

8 October 2009

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

Dear Sir or Madam,

Could you please pass this on to the Chairman of The Standing Committee?

I am a shareholder in Telstra and I am writing to express my deep concern at recent developments being the proposed changes to the regulatory framework within which the company operates.

I acquired my shares in the company in good faith and at full value based on the current regulatory environment which allows the company to operate as a fully integrated telecommunications company. The proposed new framework seeks to penalise Telstra for being highly successful in its current structure. In penalising Telstra you are also penalising its many shareholders such as me who bear the brunt in the loss in value that results.

The Government seems determined to go down a path of structural separation of the company, yet as far as I am aware, every example of structural separation taken elsewhere in the world has resulted in tremendous loss of value for the affected shareholders. It is simply not the case that structural separation can be a win-win situation for shareholders and other stakeholders in Telstra.

I am also very concerned at the proposed telecommunications industry legislation which threatens Telstra with shareholder damaging sanctions in the form of divestment of its Foxtel shareholding, divestment of its hybrid fibre coaxial cable network and inaccessibility of new band widths for fourth generation mobile networks etc, unless the company complies with Government directives. I am not aware of any other example of legislation undertaken by a Government which specifically attacks a single company with punitive measures unless they follow a particular course of action.

I think this sets an extremely dangerous precedent which will highlight to both domestic and international investors the reality of the sovereign risk that applies to investments in Australian companies because the Government can legislate against specific companies arbitrarily.

I also have concerns about the Government's new national broadband network which will need to acquire assets from Telstra to facilitate its setup and operation. I feel very troubled that because of the Government's coercive behaviour that the company will be forced to sell assets into the national broadband network without the current shareholders receiving a fair and reasonable price for these assets.

The Government spent a great deal of time, effort and money to persuade many retail investors to participate in the three Telstra share offers. At the time I acquired my shares in Telstra there was no prospect of the Government taking such unprecedented steps to attack the company and its shareholders. The Government has reaped the benefit of selling its interests in the company and having done so it now seeks to seriously damage the interests of all those who acquired their shares in good faith without giving fair and just compensation.

I understand that the Government has policy objectives which it is seeking to pursue to improve telecommunications industry outcomes for consumers. However I would urge that the Government seriously reconsider its approach which is to significantly undermine Telstra's position to the detriment of well over one million Australian shareholders directly and many more indirectly through their superannuation funds.

The way to ensure consumers ultimately benefit is to promote a healthy and profitable industry including Telstra where there is real economic incentive for investors to reinvest funds in the needed on-going capital expenditure that is required to stay at the leading edge of technological development.

Yours sincerely

W. L. Ranken
Director Lusitania PL and Tree House Super PL