Australia becomes a "share-owning democracy"?

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28 June 1999

One of Australia's biggest share offers, the $16 billion sell-off of the second slice of Telstra, the semi-privatised telecommunications giant, could take place as early as next month. After more than a year of political crisis over the issue, the Howard government finally pushed the legislation through the Senate last week with the help of two “independent” Senators, Brian Harradine and Mal Colston.

The government has already begun its marketing campaign, reviving previous claims that masses of ordinary people will benefit from the selloff and, indeed, that it will help make Australia more democratic. "Along with home ownership, the Great Australian dream includes the ownership of shares,” declared Finance Minister John Fahey. “Australia has become one of the truly great share-owning democracies in the world.” Fahey said 40 percent of adult Australians already owned shares.

But who is buying shares? And who gets the lion's share of the enormous paper profits on offer from the Telstra sale? One indication comes from the initial sale of one-third of Telstra, in November 1997. According to the May 1998 edition of *Business Review Weekly's Rich* 200 List, the wealthiest 200 individuals in Australia bought up 18 million of these shares.

For example, Michael Darling's private investment company, Caledonia Investments, bought 2.9 million shares at $10 million. Within six months, the share price rose 53 percent, helping to lift his wealth to $95 million. The Myer Family took 2.4 million shares; John and Timothy Fairfax, who control a $860 million media empire, took 1.5 million shares; the Baillieu family (worth $160 million) bought 480,200 shares, valued at $1.7 million.

In other words, the sale amounted to a multi-billion dollar government handout to the wealthier layers of society, who benefitted, without lifting a finger, in proportion to the funds at their disposal.

By some reckonings, the second selloff of 16.6.percent of Telstra will not generate such spectacular overnight gains. But the biggest winners are likely to be brokers, merchant banks and consultants advising on the float. They stand to make an estimated $240 million in fees.

A second glimpse of the reality behind the government's grandiose claims is provided by a recent federal parliamentary library research study on taxation and share ownership. The study examined the number of taxpayers reporting share income in each federal electorate across the country. It shows a wide gap between the number of shareowners in the wealthiest and poorest electorates.

There are seven times as many shareholders in the Sydney North Shore electorate of Bradfield than in the western Sydney seat of Fowler, which includes the working class and immigrant regions of Fairfield and Cabramatta. In Bradfield, the richest electorate, just under a third of the voters reported share income—out of 73,968 electors there were 23,415 shareowners. In Fowler, the proportion was less than 5 percent—3,368 out of 64,492.

Disparities of a similar order can be seen in the list of the top 10 and bottom 10 share-owning electorates. [1]

For example, North Sydney has 85,573 electors, of whom 20,303 own shares, but Chifley, covering the Mt Druitt-St Marys area in Sydney's outer west, has 65,633 electors of whom only 3,408 hold shares. In Victoria, the blue-ribbon electorate of Kooyong has 63,390 electors, with 22,735 shareowners, while Oxley, whose area takes in some of Brisbane's poorest suburbs has 58,189 electors, with 4,937 owning shares.

These figures provide only a partial picture of the huge gulf in share-owning wealth, because they give no indication of how many shares each owner has, nor how much their portfolios are worth. Obviously any worker on average weekly earnings who has, say, $1,000 invested in shares is falling further and further behind those at the other end of the social scale who might have $1 million or more riding on the stockmarket.

The parliamentary library report also documents income inequality. The average taxable income in Bradfield is $51,855 while in Cowper, a rural area on the New South Wales north coast, it is less than half that—just $24,732. In Kooyong the average is $44,322, compared to $26,274 in the provincial city of Bendigo.

The next major piece of legislation about to be finalised, this time with the vital assistance of the Australian Democrats, will impose a 10 percent Goods and Services Tax. Once again, there will be a huge disparity in the outcomes. A family with a dual income of $150,000 a year will receive $123.44 a week in tax cuts, but a family on the basic wage of $20,000 will gain $10.05 per week, which will in no way compensate for rising prices for basic goods under the GST.

By selling off Telstra, the Howard government is deepening a process begun under the Labor governments of Hawke and Keating, which privatised Qantas and the Commonwealth Bank. As the statistics confirm, there is nothing democratic or egalitarian about this wealth redistribution process. On the contrary, it is widening the gulf between the rich and the poor to unprecedented levels.

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