How to make information useful

The Australian Securities and Investments Commission's draft guidance and discussion paper on disclosure ("Heard it on the Grapevine . . .") has provoked a number of responses, including a submission in which the Securities Institute was a joint author (see "ASIC Proposals May Go Too Far", JASSA, Autumn 2000).
Here David Hurburgh, author of the preceding article, outlines some of the points made in a further submission to ASIC by his online communications consultancy group Myriad Research Associates.

THE COST OF ACCESS TO COMPANY INFORMATION

Disclosure documents currently filed by companies with the ASX and ASIC are made available to the public only through payment. These should be made available freely through **www.asx.com.au** and **www.asic.gov.au**.

We are constantly reminded that the Australian capital markets are becoming globalised. Therefore it is logical that ASIC adopt the sensible practice of the North American securities commissions and make company filings freely available from the organisation's website. The US and Canadian databases which contain this information are readily and freely accessible to the public. They are known as EDGAR and SEDAR respectively. It can be argued that charging for such information in Australia puts local companies and investors at a disadvantage when compared to the more equitable dissemination protocols that North Americans enjoy.

THE ROLE OF ANALYSTS

Analysts have a valuable role in identifying and quantifying investment opportunities. Unfortunately recent market trends have seen analysts focusing on ASX 100 stocks at the expense of small-cap growth stocks. The recent flurry of interest in "dotcom" stocks has not been accompanied by meaningful analytical support from the leading broking houses.

It could be argued that the high level of speculative interest in these stocks is more driven by "road-show hype" than any sound analytical discipline. In this context, informative websites from the companies would greatly assist the investing public. Ironically, many of the new "dotcom" issues have quite inadequate websites from an investor communications perspective.

PRICE-SENSITIVE AND BACKGROUND INFORMATION

There is a continuous spectrum between obvious price-sensitive information and more general background information. Arbitrarily drawing a line between the two classes of information may cause false distinctions. The true test of materiality occurs only after a news story's release and when there is in fact some impact on the market. Therefore drawing a line between what goes to the ASX for disclosure on their platform and what goes up as background on the website could be a very difficult call.

The simplest solution is that all news including background material should be placed on the website simultaneously with the ASX filing (or at least immediately after). Arguably the highlights should go out to the ASX and at the same time a more detailed account would be posted on the website. This would also overcome the current situation where the ASX is charging the investing public for the more detailed material that may accompany the summary release.

THE ASX ANNOUNCEMENT PLATFORM A CONFLICT OF INTEREST?

The long-established ASX-listed companies announcement "platform" and the associated protocols for news disclosure in Australia are unsustainable. The ASX has an inherent conflict of interest since it is both a market regulator and an information vendor. It is not in its interest to lose a significant source of income which it gains from on-selling company news. The news is provided compulsorily and at zero cost from the companies and then is on-sold to the wire services and their subscribers. This may be considered "disclosure" under the listing rule definition but it is not allowing true dissemination in an efficient market sense.

The Australian situation should be compared with North American

No escaping the Net

The Internet bubble is clearly distorting the market, and its bursting may well cause pain across the whole economy. Moreover, whenever firms can raise capital virtually free, they are likely to waste much of it, as so many dot.coms are now doing with their marketing expenditure. But there is little evidence that traditional firms' shares are undervalued, or that they are finding it hard to raise capital. And the capital going into Internet firms is not all being wasted — even if today's shareholders may not reap the benefits. This is especially true of makers of computers and the Internet's infrastructure. But even an e-retailer such as Amazon needs robust computers, software and delivery systems — all of which necessitate investment.

The bigger point is that the markets are sending traditional companies two useful signals. One is that they ignore the Internet at their peril. The second is that merely adding a website on to an existing business is not enough: the whole business needs to be redesigned around the cost-saving, communication-easing properties of the Net. Most companies must become Internet firms if they are to survive. Even when the bubble deflates, that signal will be worth heeding.

–Editorial, The Economist, 26 February 2000