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The Secretary,  
House of Representatives Communications,  
Information Technology and the Arts Committee,  
R1, Suite 116, Parliament House,  
CANBERRA NSW 2600

Dear Secretary,

**Submission to the Inquiry into the Structure of Telstra**

I make the following brief submission as a shareholder, user of a rang of Telstra products (telephone/facsimile/mobile/computer) and citizen.

**Preamble**

It is not my intention to deal in technical specifics but rather to state what I consider should be the proper approach in principle. While I am of the view that the Government, on behalf of the people of Australia, should retain a controlling ownership interest in Telstra, I am mindful of the political reality that this company may soon pass wholly into public share ownership. It is in this eventuality that I comment.

## **The Ultimate Responsibility**

Telstra is Australia's largest communications company providing communication links for domestic, business, regional development and the military. It plays an important role in telecommunications advances. It impacts on all industries, all activities and all aspirations for a better standard of living. It also provides a crucial security function which maintains our defence preparedness both internally and internationally. Its existence is vital to the life and survival of all Australians.

This reality is reinforced by the fact of our isolated economic and geographic position in the world, and our need to be self-reliant in this essential area (unlike the USA which has enormous and diverse economic and technical resources).

The company must meet and maintain certain core functions which go to the national interest. Australia will be a major, if not catastrophic, loser if Telstra is for any reason attracted away from these core functions or allows its core infrastructure to wain or risks its financial viability by dubious unrelated ventures or selectively ignores overall community needs or inefficiently manages these responsibilities. These core functions should be seen as obligatory cost and capital charges that must be built into the prime operations of the company.

It follows that the objectives of Telstra can never be wholly related to the profit motive.

Properly managed, this does not necessarily mean that it will be unprofitable to maintain these core functions. But it does mean that there is an ultimate responsibility for the Government to build adequate safeguards into the objectives of Telstra and to ensure compliance by regular Government monitoring.

### **Services to End-users**

It is an imperative core objective that domestic and business services be efficient and made available to all parts of Australia. It will be necessary to ensure that continued expansion and constant up-grading of those services be maintained at a cost to the company, particularly outer suburban, rural and remote regional areas.

Capital expansion should not be a direct cost applied to any individual consumer or a selected group of consumers. Further, there should be an equality of service and other charges within the residential and business categories of consumers. Consumers within the same category should not be treated any differently than any other such consumer, excepting pensioners or those in special hardship circumstances or in the case of commercial incentive policies for regional development.

### **Full Array of Services**

Where the technical facilities are available (and if they are not available then this should be rectified), all residential and business users should have available to them the full

array of existing services that apply to any other consumer. Further, the company should research and develop relevant new products and services to meet the growing advances in telecommunications and data utilisation.

### **Network Infrastructure**

The network infrastructure is the mainstay of the whole service. It will be the major core investment strategy to ensure its expansion, maintenance and up-grading. It will need to keep pace with new technological advances and be capable of meeting relevant demands in the development of new service products. This should be seen as an ongoing commitment rather than a stop-start activity driven by the intermittent needs of a failing or inadequate system.

### **Wider Telecommunications Industry**

The company should ensure that it has consolidated the objectives of its primary core responsibilities before it embarks on expanding into the wider telecommunications industry. Where it sees an opportunity to expand further in the wider industry it should first consider whether or not such a move -

- \* enhances the existing core objectives;
- \* places undue financial risk or exposure on the company;
- \* has control of its investment, particularly in the case of any overseas ventures.

Further, I suggest, it is not in the national interest for the company to involve itself in matters which do not directly serve its core objectives and that are foreign to its corporate experience. Certainly, this will include investments in other industries at home or abroad.

### **A Regulatory Regime**

The first step is to identify the prime core objectives before any regulatory regime is introduced. These will necessarily relate to the network infrastructure, equitable provision of a full array of services to the end-users, regional and remote Australian availability and research and development. The prime core objectives should be written into the company's constitution and be the subject for monitoring by a select government watchdog which publicly reports to an appropriate Parliamentary Committee.

The Government should have the power to both recommend or direct the company to do or omit from doing any particular act or company decision or policy which is judged by the Government not to be in the national interest. A matter not in the national interest would be any decision or conduct of the company which is, or is considered likely to be, contrary to or may threaten the prime core objectives.

## **Shareholder and Shares**

It is suggested that the predominate shareholding should be permitted to a mix of individual citizens and community based non-commercial groups. Institutional investors should be limited to non-controllable sized interests. The value of the shares should reflect market value. It will be appreciated that the current core business of the company is flourishing. The fluctuation in share value is more often a perceived notion on other factors (governments policies, management, etc.).

## **Commonwealth Budget**

In the event that the Government decides to sell off its remaining shares in Telstra, it is suggested that provision be made from the proceeds (apart from other declared commitments) to:

- \* set up an **administrative watchdog** with the powers necessary to properly monitor Telstra's compliance of its prime core objectives, commercial conduct and Board decisions (within a strict code of confidentiality - but with regular public obligatory reporting to a Parliamentary Committee).
  
- \* set up a **Reserve Fund** to ensure any necessary capitalisation is available (as low cost loans) for regional and remote Australian upgrading and expansion.

## **RECOMMENDATIONS**

I conclude my submission with the following recommendations.

### **1. National Interest**

The operation and activities of Telstra should be governed by the national interest.

This interest should be defined in the prime core objectives of the company.

### **2. Prime Core Objectives**

These prime core objectives will necessarily relate to the network infrastructure, equitable provision of a full array of services to the end-users, regional and remote Australian availability and research and development. The prime core objectives should be written into the company's constitution.

### **3. Administrative Watchdog**

An administrative watchdog should be established with the powers necessary to properly monitor Telstra's compliance of its prime core objectives, commercial conduct and Board decisions (within a strict ongoing code of confidentiality - but with regular public obligatory reporting to a Parliamentary Committee). It could be financed by part of the proceeds from the sale of the remaining shares in Telstra.

#### **4. Government Powers**

The Government should have the power to both recommend or direct the company to do or omit from doing any particular act or company decision or policy or conduct which is considered by the Government not to be in the national interest. A matter not in the national interest would be any decision or conduct of the company which is, or is considered likely to be, contrary to or may threaten the prime core objectives.

#### **5. Reserve Fund**

A Reserve Fund should be established from the proceeds of the sale of Telstra that will ensure the availability of any necessary capitalisation (as low cost loans) for upgrading and expansion of services in regional and remote Australia.

#### **6. Wider Telecommunications Industry Involvement.**

The company should ensure that it has consolidated the objectives of its primary core responsibilities before it embarks on expanding into the wider telecommunications industry. Where it sees an opportunity to expand further in the wider telecommunications industry it should first consider whether or not such a move –

- \* enhances the existing core objectives;
- \* places undue financial risk or exposure on the company;
- \* has control of its investment, particularly in the case of any overseas ventures.



It is now appropriate for me to inform the committee of previous positions held by me. These include being a former NSW ALP General Secretary, NSW Commissioner for Equal Opportunity and a NSW Government Appeal Tribunal Chairman. I am now a solicitor with my own practise.

Yours Sincerely,

A handwritten signature in black ink that reads "Geoff Cahill". The signature is written in a cursive, flowing style.

20 December, 2002