

Dear Senators

I am a former director of the National Roads & Motorists Association & NRMA Insurance Limited

August 2014 marks the 20th anniversary of the issuing of an unlawful prospectus aimed at demutualising & listing on the ASX the entire NRMA (ie the combined NRMA Roadservice & NRMA Insurance as it was then). I challenged this prospectus in the Federal Court of Australia with the court ruling (both in the first instance & on appeal) it to be misleading & deceptive under Section 52 of the Trade Practices Act & in breach of the Corporations Act

The so-called "Free Shares" were not so free after all

Worse still it was later revealed the prospectus's forecast \$262m profit for the 1994/95 financial (ie ASX listing year) was actually a \$139m loss. A difference over \$400m. The financial information showing the deteriorating financial position during the months leading up to issuing the prospectus was removed from my director's board papers in order to conceal from me & ultimately the general NRMA membership the true state of the company's finances

\$65m+ of member's funds was wasted on preparing, promoting & litigating the misleading & deceptive prospectus

The prospectus stands today as the largest fraud ever attempted in Australia as it was perpetrated on the entire membership of the NRMA which stands at 2 million Australians

My attempts to recover the funds from this wrongdoing were opposed & blocked by those persons still in control of the company & I was financially unable to pursue this action on behalf of members as a result. The revolving door of self-replacement by the majority board via various changes to the company's constitution in order to maintain control has meant that to this day none of the wrongfully spent funds have been recovered by the company on behalf of its members

Where was ASIC during this massive wrongdoing? ASIC (or ASC as it was known then) actually vetted & approved the prospectus. The Deputy Chair of ASIC at the time was also the Vice President of the NRMA. That's right, one of the NRMA directors who voted in a board meeting to approve the proposal & recommend members approve the demutualisation proposal was a very senior ASIC official! Additionally another NRMA director who also voted to approve the proposal was a member of ASIC's advisory board

Despite my ongoing court action, member's appeals & petitions for the regulator to act it never did

My experience is that demutualisations are 'inside jobs' driven by the office bearers who plan to benefit from the outcome. This is never openly revealed in the documentation provided to members when being requested to vote in favour of such a proposal. Control of the company boardroom & funds is the principal motive. Demutualisations are never requested or initiated by the members themselves. Importantly, there is little or no in-built protection under Australian law for mutuals to be able to protect themselves from such internal attacks where the majority directors may use all the company's resources to overturn a longstanding & proven successful mutual structure while the minority director(s) has to use his/her own private resources to defend the organisation

Should you wish to read about what went on my board papers, diaries, court case documents etc are now stored in a 100 box collection at the State Library of NSW

Yours sincerely

Richard Talbot

