

# Rudd team intent on wronging lots of what's right

[Economics & Deregulation](#) and [Deregulation Unit](#) | [Alan Moran](#)  
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Treasury's refrain regarding the economic outlook is, "Not out of the woods yet."

In a global setting, the International Monetary Fund, the Organisation for Economic Co-operation and Development (OECD) and other international agencies are even more cautious. They are calling for increased spending to insure against a relapse of the tentative signs of recovery.

However, recent Australian economic data looks promising. Increases in retail sales, building approvals and construction activity indicate that we may have reached the "beginning of the end" of the downturn.

Thanks to the Budget surplus bequeathed by the Howard government, and a quarter of a century of deregulation and privatisation, Australia was in good shape to weather the world economic storm. As a result, touch wood, we have missed the double-digit unemployment rates being experienced in the US and Europe.

Unfortunately, the Rudd Government appears to be unpicking the successful policy fabric that has shielded us from the economic distress seen elsewhere.

It is, for example, paying its debt to the union movement which financed its election.

This is bringing re-regulation and re-enthronement of union muscle throughout the economy. Workplace "reforms" are causing cost increases. Wage inflexibilities caused by a new suite of wage settings and provisions that prevent firms getting rid of bad workers are among the changes being introduced. Already, industrial disputation is on the rise.

Other measures are being introduced that show the Government's willingness to punish companies that don't co-operate with its plans, even if this means imposing new costs on the economy.

Nowhere is this more evident than with regard to Telstra, which under Sol Trujillo was refusing to surrender shareholders' interests to buy government goodwill. The new regime under David Thodey is more accommodating. Yet this has not helped the company and the Government is seeking to break it up.

Under threat of regulatory sanctions on access to spectrum, Telstra will be required to sell its network into a new monopoly national broadband network at a distressed price. It may also be forced to divest its Foxtel holding. These measures will considerably reduce the company's value.

In justifying its actions, the Government misleadingly said that the OECD had advocated functional separation of the different elements of telecommunications. In fact, recent analysis shows considerable cost savings from a Telstra-style integration of retail and networks.

In addition, the Government is proposing to increase the ACCC's powers to reduce the prices other carriers pay to use Telstra's network. ACCC has had a vendetta against Telstra, forcing it to undercharge, so much so that Optus prefers to service its customers using the Telstra network rather than its own.

Such attacks have resulted in Telstra's share price stagnating over the past six months compared with a 50 per cent recovery in the All Ordinaries Index. This is in spite of the company delivering a sound profit performance.

The relatively strong performance of the Australian economy in the global economic crisis owes much to the disengagement of government in the affairs of business.

Right now the Rudd Government is reversing that process with potentially severe consequences for particular businesses and the economy in general.

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