

5 April 2005

Dr Anthony Marinac
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Department of the Senate
Parliament House
Canberra ACT 2600
Australia

Dear Anthony

Re: Corporations Amendment Bill (No 2) 2005

The National Institute of Accountants (NIA) agrees with the Federal Government's intention to remove the 100 member rule for the calling of extraordinary general meetings (EGM). We believe the 100 member rule for the calling of an EGM subjects a company to the additional cost of putting on an EGM for what may be a cause supported by pressure groups with very narrow views. The holding of an EGM just to humour special interest groups is not the best way of exercising corporate accountability.

There are many other outlets for special interest groups to get their voices heard such as appropriate use of the services of investor relations and also the use of the various media outlets that would by their very nature express an interest in any concerns that appear to be valid.

The 20 member rule

We note the views of some commentators on the Bill rejecting the proposal to remove the requirement to have 100 members agree to request the inclusion of an item on the agenda of the Annual General Meeting (AGM) of a company and replace it with a 20 member rule. The same fears about the distractions and time wasting by special interest groups are expressed by these commentators. We believe there is probably an innovative solution to this particular debate.

The Federal Government should continue with its initial proposal, but the legislation should be drafted to state that a request for an item to be included on the list of issues to be considered at an AGM should comply with the member threshold set down in a regulation prepared by the Treasury. A 'sunset clause' should be inbuilt into the regulation so that it is reviewed within a year of being made by the Treasury.

Such a regulation should contain the 20 member rule as proposed in the draft Bill. If the 20 member rule is subject to abuse by vested interests during the first year of its implementation then the Treasury should engage in

consultation with a range of constituents to determine whether the number should go up to 50 or back to the original 100.

The market should in our view be given the opportunity to demonstrate a level of maturity. The above proposal allows these special interest groups a period where they can demonstrate whether they are prepared to be reasonable about the number of items they seek to place on the agenda of the AGM.

If the lobby groups disrespect and abuse the privilege that has been accorded to them then the Treasury should amend the regulation accordingly. An innovative idea such as this should be given time to be 'road tested'.

The creation of a regulation dealing with this matter would also mean that change can be effected reasonably quickly without the Federal Parliament needing to go through a full legislative process.

Use of IT in communication

The provisions of the draft Bill giving effect to the greater use of information technology in communicating with shareholders are common sense and receive our support.

We would be pleased to make ourselves available to you should you wish to consider our comments further. I can be contacted on 03 8665 3143 or 0407 408 000.

Kindest Regards

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National Institute of Accountants