ish Telecom. According to Dumberger,(2), such underpricing in privatisations typically averages 20 per cent, and has been as high as 35 per cent. This underpricing reflects the difficulty in valuing the asset and the political desire to avoid the embarrassment of the float not being fully subscribed, or the shares trading after issue at lower than their issue price.

A critical factor which this simplified approach does not take into account is potential improvements in Telstra's efficiency as a result of privatisation.

A privatised organisation would see management and workers subjected to pressures to increase productivity to stave off bankruptcy, and a profitable direction necessarily imposed on the company through the mechanism of the share market, rather than through the clumsy mechanism of a Government minister whose agenda may not include running a successful business.

Thus the figures set out below do not necessarily imply that the country as a whole would be worse off as a result of privatisation.

This would be a comprehensive inquiry beyond the scope of this article. ❑

Impact of Telstra Sell-Off on Commonwealth Finances

Year	Profit (1)	Total Value(2)	Real Bond Rate (%)	Public Debt Interest Saved	Net Impact for Commonwealth
1993	904 (301)	16,272	6.35	1033 (344)	129 (43)
1994	1704 (568)	16,272(3)	7.85	1277 (426)	-427 (-142)
1995	1755 (585)	16,272(3)	6.00	976 (325)	-779 (-260)

All figures in A$million except real bond rate (%)

Figures in brackets are one third of the totals - the impact if a third of Telstra had been sold, as now proposed by the Coalition

(1) Telecom/Telstra Annual Reports
(2) Assumes 18 times profit - refer Brown, A.(3)
(3) Assuming full sale in 1993

(1) Quggin, J., 1995, 'Does Privatisation Pay', *Australian Economic Review*, Second Quarter; pp26-41.

(2) Domberger, S., 'What does Privatisation Achieve - A Comment on Quggin', *Australian Economic Review*, Second Quarter; pp 43-47.

(3) Brown, A., 1995, 'Should Telstra be Privatised', Paper for presentation at The 24th Conference of Economists, Adelaide, 24-27 September 1995.

Legal implications for a privatised Telstra

TELSTRA DERIVES its current status from the Telstra Corporation Act 1991 and by that Act is already exposed to the operation of the Corporations Law. Telstra directors are therefore subject to the same duties and obligations as their counterparts in privately held companies.

Partial privatisation's most significant consequence will flow from Telstra's listing on the Australian Stock Exchange (ASX) which will result in the imposition of more stringent ASX reporting requirements. Particularly, it will be interesting to see the level of disclosure in the prospectus that must be issued for any float which will give the public a more detailed insight into the operation of the company than has been possible to date.

A privatised Telstra will be subject to continuous reporting obligations which will require the company to notify the ASX of any information a reasonable person would expect to have a material effect on the price or value of Telstra's shares. Also, with Telstra shares being traded on the market, the Corporations Law insider trading provisions will become relevant particularly for the directors and higher level managers who are privy to confidential information.

With privatisation, the dynamics in the board room will shift significantly as a result of the change in ownership of the company. If only a partial privatisation is undertaken, government appointed directors will need to be mindful of minority board nominees and the shareholders they represent. Government policy initiatives and universal service obligations will have to be tightly legislated to avoid board room clashes over loss making activities. In this regard the Government will lose a degree of control over the organisation.

Richard Stowe, Corrs, Chambers, Westgarth