



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

PROOF

**TELECOMMUNICATIONS LEGISLATION
AMENDMENT (COMPETITION AND
CONSUMER SAFEGUARDS) BILL 2009**

Second Reading

SPEECH

Monday, 15 March 2010

BY AUTHORITY OF THE SENATE

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Date Monday, 15 March 2010
Page 11
Questioner
Speaker Boyce, Sen Sue

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Senator BOYCE (Queensland) (1.44 pm)—Telstra and its forebears has always held a rather special place within my family's history. My father, more than 60 years ago, took his first job as an engineering draftsman with what was then the Postmaster-General's Department. Its copper networks and the extraordinary changes to them over the last 60 years have occupied a special spot within my family's history and background. So it is with a lot of concern and disgust that we note the changes, the broken promises, in this bill.

Labor's policy before the 2007 federal election stated:

Labor will ensure that Telstra's wholesale and retail functions are clearly distinct within the company.

So we have another example of Labor's deceit going to the election and their high-handed treatment of promises they make—they change them whenever they are in the mood.

The Minister for the Environment, Heritage and the Arts, Minister Garrett, was alleged to have told journalists before the election: 'Once we get in, we'll just change it all.' He furiously denied saying this. Well, sorry, but the alleged words of Minister Garrett are ringing more and more true. It is pretty obvious that, if this government do not like what they have promised, they just break the promise. This legislation, the Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009, is yet another example of them doing that. One hopes, given the depth of feeling of the 1.4 million Telstra shareholders out there, that this is the straw that breaks the camel's back and the people of Australia finally realise that the word of the Rudd Labor government cannot be trusted.

The government not only changes its policies to suit its spin and media manipulation but also changes its ideas. Who can forget that the Prime Minister was an 'economic conservative' before the election? He is now a socialist who obviously believes in big government. This government's willingness to intervene in markets and to destroy competition for its own purposes would be breathtaking if it were not disgusting. We had a bank guarantee that favoured savings accounts over investment accounts and resulted in the freezing of investment redemptions

for many, many self-funded Australian retirees. People flocked to move their money to savings accounts and incidentally improved the situation of the big four banks—allegedly the banks that the Labor government wanted to ensure faced more competition. Instead, under Labor's policies they faced less. We had the means testing of private health insurance rebates—which this Senate dealt with last week, I am pleased to say. The promise before the election was, 'There'll be no means testing of private health insurance rebates.' What did the legislation in this house last week do? Exactly that. We had said no to it once already, but they insisted on bringing it back.

We are now faced with the forced school projects, the so-called Julia Gillard memorial halls, with tenders going to non-local companies, often ill-equipped to complete the job requested. I make the point that this is the job requested by the department and the minister, not the job requested by the schools. It would be far too difficult to allow schools to decide what they need! Part of this big-government approach is to tell schools what they will have, irrespective of whether or not they need it.

Australian taxpayers have been given a very doubtful present by this government. They have been given record levels of public debt, which they will be paying back for generations to come. But what can we expect from a government that is contemptuous of markets and apparently ignorant of unintended consequences? It is certainly not prepared to carry out the rigorous and often time-consuming scrutiny needed to ensure there are no unintended consequences and, as a result, this government lacks economic credibility. This is becoming more and more clear all the time to the 1.4 million Telstra shareholders, who are faced with the outcome of this attempt by the government to split the structural and operational sides of Telstra.

The Rudd Labor government has always been confused about the correct role of Telstra. Under former Prime Minister Keating, in the early nineties, they wanted to sell Telstra. The former Prime Minister even went so far as to hold meetings with BHP. Yet another Labor leader, Kim Beazley, also considered the prospect of selling Telstra to BHP. But, when the Howard government began the privatisation of Telstra in a regulated and sustainable way, to create an efficient, competitive telecommunications market,

the Labor Party opposed it every step of the way. Then, suddenly, in 2007, the Labor Party finally overturned its opposition to privatising Telstra. But, like their promise to keep Telstra's wholesale and retail functions separate but within Telstra, the government has again deceived the electorate, by telling them that the Labor Party would support a Telstra free from government manipulation.

This bill in many ways effectively renationalises fixed-line telecommunications in Australia as a means of propping up the government's very poorly planned—I hesitate even to call it a plan—and very poorly conceived National Broadband Network. The government are effectively double-dipping. Telstra shareholders have paid to own part of a company that is able to operate without government interference. Now, the government have decided that they need Telstra to prop up their National Broadband Network, which could be privatised in the future. How will we ever know what the plans of the government are, given that they do not stick to their word, and they are becoming known for not sticking to their word. So Telstra will have been sold once, then partly taken over by the Rudd government, then potentially sold again.

Once it gets to government, the Labor Party is willing to benefit from the changes that the Howard government made to telecommunications efficiency in this country, but it will also force structural changes to Telstra in order to implement its own poorly conceived agenda. As we have already seen from the workings of the share market, the double-dipping will be disastrous and has been disastrous for the 1.4 million Telstra shareholders in this country. Telstra has lost 30 per cent of its value since the Rudd Labor government came to office. On the day that the structural break-up was announced, Telstra shares immediately fell by 14c, just on 4.3 per cent. So this is a government that really cares about how the market functions! The most concerning thing is that the government probably had no idea that was going to be the effect of the decision, because it was so poorly thought through and the consequences, as usual, were not considered. The chairman of another large Australian company, Don Argus at BHP, has said that the structural separation is 'punitive' towards shareholders. Mr Argus has been quoted in the media as saying:

I'm a shareholder, and I would have to say to you that if someone takes assets out of my balance sheet and doesn't reward me for it with a premium, I've got to think hard about what we are trying to achieve.

That is the way the market works. That is the way business in Australia works. That is how the share market functions. That is what keeps the economy strong. These are points that apparently are completely unknown to this government when they decided they

would put their sticky fingers into whichever pie happens to suit them at the time. Boards of private companies like Telstra have a range of fiduciary duties preventing them from making decisions that are not in the shareholders' interests. Unfortunately we cannot say the same for this government. If there were fiduciary duty owed to the taxpayers of Australia, this government would already be in jail; not just before a court but in jail. If Senator Conroy or the Prime Minister actually sat on the board of Telstra, they would be liable for destroying the value of Telstra's assets. But, because they are the government and apparently completely immune from the functioning of the market, they can act to destroy Telstra's wealth without caring about the shareholders and without caring about the workings of the market which they affect to care about.

The break-up of Telstra has created uncertainty for 1.4 million investors in Telstra. That is not to consider the nine million customers that Telstra has or its 30,000 employees. They too face complete uncertainty. Shareholders invested in Telstra in good faith because the vendor Liberal government was very clear on their plans for Telstra. Labor had said that Telstra should be free from government manipulation. Shareholders invested in each Telstra offer because they believed they were purchasing shares in a company with ownership of structural telecommunications assets and ownership of wholesale and retail telecommunications businesses. In fact, I am sure many other senators have received, as I have, numerous emails in the past week from very angry shareholders and investors in Telstra. I would like to quote from one of them in the *Adelaide Advertiser* of 11 March. Shareholder Ian Nicholson is described as being blunt when he says: 'What the government is doing is a bloody disgrace.' This view would be supported totally by the coalition. Another shareholder, Mr Alan Brunner, from my home state of Queensland, from Brisbane, says: 'The devil himself could not come up with a more sinister and dastardly plot.' He went further to say: 'Rudd and Conroy'—meaning Prime Minister Rudd and Minister Conroy—'should be thoroughly disgusted with themselves.' This is a view with which I can only wholeheartedly concur. Shareholders, as I said, invested in Telstra in good faith. They did not expect to see a forced government separation. It was not on the agenda of the Howard government and it was not even on the agenda of this Labor government before the election. It is only now, when they found themselves in a hole, that they have decided that the best way out of this is to, 'Whoops, let's change everything, let's commandeer half of Telstra to suit our own agenda.'

The Senate inquiry into this legislation received many submissions from shareholder groups who were

dismayed at the government's actions. The Australian Shareholders Association told the committee:

If the forced structural separation of Telstra goes ahead as proposed by the Government, Telstra shareholders are likely to see significant destruction in the value of their investment.

And guess what? That is exactly what they have seen. What is being offered to them instead is a bit of a chat between the government and Telstra, but what is on the table? Nothing. (*Time expired*)

The PRESIDENT—Order! It being 2 pm, the debate is interrupted.