Analysis of leaked Telstra HR slides, "Employment strategy GMD update – 30 July."

The leaked Powerpoint presentation contains some of the same slides as the earlier presentation. It appears to update the strategy previews we determined as early as February 2008. This document goes through each slide.

Summary

- The EA negotiations Telstra HR cancelled last month were a charade.
- As early as Feb 08, HR was planning non-union, non-negotiated agreements.
- Non-union, non-negotiated agreements to be rolled out Telstra-wide over the next year.

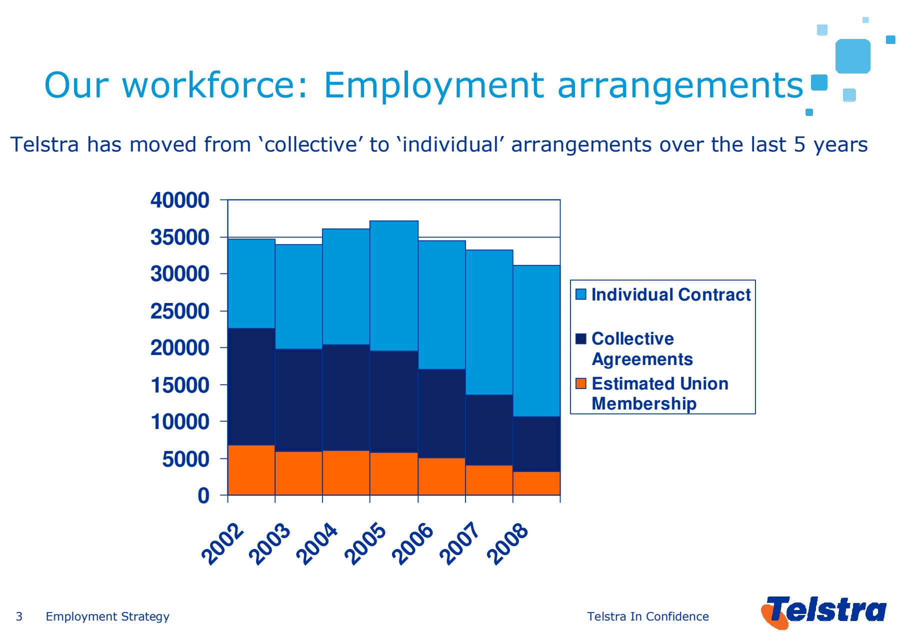
What does their leaked strategy mean for Telstra workers?

- Real pay cuts planned as HR dip into your pockets to fund transformation.
- Payrises they have planned for your base rates over the next three years do not meet inflation.
- Telstra is not respecting your right to be represented by your union. They are not bargaining over your wages and conditions. This agreement is take it or leave it.

Definitions

The Enterprise Agreement is a union negotiated collective agreement. With a union collective agreement, HR is obligated negotiate with unions who represent staff. HR cancelled these talks. The enterprise agreement wages and conditions remain in place, including the current redundancy agreement even after the expiry date, 5 September, unless replaced by a new agreement,

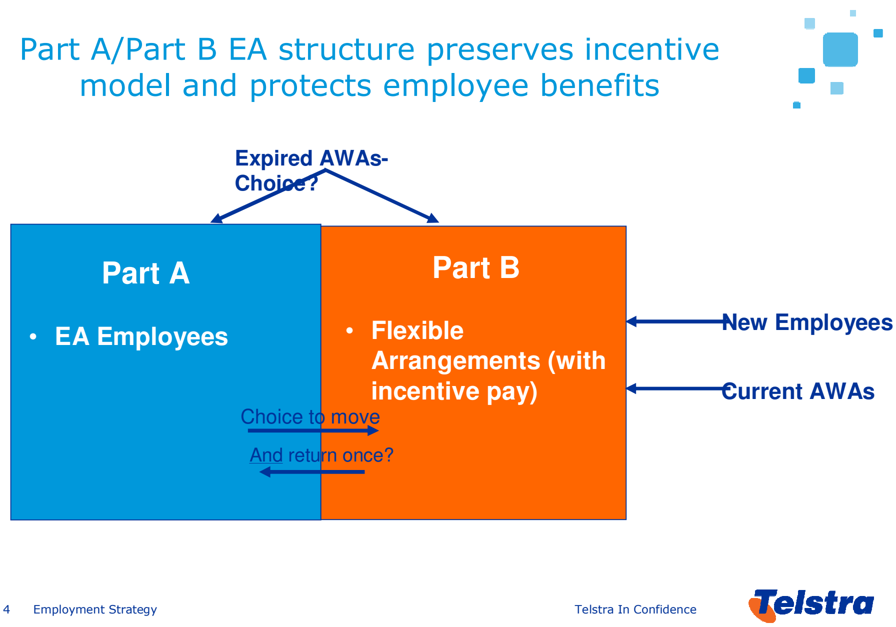
The proposed "Employee agreements," are non-negotiated, non-union "collective" agreements. HR negotiates with no-one: not you, not your unions. The slides show HR will roll these out to many business units within Telstra. Note only those on expired AWAs and those currently on the enterprise agreement (EA) or award are eligible to vote.



Slide 3: Our workforce: Collective arrangements

- This slide shows "Telstra has moved from 'collective' to 'individual' arrangements over the last 5 years.

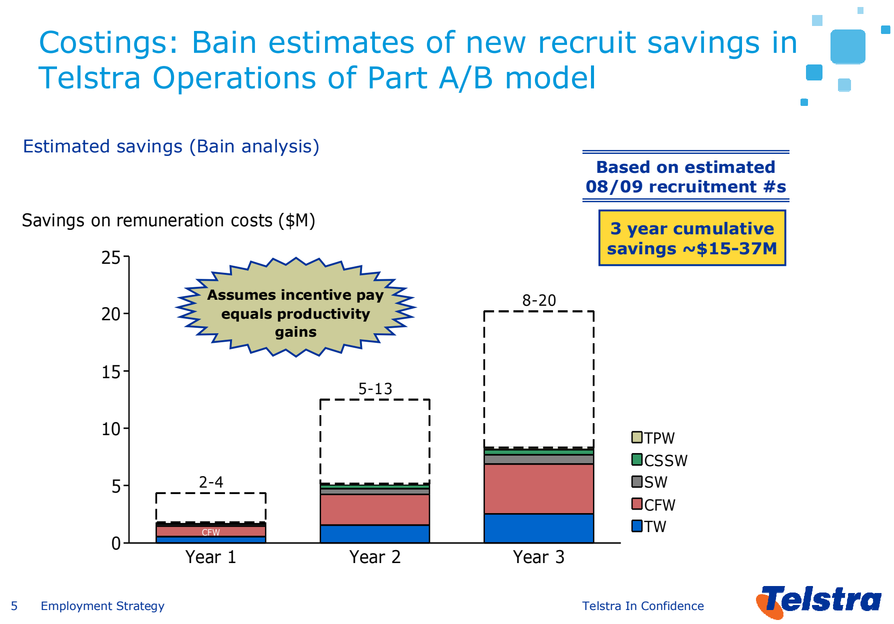
- Unions have long argued that this is Telstra HR's strategy. It was made very clear last year when they mounted a blitz to sign up as many employees on WorkChoices AWAs as possible before the Labor Government's workplace laws went through Parliament.
- For Telstra HR, a workforce based on individual agreements rather than collective is desirable because it means employees have less collective voice, no bargaining power, and limited access to their unions.
- The slide dramatically underestimates the level of union membership. Telstra no longer knows the level of membership as members pay the union directly, not via payroll deductions.



Slide 4: Part A/Part B future EA Structure preserves existing model and protects employee benefits

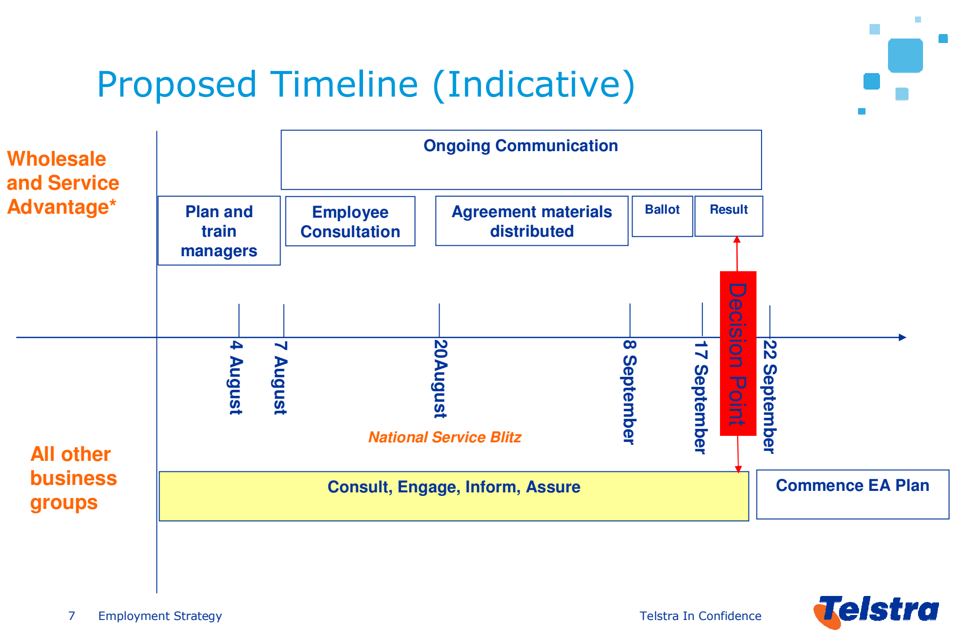
- This slide is a repeat from the earlier presentation.
- This slide shows that Telstra is returning to the Part A/Part B model they put to a vote last year in call centres and lost.
- It divides employees into two tiers. It seems the ultimate goal is to get all employees onto Part B.
- As AWAs inevitably expire, employees previously covered would go on to part B.
- Telstra HR have learnt from their defeat last year and are including the illusion of choice

- Part A can move to Part B anytime, and having done so, can return to Part A once only. Employees who start off in Part B (new employees and those coming off AWAs) have no option to move to Part A.
- Their headline previews the spin they'll use to announce this model.



Slide 5: Costings: Bain estimates of new recruit savings in Telstra Operations of Part A/B model

- This slide is a repeat from the earlier presentation with a different title.
- Despite HR suggesting in most correspondence that they are looking after employees, this slide confirms their strategy will cut $15 -37 million from remuneration costs.
- Bain is an American consulting firm brought in by Sol Trujillo when he took over as CEO.
- When it says over the graph, “Assumes incentive pay equals productivity gains,” it also shows that they will be expecting you to work harder in order for the company to make those savings.



* SAdv Call-centric area: TBC

Slide 7: Proposed timetable (indicative)

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- This slide shows the timetable for the non-union, non-negotiated agreements to be rolled out to Wholesale and Service Advantage (TBC).
- Note that for the rest of the company, the August – late September period is marked "Consult, engage, inform, assure."
- After this period, EA plan (non-negotiated Employee Agreements) will be rolled out to the rest of the business units.

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

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* SAdv Call-centric area: TBC

Slide 8: Wholesale timetable – proposed

- Details about the roll out to Wholesale of the non-negotiated Employee agreement.
- Note that "employee consultation" takes place between 7-15 August.
- However, the content of the agreement has already been finalised – the consultation is a sham.

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

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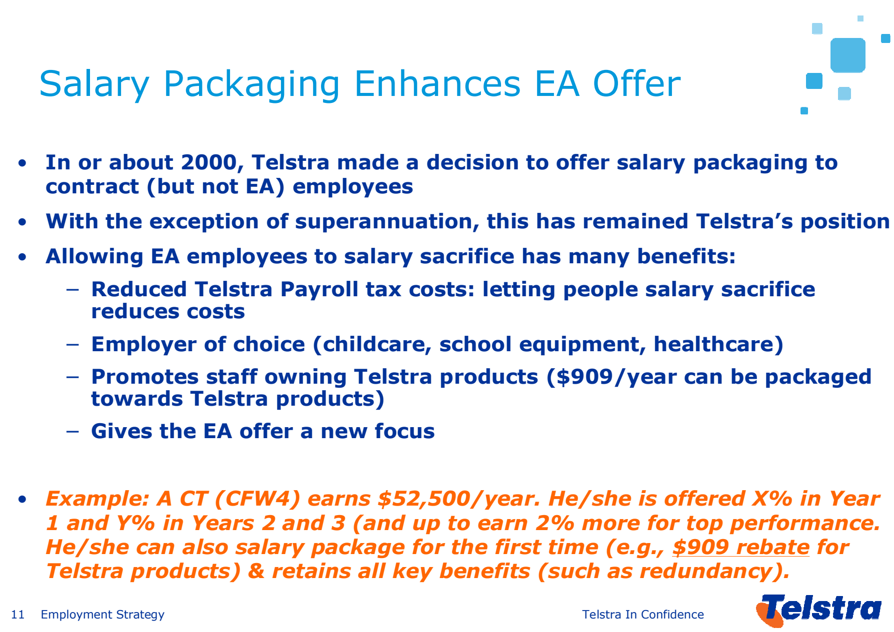
Slide 10: Features of proposed agreement

- This slide shows Telstra wants a two-tier workforce.
- People currently on Enterprise Agreements will be Part A. Expired AWA employees will have a choice of Part A or B. Staff on non-expired AWAs and new staff will go onto Part B.
- This slide shows Telstra HR will try and make the agreements acceptable to staff by saying they have incorporated many of the union demands.
- HOWEVER: this slide has not guaranteed or provided details on many important conditions.
- For example, while redundancy pay will be retained, procedures won't be, meaning you may have no say in being made redundant, no recourse if you think it's unfair, and no one to represent you.
- The slide also reveals they will introduce performance pay to all workers.
- They have acceded to union and staff demands for salary packaging to be introduced for current EA (Part A) workers.
- To make the Part B package attractive to Part A employees, they have included the right to cash out and buy additional annual leave. Why can't they offer it to both tiers?
- It seems this slide shows Telstra believes making this offer is the only way they might get the vote up: as they say, these conditions are "essential to vote".
- It is not clear what would happen in future agreements.



Slide 11: Salary packaging enhances EA [non-negotiated employee agreement] offer

- This slide reminds you that Telstra deliberately chose to exclude Enterprise Agreement employees from the benefits of salary packaging.
- HR did this to try and lure people onto AWAs.
- They excluded Enterprise Agreement employees from this right even though it would actually save Telstra money.
- It would be interesting to Telstra management to explain why they did this to shareholders. It would also be interesting for Telstra to explain how this was not discrimination or coercion.

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 packing 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

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Slide 12: Payroll tax deductions is salary packaging was extended to EA [enterprise agreement] employees

- This shows that Telstra will save up to $411,000 per year if 80% of EA employees take up salary packaging.
- It really is punitive and mean-spirited for Telstra to deny their staff salary packaging for eight years, especially when running a car and buying petrol is so expensive. If Telstra could save money by helping staff out, they should have.

Options: For Discussion

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

➢ CPI = 4.5%

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

		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%

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Slide 14: Options for discussion

- This slide offers three options for discussion about your payrise.
- Options 1 and 2 provide guaranteed pay rises of 11% over three years (3.67% per year),
- Option 3 provides for a guaranteed pay rise of 11.5% over three years

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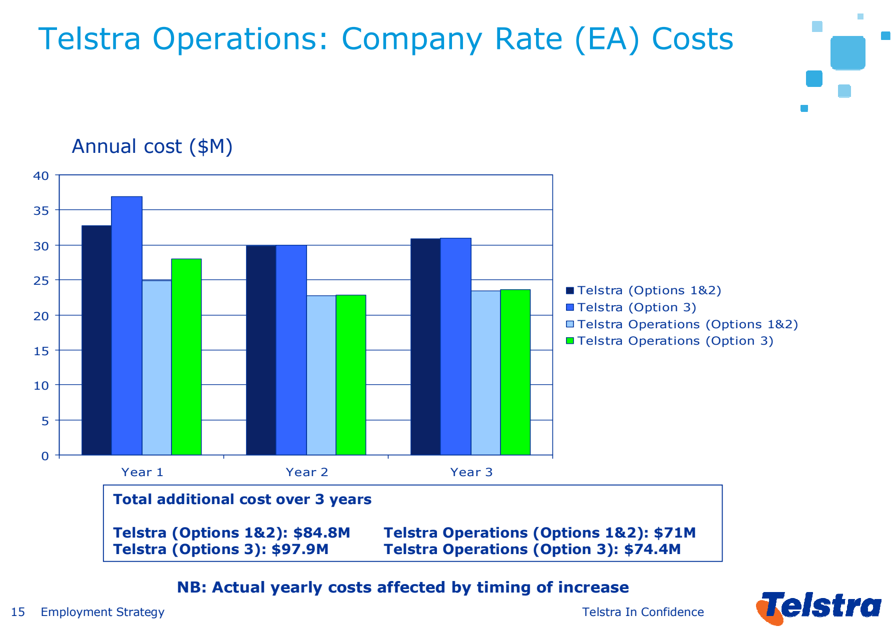
- Option three is the best, but even that option means a real paycut over three years when you compare it with the CPI.
- In this slide, even Telstra acknowledges that CPI (inflation, ie the cost of living) is rising at a rate of 4.5% a year
- Some staff who meet performance benchmarks will receive more under each of the three options, but this is not guaranteed
- This slide highlights that Telstra is debating your payrise behind closed doors. It is bargaining with itself, rather than recognise Telstra employees' right to representation and the right to bargain collectively
- All proposals are less than what unions have argued should be the minimum guaranteed pay rise.
- There is no information about the objectivity or fairness of the merit-based pay system, however Telstra admits the merit-based increases will not cost much.

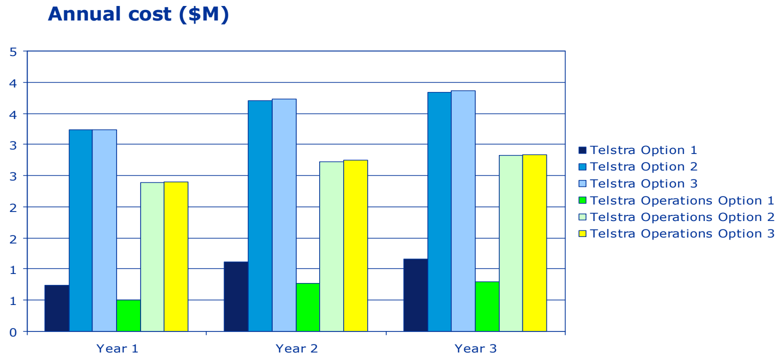


Note:
All employees of all Telstra BUs, CR includes on-costs

Slide 15: Telstra Operations: Company Rate (EA) costs

- Telstra costs the pay rises for each year

Telstra Ops: Merit based bonuses



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

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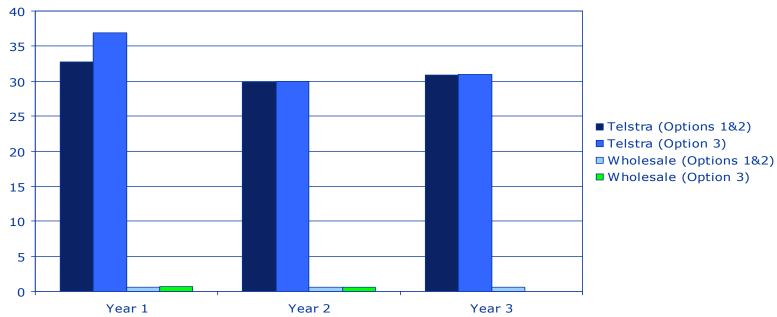
Note: Merit based incentives applied to all employees

Slide 16: Telstra Ops: Merit based bonuses

- This slide is shocking in what it reveals about merit-based increases (performance pay).
- It shows that they have already budgeted a limited, set amount, so if everyone exceeds expectations there will barely be enough to go around.
- This slide suggests the merit-based pay rise pool is as low as $2.07million over three years.
- If you divide this by the number of employees in Telstra operations covered by the EA (as shown in previous slides, 8- 8,100 employees) this would suggest an average of merit-based increase of $85 per year.
- Even on Option 2 the average increase per employee appears to be only $327 per year (before tax).
- The fact that the merit increases under option 1 (without ME, “meets expectations” incentives) is only $2.07 million, whereas option 2 (with ME incentives) is worth $7.9 million demonstrates that very few employees ever get exceeds expectations (EE) or strongly exceeds (SE) expectations incentives.

Wholesale: Company Rate (EA) Costs

Annual cost ($M)



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

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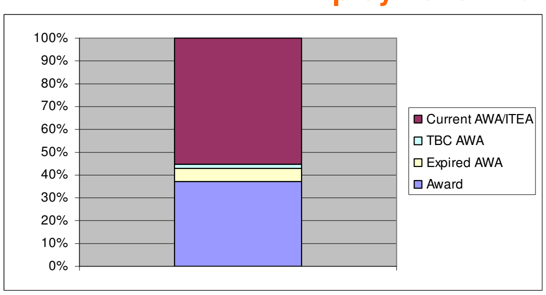
Note:
All employees of all Telstra BUs, CR includes on-costs

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

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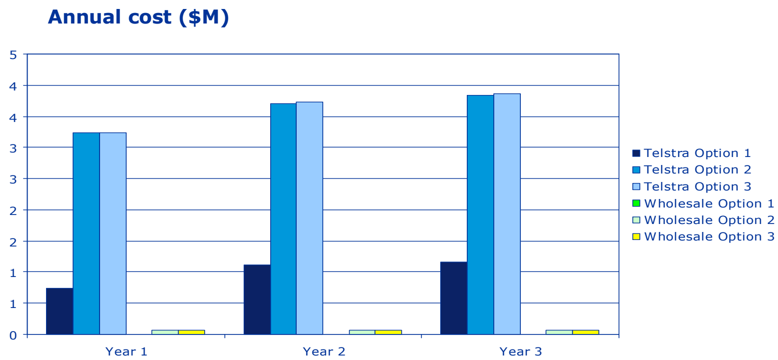
Slides 17 and 24: Wholesale: Company rate (EA) costs

- Wholesale is the area where Telstra proposes rolling out the first non-union, non - negotiated agreement
- Slide 24 suggests there are 689 employees, with 298 eligible to vote (i.e. either on expired AWA's and on the EA/award.
- Telstra costs the pay rise on the various options.

Wholesale: Merit based bonuses



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

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Note: Merit based incentives applied to all employees

Slide 18: Wholesale: Merit based bonuses

- Again this slide is shocking as it reveals the performance pay is already budgeted, and there is very little to go around.
- Option 1 says there is $13,605 able to be distributed among the 298 eligible employees
- This appears to represent an average increase of just $15.22 per year.
- Option 2 provides $203,581 to be distributed over three years, representing what appears to be an average increase of $228 per year.

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%

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Slide 19: Timing of company rate increase

- This slide shows a completely dodgy sleight of hand by HR.
- Basically, by manipulating the time they give you a pay increase, they will be able to say it's bigger than it actually is.

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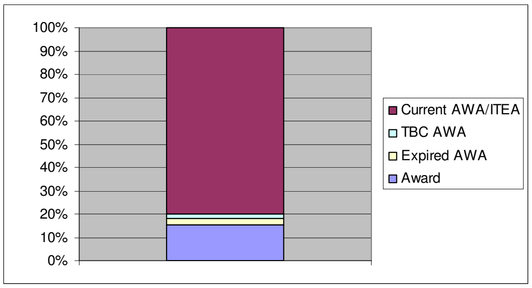
- They say, “The changed timing of the increase reduces the 4.5% increase to ~4%.”

The following three slides are repeated from the first leaked Powerpoint.

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

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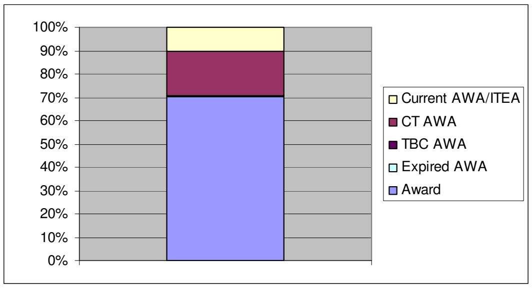
Slide 21: Service advantage (call centric)

- This slide profiles in detail the employment arrangements of Service Advantage (call centric) staff.
- Note only the numbers in red, expire AWAs and award votes on the "employee agreement"
- The “issues for consideration” points out that managers think a non-union, non-negotiated agreement will find success with these staff.
- Telstra routinely profiles staff and units to ensure their employment strategies’ success.

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

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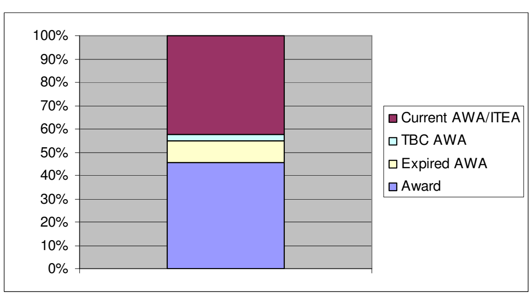
Slide 22: Field Workforce

- This slide profiles the Field Workforce unit and notes that most employees are on the enterprise agreement.

- It highlights that Telstra HR knows unionised staff will be highly suspicious of any agreement that does not allow them access to their union.
- It says, “potential for success in the short-medium term is low.”
- That is why they are last in line to get a non-union, non-negotiated agreement rolled out to them.

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

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Slide 23: Professional Technical Services

- This slide profiles the 7600+ Professional Tech Services portion of the workforce.

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- It identifies that these staff do not have a “clearly defined business group identity,” especially “cf (compared with) field.”
- These last three slides show that Telstra has a “thin end of the wedge strategy,” identifying the portion of the workforce where they think a non-union, negotiated agreement will be most successful.