required by the Corporations Law to report on compliance with environmental regulation;
- listed companies should disclose information, which is disclosed to, or required by, foreign exchanges;
- companies should be obliged to report any proceedings instituted against the company for any material breach by the company of the Corporations Law, or trade practices law, and, if so, a summary of the alleged breach and the company's positions in relation to it;
- an application to register a proprietary company should include a copy of its constitution;*
- listed companies must give at least 28 days notice of a general meeting;
- listed companies should be required to disclose more information relating to proxy votes;
- whether listed companies should be required by law to establish a corporate governance board and an audit committee;
- whether the directors and executive officers of a company should be obliged to report to the auditor any suspicion they might have about any fraud or improper conduct involving the company;
- whether a director of a listed company should have the power to call a meeting of members;
- whether listed companies must specify a place, fax number and electronic address for the purpose of receiving proxy appointments;
- whether listed companies' annual reports should include:
 - (a) discussion of broad policy for determining the nature and amount of emoluments of board members and senior executives of the company; discussion of the relationship between such policy and the company's performance; and
 - (b) details of the nature and amount of each of the emolument of each director and each of the five named officers of the company receiving the highest emolument.

*This includes consideration of the proposed amendment to Part 2A.2, Section 117 (2)(k) of the

Law "Applying for registration" namely, that:

(ka)for a company limited by shares or an unlimited company, a statement that the written agreement referred to in subparagraph (k)(i)

- i. includes a summary of the rights and conditions attaching to the shares agreed to be taken up;*
- ii. sets out the total number of persons who have consented to be members and the information referred to in subparagraphs (k)(i) and (k)(ii);*
- iii. contains a statement that, if a constitution has not been adopted, the Replaceable Rules will apply and that they create a contract between the members the terms of which may alter if the Replaceable Rules change after the company is registered.*

WITNESSES

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Committee met at 4.08 p.m.

FISHER, Mr Neil Bray, Executive Director, Grains Council of Australia

CHAIR—I declare open this meeting of the parliamentary Joint Committee on Corporations and Securities and welcome all the witnesses who will be appearing here this afternoon and early evening. The purpose of this hearing is to take evidence on certain matters arising from the Company Law Review Act 1998. This is the first public hearing on the inquiry.

The committee has received 80 written submissions which it will consider, along with evidence it receives today and at future public hearings, in preparing its report. The committee prefers to conduct its hearings in public. However, if there are any matters which witnesses wish to discuss with the committee in camera, we will consider any such request.

This hearing is being held while the Senate is sitting so some committee members may have to leave the hearing from time to time to vote in the Senate chamber. I hope this will not unduly disrupt proceedings.

To commence, I welcome Mr Neil Fisher from the Grains Council of Australia. We have before us the written submission from the Grains Council. Are there any corrections or alterations that need to be made to the submission?

Mr Fisher—Yes, Mr Chairman. Members of the committee will appreciate that this submission was made in August 1998 and it is now February 1999. Since that time there have been some changes and a number of the issues that we raised in our original submission have been resolved. In particular, I refer to our recommendation No. 1, recommendation No. 2, and recommendation No. 3.

As late as last week the Grains Council of Australia received a revised constitution for AWB Ltd and its subsidiary companies. The final draft of that constitution does allow for the mechanisms that we requested in our submission for an appropriate proportional voting system commensurate with shareholders commercial interests. It also allows for appropriate proportional voting systems on a regional basis, and our reading of the constitution at the moment is that it also allows for appropriate shareholder empowerment mechanisms on a regional basis.

The only issue that we believe remains unresolved is recommendation No. 4 where the GCA seeks the support of this committee to either introduce an amendment to the Company Law Review Act 1998 to allow companies to make application to the Australian Securities Commission to seek an exemption from the irreplaceable 'rule,' or, alternatively, allow AWB Ltd to seek an exemption through the Australian Securities Commission from the Company Law Review Act 1998.

CHAIR—Do you wish to make an opening statement to the committee, having now made those amendments to the original submission?

Mr Fisher—Thank you, Mr Chairman. I think I should. Obviously, the Grains Council of Australia appreciates the thrust of the act, and that is to ensure that there is one common

reference point for company law. However, the grains industry believes that we are slightly different from all of the companies which will now be treated under the Company Law Review Act because, as you are probably aware, the new company AWB Ltd is a transfer from an old statutory authority into a new private company. Growers have had a two per cent compulsory levy deducted from their proceeds since 1989 and the government, supported by the opposition, made a decision that those deductions would be compulsorily transferred into shares and growers would have those shares allotted to them.

The debate about the AWB restructure has been very emotive and very passionate on a regional basis and on an individual basis. We believe that there is a strong case in the interim to allow the AWB to be treated slightly differently from normal companies, given the history of the AWB and its transfer from, as I said, a statutory authority which started in 1949—over 50 years ago—to where it is today.

In particular, grain growers will be shareholders. There are approximately 40,000 to 50,000 grain growers out there who are on individual properties and they are a very disaggregated and dispersed group of shareholders. We believe it is important that there be mechanisms allowed under the constitution of AWB Ltd to empower those shareholders to give them a sense of ownership and also a sense of duty to their new company.

Currently, the determination by the government is that the constitutions of AWB Ltd should reflect the Company Law Review Act 1998, and we believe that that is not consistent with empowering our shareholders.

CHAIR—Did this come out of the New South Wales Farmers Association proposition?

Mr Fisher—I suppose its genesis was in a proposal by the New South Wales Farmers Association to have what they determine a reserve proxy scheme. The reserve proxy scheme was not endorsed by the Grains Council but what we said we would do was see if there was a mechanism where we could empower our shareholders. One of the mechanisms that we believe is appropriate for the AWB is that there be a limit on the number of open proxies that directors can hold for the election of directors.

We have proposed that directors be allowed to hold only five open proxies for the election of directors. We have no view on how many closed proxies they hold—that does not interest us—but because of our disparate shareholding we believe that the worst thing that could happen to AWB, as it launches into its private life, would be for a group of shareholders to travel to an AGM in order to elect their directors to their new AWB, only to find that the current directors were holding open proxies and that they had the capacity to outvote the growers who had actually made the effort to attend the AGM.

CHAIR—Could you explain to the committee how it is that your first three recommendations seem to have been dealt with but this one remains outstanding.

Mr Fisher—The constitution which we received last week, and which I will have to table as an addendum, is currently drafted in such a way that growers, or A-class shareholders, can receive shares according to their production—the more grain you put through the AWB, the more shares you receive. It also allows for A-class shareholders to

elect more directors according to their production. So, for example, Western Australia and New South Wales, the two largest producing states, can elect more directors to AWB than, for example, Tasmania or Victoria. As well, it allows for regional elections. At the time when our original submission was drafted, back in August, we thought we would be in contravention of the Company Law Review Act, but apparently there is a mechanism that has now been found to overcome those concerns.

CHAIR—Do A-class shareholders have to remain grain growers?

Mr Fisher—A-class shareholders have to be wheat growers. There is a definition in here of what a wheat grower is. If they cease to be wheat growers—for a combination of reasons, one of which is death—the A-class shares are redeemed by AWB Ltd and issued to other growers.

Senator GIBSON—When a farm is sold, what happens?

Mr Fisher—At the moment, an A-class share stays with the nominated grower and that is also redeemed. But a son or someone under another arrangement can apply to take that share if the transfer of the property goes to the next generation.

CHAIR—So it does not automatically transfer to the son taking over the farm?

Mr Fisher—No.

Senator COONEY—You had four problems and on three you are now satisfied on legal advice. Are you happy with that legal advice?

Mr Fisher—We are happy with the constitution.

Senator COONEY—What I am getting at is this: you want us to do one thing and that is all you want now?

Mr Fisher—Yes.

Senator COONEY—What I would hate to happen is for you to suddenly say, ‘Oh gee, I should have asked for a couple of other things.’

Mr Fisher—Unlike farmer organisations, I am not going to ask for everything. At this stage, we are happy with points 1, 2 and 3. Point 4 is an issue. I would like to quote from correspondence from the Minister for Agriculture, Fisheries and Forests to our president, on 15 December:

Corporations Law and restrictions on proxies

The policy which was previously agreed with the GCA—

that is the Grains Council of Australia—

that only an "Authorised Representative" (ie an approved grower representative body such as the GCA) can hold more than 5 open proxies; and that only directed proxies can be exercised in the election of directors, was decided before the recent amendments to Corporations Law on this issue were enacted.

As I indicated at our meeting, my view is that the proxy voting provisions in the constitution of AWB Ltd should reflect the current provisions in Corporations Law. The Government would in general be opposed to measures which exempt particular Corporations Law entities from the structures and obligations imposed by that Law. Furthermore, I believe adopting the proxy provisions in the Corporations Law would provide AWB shareholders with increased freedom to exercise their voting rights.

That is the issue that we are at odds with. We believe that, because of our disparate and very dispersed shareholding—right across Australia—there should be a mechanism in the constitution so that, for example, a grower could have a form and he could vote for an amendment, he could vote against it or he could tick another box to authorise his GCA state affiliate to exercise his vote. The minister has rejected that because it contradicts the Corporations Law. Similarly, he will not allow us to have restrictions on open proxies for directors.

CHAIR—What is the 'irreplaceable law' that you are referring to? I cannot find that spelt out in your submission.

Mr Fisher—We did not have the benefit of this but I will just check. I think it is replaceable rule 2b.4, on page 43, but you should not take my advice on that issue as being that of a lawyer.

Senator COONEY—The submission you are putting is clearly from your organisation. Are the various shareholders and potential ones all in agreement with this? You have got backup from the industry?

Mr Fisher—The Grains Council's policy position is that we should have a mechanism in place, either an amendment to the act or the ability for the AWB Ltd to apply to the Securities Commission to have a waiver on this issue. That is the Grains Council's position. It is not the position of the government; it is not the position of AWB Ltd.

Senator COONEY—But it is the position of your members?

Mr Fisher—Yes.

Senator COONEY—I do not suppose you have formally gone around and asked them. What evidence can you give the committee that the membership is behind this, as distinct from other positions that are taken?

Mr Fisher—The GCA state affiliates are in all the mainland states—the Western Australian Farmers Federation, the South Australian Farmers Federation, the Victorian Farmers Federation, the New South Wales farmers and the Queensland grain growers. This issue has been endorsed by those state farmer organisations, and it is now GCA policy.

Obviously, the state farmer organisations have different representation amongst the growers within each state. Some have a membership of 80 to 90 per cent of active grain

growers, some have a membership of 30 to 40 per cent. But we believe that the majority of grain growers across Australia support this proposal.

Could I draw your attention to the fact that we made a submission to the Senate Rural and Regional Affairs and Transport Legislation Committee, inquiring into the wheat marketing legislation, and we gained the committee's support for our proposal. That is on page 9 of our original submission.

Senator COONEY—The committee supported it—the all-powerful committee?

Mr Fisher—Yes.

Senator COONEY—You say you have got the industry support, you have got the recommendation from the Senate committee and you have discussed this at the organisational level?

Mr Fisher—Yes.

Senator COONEY—And what you have come up with has got their—

Mr Fisher—There are a couple of powerful people who do not support us. One is the minister, the second is the Treasurer and the third is AWB Ltd. They are fairly powerful forces lined up against us.

CHAIR—What is the AWB reasoning for not supporting you?

Mr Fisher—The AWB believe that the best argument for the new company, in convincing the capital markets and potential shareholders, is that AWB should mirror normal companies elsewhere. That is their argument.

We have supported them in the majority of cases. We too want our company to be a normal company, but we need grower ownership and grower control. We are very concerned about our shareholders and their capacity to influence the company. We believe, or our members believe, that they have been to too many annual general meetings where, as I said, in regional Australia you have travelled a long way to go to an AGM; you have a particular issue in relation to an election of a director, for example; and the sitting directors are holding all open proxies because either it has been too difficult for our members to get to the meeting or there is no mechanism to empower them through the state farmer organisations.

Senator COONEY—Your call is for power to the shareholders who are the owners of the company?

Mr Fisher—Yes.

Senator COONEY—Do the minister and the Treasurer say much the same sort of thing as the company?

Mr Fisher—What I read out before was the minister's correspondence. Since then, we have raised the issue again. On 2 February, the minister wrote:

Proxies

I understand that this issue has again been raised by some GCA State bodies and that a legal interpretation of the relevant Corporations Law provisions has been obtained. I do not consider it would be productive to enter into a legal argument on this matter but rather I believe that the intent of the Corporations Law should prevail. Therefore, I would not support any proposal that attempted to circumvent the Government's policy position, by limiting the proxy voting rights conferred on AWB Ltd shareholders by Corporations Law.

CHAIR—At the moment your M&As are as on page 9 of your submission. Is that correct?

Mr Fisher—At the moment our M&As reflect normal Corporations Law; that is, directors can hold either open or closed proxies.

CHAIR—So you want to be exempted from the Corporations Law and then change the articles?

Mr Fisher—I am not sure what the best mechanism is—either to allow the AWB to seek an exemption or an amendment to the act.

CHAIR—With the intent of changing the articles?

Mr Fisher—With the intent of allowing restrictions on open proxies for the election of directors, and also to allow individual shareholders to empower their state farmer organisations to exercise their proxy vote. We understand that the grower would have to make a conscious decision to do that, so there would be no default mechanism. The grower would have to actually tick a box or fill in a form to empower the state farmer organisations. But we believe that is a mechanism by which our shareholders would believe that they would actually have some say in the running of their company.

Senator COONEY—Is there any other farming group, for example, that you know of that is in the same sort of position as you? I ask that for two reasons. One is whether we can say, 'Look, here we are: Mr Fisher has a situation that needs to be answered not only in his own case but in other cases as well. But it is only a limited thing.' The second problem that I suppose any government would have would be, 'Look, if we make this exception, this will set a precedent that brings the whole show down.' That is overdramatising, but I put it that way just to illustrate the point. What do you say about those two issues?

Mr Fisher—I would not like to speak for any other industry. I will restrict my comments to the grains industry. We are moving from statutory marketing arrangements to privatised companies and the AWB is the first cab off the rank. We believe it is essential that we get the parameters right for further privatisations which will occur on a state by state basis. We understand the thrust of the legislation and we support the thrust of the legislation but we believe—given the AWB has been in place since 1949, that growers have had compulsory deductions from their gross proceeds since 1989 and that their compulsory

deductions are being compulsorily transferred to shares—that it is essential that, at least in the formative years, growers feel some ownership and control of a new, privatised company.

We understand that we could be creating a precedent but, if we do not empower growers with the AWB, we could run into similar problems with the privatisation of the state grain marketing boards, and those sorts of companies as well, where growers all of a sudden do not lose control of their company but feel disillusioned and disempowered and that they no longer have an affinity with their company.

Senator GIBSON—What if nothing happens? Your fourth recommendation implies that the company has to put a lot more effort into communicating with its shareholders—am I right?—in basically getting more involvement from them. The onus is back on the company then.

Mr Fisher—As the Grains Council, we will be encouraging AWB Ltd to be as close to its shareholders as possible, and we understand that. We are not convinced at this stage, regardless of the best efforts of the AWB, that they will address this issue or will have a mechanism to address the issue by trying to get 60,000 grain growers to an annual general meeting.

Senator GIBSON—The other side of the coin is that, if the AWB is successful and builds value for shareholders, the shareholders themselves will take interest in some proportion of the way to the success of the company.

Mr Fisher—At the risk of shooting myself in the foot, I think that the more successful AWB Ltd is the less interested our growers will be. BHP went along quite nicely with not a lot of interest from shareholders until about four or five years ago.

Senator GIBSON—There is some truth in that.

CHAIR—So you are saying that when things are going badly it is more likely that they will be wanting to take an interest, rather than when things are going well?

Mr Fisher—Yes. What we believe is that, if this mechanism can be put in place, the onus is then back on the growers, the shareholders. We believe it is giving them an opportunity to say, ‘Yes, this is my company. I can exercise some control. I won’t be outvoted by directors that I have not had an opportunity to elect in other states,’ because we are going to elect them on a state basis ‘and, if I do attend an annual general meeting where there are elections for directors, I won’t have the incumbents holding 20,000 open proxies.’

Senator GIBSON—You mentioned the BHP example. I would have thought that the point you made earlier was that, if it were successful, the growers would be happy. In other words, if the company were successful and was building the value of the shares, I can understand that most growers would be quite relaxed about that—and while it continued, why shouldn’t they?

Mr Fisher—I said earlier, ‘at the risk of shooting myself in the foot’. I think that is probably the scenario that we would hope would occur, that the AWB would be a vibrant,

progressive, international marketing organisation that was value adding and returning returns not only to Australian grain growers but to the wider Australian community. I think there would be less concern from the shareholders if that were to occur. But it is a quantum leap for our growers to go from a statutory marketing organisation that has been in place for 50 years to a private company on 30 June. If you look at the demographics of grain growers and their average age, there is some real concern out there.

Senator GIBSON—May I suggest that for lots of companies it is not much different?

Mr Fisher—I am not sure I want to comment on that.

Senator GIBSON—That's all right.

Senator COONEY—I think I understand what you are saying. As I understand it, and correct me if I am wrong, what you are saying is that this is not like an ordinary company where you might get shareholders from all over the place—you could be a lawyer, you could be a plumber, you could be a tram driver or anybody who contributes. But in this case there is a unity of interest. There is one commodity and one activity that is joined together on that basis. It is not that you simply own a piece of this company and get to earn a return from it. You also want a direct say in it because it is going to control the very industry by which you make a livelihood. Is that the sort of point you are making?

Mr Fisher—Yes, that is exactly it. The other thing is that, in the first instance, both A- and B-class shareholders would be grain growers. Over time we would hope that institutional investors would believe that AWB Ltd was a good investment and that they would start investing in AWB Ltd. Institutional investors have the capacity to organise themselves to form alliances to exert influences over AGMs, whereas in the first few years you are still talking about individual growers being individual shareholders without those sorts of mechanisms in place to be empowered.

CHAIR—Is there any fear inherent in what you are seeking that over time the directors, by holding multiple proxies from A-class shareholders, would in fact tend to act more in the interests of the B-class shareholders than the A-class shareholders?

Mr Fisher—That is a fear expressed by some of our GCA state affiliates in that the preoccupation of some directors will be to return a commercial rate of return to the B-class shareholders, as distinct from the interests of marketing grain on behalf of grain growers. The Grain Council's view is that we would hope that grain growers would still be in the majority of B-class shareholders because they believe that, not only is it a very good vehicle for marketing grain; it is also a very good private company which is value adding, investing in downstream processing and making those sorts of returns to growers.

Ms JULIE BISHOP—You said earlier that, in the event of, say, the death of a shareholder, the shares are redeemed and then reallocated. How so? On what basis is that done?

Mr Fisher—You would have to excuse me while I find the appropriate clause. May I take that on notice and bring the information back to you?

Ms JULIE BISHOP—Yes. We have been talking about what will be envisaged over time and I am trying to envisage how, over time, this redemption and then reallocation may alter it.

Mr Fisher—It is in the constitution, but we only received these last week and I have not spent a lot of time reading them backwards and forwards. I will take that question on notice.

CHAIR—There being no further questions, thanks very much for appearing before the committee and for the evidence you have given. We will deliberate on the request and deal with it in our report.

Mr Fisher—Thank you for the opportunity.

[4.40 p.m.]

WALSHAW, Mr Timothy John (Private capacity)

CHAIR—Welcome. We have before us your submissions, which we have numbered 78 and 78(a). Are there any amendments or corrections you wish to make to the written submissions?

Mr Walshaw—No.

CHAIR—Do you wish to make an opening statement?

Mr Walshaw—Yes.

CHAIR—Please proceed.

Mr Walshaw—I would like to say first that I represent solely myself. I represent no organisation or preference group, and I have not been in contact with any organisation or group in compiling this submission. These ideas and statements are solely my own.

I am a consultant economist with about 15 years in the Public Service. Prior to that I was in stockbroking for about 12 years, both in Sydney and in London. When I was in Sydney I ran for a time the largest share options business in Australia, so I am giving an inside view as well as that of an economist.

I have always been concerned about the defects in what I call in my submission ‘corporate governance’. I have watched shareholders being swindled, perfectly legally, of their hard earned savings, through swindles based on devices leading directly from the way companies are run and controlled.

On one side, among the knowledgeable, the state of affairs has been regarded as the unchanging status quo from the year dot, about which nothing can or should be done. On the other hand, I have always been amazed at the trusting naivety of investors who continue to invest in a situation which is very far from what, in their ignorance, they suppose the situation to be. The present set-up is geared to deprive the small investor of the real value of their shares in normal circumstances, and all of it during the frequent games, the in-crowd play to transfer the company’s resources to themselves.

Members and senators, a lot of myths are published about investing, such as that the share owner owns part of the company and thus the value of the shares reflects that fraction of the value of the company. In reality, the share value is very much less by any measure, by assets or present value of future earnings. The next myth is that the law and regulating authorities look after the shareholders’ interest. In reality, the treatment of shareholders ranges from benign neglect to legalised robbery—and this is from the point of view of a long-established stockbroker.

It is a myth that the directors are there to look after the shareholders’ interests. The directors look after their own interests—or that of their master, the controlling shareholder—

never that of the small shareholder. It is also a myth that dividends are usually a fair proportion of profits. There is no connection between dividends and profits. Dividends are often paid when there are no profits; no dividends are paid when there are high profits.

I am sorry to sound so cynical. I am just uncovering what is reality, not the anodyne, gossip column, PR stories you get from the *Financial Review* or from your stockbroker. My fundamental message is that the present corporate structure reduces safety in investment, reduces shareholder profit, and reduces corporate efficiency, conduct and performance. Thank you.

CHAIR—Thank you very much for enlarging on your submission to us. Your principal concern is with the requirement in the act, as it was amended in the Senate, for environmental reporting to be included as one of the requirements for an annual report. I note that one of your objections to that is that you see other what might be described as fashionable issues also in time becoming reporting requirements.

Mr Walshaw—If you are talking about my opening letter, yes.

CHAIR—Would you care to enlarge on that?

Mr Walshaw—Any additional reporting requirement imposes an additional cost on the company which is required to report on that. It is a hindrance in many ways and a disincentive for overseas investors to invest in Australia if they are required to provide notification or report on a load of matters which are not really germane to the proper operations of a company. I am sure these environmental regulation matters are important to the people who have proposed them, but the requirement will open the door for other reporting requirements such as affirmative action, racial discrimination, occupational health and safety and numerous others which will become the fashion from time to time.

If these matters are of a concern to the regulators or the legislators, they should set up alternative means of enforcing these requirements. But if you impose an additional cost holus-bolus on all the companies in Australia to report on these matters then the additional cost is significant for each of those companies. But there is also a massive increase in what I must call deadweight loss in making these additional activities or complying with these additional reporting requirements. So in effect the cost of operating a company in Australia is increased significantly over the cost of operating a company in most countries you would like to mention, like the United States. Hong Kong, for example, is famous for its lack of regulation, but even countries which do impose reporting requirements and regulations on these companies do not impose such requirements as these. I think it is inappropriate to impose these requirements in this particular context. If it is a concern then there should be a separate and cheaper method of enforcing these requirements.

CHAIR—On the one hand it seems to me that you are, in that sense, arguing for a simplification of the Corporations Law, or those requirements for reporting—

Mr Walshaw—Yes, very much so.

CHAIR—But it seems you want to make much more complex other aspects of corporate governance.

Mr Walshaw—It is not necessarily that I want to make it more complex; I just want to change the basic rules on which the corporations are run.

If you go through the core of my submission, basically I said that the actual structure of the modern corporation has not changed at all in nearly 400 years. The origin of the modern corporation around the world is based on the old Dutch model. The original trading corporation was the old Dutch East India Company and related companies which operated from Amsterdam. When they set up their trading operations, they had a choice between partnerships or something that was to them a bit more up to date, and the only other model which was available was the model which was used to run the parishes of the old Dutch Reformed Church. And so they transferred the operational structure of the Dutch Reformed Church parish—because they were used to doing that—over to running a corporation. It has continued virtually unchanged ever since.

I think it is clear to most people that this form of corporate governance is highly inefficient and leads to massive distortions, and more than distortions but legalised robbery—I think that is the word I used in the report. For that reason I think the method of governing a corporation should be brought up to date according to what we understand about how a modern, efficient constitution for running any organisation should be. So I am just proposing what appears to be a small change but which will have major changes in the conduct and performance of corporations.

CHAIR—Do you think it is really practical for the shareholders to elect the chief executive officer of the company? Even as a very democratic country in our political system, we do not directly elect the Prime Minister. We elect what you might call a very large board, the parliament, who in turn effectively elect the Prime Minister.

Mr Walshaw—I would take Corporations Law reform in two stages. I would first get rid of the old Dutch Reformed Church structure. I would certainly introduce a situation where there is a postal vote for directors. I would retain the annual general meeting, but for the sole purpose of inquiring of directors of their conduct during the year, not for any elective purposes. There would be a massive improvement even if you had a first past the post election, as with the NRMA. In my opinion, the NRMA is vastly better run than any corporation in Australia, despite all the present ins and outs and controversies over it, because of its far more efficient structure.

If you go to the next stage and require some sort of proportional representational voting, you would gain a further improvement in efficiency, because then you would have the directors more directly reflecting the interests of the smaller groups of shareholders. Finally, if you have got that far and you have an efficient board, the final efficiency gain would be to separate the appointment of the CEO from that of being elected by the board of directors, because if a CEO is appointed by the directors then there is a certain common interest always between the CEO and the directors and so it is a very natural human tendency for the directors to cover up and to support the errors of the CEO in that case.

If the CEO was elected directly by the shareholders, there would occur what I would call a very useful dynamic tension between the CEO and the directors. In that respect, given the safeguards which I described in the report, I think there would be an improvement again in the way the corporations are run. This is not just a faddish recommendation. I think there are various stages to it. I would be quite happy just to get rid of the old Dutch Reformed Church structure and have postal elections for the directors. But, if you go each step further, you would get an improvement in the way corporations are run here in Australia.

CHAIR—Can you enlarge on your view that you believe that a 50 per cent shareholder gets the value of the net revenue stream of the company whereas minority shareholders only get the value of the net dividend stream?

Mr Walshaw—I am going to put my economist's hat on now. A lot of empirical work has been done over the years, of various quality, on how companies are valued, or how shares are valued. It is very difficult to actually say that a share is a present value of a dividend because, in relation to expected future dividends, you never know what is going to be in the future so you cannot actually without any argument say there is a direct relationship. But it is quite clear that the earnings are usually higher than the dividend payments for the company, and empirical work which has been done on this over the years—it is a very old-established and standard research effort—has shown that the shares do not reflect the present value of future earnings; they more generally reflect the present value of future dividend payments, which is a far lower figure.

If you go to the other extreme and you say you are a 100 per cent owner of that particular company, you do not need to pay yourself any dividends at all. The value of the shares in that company are, necessarily, the present value of the earnings stream. Because you own the company, in that particular case you and the company are the same. This is not the case for small shareholders, and this is one of the big fallacies which are going around among people who do not understand a lot of this stuff. If you have 50 per cent and control of a company, as you do under the present legal system, you have effectively the ownership of that company. It is virtually just the same—in practice, if not in law—as having 100 per cent, because you can vote your own directors onto the board and they obey your instructions and under very wide legal principles they can do virtually what they like. They can transfer the assets to anything or transfer the reserves to any other body. There are some limitations but there are very few limitations under the present legal system preventing a 50 per cent owner of the shares being virtually the same, in actual practice, as a 100 per cent owner of that company.

So a 50 per cent owner of that company in effect not only gets the present value of the revenue stream for the 50 per cent he owns, he gets the present value of the revenue stream for the other 50 per cent which he does not own, less the dividends which are paid to the shareholders for the other 50 per cent. So he does not get quite all of it, but he gets virtually all of it. This was what I was saying: as soon as you get your 50 per cent you become quite a different animal and the value of your investment in that company is vastly increased.

Senator COONEY—On the issue of reporting environmental conduct of the company, I suppose that may have its genesis in the concept of the good corporate citizen, that the company should be more than an economic instrument but also fit into the community with

obligations to it generally. Have you got any thoughts about that, or do you simply say, 'This is really a particular piece of machinery in the economic life of a nation, and such things as the environment and safety and other things you mentioned are matters quite separate from it. If you are going to do anything about it, have separate legislation.' Is that how you would put the case?

Mr Walshaw—My attitude in this is that there is a spectrum of priorities. Basically, the first aim of a corporation is to survive; not to make a profit, just to survive. If Australia was not such a wealthy country and life was desperate and people were starving on the street, such considerations as environmental reporting would be regarded by everybody everywhere in Australia as totally irrelevant. As we gain more wealth and we get more economic fat, we can afford to take on other considerations.

My concern about these particular regulations is what is called transaction costs. They may be very small costs but they have a very big effect on competitiveness of a company and whether investment will move into Australia. So the effect of these regulations, such as requiring them to report on racial discrimination, occupational health and safety and so on, would be to place these companies behind the competitiveness of companies operating in a similar environment abroad. The total effect would be, even if you do not like to face it, that the total amount of fat which we can spend on these worthy causes is reduced out of proportion to the gains which we think we would obtain by making these reporting requirements mandatory. Therefore, if you want these outcomes, you have to search for a way of doing it in the cheapest possible way, by the most efficient and the least costly method. I suppose I should have spent more time on this than the rest of the report but, if that is your major concern, I will say that if you impose costs on this part of the entire operating environment it will have a far worse effect than if you impose those costs elsewhere in the operating environment.

Senator COONEY—You have set out—very well, if I may say so—the concept of all shareholders voting through the postal ballot for the chief executive officer. In that sense, I think that is what happens under the Industrial Relations Act with unions: all members vote. That gives rise to two questions. Who would conduct the ballot? I think that under the Industrial Relations Act or the Workplace Relations Act—the one that used to be the Conciliation and Arbitration Act—the Electoral Commission does that. Who would you see as carrying that out and who would bear the cost of that postal ballot?

Mr Walshaw—I am sure all these very large and respectable accounting firms which themselves have got GDPs larger than those of certain countries would be more than willing to conduct these ballots. They do so in many cases anyway in other areas, so they do have an expertise in conducting ballots. I am sure they would be happy, for a price, to take on this extra task.

Senator COONEY—Is that the Electoral Commission? Who do you mean?

Mr Walshaw—No, the accounting firms: Arthur Andersen or Deloitte or—

Senator COONEY—What guarantee have you got of the ballot having integrity? I do not mean by that that people are necessarily going to corrupt the ballot, but again, especially

with a postal ballot, to ensure that the envelopes go to where they have got to go and they return as—

Mr Walshaw—The practical example I keep coming back to is the NRMA. I believe they use Cooper Bros to conduct their ballot. Nobody has ever questioned the outcomes or the way it is conducted, or the honesty of the ballot, so I cannot see any problem in this.

Senator COONEY—Do you know what the cost of that ballot was?

Mr Walshaw—I do not know. The NRMA conducts it every year and, as far as I can see, the cost is relatively minor. It is part of their ongoing costs. The outcome is that there is a vast improvement of the operational efficiency of the NRMA as compared with BHP, for example.

Senator COONEY—From what you say now and from what you said before, you think that is a direct result of the—

Mr Walshaw—Yes, that is right. The present day board of directors of most corporations are hardly elected at all; they are virtually self-appointed as an in group. I would not cast aspersions on any particular ones, but I run into quite a few and I have doubts about their general abilities. I think somebody elected for the NRMA board from Toowoomba is more able, in many ways, than these guys.

Senator COONEY—In that context, who gets how many votes? Have you got one shareholder, one vote?

Mr Walshaw—One shareholder, one vote, that is right. I would like to explain that modern social science says that the larger the number of votes, the more efficient the outcome, because you reduce the bias. If you have a biased election, you have an inefficient selection. So the more the people who vote in any particular election, the better the outcome by far.

Mr SERCOMBE—Unfortunately, I was called away. Mr Walshaw may have dealt with the City Code in the United Kingdom that he refers to in submission 78(a), but I would be quite interested in having some amplification of that. You make the point in your additional submission that you have seen companies totally stripped in a very short time, leaving the minority shareholders holding shares in a worthless company. I was wondering whether you could give us some case studies, some examples of what you have in mind there. I might know some, of my own knowledge, but it would be very helpful just to study what you are referring to so we can draw some conclusions.

Mr Walshaw—Bell is a notorious example.

Mr SERCOMBE—In somewhat different circumstances.

Mr Walshaw—Yes, but similar in that a particular person got control of a company and then did what they liked with the assets. What are the legal implications of Gazal Holdings, for example? It is a small company which was taken over and ripped up. It started off as a

textile and clothing manufacturer and was taken over by a group of persons; they took over 50 per cent of it. That is just an example off the top of my head, even though it is very small beer. They ripped a couple of million off the company and then spent it on some mining stocks. There was an investigation by the regulators, the ACCI—they keep changing their name—but it never came to anything. The money just disappeared by a circuitous route through various mining companies and nobody ever heard of any of it again. So that is an example of what is—

Mr SERCOMBE—But you are saying the UK regulatory regime, as distinct from the Australian regime, would have prevented those sorts of things from occurring. I am not quite sure of the connection.

Mr Walshaw—No, just the reverse: I am saying the regulatory regime in any environment is virtually useless. You have to set up the structure to prevent these events occurring in the first place.

In the case of the UK, what I am talking about in the so-called City Code is that, when you have a takeover, once the bidder has reached 50 per cent they are required by the stock exchange to acquire the other 50 per cent at the last bid price. This has been the situation in the UK for 20 years or something like that. It has made it very much more difficult for takeovers to occur and it has also generated far greater equity for the small shareholder. Once they are informed that the takeover has succeeded, then they have the right to cash in their shares and get the money at the last price which was paid for these shares. The situation I described previously, in Australia, where somebody gets 50 per cent of the shares and then just neglects the rest of the shareholders, whose shares can fall to zero and he is not the least bit concerned, is not the situation in the UK because he has to purchase 100 per cent.

Mr RUDD—Pardon me for missing your earlier comments; I was in the House of Representatives chamber. I am taken by your suggestions in relation to corporate democracy and the direct election model for CEOs—

Mr Walshaw—That was an add-on, really.

Mr RUDD—and the historical critiques you offer in terms of existing arrangements. I was not aware of the origins of corporate governance lying in the Dutch Reformed Church; I have learnt something. My questions are more practical and contemporary. Firstly, what is the empirical evidence in terms of that form of governance whereby you have direct election of a CEO by shareholders, by postal ballot, by proportional representation, in other jurisdictions. Secondly, what empirical data exists to suggest that there is in fact demonstrably better corporate performance as a result?

Mr Walshaw—First of all, I do not think that any country in the world actually has direct election of a CEO. As I said in my submission, I think every country in the world operates under the old Dutch Reformed Church system, and that has not changed one iota. From Japan to Argentina, that is the case. There is no direct empirical evidence of the effects of direct election of a CEO or what they are likely to be.

All I can argue is that, since a board of directors is very much smaller than 30—the magic number 30 which is required to produce an unbiased selection in the simplest case where you have two candidates—you would be more likely to get an inferior selection. The argument is: you have two candidates, and one is superior and black and the other one is inferior and white. If you have 100 people who have the interest of selecting the best candidate, they will select the most efficient. If you have 10 racists on a board of 15, they will select the white inferior candidate. That is a very simple explanation. In fact, it is usually the old mates act operating. They select somebody they know, somebody they are friendly with, who is not necessarily the best person for the job.

Mr RUDD—But that is constrained by their responsibility as directors to maximise returns to the shareholders. Those directors know that their derrieres are on the line if they do not perform.

Mr Walshaw—That is what it says in the law, but in actual practice their derrieres are never on the line. The shareholders, except for Mr 50 per cent, have very little control of the way the corporation is run, and virtually no say whatsoever. In fact, if you go up for an annual general shareholders meeting, you will find that, unless something serious has gone wrong on which there is some very tart questioning of the board, it is very difficult to punish a board for even major derelictions on their activities. They can reward themselves massive amounts, pay themselves major options, run the company down and give themselves pay rises—anything goes. The shareholders have very little control under those circumstances.

CHAIR—Do you have examples of where that has occurred?

Mr Walshaw—I could supply them certainly. If you would like, I could write in and supply them. I can just go back through the papers. What about BHP recently? Off the top of my head, was not the pay of the CEO of BHP increased just at the time it announced a major fall in profits? That was just two or three months ago. I can check up and let you know.

Senator GIBSON—Would you not say, Mr Walshaw, that in the BHP example the current directors have in fact been quite concerned about the performance of BHP and that they have been, it seems to me, first of all, showing signs of changing management and, secondly, showing signs of being very concerned about the direction in which the company has been going.

Mr Walshaw—Yes, I am sure they have been. I am sure they have been exhibiting all the right emotions. Basically, what I am saying is that, if there were a different method of corporate government, there would be even more concern because their jobs actually would be on the line. At the present time, regardless of the bad results of BHP, I do not think any BHP director has ever lost his job, or is ever likely to either. That is the current situation. Maybe they sacrificed the previous CEO.

Senator GIBSON—The chairman.

Mr Walshaw—Yes, the chairman.

CHAIR—Please excuse us, Mr Walshaw, there is a division in the Senate.

ACTING CHAIR (Mr Sercombe)—Are there any further questions?

Mr RUDD—I have looked at your example of the NRMA in your submission. You say:

Even mutual companies such as the NRMA are better governed, using a 19th Century system. They use postal votes (though first past the post). —

I presume you are talking here about the election of directors?

Mr Walshaw—Yes.

Mr RUDD—Your example continues:

If anyone doubts this statement, they need only to look at the vastly greater profitability of NRMA Insurance, causing such fear and loathing (and greed) in the competing insurance business.

Then you have a bit of a swipe at the AMP. I am always in the market for new ideas, but I am still in search of the empirical basis for all of this. In this country or in other jurisdictions, how would you go about establishing a correlation between the form of direct election of directors using postal on the one hand, if there is some precedent for that, albeit in a modified form—let us leave CEOs to one side, given that there is no precedence for that globally, as you indicated in answer to my earlier question—and improved corporate performance and bottom line on the other, while siphoning out all the other variables which would impact on a company's performance in a given year?

Mr Walshaw—I must admit that I have never seen any actual formal empirical work comparing the old form of corporate government with the corporate governance of organisations like the NRMA, the old AMP and various mutual funds. Normally speaking, from my knowledge of these things—I will not say all of them because there have been one or two disasters, and I think National Mutual is a good example of one which went down; though by then it was actually operated by shareholders—my impression from when I was a stockbroker, and since then, has been that mutual funds are better governed, even though you might claim they are less profit-oriented because they are not owned by the shareholders, than the companies owned by shareholders. I have reached this conclusion because I have judged that right at the top the corporate rulers, the directors, have been wrongly selected. I cannot think at the present time of any actual formal empirical work to show that. I could have a look around and let you know, if you like.

Mr RUDD—I think the other substantial recommendation you make is in relation to takeovers of 50 per cent and 100 per cent in contrast with practice in the United Kingdom. If you could provide the committee with a little more illustration of what happens in other jurisdictions on this question and, I suppose the practicalities of it, I would be grateful. For example, if you have got company X launching a hostile takeover bid on company Y, how would that translate itself out, as you have described practice in the city of London?

Mr Walshaw—You want more details of how the City Code operates?

Mr RUDD—Yes, on the specific question of takeovers. I would appreciate your comments.

Mr Walshaw—Okay, I will obtain more information on how the City Code operates.

Mr RUDD—Are you aware of other jurisdictions where you have a 100 per cent takeover requirement?

Mr Walshaw—No. Certainly in the United States they still have a 50 per cent takeover requirement.

Mr RUDD—Without wishing to trivialise your point, it is a bit like the problem you face with body corporates, looking at it in a microcosm, where you have got 28 unit-holders in a body corporate and the block of flats is falling apart but one person does not want to participate in the renovation project. Just looking at it on the level of basic practicality, I would think that the notion of 100 per cent acquisition would become problematic.

Mr Walshaw—If you are talking about, say, a 90 per cent takeover, in Britain I know there are always some bloody-minded shareholders who refuse to sell regardless. Under the City Code, which I believe is backed up by legislation, when the bidding companies actually manage to acquire 90 or 95 per cent they can compulsorily acquire the balance of the shares.

Mr RUDD—Compulsorily?

Mr Walshaw—Compulsorily, that is right. That is no major problem, it is a foregone conclusion. There are always laggards and people who will not sell under any circumstances, so that is part of the legislation just to facilitate the whole process.

ACTING CHAIR—In the UK, in terms of a partial takeover regime, what can you tell us about a company that is wishing to expand its holding in the target? Presumably, from what you are saying, provided it makes it clear at the outset, it can engage in a partial takeover of up to 49 per cent. Is that correct? How does the system there enable a scaling-back, for example, in terms of such a partial takeover? One would have thought that in many corporate situations the holding of 35 per cent would be effective control anyway, so some of the points that you make may come in at substantially less than the 50 per cent cut-off.

Mr Walshaw—Yes, I know there are certainly cases where companies have taken minority shareholdings in companies in Britain, maybe for this reason. I have been going through a lot of company reports. It was good that you raised that, because it is quite a noticeable situation in Britain that there are a number of groups in Britain which actually hold minority shares in their subsidiaries—they are regarded as subsidiaries by the accounting fraternity but in actual fact they own about 30-35 per cent of the total number of shares. A good example is a firm called Siebe, which took over recently a company whose name I do not recall. They purchased only about 30 or 35 per cent of the shares. I was wondering why they did not go for at least 50 per cent—

ACTING CHAIR—There might be fairly substantial liquidity reasons.

Mr Walshaw—Yes. Maybe they can control it from 30 per cent so they do not want to spend the rest of the money buying up to 100 per cent.

Ms JULIE BISHOP—I noted in your submission, which we have numbered 78A, you attached and made reference to the *Financial Review* article about the GIO shareholders. Whilst you disregarded the article to the extent that it concentrated on the fate of the small shareholders, there is a reference in that article to the move by BHP to improve the flow of company information to all shareholders. That has been commended, if you like, by the ASIC and the ASX. Have you any comment on that aspect of the BHP practice and the suggestion that there should be more of it?

Mr Walshaw—Fundamentally I have the attitude that a lot of the activities of the BHP board are very much in the nature of a public relations exercise, even getting rid of senior people on the board; they are replaced by somebody else as a consequence of a fall in shares. They say they are going to increase the flow of information. Maybe they will. If so, it will improve the situation to the extent of the value of the information provided. But it will not be a major cure for the current adverse situation in corporate governance. The more information they provide, the better things are, but it is in itself a bit of gloss on the situation. It will not actually cause a fundamental change in the way corporations, even BHP, are run.

Ms JULIE BISHOP—Would you suggest that this is a practice that others should adopt, that is, increasing the flow of information? BHP are suggesting that their flow of information includes transcripts of briefings and presentations to broking analysts and funds managers, and publishing that sort of information on their web site.

Mr Walshaw—Let me go back a bit historically. There is a massive amount of regulation embodied in legislation and requirements of the ASC for information. My attitude to this is that these requirements have been put in place to correct the present bad situation of adverse corporate governance. In other words, if you have a bad situation, throwing further regulations at it and trying to correct the present situation with more information is not going to fundamentally solve the problem. If you had a better situation of corporate governance, maybe you would not require all these lengthy and detailed regulations. Maybe you would not require all this additional information to find transcripts of committees, et cetera. I do not think it is necessary. If the corporations were properly run, you would not need to do all this. What they are trying to do is not a cure but just a side issue, an irrelevant attempt at improving the situation which will not improve it at all.

Ms JULIE BISHOP—It will give smaller investors, though, an opportunity to have access to the same information that the article suggests the large investors have and to act accordingly.

Mr Walshaw—What good will it do them? If the small shareholders have absolutely no power except selling their shares at a price which does not reflect the full value of their company, providing them with more information will only have a marginal effect on what I might call their corporate welfare. Any improvement is welcome, but it does not solve the central problem.

CHAIR—Thank you very much, Mr Walshaw, for your appearance before this committee today.

Mr Walshaw—I will provide the information on the City Code and try and find some additional information on the empirical evidence for Mr Rudd.

[5.35 p.m.]

LANG, Mr Warren, Deputy Executive Director, National Association of Forest Industries

CHAIR—Welcome.

Mr Lang—I would like to apologise for not having been here at the appointed hour.

CHAIR—That is okay. We have before us your submission, which we have numbered 50. Are there any amendments or alterations that you need to make to that?

Mr Lang—No.

CHAIR—Do you wish to make an opening statement?

Mr Lang—Very briefly, I would like to say that I was a little bit surprised to be invited to appear before the committee. I put my submission in, not because this is a burning issue for us, as the submission explains, but because I wanted to let the committee members know that although the requirement in the act is absolutely no skin off our nose it does perhaps have certain shortcomings that the committee and the government might usefully reflect on.

CHAIR—In effect, what you are saying is that the companies involved in your particular industry sector already exceed the requirement that has been put into the law, in terms of their environmental reporting but not in relation to annual report requirements. It has always been in relation to other factors.

Mr Lang—I think in general I would go so far as to say they do exceed the requirement in relation to annual reports. All the companies in my sector are very conscious of working in an environmentally or a politically sensitive area and, for the most part, have always taken great care to make sure that their annual report lays out exactly what they are doing to manage their responsibilities. I think the extent to which they do so greatly exceeds the requirement that has been introduced.

CHAIR—That is the point that I was making, that you do that on the basis of other factors. You have done it for some time, not on the basis of what is required under companies law.

Mr Lang—Yes.

CHAIR—Could you enlarge on the contention in your submission that the new requirement serves the interests of non-shareholders rather than shareholders.

Mr Lang—There has been, as I understand it, a view amongst conservation groups for some time that the performance of companies on environmental issues needs to be subject to greater scrutiny than it is. I remember an initiative that was stillborn under the previous government, that companies ought to be obliged to report on their environmental activities overseas. The requirement that has been introduced into the Companies Act is presumed to

be another way of increasing the exposure of companies to critical scrutiny. I do not think it will necessarily work that way, for the reasons that I mentioned about the way in which annual reports and company statements are usually written.

I do not mean to impute any secretive intent to companies which are in the business of filing annual reports, but I do know from first-hand experience that it is very difficult to get companies to talk about things they do not want to talk about. I was the author of three award winning annual reports for a large financial services group. There were areas of the business that were less successful than others, and senior executives did not want to publicise that in their annual report.

I do not think the environmental performance of companies in the resources sector is terribly different. Exposing your failures to public scrutiny is not a good way to maintain confidence in your company and facilitate the sale of the goods or maintain access to the market for equity capital. So the effect of the requirement is to oblige them to say something but it will not necessarily lead to the full and frank disclosure that the authors of the amendment to the act might suppose.

Senator COONEY—As I understand it, you are giving a gentle caution against the expectations that the legislators might have but you do not really object to its being there.

Mr Lang—I do not mind it. We do it already. But I think that the Treasurer was on the right track in his second reading speech, when he said it comes down to a matter of good corporate governance whether companies do or do not disclose—in his specific reference—management discussion and analysis. I find it difficult to accept that a company's environmental performance is terribly different from its performance in relation to how it treats its employees, whether or not it is a benign presence in local communities, whether it meets what would be regarded as ethical standards in regard to product advertising, and all those sorts of things. There are rules and regulations dealing with quite a few of those that certainly impose obligations on the company, but the annual report and the contents of the annual report seem to me to be not an effective way to impose obligations on the company in regard to those matters.

Senator COONEY—Two things could be argued. One is that this turns the company's mind to whether it should be a good 'corporate citizen'. That is a phrase that seems to be used more and more these days, so I suppose you would understand it. The second is closely related to that, given that it is Ash Wednesday today, an occasion for self-examination of what we are doing. So you have got two things: the company says to the public, 'We are interested in our position in society'—presuming that that is important—and, secondly, it does at least get the company looking at what it is doing. Would those two factors be strong enough to induce you to say, 'Look, if that is how you want it, let it be,' as I understand you are doing, or would you say that on balance we should remove it?

Mr Lang—My judgment would be that the requirement in the act would not be sufficient to lead a company to change its corporate culture. It would certainly be sufficient to ensure that the company said something about its environmental performance, but the message I tried to convey in my submission was that what the company will say, if its culture is adverse, will be true, succinct and positive without being very illuminating.

CHAIR—Would I be correct in saying that, if there were any aspect of the company's environmental performance that impacted on its financial performance, it would be required to report on that anyway in the normal course of its reporting?

Mr Lang—If it had the potential to have a significant impact on its financial performance, yes, the company would be required under the law to notify the stock exchange, and through the exchange, its shareholders of such a matter.

Senator GIBSON—Thanks for coming along and pointing this out. I think the point in the Treasurer's speech was basically about management reporting, and environmental reporting is really just part of that. As you rightly point out, in your industry—which I used to be associated with—companies have felt very keenly that they have to report what they are doing in that area. That has been part of their strategy for staying in that business.

Mr Lang—I did send along a sample of the annual reports filed by companies in the industries that I represent. I hope they were helpful to you and that they bore out the points that we were making in our submission.

CHAIR—There being no further questions, thanks very much, Mr Lang, for your appearance before the committee and your evidence to us.

Committee adjourned at 5.44 p.m.

