



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-



petitive principles - we have set out to ensure that we have the most competitive and open telecommunications regime in 1997 - and will they be up for grabs so that Mr Howard and Mrs Bishop can maximise the sale price?

Or are we entitled to ask: will the proceeds of the sale go to fund some of the Leader of the Opposition's election gimmicks?

We will only ever know the answers to these questions if the member for Mackellar [Mrs Bishop] tells us: what is the value she has placed

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on Telstra and what assumptions she made in deciding what the share value is?

Finally, we are entitled to ask: if Telstra ceases to be 100 per cent Australian owned, and a company like British Telecom or AT&T owns 49 per cent of Telstra, why would they let Telstra be up in Asia winning export dollars for Australia, becoming a communications hub for the region? Why would they let Telstra keep on doing the hard work in Asia, creating jobs and investment for Australia for years to come? They will not. Companies like British Telecom and AT&T would rather have the parent company up there in Asia winning the orders rather than their part-owned Australian subsidiary. For all of these reasons, Mr Speaker, we are totally opposed to the Liberal and National parties' attempts that would result in the biggest transfer of Australian assets to foreigners that we have ever seen. □

'It's already begun': Coalition

By **Bronwyn Bishop**, Shadow Minister for Privatisation

Privatisation allows for the opening up of opportunities for businesses and individuals to participate in areas from which they are presently excluded. Privatisation is not simply about selling, but about enhancing competition and creating investment for our economy.

There is a yawning chasm between our approach to privatisation and the Labor Party's approach. The Coalition's approach is a philosophical commitment to ensure Australians can share in the ownership of a great Australian enterprise and let competition flourish and individual business people use their talents to provide goods and services for consumers. In our case, the proceeds of the asset sales will be used to retire debt.

The ALP approach is to sell off assets in order to spend the proceeds on recurrent expenditure. Vis the 1995/96 Federal Budget where the Government planned to sell \$5.3 billion worth of assets and spend the lot - it's like selling your house to pay for the grocery bill.

The Prime Minister is trying to convince the Australian people that despite having already sold its sacred cows, such as the Commonwealth Bank and Qantas and the Federal Airports Corporation (FAC), that it will refrain from privatising Telstra. But the process of privatisation of Telstra by the Keating Government has already begun.

There is a consistent pattern in the Labor Party's privatisation program and Telstra is simply following the established path of previous asset sales, including the Commonwealth

Bank, Qantas and the FAC.

The pattern is as follows:

1. Corporatisation of the entity.
2. Restructuring assets.
3. The ultimate offer of sale.

Telstra, as we know it, was corporatised in 1992 and the restructuring of its assets has been ongoing since then. Telstra lists in its 1994 annual report a list of control entities which are in fact individual companies, either wholly owned or in which Telstra has a majority shareholding, with shares issued to outside equity interests. Thus a section of Telstra's business is already partially privatised. A comparison can be drawn with the long-standing partial privatisation of the Australian Industry Development Corporation (AIDC), which the Government has just recently taken off the total privatisation list and said it will buy back the private sector shares.

The most recent development in the privatisation of Telstra is the creation of its new subsidiary, Telstra Multimedia Pty Ltd. By transferring the non-telephony divisions of Telstra into this new entity, the Government is clearly restructuring the assets of the company. Telstra Multimedia Pty Ltd is supported by a full service network strategy being carried out by Telstra, which according to reports includes transferring all services onto broadband, with lease agreements on commercial terms to be entered into for the operation of telephony by Telstra Multimedia Pty Ltd.

It is, thus, not surprising that Telstra's CEO Frank Blount has said that the company is in a better state