

29 March 2005

Office of the Company Secretary
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Dear Sir/Madam

Corporations Amendment Bill (No. 2) 2005

Telstra supports the introduction of the Corporations Amendment Bill (No. 2) 2005, but has concerns about the practical implications of the proposed amendments to sections 249N and 249P. Telstra would prefer that these two sections remained in their current form.

The rationale for Telstra's position is set out below.

1. Section 249D

Telstra supports the proposed amendments to section 249D, for the reasons set out in the Explanatory Memorandum. The ability for 100 members to requisition a general meeting at the company's expense exposes large companies such as Telstra to significant costs and logistical issues.

2. Section 249N

Telstra does not support the proposed amendment to section 249N(1)(b). We believe that the same considerations that prompted the proposed removal of the 100 member rule from section 249D apply equally to this provision.

The purpose of section 249N is to allow significant shareholders, or significant groups of shareholders, to put resolutions to the company's members. The section is not intended to allow small interest groups to use the annual general meeting as a means of publicising their cause. The 100 member/5% shareholding threshold seeks to strike an appropriate balance between allowing issues of legitimate interest to all shareholders to be raised and ensuring that annual general meetings remain an effective means of communication between a company and its shareholders. For companies the size of Telstra, reducing the requirement to 20 members effectively removes this balance.

There is a real risk that if small interest groups use amended section 249N to put numerous additional resolutions before the company's annual general meeting that mainstream shareholders will choose not to attend annual general meetings and the meetings will become dominated by fringe issues.

3. Section 249P

Telstra does not support the proposed amendment to section 249P for similar reasons as outlined above in relation to section 249N and also on the basis that the cost and timing implications for large companies such as Telstra are significant. Practical examples best illustrate our concerns.

3.1 Postage costs

Like all corporations, Telstra works hard to manage its costs. In particular, postage costs (based on the weight of documentation circulated to shareholders) can be a significant issue. Telstra has the largest shareholder base in Australia, with approximately 1.65 million members. If the Government proceeds with T3, Telstra's shareholder base is likely to increase.

If Telstra were required to circulate an additional one page statement, separately from the notice of general meeting, it would cost Telstra approximately \$1 million in printing and postage costs.

3.2 Logistical issues

As a matter of practice, the paper for Telstra's notice of annual general meeting is usually sourced, and printers booked, months in advance. If Telstra were to receive a large number of additional resolutions (and accompanying written statements for circulation) only a few days before the notice of meeting goes out, Telstra could be faced with serious logistical difficulties in meeting its obligations to distribute its notice of meeting and the written statements at least 28 days before the AGM.

3.3 Alternatives available to shareholders

Small shareholders have a number of alternative means of communication with fellow shareholders available to them.

- Shareholders can use mainstream media outlets, the internet (web sites such as crikey.com.au) and interest groups (such as the Australian Shareholders Association) to publicise their views to other shareholders.
- Telstra and many other companies invite shareholders to submit questions prior to the AGM. The responses to these questions are given at the AGM and the AGM is webcast. A copy of the webcast remains available to shareholders on the company's website.
- Section 250S of the Corporations Act requires the chairman to allow members at the AGM a reasonable opportunity to ask questions about or make comments on the management of the company.

These alternatives allow members to share their views prior to resolutions being voted on at the AGM, without imposing significant printing and postage costs on the

company itself. In this light, Telstra does not believe that it is necessary to make the proposed amendment to s249P.

4. Conclusion

Telstra supports the introduction of the Bill, but would prefer that sections 249N and 249P remain in their current form.

Resolutions put to the annual general meeting, written statements circulated to members prior to the meeting and questions asked by members at the meeting should be confined to matters that are likely to be relevant to shareholders as a whole. Retaining the 100 member/5% rule is an effective control to assist in ensuring that this is the case.

If a resolution, a written statement, or a shareholder's question is more relevant to a small group of shareholders' own circumstances or interests than to shareholders as a whole, the shareholders concerned should raise the matter with management, outside the forum of the annual general meeting.

Thank you for giving us this opportunity to comment on the draft Bill. We trust that our comments will assist you in your considerations.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Doug Gration', followed by a horizontal line extending to the right.

Douglas Gration
Company Secretary