



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

“this Government is committed to Telstra remaining 100 per cent Australian owned, remaining 100 per cent in public ownership....”

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



The case for keeping it at home

By **Colin Cooper**, Divisional President,
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for privatisation than it had been three years ago.

Paul Keating told Kerry O'Brien on *Lateline* in June 1994 that it did not matter whether Telstra is privately or publicly owned. He said in an answer to a question as to whether it mattered that it (Telstra) is publicly owned or privately owned: 'Not of its essence, no.'

The Coalition has long announced Telstra as part of its privatisation program, but we give some very definite undertakings:

1. A commitment that community service obligations (CSOs) will remain in full;
2. No timed local telephone calls; and
3. Telstra will remain in Australian ownership.

The Prime Minister denies he will privatise Telstra just as he denied in the past that his Government would privatise the Commonwealth Bank, Qantas and the FAC. However, the realities are something altogether different.

On the Commonwealth Bank, Minister for Finance Ralph Willis stated in a letter to all investors: 'The Government has no intention whatever of further reducing its shareholding.'

On May 10, 1995, the Government announced it would sell its remaining share.

With Qantas, the then Transport & Aviation Minister, Peter Morris told Parliament on May 20, 1986: '...the Government's policy is that both Qantas and TAA will remain in full public ownership.'

The sale of Qantas was completed this year.

Draft legislation to privatise the FAC is already circulating.

Given this track record, it is patently clear that the privatisation of Telstra by Paul Keating is as inevitable as death and taxes. It has already begun. □

Why retain Telstra in public ownership? Ten years ago the answers would have appeared self evident to the large majority of Australians. It was the desire to achieve non-commercial goals such as: universal service; the recognition of the strategic importance of a country's communications base; the long-term perspectives required of industry investors; the ability for the nation as a whole to reap the rewards flowing from a successful enterprise. All these would have provided ample arguments against privatisation.

Most Australians still believe that Telstra should remain in public hands. Yet it is a sign of the distance we have travelled in recent years that the Federal Opposition has, to date, scarcely bothered to elaborate reasons for its policy, so confident is it of swimming with the historic tide. Perhaps, though, silence is golden, for an open debate would reveal how threadbare the privatisation lobby's case has become.

Privatisation may, as Senator Alston has suggested, provide the green light for rapid labour shedding, but this is substituting short-term industrial relations objectives for a long-term communications strategy. Moreover, the evidence from the UK utilities suggests that any resulting gains in labour productivity are as likely to be passed on to managers, in the form of higher salaries as they are to consumers, in the form of lower prices.

As election day draws nearer, we may expect a reappearance of the arguments for the intrinsically greater efficiency of the private sector. How-

ever, studies of the performance of privatised industries in the UK have shown that ownership, as a determinant of a firm's performance, ranks well behind technological change, presence of scale economies and market structure. Indeed, while all international comparisons are fraught with difficulty, it is the case that Telstra's rates of return are on a par with British Telecom's, despite the relative demographic advantages the latter enjoys and the massive lay-offs it has undertaken over the last decade.

This leaves the arguments that Government ownership constrains Telstra from achieving its full potential - either through the extraction of a damaging level of dividends, through political interference in business decisions or through the pursuit of policy objectives at odds with the goal of maximising shareholder value. While there is ample evidence that at least some of these are real dangers, private ownership guarantees neither the protections nor the disciplines so often claimed.

The wholly private US telecommunications industry has been the site of what is probably the most damaging and futile of all regulatory experiments - the structural separation of AT&T - while BT continues to be debarred from new markets and subjected to heavily intrusive regulation at all levels of its operations.

It cannot be denied that the liberalisation policies pursued during the 1980s and 1990s have created a tension between industry dynamics and government ownership. At the same time, however, the resulting changes in the Australian industry have added