



PRIME MINISTER

**TRANSCRIPT OF THE PRIME MINISTER, THE HON P J KEATING MP
DOORSTOP AT 4 TREASURY PLACE, MELBOURNE, 23 JANUARY 1996**

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PM: Well it took 100 hundred years to build Telstra, Telecom. It is Australia's greatest business. It is the largest business in the country. It is the business with the greatest potential in Australia. It is the one Australian business with the greatest potential in Asia. It has a chance of being the great East Asian communications company - the great East Asian phone business.

John Howard wants to now sell it and he is going to let foreigners buy one third of each tranche. He says he will let them buy one third of the first part and then he will decide about the next two bits, he says, if he were to be the Government after this election and before the next. I will come to that in a moment because he couldn't sell more than one third of it and would be flat out selling one third of it now anyway.

But the key point is why is he selling it. He is selling for some money for election bribes. So he is about to sell, and allow foreigners to own, a business that we began to build a century ago. With rudimentary exchanges in Sydney and Melbourne and telegraph lines on poles across the Nullarbor Plain, the one indigenous great business, he now says he will let foreigners own 35 per cent of the first tranche. And then he has got a minimum requirement, but what it would mean is a corporate force, or a foreign telephone company perhaps, would then be able to exercise control. And the people who represent the remaining government interest, who are only people appointed by the government, would stand there trying to argue against then a set of private shareholders.

Now let me say this about Telstra. In every country I go to I raise Telstra's interests. I did with President Soeharto to help them secure a licence in Java, which they now have. I did last week with Prime Minister Mahathir. I have done so with President Ramos. I have done it with the Thai Prime Minister. I regard it as Australia's one great business - the one business where we can have a brand name in the world the way when you think of Germany you think of Mercedes Benz and you think of BMW - or Japan, Toyota and Sony. Australia's does not have a great brand name. The one great brand name we can have in the fastest growing area of business in the world, is Telstra in the business of telecommunications.

Yet the Liberal Party in their bankruptcy, bereft of policy, with what he thinks now is an easy resort to money, wants to sell one third of the business, which is roughly valued at around \$10 billion. Now you know this market was flat out digesting the Qantas float which was \$1500 million. John Howard is telling you, trying to make a virtue of the fact, I am only selling one third first. One third first is \$10 billion. \$10 billion is six times the size of Qantas.

I mean the market would choke on a privatisation of this size. That is why he wants the foreigners in and this is at a time when you see the scramble for telecommunications resources going on all around the world. MCA buying into the News Corporation because they know that the transmission of pay television and content and film product and other on line services are going to be used, are going to go below the medium of phone companies and you have got British Telecom then buying into MCA. British Telecom and MCA - and particularly British Telecom - and if the American regulators will let them, the American phone companies and IT&T and the likes of IT&T, will be out there bidding to control our phone company, our great telecommunications business.

In other words, you know, the tragedy of the Howard view is that it took us a century to build it and he is going to let it at this point just as it is about to blossom, when the greatest potential we have ever had is opening up for fibre optics and phone businesses and the traffic of digital information. Then he wants to sell it after a century to foreigners and that is why what he is proposing is cheap, it is cheap jack and it is unconscionable. And every Australian who has got any pride in this country, any belief in Australian enterprise, any imagination about building a big and great business, should be utterly devastated by the bankruptcy of the Coalition and their Leader.

Can I also say that our great electronics industries, every electronics industry in Australia, the fastest growing part of our elaborately transformed manufactures, lives off essentially the body of Telstra. Where it goes, they go and if foreign owners favour foreign suppliers, foreign owners of Telstra, and invariably foreign owners start siphoning work off to foreign suppliers, that even this core of our electronics industry will change.

And you might ask the question, as I did earlier, what is this for? What does selling one third of Telstra and allowing foreigners to own a piece of it do and why? So he can get some money to try and buy his way into office. Nothing more, nothing less. No thought, no plan, no strategy, nothing about building the great East Asian phone business, nothing about the fact that we have actually got a technically competent large business with a huge cash flow, that we can actually for the first time ever build a great world business with, no imagination, no invention - just a sort of hand-me-down sale policy for an asset which has such strategic significance.

J: Prime Minister, what is the difference between the Coalition's plan to sell 35 per cent of Telstra and your Government's plan to sell 49 per cent of Qantas?

PM: Well Qantas has no chance of being a dominant world business in a part of the world. If you go to Melbourne Airport or Sydney Airport, you will notice, if you haven't already, all of the other carriers who compete and bring people in and out of Australia. I mean this is a business which has had a monopoly in Australia for a century. This is one of those things nations build once in their history and the thing about Qantas is that Qantas is just another airline. But worse than that, Qantas was just another airline that didn't have enough government capital to keep it running and we put the capital into it. The thing about Telstra is that it generates its own capital. It is actually a big producer of revenue for the Budget and that big production of revenue for the Budget would then start to move off shore, part of it would move off shore or go to Australian private hands.

J: Mr Howard says that you would sell off Telstra on returning to office after the election

PM: Mr Howard has got no right to say that. He knows that and every Australian commentator knows and the public I am sure knows, that whenever the Labor Party has agreed to sell any major asset, we have had a production bigger than Ben Hur. It has gone to each National Conference for Australian Airlines, for Qantas, for the Commonwealth Bank and you know our traditional position and what it has always been. Telecom is simply not for sale.

J: In what time frame?

PM: I've just told you.

J: It is not for sale then?

PM: It is not for sale.

J: Why should the Government be running telecommunications?

PM: Because at the time we had a continent with very few people and we built a business. And as we have, we built a very profound and good business and one that is technically very competent. We find ourselves now in the fastest growing part of the world, which we were never in before at any other time in our history, where all our markets are here, not in Europe or north America, and now the phone companies - the telecommunication companies - are basically the avenue, the highway upon which the digital information will flow.

The roll out of the cable is the information highway. The information highway here, or a very big chunk of it other than Optus, belongs to the people of Australia. In other words, we have by developing and holding this business for a century built a great business so it becomes a

strategic national asset. To give it now to foreigners, to let British Telecom go and get their foot on this or a group of international investors who would then operate the policy, you know if this thing is sold in a broadly spread company, anyone holding 35 per cent of the stock or 15 per cent of the stock is in control.

J: Won't the of Telstra hinder Telstra when the market is deregulated in 1997?

PM: What it will do is do what it has already. What Optus has done under the Government's communications competition policy and that is to lower phone tariffs, lifted efficiency. The efficiencies of Telstra have grown enormously and with it, of course, its revenues. It is a big revenue earner for the Government and it has enough internally generated funds to fund a massive capital expansion program. Let me just remind you, it is laying out the fibre optic cable without any budgetary contributions.

J: Prime Minister, after having sold icons like the Commonwealth Bank and Qantas, having broken an earlier ... adopted Telecom?

PM: No, look, that is not true what you have just said. All of the things the Government has done it has done with the big notice, the big public panoply, of coverage of its national conferences, it has been a most public process. Let me just say about the Commonwealth Bank, the Commonwealth Bank used to be the Reserve Bank of Australia. It had the Reserve Bank function. When the Reserve Bank Act came in it was just another savings bank and then just another trading bank and there are now three major trading banks and with it four. And, there is a host of private housing banks out there. So, the Commonwealth Bank had no special role ...

J: But as an icon, surely?

PM: What does the word 'icon' mean? What do you mean an icon? The Government is not into romanticism, we are into actual utility. I mean, the Commonwealth Bank when now no longer a central bank, was just another bank and I might just say that because the Government successfully sold it here, the last 49 per cent of it was worth more than we valued it at at the start. So, it was a very successful thing for the people of Australia and they have got a brand new institution out of it - another premium, first class, well funded, well capitalised bank. It is all the world of difference to the strategic opportunity of Telstra.

J: Do the Opposition undertakings on community service obligations address your concerns about foreign ownership?

PM: All that goes, it might stay there a year or two years, but what people in rural Australia have got to know and people who live with some of the community ... some of the cross subsidies within Telstra is once it's in the hands of a private business, private owners - particularly foreign owners and particularly foreign telephone companies - they will operate it like a business. That is, they will move to all the things that make it like a

business and this question regarding some pledge by the Government to keep community services obligations, they'll just say to the Government you want it you pay for it.

J: ... (inaudible) ... which foreigners?

PM: I don't know, I have got no idea where that would end up or what the likely ownership would be. One thing is for sure, this nation has basically got a major asset. It has got a major phone company with a huge cash flow sitting right in the middle of the biggest growth telephone market in the world and wouldn't we be complete fools to give it to foreigners.

J: The Coalition also plans to review the Government's cross media rules, the Government may change the rules if re-elected.

PM: Governments maintain the rules, but gradually you are starting to see John Howard's policy. What he believes in is you can own the television station and major capital city dailies in the same city. What he calls reviews are simply ways of moving to take the cross media rules out. So, we have now got diversity in television ownership, diversity in radio ownership, diversity in print ownership, that would change. Journalists, for instance, can go and work for Network Seven or Network Nine or Network Ten or the ABC or Austereo or Southern Cross or Prime or the Sydney Morning Herald Fairfax or News Limited, this was not the case before the Government's policy. And, where journalists can go and get independent work, there will be independent news and views for the Australian nation, ie diversity.

J: Mr Howard said this morning that if Mr Carr can change the Governor of NSW without consulting the people, you could do the same thing on the Australian flag.

PM: What else would you like to get in to? I mean, play a game of Ludo while we are at it? Maybe snakes and ladders.

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