

# Australian election: the gulf between promise and reality over the sale of Telstra

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Four days of political ducking and weaving over the privatisation of Telstra last week has highlighted the gulf between the promises being made by the major parties in the Australian election campaign and what they will do if they win office.

The Liberal, Labor and National leaders are all caught in a dilemma. They support, and are collectively responsible for, the economic restructuring and market reform, including privatisation, implemented over the last two decades. At the same time, however, they find it impossible to openly sell this program to voters, many of whom have been directly affected by cutbacks to jobs, conditions and services.

The privatisation of Telstra is a case in point. Labor governments opened the door for its sale by ending Telstra's telecommunications monopoly and restructuring the corporation—with the loss of 24,000 jobs. The Liberal-National coalition continued the process after coming to power in 1996 by selling off almost half of the Telstra shares. They now want to sell the remainder.

But widespread opposition to the loss of Telstra jobs and to the deterioration of its services, has been a significant factor in the haemorrhaging of support, particularly in rural and regional areas, from the major parties to the rightwing populist Pauline Hanson's One Nation party. As a result none of the major parties want to talk about their plans or past records.

The issue inadvertently hit the headlines on October 26 after Federal Treasurer Peter Costello attempted to score some points by claiming that a "\$500 million hole" existed in Labor's costings of its election promises. In the course of questioning, however, he had to demonstrate the government's own financial prudence and referred to the fact that Telstra would be fully privatised. Costello drew attention to a section of

the government's budget outlook, previously overlooked by the media, which gave the precise timing as well as expected share price and sale proceeds.

The revelation neatly punctured the government's electoral "spin" on Telstra. Yes, Prime Minister Howard had claimed, he wanted to complete the sale of the corporation but only after the coalition, which includes the rural-based National Party, is "totally satisfied" that telecommunication services in rural and regional areas are adequate and equal to those provided in urban areas.

Here it was, however, in black and white. The government did not intend to wait until services were "up to scratch in the bush." The sale of Telstra would begin in 2003; the price was \$5.49 a share; and the government expected a \$35.2 billion windfall. The admission sparked a series of manoeuvres by Howard, along with some rather desperate public denials by National Party leader John Anderson and several of the party's MPs who are in danger of losing their parliamentary seats.

Anderson attempted to dismiss prospects of an "early" sale, claiming it would not go ahead; Queensland National Party senator Ron Boswell told the press that Costello's comments could "hurt" the Nationals; MP De-Anne Kelly declared that a Telstra sale was "hypothetical," no matter what the Liberal Party said. "We have made our position quite clear and frankly," Kelly said, "to have someone from another political party galloping around pretending (a further sale) is a fait accompli, when it is nothing of the sort is not helpful."

But as Howard and the Nationals were attempting to deflect attention from Costello's sale plans, Finance Minister John Fahey, campaigning in Sydney, told the press there was no reason why Telstra should not be

sold. “Do governments have to own telephone companies?” he said. “There’s no government in the world that I know that believes that particularly.”

Naturally the ALP latched onto Costello’s admissions in an effort to pick up votes in key marginal electorates and deepen existing antagonisms over the issue within the coalition. ALP spin-doctors commissioned radio advertisements on the issue while Labor leader Kim Beazley and others began denouncing Howard and the government for attempting to hoodwink voters.

Beazley returned to the election gimmick he had been using to emphasise Labor’s declared policy—no further privatisation of Telstra. He posed for the media up and down the country signing giant-sized pledges stating that if he won the election his government would “never” sell the telco.

But as the ALP attempted to capitalise on Costello’s remarks, Richard Alston, Howard’s Minister for Communications, hit back by releasing a 1995 Department of Finance document revealing that the Keating Labor government had drawn up detailed plans for the sale of Telstra for \$20 billion.

Beazley, who had been communications and finance minister in the Labor government, attempted to dismiss the document as “one of many proposals” generated by his department. But the next day he was confronted with another document showing that he had attended a high-level meeting with former prime minister Keating and the head of BHP, one Australia’s largest corporations, in which Telstra was offered for sale.

At first the Labor leader refused to confirm or deny the meeting, saying that it was not relevant. Hours later, after consulting with Keating, Beazley claimed that he was invited to the meeting because the prime minister regarded him as a “known opponent” of the sell-off. “I listened to the propositions that were put, it was the first time I heard them and they went nowhere,” he said. “That meeting took place and then I heard no more about it.”

These denials are ludicrous. Beazley was a central figure in Labor’s privatisation of state-owned assets and the destruction of thousands of public sector jobs. He may have had reservations over the sale of Telstra, so close to the 1996 federal election. But in 1991, Beazley had told incoming Telstra chief Frank Blount that he was being hired to prepare the sale of the telco.

In 1995, he worked closely with Keating to encourage BHP and other companies, including the National Australia Bank, to become core investors in a privately-owned Telstra.

The media entered the public debate to insist that, whatever the outcome of the poll, the next government would have to proceed with the sale of Telstra. The present situation of a highly profitable telco—half state-owned, half privately owned—is simply untenable. In its present state, Telstra cannot issue new shares to raise the capital needed to compete internationally, and its share value, like those of other telcos, is dropping—by 30 percent since January.

An editorial in Murdoch’s *Australian* entitled “Why Telstra should be fully private” put the matter bluntly, declaring: “The half-witted, half-pregnant, halfway house that passes for Coalition and Labor policy on selling Telstra is a fully-blown disgrace.”

The newspaper accused the government of “hypocrisy” which was “aimed at stealing the policy ground of the Hansonites and protecting inept National Party members in marginal seats... [I]n appeasing the rural lobby, the Government has struck an open-ended deal that links Telstra’s future to some arbitrary acceptable standards of service... Once again the Government has bowed to policy populism. Once again, Labor has retreated...”

On this issue, as with every other, the message is clear. After the poll is over, the promises and pledges will be shelved and the program of big business will prevail no matter what its impact on working people. In the case of the Liberals, they have already made clear that the privatisation of Telstra will be completed. But if Labor is elected, it will not be long before Beazley, amid speeches about the “realities of the market,” tears up his oversized, ironclad, personally autographed guarantees and does the same.



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