

Comment

The plan to sell off the rest of Telstra has handed the limelight to the telco's critics

For about a day, the proposed sale of the remaining two-thirds of Telstra seemed to get a pretty good run in the media. Then the reality started to set in. Though 1.8 million people might have bought shares ("instalment receipts") in the first tranche and seen the price nearly double, that still left some 90 per cent of Australians without any stakeholding. Even the ones who did buy were concerned about the effect a further sale might have on the value of the shares they'd waited patiently in line to acquire. And most people still seemed at least as concerned about their relationship with Telstra as a customer, rather than as a part-owner.

On that score, the news was looking a little sour. Horrible December quarter quality of service numbers were published by the Australian Communications Authority (ACA) soon after the government's announcement. Telstra staff worked around the clock to get the March quarter numbers together, which showed some improvement. The company took the highly unusual step of publishing the results itself on the last day of March. Normally, it submits them to the ACA which publishes them along with the numbers from Optus and Vodafone about three months after the relevant period.

But by then, the damage was done. It was going to be very hard to argue that privatisation inevitably leads to better quality services at cheaper prices.

The government introduced the necessary legislation into the Senate, with another twist. It included a provision stating that it would not take effect until after the next federal election. That is, parliament could pass the legislation but no one would be able to do anything about the further privatisation until after an election. This was consistent with the government's election commitment not to privatise more than one-third of the company without a further mandate from the people, although the more normal approach would have been to introduce such legislation after the election.

The benefit of this approach was that the government might get the legislation through the same Senate that passed the first privatisation legislation, something that might not be possible with a new-looking Senate after an election, especially a double dissolution election. The sale would happen faster, in any case, since it could get under way as soon as the election was over, and that would mean any sale proceeds could be spent faster too.

The downside was the noise. Getting legislation through the Senate meant it would have to go off to a Senate committee: a perfect opportunity for everyone dissatisfied with the post-1997 telecommunications environment (ie. just about everyone except Telstra) to go for broke in a very public pre-election open season.

All the industry players who have been complaining that Telstra has been acting anti-competitively and that the Australian Competition and Consumer Commission (ACCC) has been too slow to do anything about it have re-run all the debates that were

won and lost a year ago in drafting and negotiating through parliament the post-1997 legislation: more thorough separation in accounting for different parts of Telstra's business; publication of Telstra's cost data to shift the balance of power in interconnection negotiations; quicker remedies where someone with market power is alleged to be acting anti-competitively.

Another front opened up by the legislation has been the Customer Service Guarantee (CSG). Too narrow, too soft, too easy for service providers to avoid. No sooner had it been introduced (January 1, 1998), than Communications Minister Richard Alston was acknowledging, in the new context of a further sale of Telstra shares, that it might not work. The "fines" were "nominal" and there might be "a temptation", where the cost of installing and repairing services was high such as in regional areas, for service providers to wear the fine and take their time.

So the legislation contains a new power for the ACA to give directions to a service provider to take specific actions to ensure compliance with the CSG standards. Breaches of such directions are claimed to result in penalties of up to \$10 million. In fact, it will be a slow process to get to that point, and, if its response to the ACCC's first competition notice is any guide, Telstra can be expected to fight the making of such directions.

All of which is hardly surprising. When you're being told by your shareholders, through privatisation, to listen more closely to market signals and do only the things it is profitable to do or which the law requires of you, it is hardly unreasonable if that's what you do. Whether it's good enough for the customers - all of them - is something else. <

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