

09 October 2009

To:
The Committee Secretary
Senate Standing Committee on Environment, Communication and the Arts
Parliament House
Canberra ACT 2600

Dear Committee Secretary,

I am a Telstra shareholder and I am writing this mail to express my strongest support for the government's steps to dismantle the crippling monopoly that Telstra wields over the telecom sector. I believe that forcing a separation of Telstra into two entities is good not only for consumers but also for shareholders in the long run.

But to my surprise, large shareholder bodies, fearful for their short-term losses, are attempting to bully the government into letting the status quo remain.

The enormous ongoing costs of a monopoly like Telstra to the Australian economy as a whole is well-known. Australian consumers pay higher prices for services than consumers in other advanced economies, and this should not come as a surprise to anyone. The link between monopolistic markets and high prices is well-known. It should be the duty of every government to crack down on monopolies and keep markets free and liquid. That's why it's shameful that Telstra shareholders are ganging up against Australian society as a whole, brazenly asking to be allowed to profit at the expense of everyone else.

I am a Telstra shareholder too, though admittedly not on the same scale as AFIC. By AFIC's logic, I should be joining the chorus against the government's bold action.

Actually, I believe that I would *benefit* from a breakup of Telstra, both as a consumer and as a shareholder. That's why I support the government's hardline position. This is the point a lot of shareholders don't seem to get, which is a shame.

When the US Justice Department forced a breakup of AT&T in 1984, one would have expected AT&T shareholders to suffer. And perhaps those who sold their shares in the period immediately following the breakup did sustain losses. But it's instructive to see what happened in the longer term. Each of the 8 "Baby Bells" that were carved out of the single entity went on to become bigger than "Ma Bell" within a decade. The shareholders who held onto their shares and waited a few years reaped the benefits.

In similar fashion, when Telstra splits into two companies, I expect to receive equivalent shares in both. Certainly, their combined value will initially be less than the value of shares in the undivided company. But rather than sell my shares in a hurry, I intend to wait till they both rise. Then I expect to be holding *more* capital than before.

Most shareholders who protest the latest government decision seem to understand that increasing competition will hurt Telstra's monopoly profits but incorrectly assume that this will depress Telstra's share prices even in the longer term. But that assumption relies on the company having efficiently harvested its monopoly so far. On the contrary, like all complacent monopolies, I believe Telstra today is fat and lazy. It charges its customers more

than it should, and it pays its shareholders less than it should. The differential evaporates as corporate waste. And why wouldn't Telstra be wasteful? It's a monopoly, after all.

As a Telstra shareholder, I want to see the government deliver a swift kick in the pants to this giant sloth to get it to smarten up, work harder and provide better returns to shareholders even as it drops its prices to customers in a more competitive market. I want to benefit both as a consumer and as a shareholder. It may seem that I am expecting money to appear from nowhere, but what I'm really expecting is an *efficiency dividend*. When competition emerges in a market, waste disappears, and both consumers and shareholders see more money in their pockets.

That's why every enlightened Telstra shareholder should support the Minister for Broadband, Communications and the Digital Economy, Senator Stephen Conroy, and urge him not to yield to the shortsighted bullying tactics of fat cat shareholder lobbies.

Please count my vote in favour of the government. As a Telstra shareholder, I want to see the company broken up as early as possible.

Regards,
Ganesh Prasad