

Telstra board floats in government wake

What part will investors in the Telstra share offer play in the running of its board?

"Shares Frenzy Bonanza", screamed one newspaper poster the day after the one-third float of Telstra. The hyperbole was understandable: in just a few hours of Australia's largest ever float, the stock increased in value by 37 per cent, creating a paper profit for its 1.8 million investors of about \$3.2 billion.

"This was the People's Float... But will it be the People's Phone Company? ... Will Telstra have a People's Board? Not if the government has its way."

It was, as Finance Minister John Fahey said, a win-win scenario, an event which everyone could feel good about. "Whatever may happen in the short term, today, this week or this month to the value of Telstra instalment receipts, the clear winners of the Telstra share offer are the Australian people as taxpayers and those who chose to invest as new part-owners of Telstra," he told the media.

This was the People's Float, we were constantly told, and the pitch worked. The float was 4.5 times oversubscribed, secured \$6 billion more than originally expected, and attracted more than 1.8 million retail investors.

But will it be the People's Phone Company? More particularly, will Telstra have a People's Board?

Not if the government has its way.

Telstra has a Board with a maximum of 13 directors. Its existing mem-

bers (**see chart**) were appointed under the corporation's old Articles of Association which were vague about who got a seat and why, although they did say you had to be over eighteen years of age.

Perhaps when you only have one shareholder you don't need to worry about these things.

But the new Articles of Association, which will govern the operations of a giant company with more than 60,000 employees, do not give much more detail.

Of most significance is the requirement that directors other than the CEO must submit themselves for re-election at least once every three years. In addition, one third of the board must retire at each AGM, though they can stand for re-election.

In the short term, none of this matters much. The old Telstra held its AGM in the week before the float, so it will be a year before the company's new owners have a chance to flex what muscle they have with their small allocations of shares.

"We would of course encourage people to be active as shareholders and come to the annual general meeting and vote, or arrange a proxy."

What will happen then? According to one industry observer, probably very little. "You can't assume that there will be a reconstituted board," he said. "It is perfectly possi-

ble that there will be no change in a year's time."

Certainly, that is the way the government wants it.

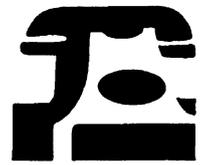
A spokesman for Richard Alston, the Minister for Communications and the Arts, said that the existing board was diverse and highly skilled, and that there was a need for strong continuity.

"We have every faith that the current board has effectively managed the company on behalf of one shareholder and that it will continue to do so for the 1.8 million-plus shareholders it has now."

"Having encouraged Australians to become involved in the company by taking shareholdings, we would of course encourage people to be active as shareholders and come to the annual general meeting—though it has been suggested that the only place you could hold an AGM of this size would be the MCG—and vote, or arrange a proxy.

"At the AGM there will be the opportunity for people to vote and to ask questions about the company and its performance."

But as the government holds two-thirds of the equity, without its cooperation there is no possibility of the private shareholders getting a candidate up. And Senator Alston's spokesman said this would not happen.



"The government does not propose to have a constituent board, and indeed we would oppose the notion of a constituent board.

"There is a common misconception, which tends to be encouraged by the way these things are reported in the financial press, that a director represents solely those shareholders who appointed him. That is not the case. A director has a legal obligation to represent the interests of all shareholders, and woe betide anyone who doesn't do that."

A spokesman for Telstra, Hugo Armstrong, said that the float placed new constraints on how the board operated.

"Previously, the government was the only shareholder. While it regarded Telstra as a GBE [government business enterprise], it could take decisions which were not strictly commercial.

"As it was the only shareholder, no shareholder group was disadvantaged by that decision. The potential for that sort of action will be much more limited," Armstrong said.

Despite this change, the government has no plans for an injection of new blood.

"We have every faith that the current board has effectively managed the company on behalf of one shareholder, which was the Commonwealth Government, and that it will continue to do so for the 1.8 million-plus shareholders it has now," Senator Alston's spokesman said.

Whether those 1.8 million will share the Minister's confidence when the AGM is held next year remains to be seen. Despite John Fahey's view that everyone is a winner regardless of the share price, a few newspaper posters saying "Telstra Shares Tumble" could see much of the good feeling of November 17 disappear.

Richard Evans

The Telstra Board

Chairman

David Hoare is the chairman of Bankers Trust Australia, Pioneer International, Mallesons Stephen Jaques, and a director of Comalco and Birkmyre.

Deputy Chairman

John Ralph is chairman of Foster's Brewing Group and Pacific Dunlop and deputy chairman of the Commonwealth Bank. He also serves as a director of Pioneer International and The Constitutional Centenary Foundation.

Chief Executive Officer

Frank Blount formerly held presidential positions with U.S. telecommunications company, AT&T. He is a director of Entergy Corporation, First Union National Bank and Caterpillar.

Directors

Ross Adler is CEO and managing director of Santos, and a director of Santos Group Companies, the Commonwealth Bank, QCT Resources and the Australian Institute of Petroleum.

Anthony Clark is a chartered accountant, a managing partner of KPMG New South Wales and a member of the KPMG National Board. He is also deputy chairman of the Australian Tourist Commission.

Michael Codd is chancellor of Wollongong University, and a director of Qantas Airways, MLC, Lend Lease Corporate Services, Australian Eagle Life and the Australian Nuclear Science and Technology Organisation.

Malcolm Irving is chairman of Caltex Australia, FAI Life and the Australian Industry Development Corporation.

Elizabeth Nosworthy is chairman of the Port of Brisbane Corporation, deputy chairman of the Queensland Treasury Corporation, a director of Australian National Industries, David Jones and Brisbane Airport Corporation, and a member of the National Competition Council.

Christopher Roberts is CEO and managing director of Arnotts, and a director of Arnotts Group Companies, Transparency International Australia and the Juvenile Diabetes Foundation.

John Stocker is a director of Cambridge Antibody Technology (UK), Circadian Technologies, Foursight Associates and Wilcox Investments. He is also chairman of the Australian Science Technology and Engineering Council.

Stephen Vizard is chairman of the Artist Services Group, and a board member of the Australian Commercial Television Production Fund and the Victorian Multimedia Taskforce.

(Source: Telstra; Communications Law Centre)