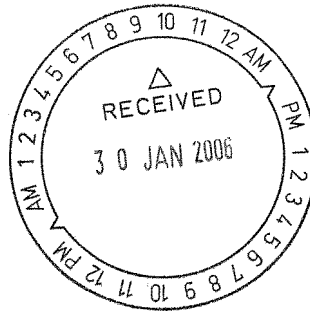




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23 January 2006

The Secretary
Senate Economics Legislation Committee
Suite SG.64, Parliament House
Canberra ACT 2600

Dear Sir/Madam

Future Fund Bill 2005 (Cwlth) - Submission from Telstra

I am writing in response to the invitation to make a submission regarding the provisions of the Future Fund Bill 2005 (Cwlth) (**Bill**). Telstra would like to make a number of recommendations to the Senate Committee inquiry, as listed below.

Some of the recommendations relate to both the Bill and the Telstra Corporation Act 1991 (Cwlth) (**Telstra Act**). We propose to leave it open to the Senate Committee to determine whether the recommendations are more appropriately implemented as amendments to the Bill or to the Telstra Act; however some changes to the Telstra Act may be necessary in any case.

The following are the recommendations made by Telstra in relation to the Bill:

1. Notice of transfer of Telstra shares

Details of the ownership of Telstra shares is information that is important to Telstra. The Explanatory Memorandum to the Bill makes it clear that Telstra shares held by the Commonwealth, being Commonwealth-owned financial assets, may be transferred to the Future Fund. We note that, under Schedule 1, clause 8 of the Bill, there is a specific power to be given to the nominated Minister (as that term is defined in the Bill) to direct the Future Fund Board (**Board**) in relation to financial assets transferred to the Board under Schedule 1, subclause 6(1) or 7(1) of the Bill (**Minister's direction power**).

In order for Telstra to be kept informed of the ownership of those shares we recommend that the Telstra Act be amended to provide for at least 60 days' notice to be given to Telstra before the transfer of any Telstra shares either into or out of the Future Fund. This will allow Telstra to keep track of its ownership structure and be aware of the number of Telstra shares owned by the Commonwealth. Critically, it will also enable Telstra to prepare and plan for the timing and consequences of the "designated day" and the "85% sale day" under the Telstra Act.

2. Notice of Ministerial directions regarding Telstra shares

The Minister's direction power enables the nominated Minister to give the Board written directions about financial assets which have been transferred to the Board under Schedule 1, subclause 6(1) or 7(1) of the Bill. The written directions may:

- (a) require the Board not to realise the financial assets before the end of a specified period; or
- (b) relate to the exercise by the Board of its voting rights or other powers conferred on the Board in its capacity as the holder of the financial assets.

The financial assets referred to in the Bill may include Telstra shares. Accordingly, the Minister's direction power may be exercised in relation to any Telstra shares transferred to the Board in the manner described above. Given that Schedule 1, subclause 8(10) of the Bill provides that a copy of any Ministerial direction is to be published on the internet, we recommend that Telstra is also given notice under the Telstra Act, prior to any Ministerial direction being given, when that direction applies to Telstra shares held by the Board. This would ensure that Telstra is kept informed of directions relating to its shares.

Further, we recommend that a time limit of no more than 2 business days is included in Schedule 1, subclause 8(10) of the Bill for publication of Ministerial directions on the internet. This would ensure timely disclosure of all information relating to Telstra shares to the market.

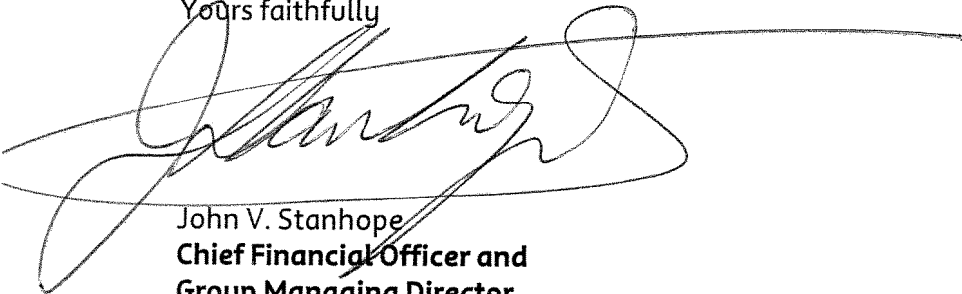
3. Telstra's tax position relating to ownership of shares in Telstra

There are various provisions of the tax legislation which require a consideration of the ownership of shares in Telstra. These include, by way of example, the loss of carry forward provisions. Telstra is concerned that Telstra's tax position should not be prejudiced by shares in Telstra being transferred to the Future Fund by the Commonwealth.

The Bill should confirm that Telstra's tax position in relation to provisions of the tax legislation which relate to the ownership of the shares in Telstra should not be prejudiced by the holding of Telstra shares indirectly through the Future Fund rather than directly by the Commonwealth.

Please let me know if you have any queries in relation to the recommendations above.

Yours faithfully



John V. Stanhope
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Group Managing Director
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