

14 October 2009

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

Dear Committee Secretary

Re: Enquiry Presently in Progress - Telecommunications Legislation Amendment (Competition and Consumer Safeguards) Bill 2009

I refer to the questioning of both Senator Lundy of Mr. Barker of AFIC and Senator McEwen of Mr Taliaferro of Investors Mutual Investors during the hearing on 13 October 2009 as reported in this morning press.

My family holds a number of Telstra shares as well as having further interests in Telstra via superannuation and the Australia Fund.

My family has made several submissions to various government ministers including Senator Conroy in the past few years as to the decimation of Telstra value stemming from Government policy including the ACCC.

Senator Lundy reportedly put a question to Mr Barker enquiring whether he had approached Telstra's previous boss Sol Trujillo when Telstra's share price tumbled during Mr. Trujillo's tenure.

That question seems to be based on the assumption that the fall in value of Telstra's share price was due to mismanagement of Telstra.

Perhaps a review of the financial reports of Telstra will reflect for Senator Lundy that under Mr. Trujillo Telstra's business expanded into many new fields and generated reasonable returns and has consistently paid dividends of 28 cents per year. Telstra is still doing that despite its market share being reduced and the impact of the ACCC on its pricing.

With the current share price of around \$3.10 to \$3.65 that equates to around 9% return plus franking credits. That level of return in comparison to many other public companies is out of the ordinary. It certainly suggests the price of Telstra's shares is significantly under valued in the market.

Perhaps Senator Lundy would be better to question why the value of Telstra's shares is so low given the profitable state Mr. Trujillo left the company in. The answer to that is fairly clear because of government interference.. The same level of profitability stands yet since the further interference with Telstra by the current announcements Telstra's share price has fallen from \$3.65 on 20 August 2009 to \$3.11 on 15 September 2009. Clearly a fall not associated with Mr. Trujillo, but due to government policy.

Prior to these proposed actions and not long ago the Telstra share price was around \$4.50 with the same dividend return of 28 cents which bring the dividend back to a more market level of a yield of around 6%. I would respectfully suggest the inference that Senator Lundy is trying to draw lacks complete reality.

I would also suggest to Senator Lundy that if she had an enquiring mind that she should ask Senator Conroy the number of representations that have been made concerning the government's handling of Telstra to gauge the level of outcry that has been made rather than ask Mr. Barker how representations he has made. The latest actions of Government are the straw to break the camel's back.

As far as Senator's Lundy's questioning of Mr. Barker on empirical evidence that underpins a view that the Government's approach is going to be damaging.

I would point out on 20 August 2009 the All Ordinaries Index was 4,391 and by the 14 September 2009 it had increased to 4,547. However Telstra's share price had dropped from \$3.65 to 3.25 during those same dates. This unexplained fall in Telstra's share price of 12% in such a short time frame, with no adverse publicity on Telstra's business operations, indicates a leakage of the proposed government action. It is akin to insider trading type leakage and if that was proven, rather than merely being suspected, a furor would break loose over the confidentiality that the government can keep on how the Government handles strategic projects. When the proposal was announced on 15 September 2009 the share price dropped a further 14 cents on 15.

Perhaps if Senator Lundy wants more empirical evidence she should look to public reaction. The blatant reason given the fall in Telstra's share price over a longer period of time is very evident in that it stems from government policy and the uncertainty that its lack of proper disclosure has caused.

As far as Senator McEwen's questioning of Mr. Taliaferro inferring that there had been no loss of confidence in investing in Telstra in light of Brokers buy recommendations, with the greatest respect, is fool hardy. Those broker's are making their recommendations on a share price after the damage of the announcement has been done based on a continuing dividend of 28 cents and an approximate 15% return after franking credits are taken into account.

If this is the level of acumen used to base decision's of Government to support action that is a nonsense.

Yes, as I said my family are Telstra shareholders, we are also Australians who rely on a communication system involving a computer, home phone and mobile phone. We are also taxpayers who will have to foot the bill if the NBN at a starting estimate cost of \$43 billion turns out to be a lemon as so many infrastructure projects have been to date. Look at the Connect East tollway in Melbourne's East and the two Brisbane tollway companies. Those projects are roads that do change very often, but rarely with new technology. Communications are different with technology changing so frequently.

We are also concerned on how pricing of services will be impacted on these services. I can assure the ACCC will not base the pricing of broadband on what Telstra paid 20 or 40 years ago for building the infrastructure but cost will be based on \$43 Billion. With competitive alternatives how much usage will the new system require and at what cost to encourage investor's to put funds into the separated entity.

Perhaps these Labor Senators rather than looking in the past at Mr. Trujillo, they should begin looking at how viable a new system will be and at what cost to the every day Australian and make their figures and economic known to show there is substance in what they are trying introduce.

Yes we all should welcome change, but that should not come at any cost to put it out of reach of every day users. Competition is also welcomed, providing it does not come at the cost of commandeering somebody else infrastructure a pittance.

I can assure you if I was a truck driver and had a viable business I would reject completely a government edict that mandated that I would be required to give the use of my lorries to a person who wanted to enter the industry but refused to finance the ownership of his own trucks. In effect that is what the government is proposing on Telstra without any indication whatsoever of what it is offering in exchange.

To me, that is completely against common sense and I doubt if it what be supported in the Australian constitution.

Yours faithfully
Douglas Booth