

### **Investor groups backing Hardie's asbestos solution**

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The investment community has joined the chairman of James Hardie Industries, Meredith Hellicar, in predicting that shareholders will support the in-principle \$1.5billion deal to compensate sufferers of asbestos diseases.

“I think we need to turn everybody’s passion and intent on persuading our shareholders what a good deal it is,” Ms Hellicar told the Nine Network. “I think if we explain it sensibly, if we get a good outcome in the costs review that the Government is undertaking so that it can be affordable ... I think we can do a good job.”

The agreement was well received by sharemarket analysts and institutional investors alike, as Hardie shares rose 2 cents to \$6.62. They have risen 32 per cent from the \$5.02 low they hit during this year’s asbestos furore.

Stockbroking firm Goldman Sachs JBWere lifted its valuation of the company from \$7 to \$7.51 a share, largely on the prospect that Hardie’s payments into the new asbestos fund would be tax-deductible.

Credit Suisse First Boston said in a note to its investing clients: “Whilst recognising [Hardie] is not out of the ‘asbestos woods’ yet, significant risk has receded following the announcement.”

The document Ms Hellicar signed on Tuesday is conditional on more than half the company’s shareholders voting for it at a meeting expected to be held in mid-2005.

By then they will know the outcome of a NSW Government review of the legal and administrative costs of the asbestos compensation system, ordered in November to break an impasse in the negotiations that led to this week’s deal.

James Hardie has been given no guarantee that the review will deliver any particular reduction in costs, but next year’s legally binding agreement will only operate if the Government implements whatever cost-saving measures the review identifies.

The Government has also undertaken to encourage other state governments to follow suit.

Some of Australia’s largest superannuation funds will be advised to vote in favour of the deal by a corporate governance research house, the Australian Council of Superannuation Investors. The council’s chief executive, Phil Spathis, said his clients probably owned less than 10 per cent of James Hardie’s shares, but could have disproportionate voting power because “our members are more likely to turn up to vote on a contentious issue like this”.

The council believed the review would achieve savings.

“We are pretty unqualified in our support but we would like to think the outcome of the review will be another step in the right direction on this issue,” he said.

The chief executive of construction industry super fund CBus, Sandy Grant, said the agreement was an “important interim step” for asbestos victims and Hardie shareholders. “But the company hasn’t got a glorious track record ... so until the ink is dry we’ll be cautiously optimistic,” he said.

As for the impact on CBus’s investment in Hardie shares, Mr Grant said: “The fiasco is factored into the price; so, from a shareholder’s view, we think it’s going to get better.”

Unisuper chief executive Ann Byrne said: “I think it’s very good they have come to an agreement and I hope [Hardie] put it to the shareholders pretty quickly.”

Ms Byrne said Unisuper, a Hardie shareholder, would “measure our happiness” when full details were available. But it was important for the company to adequately compensate asbestos victims and also ensure there was some strategy for Hardie in growing its business.

Fund manager consultant Corporate Governance International was also tentatively optimistic. “It’s a matter that had to get resolved because the company was pretty paralysed,” said CGI’s director, Sandy Easterbrook.