

5th October 2009

Committee Secretary
Senate Standing Committee on Environment,
Communications and the Arts
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir,

**Re: Inquiry into the Telecommunications Legislation Amendment
(Competition and Consumer Safeguards) Bill 2009**

I am writing this letter as a submission to the Senate Enquiry that is looking at the legislation proposed by Senator Conroy.

I will not go into the technical aspects of why neither structural nor functional separation of Telstra is in the best interests of the country. This will be covered in many other submissions – including Investors Mutual's, the fund management company that I work for. Suffice it to say, there are plenty of examples and studies which clearly show that where separation has been implemented, it has led to lower investment in the telco sector across the country where separation has been enforced and consequently poorer services to consumers.

All one can point to is the healthy state of the telecommunications sector in this country. There is plenty of competition and importantly a huge range of choice for consumers, in all sectors of the market. In addition, Australia is at the forefront of innovation and the standard of service in this very fast moving sector is very high.

There are many aspects of the currently proposed legislation which are absolutely appalling, but I in particular want to highlight three main areas which I have been very publicly airing on TV, radio and newspapers.

These points are:

1. ***It is an absolute disgrace and immoral for a Government to sell assets to the public and then materially change the legislation governing those very assets shortly thereafter. May I remind the Committee that the last tranche of Telstra was only settled by investors a mere 18 months ago?***

Is this the way we do business in this country? Is it right to sell a Government asset by way of a public float to investors and within a couple of years legislate that the company split itself up, to the detriment of those shareholders that bought the shares in good faith from the Government?

It's a disgrace.

2. ***The continued rubbish that gets quoted by some sources of Government and by all competitors that Telstra is a monopoly company that needs to be broken up to promote competition .***

Perhaps I live in a different country! Where is this lack of competition? There are dozens of telecommunications providers, which is why Telstra has a market share of only 40% in mobile, around 50 % in broadband and just over 70% (from 100%) in fixed line services. In other words, competitors have the majority share of mobile customers, an equal share of the broadband market and an increasing share of fixed line customers.

It is true that Telstra owns the copper cable, but the ACCC ensures that competitors get access to this company-owned infrastructure at very low rates – hence the reason why no competitor has built their own infrastructure.

In fact the wholesale rates at which competitors can buy access at on Telstra's copper cable is such that it is cheaper for Optus to buy access at wholesale rates on the Telstra cable than to use their own HFC cable!

3. ***The Government knows that it is not constitutionally possible to force Telstra to structurally separate. Nevertheless it is threatening the company with functional separation, should the company not come forward with its own "voluntary" plan for structural separation. In addition, the Government is threatening to disallow the company from bidding for 4 G spectrum that Telstra needs, should it choose the functional separation route.***

These sorts of tactics are appalling – how can a Government threaten a public company in this way? It is similar to the Government legislating that Qantas must sell Jetstar to increase competition or face being prevented from flying certain routes by the Government. Alternatively, it is similar to legislating that Fosters sell 3 of its beer brands to improve competition in the beer market, or threatening to remove Fosters liquor licence should the company not comply.

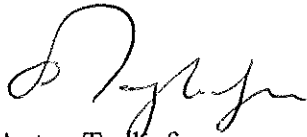
Telstra is a publicly-listed company owned by 1.4 million shareholders and the Senate Committee should protect these shareholders' rights. Otherwise their savings will be materially affected by an overzealous Government trying to make a name for itself and using whatever means to fulfill its election promises of broadband to the whole country.

By the way, excluding Telstra from bidding for 4 G spectrum will also mean that the Government will not maximise the value that it will receive for this spectrum for the citizens of this country as Telstra would have been one of the main parties bidding for spectrum.

If this nonsense becomes law, what's next? A new law as to who should own what in the airline or beer industry in this country? The proposed legislation is ridiculous in the extreme and it is a complete misuse of Government legislative power and the proposed law must be thrown out.

I would be very happy to appear in front of the Senate Enquiry should you require further discussion on the points above.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Anton Tagliaferro', written in a cursive style.

Anton Tagliaferro
Investment Director