

Cres & Dianna James

6 October 2009

The Committee Secretary
Senate Standing Committee on Environment, Communications and the Arts
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam

My wife and I hold 42,000 shares in Telstra Corporation Limited, which we acquired through each tranche offered by the Commonwealth Government, as well as additional shares purchased on the open market. These shares are primarily held in our Self Managed Superannuation Fund and as we are retired, the dividend income contributes to our pension, which is wholly self funded.

We have never been in agreement with the Government selling Telstra or any other Government owned asset, which the people of Australia already owned, particularly where critical infrastructure serving all of the country is involved.

Prior to Telstra being offered to the open market by the Government, there were already other telecommunication operators conducting business in this country, as a result of the Hawke/Keating Governments decision to allow other entities to compete against Telstra. Not a very smart business decision given that the taxpayer owned Telstra had a monopoly.

The decision to allow other operators to compete with Telstra, by using Telstra owned infrastructure, immediately caused friction between the parties when Telstra rightly decided at what price it would allow these competitors to use its network. That friction has never abated and it appears that these competitors have bleated long and hard enough in the ears of politicians and the ACCC to the point where they will be successful, through the National Broadband Network if it proceeds, in gaining access to critical infrastructure, without the need to inject any of their own capital to establish their own infrastructure. This would surely put Telstra at a disadvantage.

What is important for the Committee to consider is that these competitors are all foreign owned entities whose profits are repatriated out of this country. Why is it necessary in the name of competition to allow critical Australian infrastructure, that was established over decades by our forebears, to drift into the hands of non Australian entities, as this Government has indicated it is prepared to allow. I am not against foreign investment in this country but it must have its limits and I do not consider that the ACCC and the Foreign Investment Review Board by their actions and decisions share that view.

Most educated Australians and in particular Telstra shareholders, recognise that the NBN cannot be successfully built, at reasonable cost, without utilising assets currently owned by

Telstra. In fact many Australians like me believe that the proposed NBN will not deliver much more than what Telstra is currently delivering throughout the country. It is quite unbelievable to think that any Government could consider using threats that have been made by the current Government against Telstra in order to achieve its aim of establishing the NBN.

Telstra is a public company and when it was sold by the Government all of its assets and infrastructure belong to that entity. To force it to now part with any of its assets to benefit this or any other Government in the manner suggested is simply blackmail. If this is allowed to occur the rights and the assets of all other entities who operate in this country will be at risk.

The Committee must recognise that the Government, irrespective of which party was in power, sold off Telstra when it had a monopoly and if that monopoly had not been in existence the price achieved for each tranche would have been substantially less. In view of this, if the current Government wishes to acquire infrastructure owned by Telstra to build its NBN then it must simply buy back the entire wholesale operation at a price that reflects Telstra's current monopoly position. The Government would then have the right to allow all operators in the telecommunications sector to compete against one another in the retail sector. That would be a level playing field.

As Australia operates as a free market economy, the Committee in its deliberations must, in my view, consider the position of the existing Telstra shareholders and what affect it will have on those shareholders if the current Legislation is allowed to proceed without Telstra being properly recompensed.

Whilst the major shareholders in Telstra are institution's they primarily hold shares on behalf of Superannuation Funds, whose asset values and income streams have already been substantially reduced by the Global Financial Crisis. Surely this Government does not wish to be responsible for any further reductions in those values. With an ageing population it is important that as many retirees as possible have adequate Superannuation to prevent a constant drain on the public purse.

When the current Government announced their NBN plan, there was a reaffirmation of the statement made at the time of the T3 sale to the effect that any investor who purchased shares in that tranche should be aware that there may be changes in Legislation or Regulation in the telecommunication industry. That is accepted, but what was not stated and what is not acceptable is that any Government has the right to reclaim Telstra's assets, which it has sold and been paid for, to effect any changes in Legislation or Regulation without appropriate recompense.

Thank you for your consideration of my submission.

Yours sincerely
Cres James