



2 October 2009

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

Dear Committee Secretary,

Telecommunications Regulation - Objection to proposed reforms to the telecommunications regulation in Australia.

I refer to the announcement on 15 September 2009 by Stephen Conroy, the Minister for the Broadband, Communications and the Digital Economy, regarding the proposed fundamental reforms to existing telecommunications regulation in Australia. In particular, I refer to the proposal to force Telstra to structurally separate or be penalised by the government.

Telstra was sold to its shareholders by the Federal Government and it is outrageous for the government to now change the legislation so recently after selling it to force Telstra to divest those assets back to the government or sell to third parties.

Having the Australian Government command a publicly listed company to sell its assets is unprecedented in this country, and is contrary to every shareholder's right. The only precedence for this type of behaviour is from non-democratic foreign government regimes.

The proposed change to the existing telecommunications regulation will have destructive effect on the shareholder value of all 1.4 million of Telstra's shareholders. Actions of similar nature in the UK and New Zealand are testimony to this outcome.

For the above reasons, I would like to lodge my strong objections to the proposed reforms telecommunications regulation in Australia, specifically the forcing of Telstra by blackmail, to structurally separate and divest itself of some its assets and request that the proposed reforms be scrapped.

Can you image the Singapore Government asking Singtel to undertake the same exercise (I do not believe that Tamasek would allow this to happen) and yet it will be its Australian arm that will benefit most from these proposals.

Try undertaking the same exercise on other Australian companies ie Woolworths & Coles etc who are similarly vertically integrated and through an oligopoly commands an almost monopolistic position in this country.

To say that Telstra's shareholders have done well from the privatisation and that the past dividends would adequately compensate for any losses is a very long bow. I don't believe the Government would attempt pushing the same line with Macquarie Airports and Macquarie Bank.

Having been involved in the telecommunications industry for 42 years as an employee of Telstra and its predecessors and in the early introduction of fibre optics into the Customer access network CAN, these proposals are unnecessary and wasteful of the nation's resources. One might think that Telstra was backward in introducing new technologies into the CAN. Not so, it was only the intransigence of the ACCC and the Department of Communications that prevented this occurring throughout the last 10 – 12 years. To say the fibre cable does not exist in the CAN is a nonsense. And to say that fibre to the home will not be more expensive than fibre to the kerb, is hiding the Government's head in the sand. Fibre to the kerb offered the cheaper solution and avoided the very expensive costs of individual lasers at every residence or customers.

Fibre to the home or building will have its benefits in major CBD'S and Regional centres, where high capacity circuits are required and where fibre cable had been provided for those cases eg WAN's and MAN's. The use of fibre in residential and rural areas, unless demanded for internet type services etc, will be quite risky with a very poor rate of return.


In those residential areas where the plant is already underground, the new network will require expensive lead-in replacement and if these costs are to be placed back on the consumer, the proposals will have much difficulty in meeting its penetration objectives. In rural areas, where the line lengths are considerably longer, a marginal improvement in transmission quality can be expected but the economics of providing fibre to the homestead is simply not on.

I believe that the Government would be better to tread very carefully with these proposals as the costs of the NBN will most certainly escalate and with the possibility it becoming a white elephant. Even the new CEO of the NBN group had recently stated to your committee that he had no idea of the likely charges to be applied to the various providers. Some economic analysis ?

Let us hope that they are less than what Telstra was asking a decade ago. ?

Finally I ask the question what would happen if Telstra's shareholders rejected all offers being made to it by the Government, would the Government still commandeer the parts of the network it wanted. If so it would be hypercritical to go against Shareholder power when it, itself is recommending this in the case executive salaries. Let's cut out the hypocrisy. I await the decision of the High Court ?

Yours Sincerely


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