OTC (Conversion into Public Company) Bill 1988

Date Introduced: 12 October 1988
House: House of Representatives
Presented by: Hon. Ralph Willis, M.P., Minister for Transport and Communications

Digest of Bill

Purpose
The Bill aims to improve the efficiency of the Overseas Telecommunications Commission (OTC) through the removal of day-to-day controls and the conversion of OTC into a public company.

Background
OTC is a Commonwealth Statutory Authority established by the Overseas Telecommunications Act 1946 (the Principal Act). It is responsible for providing all of Australia’s overseas communications including telephone, telex, satellite television, facsimile and data services. OTC’s charter provides for consultancy services to foreign governments and users, and the establishment of telecommunications services, facilities and networks in, or for foreign countries.

OTC is a Commonwealth enterprise which pays tax, dividends and generates all capital and reserves from internal sources. OTC revenue for 1987-88 was up 16% on 1986-87 to $1167 million. Operating profit increased 53% to $190 million, and after tax profit by 29% to $103 million. Payments to the Commonwealth increased 61% to $136 million, made up of $46 million in dividends and $90 million in tax. Revenue from telephone services amounted to $982.7 million, an increase of 25.5%. Expenditure on transmission capacity provided to OTC by other telecommunications organisations remained OTC’s largest cost element at $766.1 million.¹

The future direction of government transport and communication bodies was outlined on 25 May this year when a Ministerial Statement, titled Reshaping the Transport and Communications Government Business Enterprises, was tabled in the Senate. The Statement noted the increasing competition in international markets, the rate of technological change and the pressures these and other factors exert on such bodies, such as the need for Ministerial approval or to use government agencies for certain transactions. In regard to OTC, as with other agencies, a number of specific courses of action were outlined. First, it is proposed to convert OTC into a public company. The company is to be 100% government owned, though the introduction of private share capital would be possible should the government decide to sell all or part of OTC. Planning and accountability provisions are to be altered, with more emphasis on strategic
plans and agreed financial targets (i.e. there will be a shift to looking at the results achieved rather than how they are achieved). The other main change proposed relates to the removal of the requirement for prior approval for contracts and individual borrowings, the exemption from general administrative and personnel policies except where directed to comply, and the removal of the need for approval to establish subsidiaries and joint ventures.

Main Provisions

A new Part IIA will be inserted into the Principal Act by clause 10. The share capital of OTC is to consist of $1 shares. OTC is to convert its capital into shares, and the shares are to be issued to the Commonwealth or to a nominee as directed by the Minister. The share issue will discharge OTC's debts to the Commonwealth.

OTC will be taken to be registered under the Companies Act 1981 by virtue of proposed section 54E.

Other persons are not to use a protected name (i.e. OTC Australia, OTC International Limited, OTC International or other prescribed names) or a name likely to be mistaken for it. The maximum penalty for such use will be a $1000 fine (clause 16). Proposed section 67 provides for exemptions to this offence where the offending name is registered as a trade mark or design or where it is already in use and was being used in good faith.

Staff will continue to be employed by the new body on the same terms and conditions (proposed section 71).

OTC will not be required to pay tax in connection with exempt matters (i.e. matters connected with the conversion to a public company) (proposed section 73B).

References

1. Overseas Telecommunications Commission, Annual Report 1988, pp.8,9 and 47.

For further information, if required, contact the Economics and Commerce Group.

19 October 1988

Bills Digest Service
Legislative Research Service
This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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