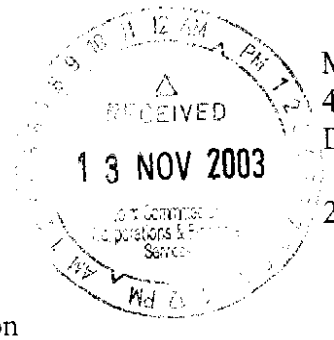
COPY Committee Please



Martin Alciaturi
46 Watkins Road
Dalkeith WA 6009

27 October 2003

The General Manager
Corporations & Financial Services Division
The Treasury
Langton Cres
PARKES ACT 2600

Dear Sir/Madam

Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill 2003

I write to make comment specifically on the proposed section 324CG of the Corporations Act as outlined in the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill 2003 ("CLERP 9 Bill"). In particular I wish to highlight certain inequities and inconsistencies inherent within this section which, amongst other things, seeks to place a restraint of trade on tax and corporate finance partners of audit firms.

The original CLERP 9 Discussion Paper released in September 2002 proposed a restraint on audit partners taking up positions with "their" former audit clients. This concept is consistent with commercial principals where a party gains a benefit (for example through the sale of their business) but, in exchange, is then restrained from some future activity. The revised proposal to extend such a restraint to non-audit partners is however inconsistent with such principals.

In recent times, and as a consequence of provisions such as those in the proposed section 300(11B) outlined in the CLERP 9 Bill, the extent of tax and/or corporate finance services being provided to audit clients of an audit firm has diminished significantly. In this environment it is inequitable to penalise non-audit partners by denying them the opportunity of gaining future employment with organisations that they are already finding it increasingly difficult to consult to.

Furthermore, by placing the corporate finance practices of audit firms at a recruiting disadvantage to investment banks, an unintended consequence of section 324CG may be to reduce the independence of financial advice available in the corporate marketplace. Whilst a significant focus of recent legislative change has, understandably, been on financial advice provided to retail "unsophisticated" investors, it is also in the overall national economic interest that independent financial advice be available to Australia's larger enterprises. The scale of operations of such organisations is such that "boutique" advisors cannot always provide an adequate level of service and the Big 4 "audit firms" fulfil an important role in balancing the advice of investment banks, who may be more interested in funding transactions rather than providing truly independent advice.

Consistent with the comments above, I consider that the proposed section 324CI should be redrafted to remove the proposed "multiple officer" restraint from tax and corporate finance partners.

Finally, as an added detail I note that a presumably unintended consequence of drafting of section 324CG is that the restriction appears to apply even to former audit clients of the firm. On this basis it is not difficult to imagine that, in time, a retiring Big 4 partner would be precluded from becoming an officer of more than half of the larger companies in the country.

In light of the above I would strongly urge that the proposed section 324CG either be removed or significantly redrafted.

Yours sincerely,

Martin Alciaturi

cc. Senator Conroy
Senator Murray