

**Opening Statement****9 October 12**

Since Telstra's last appearance before this Committee on 16 April this year, we have seen progress on a number of employment issues of interest to Committee members.

When we last appeared, the Retraining Funding Deed had only come into effect.

The implementation of this Retraining Funding Deed is a critical part of Telstra's agreements with NBN Co and the Government.

We have long understood that the structural changes being imposed on the telecommunications sector, by the roll out of the NBN, would have significant implications for our business, including our people.

As we progressively migrate customers to the NBN and decommission our copper access network, the scale of the network maintenance task will diminish. This will have a direct and long term impact on the way Telstra operates and will have practical implications for our people.

In recognition of this, under the Retraining Funding Deed, Telstra receives \$100m from the Government to retrain certain employees to support the availability of an appropriately trained workforce for the NBN and to retrain Telstra staff who may otherwise face redundancy as a consequence of the rollout of the NBN. A number

of requirements are attached to this funding, including the submission to Government of a Training Plan.

Since Telstra's last appearance we have developed a Training Plan under the Retraining Funding Deed in consultation with unions and the Department.

This Training Plan sets out:

- key inputs to develop new workforce skills that are required as a consequence of the NBN rollout. The plan highlights the training curricula and courseware that is required.
- processes that Telstra will use to deliver training to eligible staff.
- methods for reporting and how the Government funding will be utilized.

The Training Plan was submitted to the Government on 30<sup>th</sup> April 2012 and was formally approved by the Government on 25<sup>th</sup> June 2012

The full term of the Retraining Funding Deed is 8 years. The initial training plan covers years 1- 3 (FY 2011 – 2014, ending 30 June 2014) and was submitted to the Department at the end of April 2012. As a result the first year of the Plan was shortened. However, in those 2 months, more training was delivered than the Plan required with 107

Telstra employees being retrained against the 40 estimated under the Plan. All of those retrained employees were in our copper/HFC areas and retraining related to the installation and migration curriculum. In total, there were 2,830 training attendances in the 2 months, which comprised 1892 attendances related to structural separation undertaking training and 938 attendances related to other curricula. We also developed 21 courses, primarily in the installation and migration curriculum, as was anticipated would be developed under the Plan.

Year 2 of the Plan commenced on 1 July 2012. Between then and 30 September 2012, we have delivered a further 856 training attendances across the installation and migration, value add premises, planning design and construction, and customer support curricula. Telstra currently has 40 training courses under development consisting of 34 new courses and 6 updated courses. This is on track to meet the target set in the Plan. Telstra already has 30 training courses available in the NBN retraining catalogue.

We anticipate that the majority of the technical training delivery would occur in years 3 to 8 of the term of the Deed. This reflects the expected profile of the NBN build and the requirements that we anticipate for our workforce to be retrained. We expect that a minimum of 173 training courses will be developed or have content

revisions in the first 3 years of the plan. Several thousand Telstra employees will benefit from the funding over the life of the Deed.

Under the Retraining Funding Deed Telstra must consult with unions on the implementation of the plan at least quarterly. We are also obliged to consult with the Department of Broadband, Communications and the Digital Economy on at least a 6 monthly basis. In accordance with these obligations, to date we have met with the unions and the Department on 4<sup>th</sup> November 2011, 19<sup>th</sup> March 2012, 20th June 2012 and 19th September 2012.

On these occasions we have discussed:

- the development of the Training Plan;
- the training courses that have been developed and delivered according to the Plan; and
- the target number of employees to be retrained and the actual number who have been re-trained by Telstra to date in excess of that target.

These meetings have been open and cooperative and have involved significant discussion between the participants.

At Telstra, we understand the importance of maintaining a dialogue with employees and unions across issues associated with our workforce.

Since our last appearance there have also been other developments in regard to our workforce.

Most importantly, we recently received staff approval for the Telstra Enterprise Agreement 2012-2015.

This Enterprise Agreement is the product of good faith bargaining negotiations with Telstra unions (CEPU, CPSU and APESMA) and other bargaining representatives.

The constructive relationship we have built with our unions since we last bargained assisted. We met over 30 times over a 5 month period and had robust, but ultimately productive, negotiations. The agreement represents a watershed for Telstra, simplifying considerably the industrial relations landscape for us by moving from over 60 collective agreements to just one with mostly common terms and conditions. This was no easy task, but was consistent with the principles we set out at the beginning of bargaining to simplify, treat employees equitably and ensure that our industrial framework supported our focus on delivering great customer service.

The agreement protects terms that are important to employees such as hours of work, leave entitlements, and the formula for calculating redundancy pay. It also offers improved benefits such as an increase to paid parental leave to 16 weeks for primary carers and a greater

emphasis on redeployment, in line with our NBN Retraining Funding Deed.

The new agreement also continues our focus on pay being linked to both the company's performance and their individual performance, and ensures that our employees have guarantees around pay for the next three years.

The agreement will help safeguard our future, by providing certainty to employees, customers and shareholders by securing terms and conditions that will support us to win in an NBN world. Strengthened redundancy and redeployment provisions will support this principle.

We're very pleased that 80.3% of Telstra employees have voted in favour of this EA and expect the new terms and conditions to come into effect shortly, once Fair Work Australia has approved the agreement.

This EA will be the foundation upon which Telstra faces the changes currently facing our industry over the coming years.

As we noted when we last appeared, Telstra operates in a fast moving, highly competitive market. To keep pace with this changing environment and remain competitive, like every business we're constantly reviewing the way we work to identify opportunities to

improve customer service, simplify the business and deliver efficiency and productivity gains.

We're also a changing business, with some parts of the business shrinking and other areas growing due to changing technologies and customer trends. As we have seen in recent times, this has meant adding jobs in growth areas while reducing jobs in others, and this evolution will continue.

It is notable that as a consequence of improvements in our customer service levels and greater use of online tools by our customers we have seen a reduction of 21% in call volumes to our front of house call centres over the past 12 months. We expect declines to continue into the future. While we are proud of the improvements in our customer service, noting of course that more still needs to be done, it is regrettable that changing call volumes will impact on the number of call centre staff required. At the same time, however, we are recruiting in to new areas of business, such as Network Applications and Services.

It also means recognising when industry partners have the economies of scale and expertise to do things better than we can, or give us more ability to manage changing workloads. Telstra relies on a mix of partners locally and globally to benefit from their expertise

in particular tasks and their capacity to manage fluctuating workloads using world-class technology and solutions.

To sum up, Telstra is operating in an environment of major change – some of which is the result of the structural reform of the industry being pursued by the Government - and some of which is the result of consumer and technology trends impacting telecommunications companies around the world.

In order to provide the best possible experience to our customers - and to keep our company healthy for our shareholders and employees - it's critical that Telstra keeps pace with this changing environment.

The successful implementation of initiatives like the Retraining Funding Deed and the Training Plan will play an important role in managing this change within Telstra.

We're now happy to take questions from members of the Committee.