



PRIME MINISTER

FOR PRESS

30 OCTOBER 1978

The Prime Minister sent the following telex to Mr Hamer today:

“ My dear Premier

I have noted the views expressed in your message regarding the annual profit announced by Telecom Australia.

Telecom's profit of \$185 m. represented a return of only 2.7% on its net assets, a very modest return by the standards of most business enterprises. The \$185 m. will be used towards the financing of Telecom's Capital Development Program of over \$900 m. in 1978/79.

If the profit made by Telecom had been smaller, it would of course have been necessary for its borrowing in the market to be greater in order to finance its capital program. This would have added to the pressure on interest rates and made it more difficult for us to achieve the reductions which we all regard as essential. It would also have made it more difficult for semi government authorities in your own and other States to raise the funds they require in the market without upward pressure on interest rates.

I believe that we should welcome the efficiency of this enterprise and the fact that it is able to generate capital from internal sources while providing an important community service.

As you will be aware, Telecom has announced extensive cuts in STD charges effective from 25 November and is moving to a 60% reduction in off-peak STD charges and extension of free line plant entitlement to 16 km. Telecom is also examining the possibility of extending local call areas around the Metropolitan centres and is looking at various options aimed at assisting rural areas including one which would give isolated rural subscribers access at local call rates to a centre providing a reasonable range of goods and essential services. Since your message to me was made public, I am releasing this reply.

Yours sincerely,

(Malcolm Fraser). ”

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