

News release

Contact Clive Hamilton (02) 6249 6221 or 0413 993 223

Telstra 'Country Wide' Clears Path for Privatisation

Telstra's new organisational division, Telstra Country Wide, has been designed to allow the Howard Government to privatise the rest of Telstra without alienating regional and rural Australia, according to The Australia Institute.

The Prime Minister is committed to the full sale of Telstra but is being thwarted by concerns in regional Australia over service quality, and opposition from the National Party.

"The sale of Telstra except Country Wide would provide the Coalition with an election fund of at least \$30 billion", said Dr Clive Hamilton, Executive Director of the Australia Institute. "Some of this revenue would be used to replenish the Natural Heritage Trust whose funding will soon run out leaving the Government unable to respond to problems like salination."

"Some sale proceeds could also be allocated to Country Wide to upgrade the telephone infrastructure in the bush. It looks like a clever election strategy, one designed to give the National Party a way out of its Telstra difficulties while achieving the Prime Minister's goal of privatising the carrier."

The new business unit has been designed to facilitate the subsequent separation of Telstra Country Wide. According to the recent announcement:

- Country Wide will be a separate Telstra business unit serving three million customers;
- a senior Telstra management team will be moved to the new headquarters at Albury-Wodonga; and
- 8,000 staff will be assigned to Telstra Country Wide.

Telstra has laid the foundations for splitting off its regional operation by declaring that "Country Wide will begin as a profitable, commercial entity from day one".

Dr Hamilton said that the Government's plan seems to be to hive off Telstra Country Wide as a distinct corporate entity. Then the Government would go to the election promising to sell off 'Telstra Metro' while protecting regional services through continued public ownership of Country Wide and an injection of funds from the sale proceeds. It could also promise to use the sale proceeds for environmental regeneration. If it wins the election it would then claim a mandate to sell off 'Telstra Metro'.