



Telstra, the bit carrier, has seemingly been relegated to a bit part at the dawn of the information superhighway. Paradoxically, it is public ownership that has largely relegated it to this role.

This is not to suggest that a privately-owned Telstra might not have cut a less than optimal deal with News or any other media giant but the accountability that comes with floatation would be a far better safeguard than any offered under the current public ownership regime.

Obviously, Telstra must enter the broadband age but it would have been better had they stayed with their long standing and far more modest \$800 million program to reach a million homes. That sort of market coverage obviously wasn't good enough for News which knows that in the marginal world of cable TV, it's a simple case of first up, best dressed.

This perversion of long standing and rational plans to develop the core of the information superhighway confirms that Telstra has outgrown public ownership. The current version of public ownership encourages partnerships with News but denies Telstra the freedom and capital to seriously bid for licences in markets such as India. It siphons value from the core telephony network and puts it at the disposal of a privately-owned company.

It is a situation that the Australian public cannot tolerate if they wish to see Telstra grow as Australia's information age flagship. Telstra needs freedoms and it needs access to risk capital that can be used for its own growth.

That capital could be readily found from the rapidly accumulating superannuation tax collected by various institutions which could readily invest workers' money in Telstra under a form of widespread public ownership that would have far more meaning and accountability than the one we see now. □

The case for 'equitisation'

From **Warwick Smith**, former Telecommunications Industry Ombudsman

Excerpts from The Charles Todd Memorial Oration, 22 August, 1995 - Perspectives on Australian Telecommunications

I do not resile from my personal belief that Telstra requires 'equitisation' that will make it compatible with other listed telco's in the global market place. It should not be 'split' in advance of such 'equitisation'.

By 'equitisation' I mean the progressive substitution of government capital for other private capital, and for the company to be listed immediately on the stock exchange.

We should be mindful that the growth of this industry, the value of the entity if not maximised to community advantage, may in time in combination with other economic failings, such as persistent current account problems and excessive debt levels, lead to the recent Nigeria example where the World Bank has ordered the divestiture from government of its Telecom, as it had become but a defacto branch of its taxation office.

Our community does not deserve this fate. By 1997/98 revenue for Telstra is estimated at \$16 billion, with estimated earnings (EBIT) at \$3.8 billion.

In my view, the greatest impediment to the growth of the whole telecommunications industry is government ownership which has engendered a short term and domestic focus.

The continued improved performance of Telstra is vital if Australia is to remain at the forefront of advance in telecommunications. The greatest benefits of continued deregulation,

liberalisation and competition, will derive not just from other carriers, which will secure a moderate share of the domestic market, but from the improved performance of Telstra.

It can do better. Securing these gains requires the freedom to respond to competition on the domestic front and to the opportunities emerging in our region.

I am an unashamed 'Pacificologist' **"...the greatest impediment to the growth of the whole telecommunications industry is government ownership which has engendered a short term and domestic focus."**

and 'Asianist' - Telstra needs to be there and soon.

This industry is global with the fastest growth in our region - ideological 'isms' have passed - now it must be time for 'ists' - trade and investment will secure our future and to constrain Telstra, one of the most prominent companies with great potential, is sheer folly.

Jingoist statements about Telstra may be the temptation of those who seek the status quo, or those who know reality, yet change their views to meet expedient and temporary pressures do the company, the industry and the nation a disservice.

The successive 'equitisation' or 'privatisation' of Telstra, with generous ESOP's (Employee Share Ownership Plans) and a wide spread of domestic investors is required. □