Telstra Inquiry
Submission No. ...23...

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Committee Secretary
Standing Committee on Communications, Information Technology and the Arts
House of Representatives
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Dear Committee Secretary,

INQUIRY INTO THE STRUCTURE OF TELSTRA

The following submission provides an opinion of the social impact of the structural separation of Telstra on its shareholders. The opinion is based on an anthropological investigation of the privatisation of state-owned enterprises in Indonesia. Specifically telecommunications carriers Indosat and Telkom were examined providing a set of associations, which may be applicable to the structural separation of Telstra.

Yours faithfully,

Ross Ryan

Social Impact of Structural Separation on Telstra's Shareholders

Where there is not a competition for resources then formal corporate governance practices will be adhered to. This is because the stakeholders of the corporation have access to assets, which can be used to define their membership of a group.

Where there is a competition for resources then the formal corporate governance practices of the company will be set aside and the informal corporate governance practices of stakeholders will be favoured. This is because the stakeholders of the corporation will have to compete for assets in order to define their membership of a group.

Formal governance practices require the use of assets to produce income. Informal governance practices rely on social obligations. Adhering to social obligations is not permitted in formal corporate governance regulations because it runs contradictory to the interests of shareholders. Stakeholders can rarely be classified as shareholders.

For example stakeholders of Indosat and Telkom respond to forces of change by transforming their approach to corporate governance practices.

This is because policy initiatives advised processes of resource competition for the allocation of government assets to modernise the corporate governance practiced.

When there is a difference of opinion between groups it is often expressed with political upheaval of the power structure. Theoretically when there is a stable framework for corporate governance, social action does not result in political upheaval.

When resource competition is low there is less adherence to informal corporate governance practices. But when resources competition is high, there is a severe requirement for adherence to corporate governance practices defined by the power holders of a company.

Consequently the annual general meeting of a corporation is a ceremonial event if there is the absence of competition for resources between stakeholders and people excluded as stakeholders, where groups that have been excluded as stakeholders by the power holders of the company can vie inclusion. If however, the people excluded as stakeholders see the annual general meeting as a means of competing for the resources of the company especially the assets of the company, which would take capital away from the shareholders for economic growth, then the annual general meeting would be a political event.

If the annual general meeting is characterised by ceremony then it is probably a good indicator that the assets of the company are simultaneously being used for identification as a member of a stakeholder group and the production of income. If however, there is a political upheaval of the board membership at the annual general meeting then it is probably and indicator that asset turnover has suffered because there has been competition for the assets of the company, to the detriment of shareholders. Generally, people who are not considered stakeholders of the corporation by the power holders, and who want to become stakeholders they will attempt to use the annual general meeting as a forum for political upheaval of the power structure.

Based on research of Indosat and Telkom, accounting separation or separation of Telstra into wholesale and retail operations would designate a process of competition for resources. High levels for competition of resources would indicate that informal corporate governance processes would be followed in an attempt to retain control over these assets. The power holders of the company in an instance of resource competition would be more concerned with consuming these assets to define their membership of a group rather than using the assets to produce income. That is the power holders to define themselves in opposition to those who would compete for those assets will consume the assets. Such a move is likely to damage the asset turnover of the company.

Strengthening the regulatory accounting framework would least likely to contribute to sound corporate governance practices in an environment of resources competition because the power holders of the company will revert to social obligations to define their group membership, contrary to principles of good corporate governance.

Separating Telstra's retail and wholesale operations is unlikely to promote good corporate governance, because if the power holders of the company are forced to compete for the retail or wholesale operations then they will turn to their social obligations once again to retain control over the assets.

Splitting Telstra into two or more companies would again probably result in the competition for resources, with the consequence that social obligations would be drawn upon to define membership of stakeholder groups. However, if the interests of stakeholders can be aligned with those of shareholders, than there is less chance that poor corporate governance practices will be followed thus negating any negative impacts on asset turnover.

The social impact of such proposals is difficult to estimate because companies produce corporate governance statements, which are largely devoid of description. For the social impact of separation concerning Telstra's shareholders, an ethnographic examination would be required which describes the way in which power is exercised in the corporation. I am specifically referring to corporate governance practices as they apply to use of assets. In periods of high competition for the assets of the company by people who are presently excluded as stakeholders and wish to become stakeholders, it should be described whether the power holders of the corporation rely on social obligations from their stakeholder groups to maintain control over these assets. Secondly, it should be described as to whether in periods of low competition for the competition of the company's resources whether the use of assets by the power holders of the corporation and their associated stakeholder group produces a use of assets in aim of defining membership of a stakeholder group which is aligned with the interests of shareholders. High competition should anticipate reducing asset turnover and low competition should anticipate solid asset turnover if such an ethnographic description of corporate governance practices could be provided.