



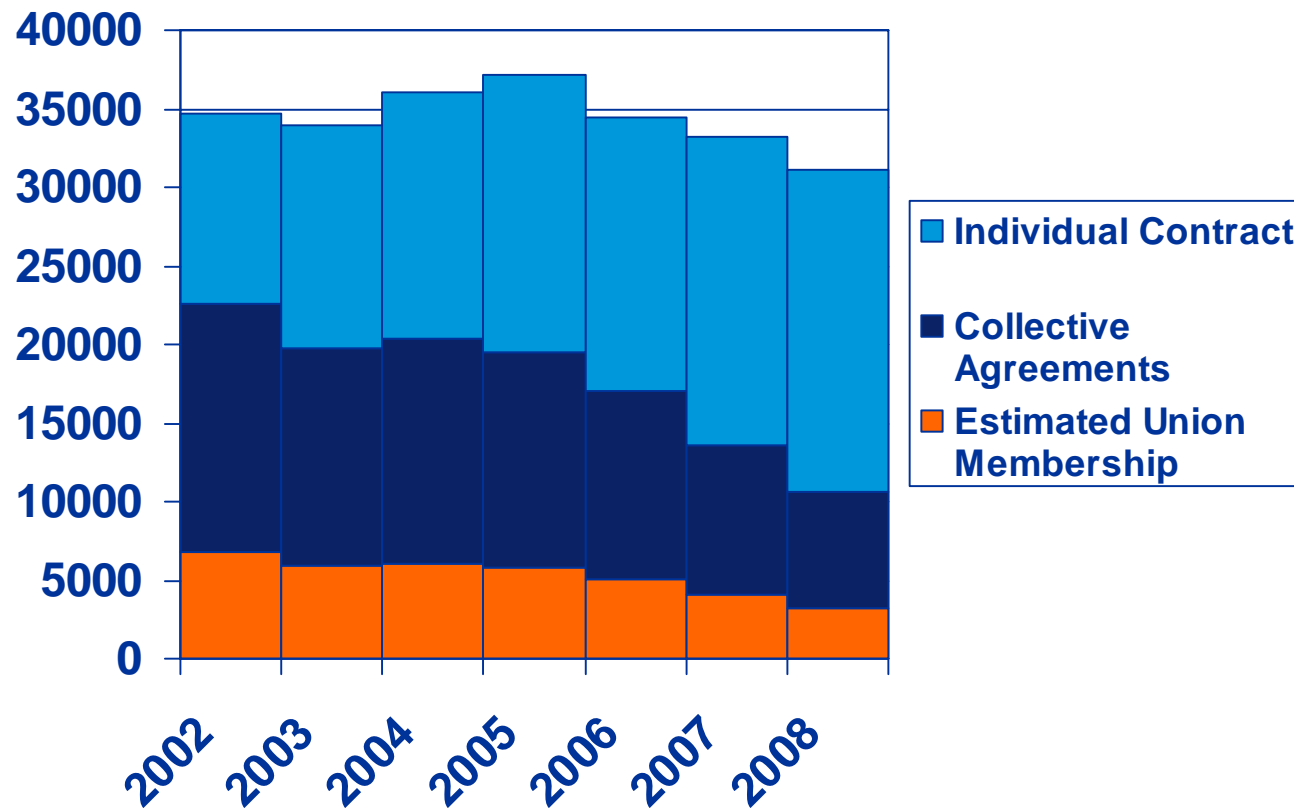
Employment Strategy GMD Update – 30 July



Background

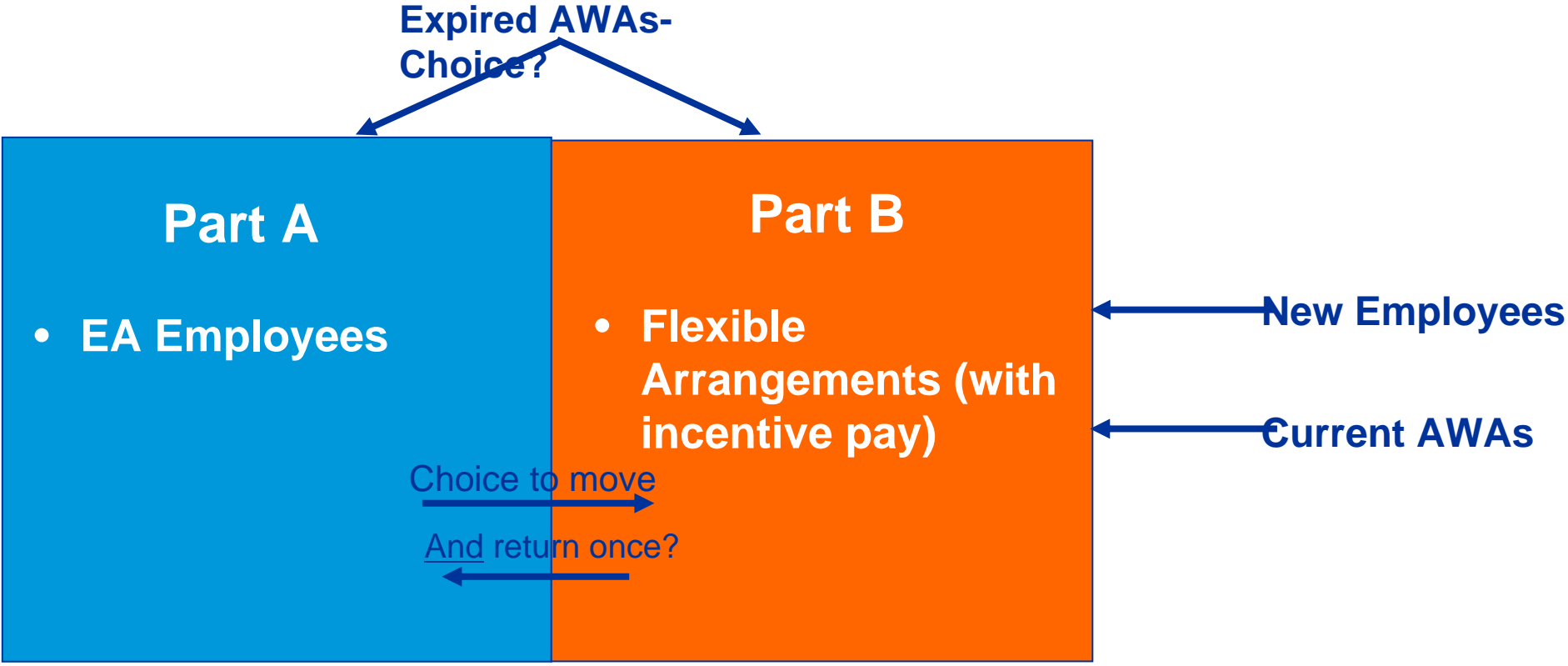
Our workforce: Employment arrangements

Telstra has moved from 'collective' to 'individual' arrangements over the last 5 years





Part A/Part B EA structure preserves incentive model and protects employee benefits



Costings: Bain estimates of new recruit savings in Telstra Operations of Part A/B model

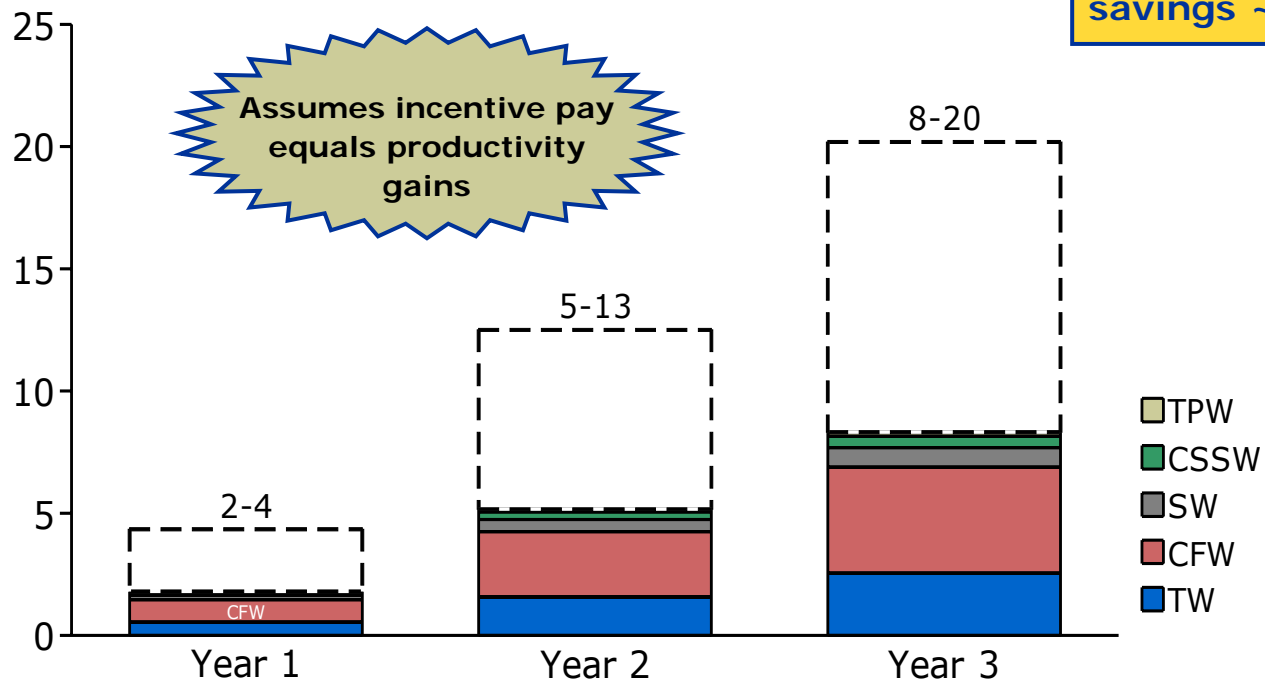


Estimated savings (Bain analysis)

**Based on estimated
08/09 recruitment #s**

Savings on remuneration costs (\$M)

**3 year cumulative
savings ~\$15-37M**



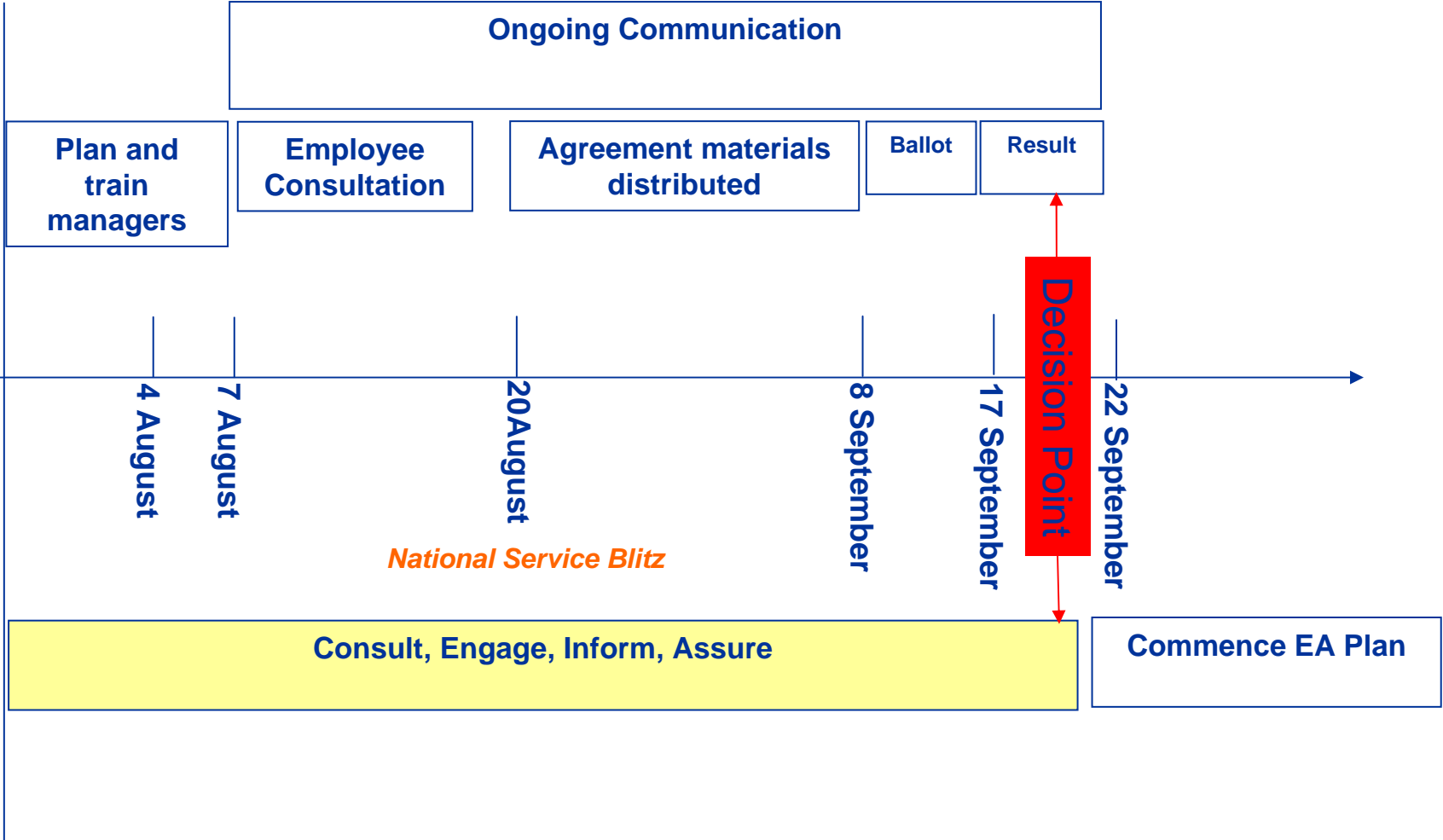


Proposed Timetable



Proposed Timeline (Indicative)

Wholesale and Service Advantage*



All other business groups



* SAdv Call-centric area: TBC

Wholesale Timetable - Proposed



Action	Timetable
Finalise agreement content	30 July
Develop comms plan	1 August
Identify eligible voting population	1 August
Commence internal comms	4 August
Train management team	4 - 6 August
Employee consultation	7 – 15 August
Send agreement materials to eligible voting population with cover letter	20 August
Send ballot papers	8 September
Close ballot & commence counting	12 September
Communicate result	16 September
Lodge agreement with Workplace Authority	17 September



Features of EA

Features of Proposed Agreement



Features for current EA employees

Retention of:

- Redundancy pay (not procedures)
- Penalty payments
- Grandfathering
- Hours of work
- Leave arrangements

New benefits:

- Performance based annual incentives
- Salary packaging
- Maternity Leave (TBD)

Features for expired AWA employees

Choice of Part A/Part B (essential to vote)

Retention of:

- Redundancy pay
- Penalty payments
- Hours of work
- Leave arrangements
- Incentive based arrangements (e.g. commission/sales incentives/STI)
- Salary packaging
- Annual performance-based salary increases
- No change to fixed remuneration on translation back to the collective agreement

New benefits:

- Maternity Leave (TBD)
- Cash out and buy additional annual leave



Salary Packaging Enhances EA Offer

- In or about 2000, Telstra made a decision to offer salary packaging to contract (but not EA) employees
- With the exception of superannuation, this has remained Telstra's position
- Allowing EA employees to salary sacrifice has many benefits:
 - Reduced Telstra Payroll tax costs: letting people salary sacrifice reduces costs
 - Employer of choice (childcare, school equipment, healthcare)
 - Promotes staff owning Telstra products (\$909/year can be packaged towards Telstra products)
 - Gives the EA offer a new focus
- *Example: A CT (CFW4) earns \$52,500/year. He/she is offered X% in Year 1 and Y% in Years 2 and 3 (and up to earn 2% more for top performance. He/she can also salary package for the first time (e.g., \$909 rebate for Telstra products) & retains all key benefits (such as redundancy).*

Payroll Tax Reductions if Salary Packaging was extended to EA Employees.



- **Estimated Reduction in Payroll Tax based on the following assumptions:**
 - 40% EA employee take up rate \$205,861 per annum
 - 60% EA employee take up rate \$308,867 per annum
 - 80% EA employee take up rate \$410,839 per annum
 - These assumptions are based solely on an employee salary packaging Telstra products/services to the value of \$909 per annum (and not other packaging arrangements).

Note: Telstra Business Savings increase the more products our employees package



Costs and Model Options

Options: For Discussion

		Year 1	Year 2	Year 3
Option 1	CR Increase	4%	3.5%	3.5%
	ME Incentive	0%	0%	0%
	EE Incentive	1%	1.5%	1.5%
	SE Incentive	2%	2.5%	2.5%
Option 2	CR Increase	4%	3.5%	3.5%
	ME Incentive	0.5%	0.5%	0.5%
	EE Incentive	1%	1.5%	1.5%
	SE Incentive	2%	2.5%	2.5%
Option 3	CR Increase	4.5%	3.5%	3.5%
	ME Incentive	0.5%	0.5%	0.5%
	EE Incentive	1%	1.5%	1.5%
	SE Incentive	1.5%	2.5%	2.5%

➤ October or first pay period in Nov (12th)

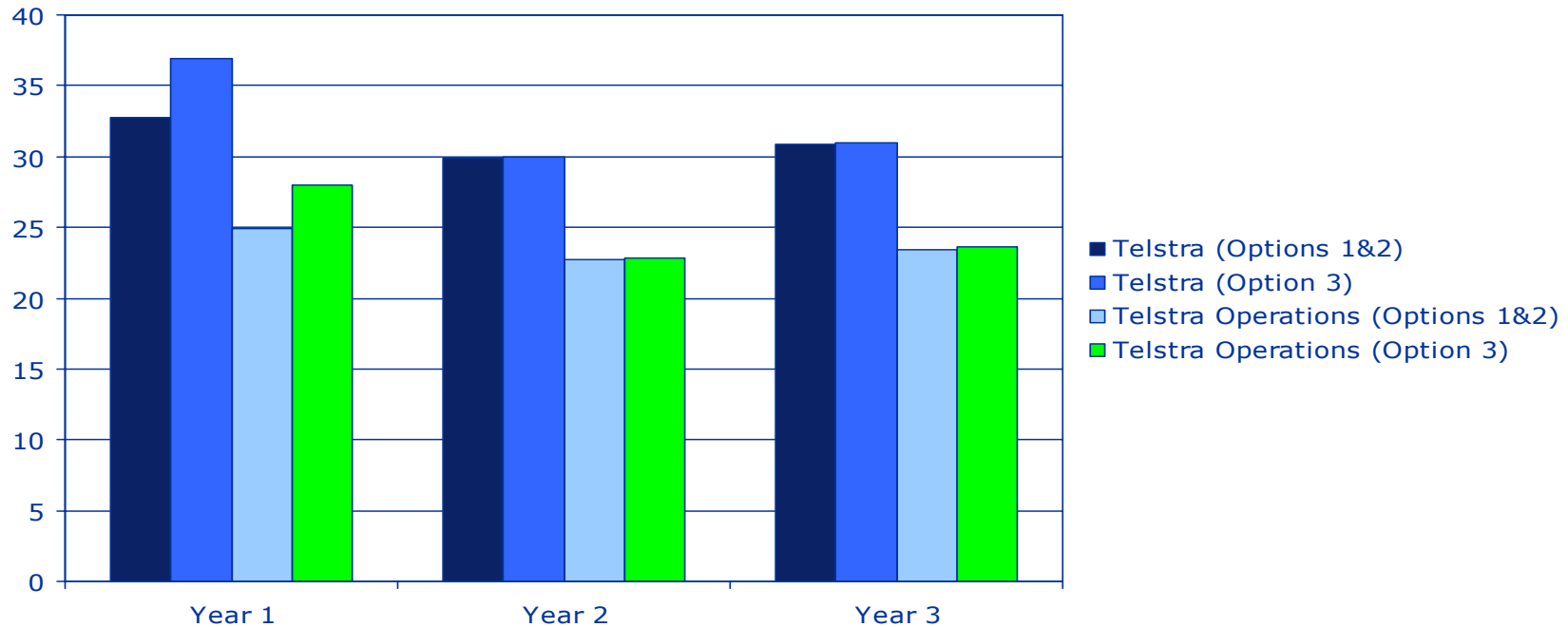
➤ CPI = 4.5%

➤ Note ME/EE/SE vote with certainty of 2008 outcome

Telstra Operations: Company Rate (EA) Costs



Annual cost (\$M)



Total additional cost over 3 years	
Telstra (Options 1&2): \$84.8M	Telstra Operations (Options 1&2): \$71M
Telstra (Options 3): \$97.9M	Telstra Operations (Option 3): \$74.4M

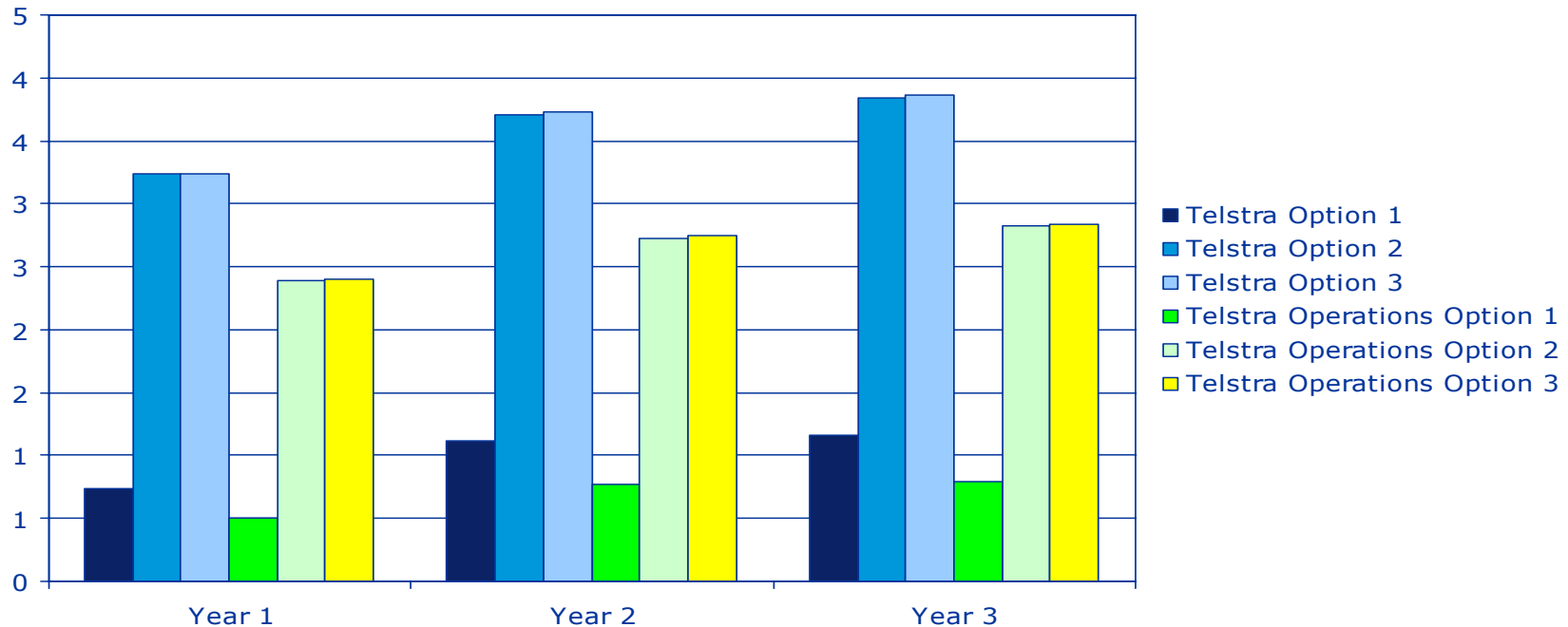
NB: Actual yearly costs affected by timing of increase

Note:
All employees of all Telstra BUs, CR includes on-costs



Telstra Ops: Merit based bonuses

Annual cost (\$M)

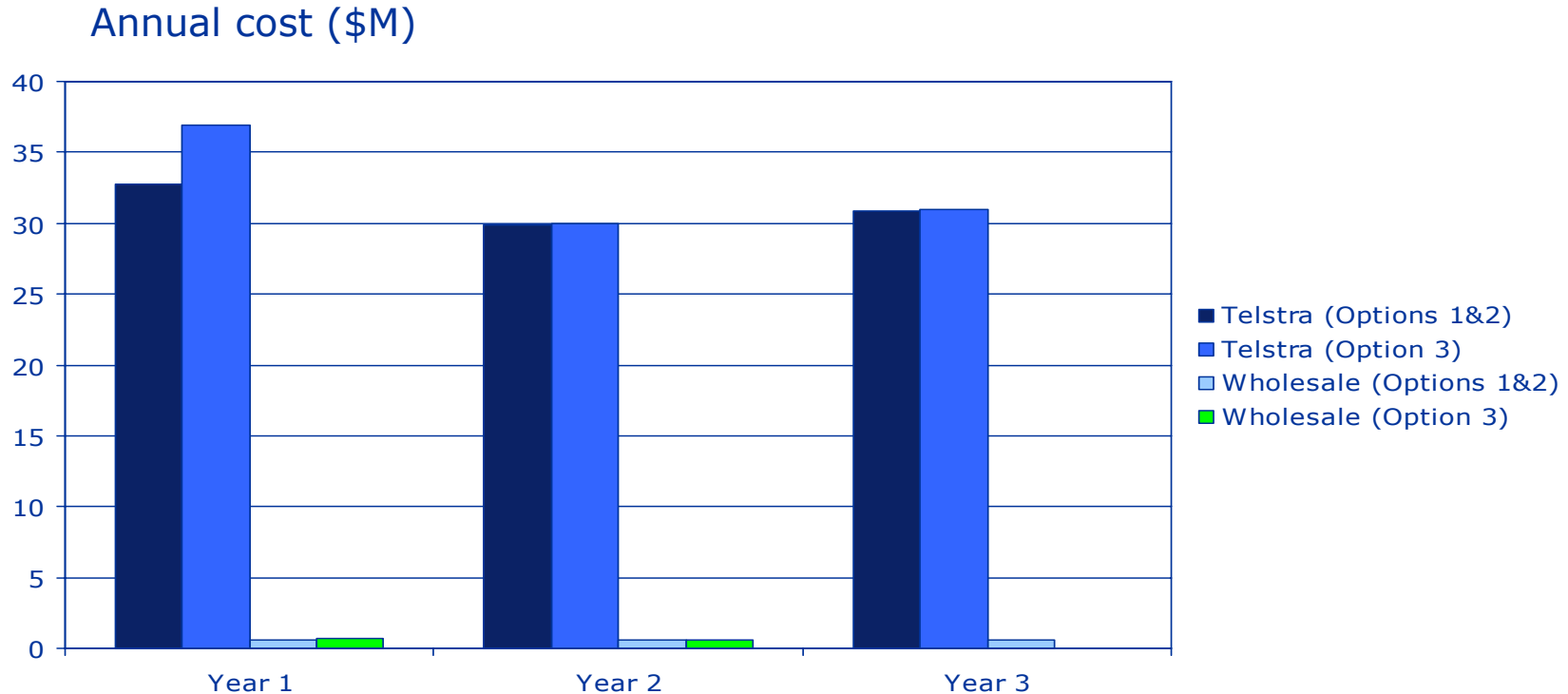


Total additional cost over 3 years	
Telstra Option 1: \$3.01M	Telstra Operations Option 1: \$2.07M
Telstra Option 2: \$10.79M	Telstra Operations Option 2: \$7.95M
Telstra Option 3: \$8.3M	Telstra Operations Option 3: \$6.08M

Note: paid as bonus so no CR on-costs



Wholesale: Company Rate (EA) Costs



Total additional cost over 3 years	
Telstra (Options 1&2): \$84.8M	Wholesale (Options 1&2): \$1.79M
Telstra (Option 3): \$97.9M	Wholesale (Option 3): \$1.9M

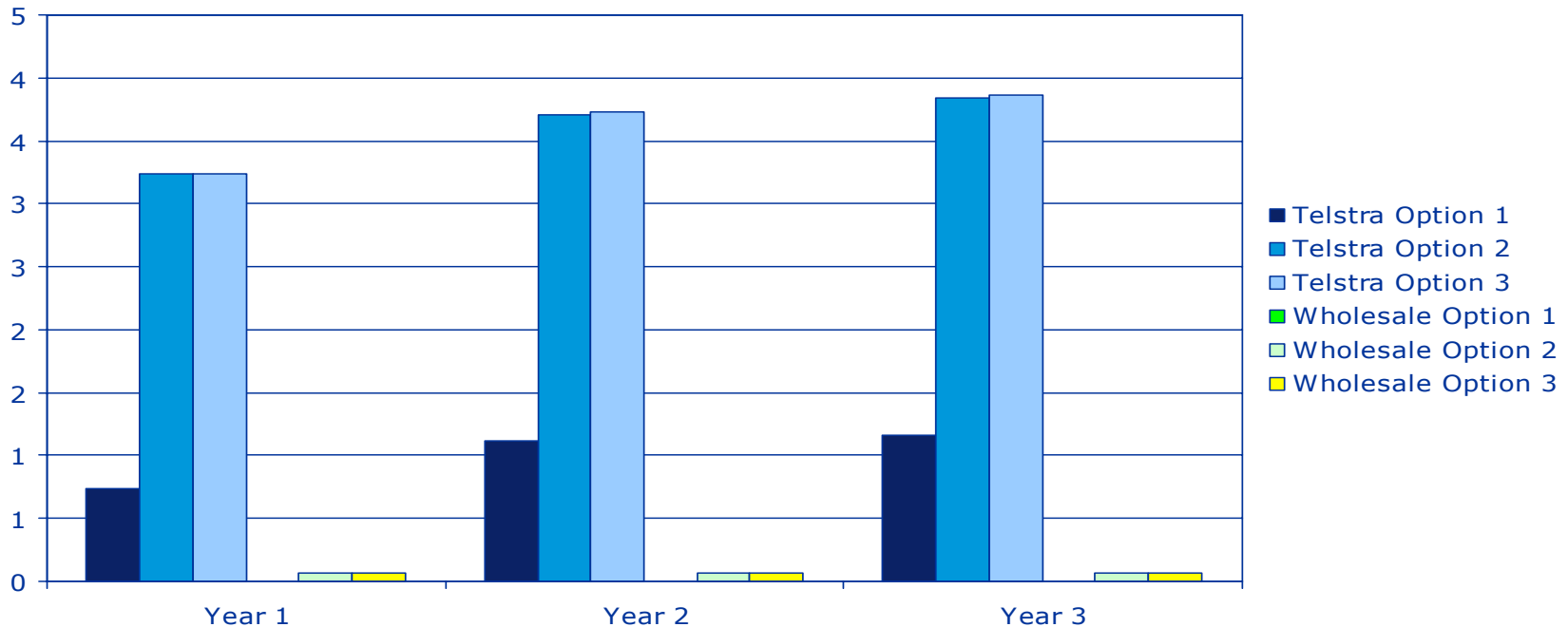
NB: Actual yearly costs affected by timing

Note:
All employees of all Telstra BUs, CR includes on-costs



Wholesale: Merit based bonuses

Annual cost (\$M)



Total additional cost over 3 years	
Telstra Option 1: \$3.01M	Wholesale Option 1: \$13,605
Telstra Option 2: \$10.79M	Wholesale Option 2: \$203,581
Telstra Option 3: \$8.3M	Wholesale Option 3: \$143,106

**Note: paid as bonus
so no CR on-costs**





Timing of Company Rate Increase

- If the annual Company Rate increase were to be paid at first full pay period in November (i.e. 12 November) compared to 1 October, the following saving would result in year 1;
 - Telstra ~ \$3.9M
 - Telstra Operations ~ \$2.9M
 - Wholesale ~ \$0.07M
- The changed timing of the increase reduces the 4.5% increase to ~4%

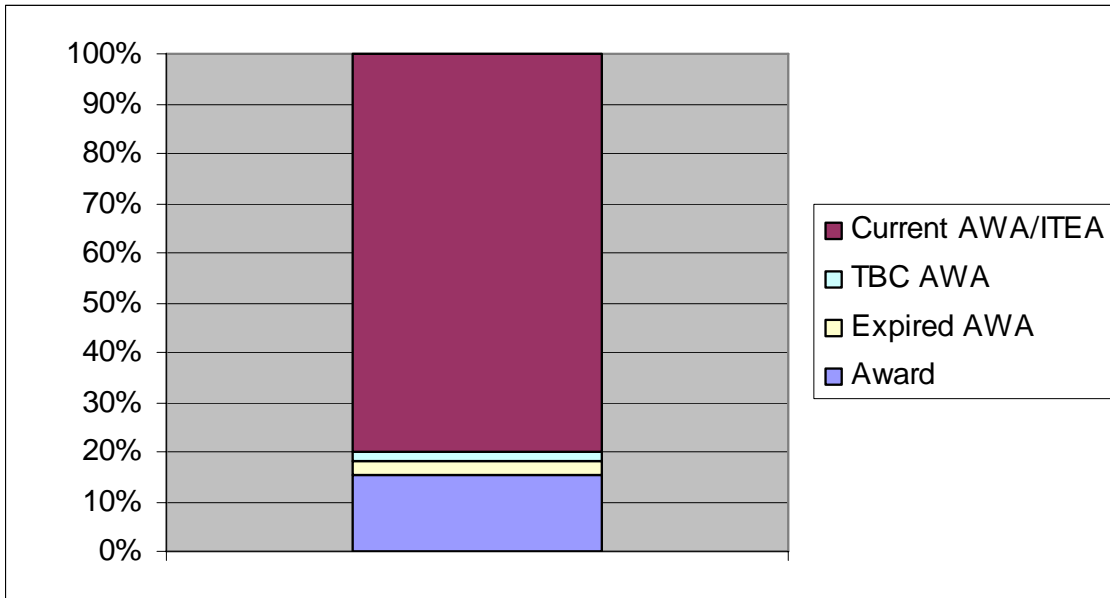


Business Background Information



Service Advantage (call centric)

Employment Arrangements



Employment Arrangements	Total
Current AWA/ITEA	350
TBC AWA	8
Expired AWA	12
Award	68
Grand Total	438

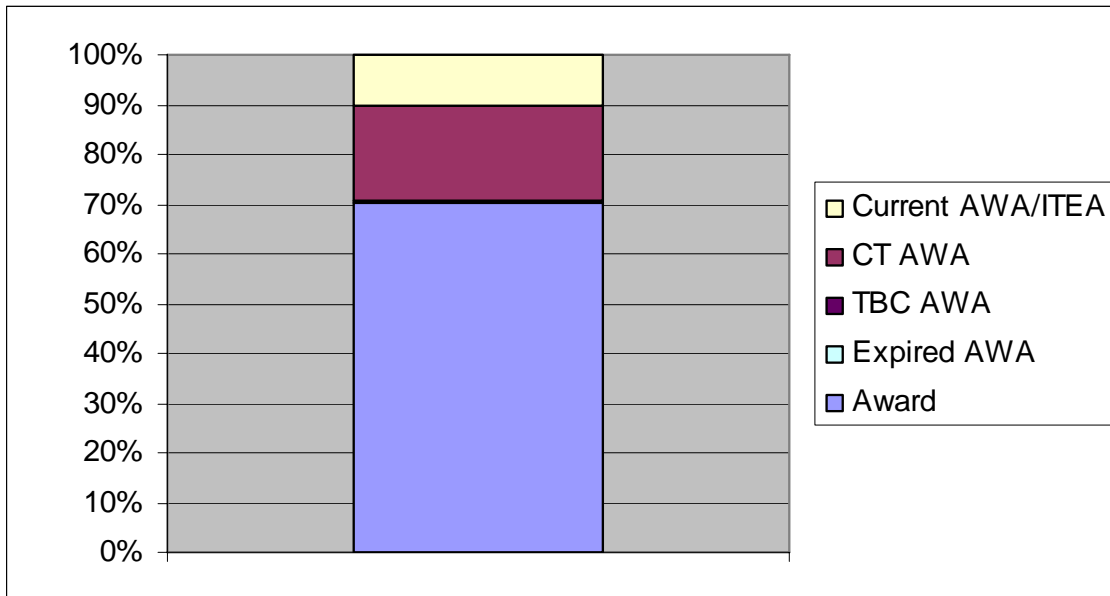
Issues for consideration

- Positive signals from business for potential success with employee collective agreement



Field Workforce

Employment Arrangements



Employment Arrangements	Total
Current AWA/ITEA	502
CT AWA	924
TBC AWA	11
Expired AWA	13
Award	3445
Grand Total	4895

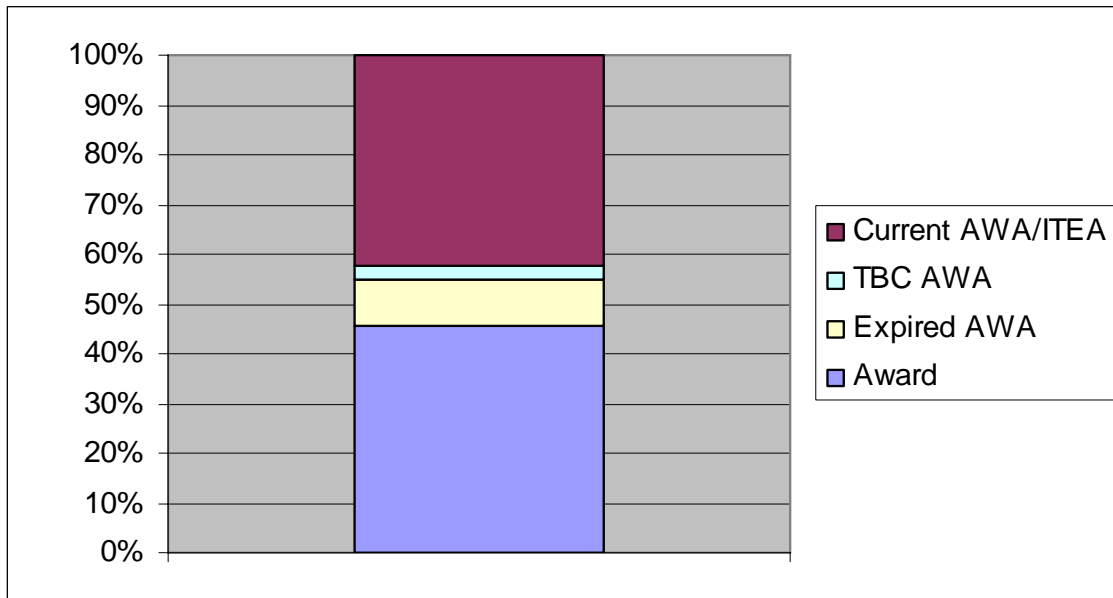
Issues for consideration

- Potential for success in the short-medium term is low
- High level of union membership
- Largest population of EA employees in Telstra
- CT AWA reversion issues



Professional Technical Services

Employment Arrangements



Employment Arrangements	Total
Current AWA/ITEA	3182
TBC AWA	223
Expired AWA	711
Award	3424
Grand Total	7608

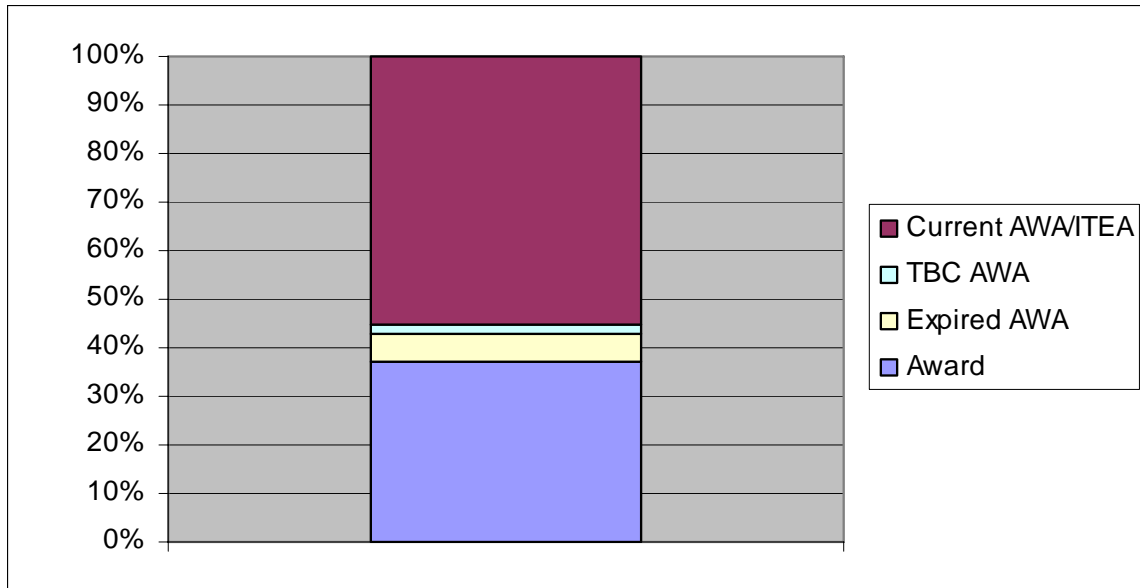
Issues for consideration

- Incorporates technical workforce (i.e. Telstra Operations exc. Field)
- Less clearly defined business group identity
- Prospects of employee-only agreement

Wholesale



Employment Arrangements



Employment Arrangements	Total
Current AWA/ITEA	381
TBC AWA	13
Expired AWA	39
Award	256
Grand Total	689

Issues for consideration

- Established business group identity
- Employee feedback has shown desire for separate agreement – solid test area
- Highly engaged