



No public benefit from sell-off: Democrats

In September last year, the Minister for Communications, Michael Lee and the Shadow Minister for Privatisation, Bronwyn Bishop gave their views on privatising Telstra. In this issue **Senator Cheryl Kernot**, Leader of the Australian Democrats, offers her opinion

The Democrats will oppose either partial or full privatisation of Telstra because no public benefit has or, we believe, can be demonstrated from the sale.

Telstra's direction, decisions and profits are now in government hands, for the benefit of all Australians. Putting one third of Telstra's shares in private hands will put other priorities and loyalties on the Board - maximising profit and concentrating new services and pricing packages where they will give maximum return to private shareholders.

Ordinary customers, particularly in rural and remote areas, will be the likely losers.

The Government, as Telstra's owner, can now insist that Telstra keep its promise to upgrade its network throughout Australia and within a given time. It will be much more difficult for governments to demand a Telstra board representing private as well as public interests to keep those commitments.

Another major threat is the possibility of foreign influence over Telstra's decisions and direction. The Coalition promised only one third of Telstra's shares will be sold, and of those, only 35 per cent can be purchased by foreigners. Further, no one foreigner will be able to hold more than five per cent of the shares floated.

However, Mr Howard has refused to rule out the possibility of selling the rest of Telstra in his next term. Foreign investors, particularly foreign telecommunications companies, will

be tempted to use allied companies to buy up the maximum shares available, and wait to buy significantly more shares later.

Service quality and price are also at risk. Overseas experience shows that without proper consumer safeguards, privatisation and more competition deliver the largest benefits to large volume users, particularly large corporations. Ordinary consumers benefit far less, if at all.

The Coalition has promised to implement consumer protection measures before privatisation begins. But their policy commitments on prices are not strong enough to ensure consumers do not lose from privatisation.

The Coalition also claims that privatisation adds to natural savings and reduces national debt. This claim is disputed by experts including Dr Vince Fitzgerald and Dr John Quiggin, particularly when part of the proceeds are used to fund new spending rather than reduce debt.

When Mr Howard announced the Coalition's plans to partially privatise Telstra, he promised the total proceeds from partial privatisation would be used to retire Australia's debt. He has gone back on that commitment and has now tried some political blackmail by linking the sale of Telstra to his environmental policy.

We believe the Coalition's environmental policy package is not the \$1 billion claimed. It will cost just over \$152 million annually, or 0.11 per cent of the \$130 billion Federal budget. There are many other, better

ways of paying for the environment. Indeed, the Coalition could use a sixth of the dividend Telstra now pays government to fully fund their environmental policies, while retaining Telstra in full government ownership.

The Government and the Australian public will also lose the close to \$1 billion dividend Telstra pays annually into government coffers. With partial privatisation, the Government will lose at least a third of that. But it may lose more. Will a board representing private shareholders continue to pay over half of its profits into government coffers, as it does now.

Finally, we welcome the Labor Party's commitment not to partially or fully privatise Telstra. But we know that Prime Minister Keating thought selling off Telstra would be a terrific thing, and called his Cabinet colleagues 'wimps' for not agreeing.

After the present Government's commitments not to sell the Commonwealth Bank or Qantas, can they be trusted not to change their minds on Telstra as well?

The Democrats have consistently opposed privatisation when it cannot be demonstrated to be in the public's interest.

We opposed the sale of the Commonwealth Bank - against both Labor and Coalition parties. And we will oppose the privatisation - partial or full - of Telstra in the Senate, whether or not both major parties again join forces. □