

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Finance and Administration Portfolio**

**Department of Finance and Administration**

Supplementary Estimates Hearings - 1 November 2005

**Question: F50**

**Outcome 2, Output 2.1.1**

**Topic: Telstra Sale Process**

**Written Question on Notice:**

**Senator Sherry asked:**

1. Are different sale discounts being considered for retail and non-retail investors?
2. Describe some of the options being considered including delayed payment and hybrid security arrangements.
3. Who is on the selection panel to pick the investment banks for the sale?
4. Is it true that the ANAO has been called into advise on the controls to be placed on investment banks for their global roadshows?
5. Will investment banks be required to sign contracts on the types and levels of spending they will be able to undertake and conflicts of interest?
6. Describe the nature of those contract or agreements banks will be expected to sign?

**Answer:**

1. A wide range of possible incentives will be considered if the Government decides to proceed to sale.
2. See answer to 1.
3. The Tender Evaluation Committee comprised Dr Ian Watt (Chair), Mr Simon Lewis, Mr Malcolm Kinnaird AO, and Mr Barry Murphy.
4. No.
5. The Project Management Joint Global Coordinators (PMJGCs) have been required to enter into a contract that specifies the circumstances in which reimbursement can be sought for costs and which restrict them in relation to conflicts of interest.
6. The PMJGC contract is between the Commonwealth and ABN AMRO Rothschild and UBS Australia and Goldman Sachs JBWere on a joint and several basis. It provides for a fixed fee of \$12.3 million for the provision of project management and sale logistics services, should a sale occur, to be split between the three parties. Subject to agreement on fees at a later date, the contract also allows for the PMJGCs to provide global institutional and retail selling, equity-linked and/or accelerated offer services, if adopted. The \$12.3 million fee includes a capped fee component enabling the PMJGC's to be reimbursed for a specified limited range of out of pocket expenses incurred in the direct provision of sale related services.

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The PMJGC contract requires the PMJGCs to warrant that, at the time of entering into the contract that - to the best of their knowledge after making diligent inquiry - no conflict exists or is likely to arise in the performance of the contract services. If during the period of the contract a conflict arises, or appears likely to arise, the PMJGCs must notify Finance immediately, make full disclosure of all relevant information relating to the conflict, and to take any reasonable steps Finance requires to resolve or otherwise deal with the conflict.