Digest of Bill

Purpose
The Bill aims to improve the efficiency of the Australian Telecommunications Commission (Telecom) through the establishment of a new corporate structure and the removal of day-to-day controls.

Background
Telecom is a Commonwealth enterprise which pays sales tax, customs duty, payroll tax, and is required to finance its operating costs plus half of its capital expenditures from internal sources. Telecom employs 92,487 full time staff. Telecom recorded a profit for 1987–88 of $777 million (1986–87 $443 million). Operating revenue increased by 19% to $7200 million, and operating expenses increased by 15% to $6423 million. The results represent a return on total assets of 12%. In 1988–89 the rate of return on total assets is expected to rise to 13%, and revenues are anticipated to grow in real terms by 6%.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.

In regard to Telecom, as with other agencies, a number of specific courses of action were outlined. First, it was proposed to establish a new financial and corporate structure for Telecom and rename the body the Australian Telecommunications Corporation. The new corporation will be managed by a Board of Directors and will be established with a commercially-oriented financial structure, including obligations to pay dividends on share-holders funds while providing for future investment requirements. Planning and accountability provisions are to be altered, with more emphasis on strategic plans and agreed financial targets. In addition, the new corporation will be exempted from general administrative and personnel policies laid down by the government, except where directed to comply, and will not require ministerial approval for contracts, individual borrowings, and the establishment of subsidiaries and joint ventures.2
Main Provisions

Clause 6 provides for the continued existence of Telecom under the name of the Australian Telecommunications Corporation.

The powers of Telecom will be expanded by clause 7. Telecom will have the power to form and participate in the formation of companies; buy and hold shares, debentures, and similar instruments; participate in joint ventures; enter into contracts; deal with futures contracts; act as trustee of money and other property vested in it by trust; and do anything incidental to any of its powers.

Clause 8 will insert a new section 10A into the Principal Act, which requires Telecom, or a subsidiary of Telecom, to give written notice to the Minister of significant new business activities.

A new Part IV will be inserted into the Principal Act by clause 11 which provides for the establishment, constitution, and terms and conditions of employment of the Board of Directors.

The Minister may give the Board such directions as appear necessary in the public interest (proposes section 23).

The Governor – General may dismiss a director for misbehaviour or physical or mental incapacity. In addition, where the Minister is of the opinion that the performance of a director or the Board has been unsatisfactory for a significant period of time, the Governor – General shall dismiss them (proposed section 33D).

The Managing Director will be appointed by the Minister (proposed section 33H).

Current staff will be retained, but on terms and conditions to be determined by Australia Post (clauses 13 and 31).

References


For further information, if required, contact the Law and Government Group.

9 January 1989

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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