



CHARTERED SECRETARIES  
AUSTRALIA

*Keeping good companies*

25 May 2001

The Hon Joe Hockey MP  
Minister for Financial Services and Regulation  
Parliament House  
Canberra ACT 2600

Dear Minister,

We the undersigned are keen to have the legislative requirements for calling an extraordinary general meeting under section 249D of the Corporations Law settled in a manner that will balance the rights of shareholders to have matters addressed against the importance of allowing directors to effectively run the company. While the 'square-root' rule goes a long way towards achieving this goal, we wish to suggest a modification to it.

It is generally accepted within much of the business and investment community, the Government and the Opposition that the current 100-member rule is unsatisfactory. A shareholder numerical test that accounts for the size of the company register, rather than relying on a single absolute number, is seen as being more equitable.

For the record, we suggest that the issued share capital test (the 5% rule), section 249D(1)(a), the proper purpose test, section 249Q, and the right of shareholders to put resolutions to scheduled shareholder meetings, section 249N(1), all be retained.

We support your proposal to replace the 100-member rule with a new 'square-root' rule. However, in order to make the test more equitable to companies and still preserve the principle of shareholder democracy we propose that for public companies:

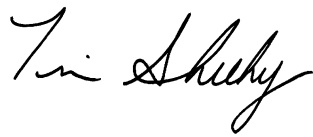
- a 'cap' of 500 members and a 'floor' of 100 members be applied. This additional boundary will not lower the threshold of 100 that currently exists and will not require an overly onerous number of members in the larger and more widely held public companies;
- a minimum economic interest of \$500 be required for each member of a public company seeking to call a meeting.

The addition of the cap recognises that the number of members required to call a meeting of a large company, such as Telstra, Qantas or NRMA, under the square-root rule may be far too difficult to secure, whilst a "floor" preserves the current 100-member test for smaller companies.

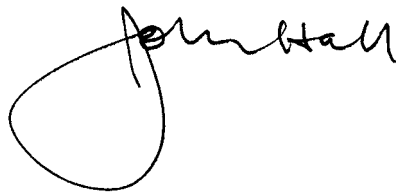
We believe the inclusion of a minimum economic interest test is an essential component for a fair and equitable test given the experience with the Wesfarmers and Rio Tinto meetings that were called in 1999. A minimum economic interest, combined with a 'cap' on the square-root rule, would mean that an investment of only around \$190,000 would be required to call a meeting of a company such as Qantas, with a current market capitalisation of nearly \$4 billion, or \$250,000 for a company such as the Coles Myer with a current market capitalisation of just over \$7.4 billion.

We realise that one of your objectives is to avoid '...an unnecessary level of complexity...' and we endorse that objective. However, we believe that these two additions are easy to understand, adopt existing market conventions and will not be difficult to administer.

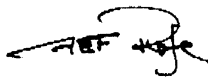
To further this matter, one of the undersigned will contact you shortly to arrange a meeting between yourself and us.



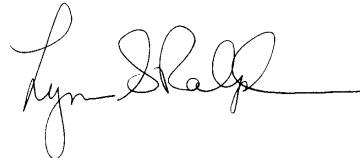
Tim Sheehy  
Chartered Secretaries Australia



John Hall  
Australian Institute of Company Directors



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Australian Shareholders Association



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Investment & Financial Services Association



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