



Telstra - who owns it?

IN THE MONTH that Telstra posted Australia's largest ever corporate profit of \$1.75 billion, the debate about whether one of the most profitable telephone companies in the world should be readied for selling off, has hotted up.

While Communications Minister Michael Lee continues to assure Parliament that Telstra will remain '100 per cent Australian owned' and '100 per cent in public ownership', his Opposition counterpart, Bronwyn Bishop has declared the Coalition's commitment to its privatisation - albeit with strict conditions such as no timed local calls.

In this issue of *CU*, we present a selection of views on whether or not Telstra - the 'fatted calf' - should stay in public ownership.

Communications Electrical and Plumbing Union divisional president, Col Cooper says it should stay in Australian government ownership. He cites international experience, such as that of New Zealand where more than 90 per cent of Telecom NZ's 1993-94 profits left the country in dividends.

Meanwhile, independent communications consultant Kevin Morgan, looks at why the Government has stuck with Telstra when it has 'off loaded' everything else they found in the 'public sector cupboard'. He suggests the recent deal Telstra has entered with News Ltd may give the biggest clue.

Former Telecommunications Industry Ombudsman Warwick Smith says Telstra requires 'equitisation' by the progressive substitution of government capital for other private capital rather than a sell-off. Now read on!

100 per cent Oz- owned: Lee

From Communications and the Arts Minister, **Michael Lee**.

Excerpts from address to the National Press Club, 8 August, 1995

Despite John Howard's claims to be honest and open, to date he has only been honest and open enough to spell out a small number of the policy changes which a Howard government would make if elected.

One which he has revealed is that a Howard government would fully privatise Telstra.

This leads to several questions.

Would a Howard government maximise the sale price of Telstra by removing many of Labor's pro-competitive principles which will restrict Telstra's ability to misuse its monopoly inheritance after 1997?

Would a Howard government maximise the sale price of Telstra by removing the price cap on local calls, or the price cap on public phones, or the price cap requiring the average price of a basket of services to fall in real terms by 7.5 per cent?

Would a Howard government maximise the sale price for Telstra by allowing foreign telephone companies to own large shareholdings of Telstra?

Would a Howard government get more by splitting Telstra up into several separate companies, and then privatising each entity?

Would Telstra, or what's left of it, have the critical mass to continue winning foreign exchange earning contracts in Asia?

If a foreign telephone company is a major shareholder, why would they let their part-owned Australian subsidiary compete with their own parent company in the same Asian markets. How will rural and provincial customers be guaranteed that if the

community service obligations are brought on Budget, that Mr Howard and Mr Costello won't shave them back each year as part of the expenditure review process?

Excerpts from Hansard: House of Representatives, 22 August 1995

Mr Lee: Back in 1991 when the Government was making decisions on telecommunications, we had to make a choice: would we aim to protect the shareholder value in [Telstra] - or would we try to get the most competitive economic regime possible to benefit business and residential consumers? That is the basic choice we have got.

If you go down the path of the New Zealand Government or the British Government, or some other governments in the region, and decide to sell the former monopoly telephone company, suddenly the entire frame of reference changes. Once you make that decision to sell part of the telephone company - it may be the former monopoly telephone company - you then set out to maximise the sale price rather than maximise the benefits for consumers. That is why I can [say] that this Government is committed to Telstra remaining 100 per cent Australian owned, remaining 100 per cent in public ownership.....

If the member for Mackellar [Mrs Bishop] has been able to arrive at a price, a value, for Telstra, we are entitled to ask one or two questions. These are the questions: would a Howard government maximise the sale price of Telstra by removing many of the Labor Government's pro-com-