

[REDACTED]

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**Telstra's Best Offer during the Economic Melt down in 27th Feb 09 was**

Dear Colleague,

As you know in response to employee feedback from across Telstra, all eligible EA and expired AWA employees will now receive an ECA offer and have the opportunity to vote for the current pay offer, including back-pay. By extending an ECA offer to all of our eligible employees we are ensuring that no individual misses out on the opportunity to vote for Telstra's best offer.

Eligible employees in Network Construction, NSW Region (NSW) now have the opportunity to vote on an ECA offer that guarantees pay increases of 12.5 per cent over three years under Part A, including a 4.5 per cent increase which will be back paid to 2 October 2008. Performance bonus payments of 1.5% or 2.5% of company rate for any eligible Part A employee who received a rating of Exceeds Expectations (EE) or Significantly Exceeds Expectations (SE) in the last annual performance review will also be made. Subject to a successful vote, pay increases would be made as detailed below:

Increment	Percentage	Effective Date
1	4.5%	2-Oct-08
2	4%	1-Oct-09
3	4%	14-Oct-10

As you would be aware, Telstra has listened to feedback from across the business and the ECA offer includes:

- The first pay increase under Part A of 4.5% back dated to 2 October, 2008.
- The same redundancy entitlements for existing and new employees. This means the same notice entitlements and access to a \$4,500 job search allowance.
- The opportunity for all employees covered by the ECA to apply to purchase additional leave.
- An increase under Part B to the exemption for eligibility for overtime, public holiday and on-call payments, rising from \$52,000 to \$72,975 (Fixed Remuneration).
- Employees covered by the ECA will have the right to choose if they want to be represented in any dispute resolution or redundancy appeals process by a representative of their choice (e.g. a friend, union representative or other advisor).

Four clauses from the Sample ECA have been removed as they are of no relevance to the work performed in your business, those being:

- 26.2 and 26.3 Additional Rest Breaks for call centre work groups,
- 15.5 committed Scheduling, and
- 16.5 Shift Scheduling for CSSW employees

Two schedules have been amended as follows:

- Schedule B to Part A - Allowances 4B Height Allowance now incorporates Network Construction's rates of pay
- Schedule C to Part A – LOG ON AND TRAVEL ARRANGEMENTS (CFW) now includes the TW work stream.

*This is Telstra's best offer; I believe this is fair and competitive. I have attached a copy of the Network Construction NSW Region (NSW) Employee Collective Agreement 2009 – 2012 and the Workplace Authority Information Statement for Employees – Collective Agreements, for your information. Once you have considered the ECA offer, we will proceed to a confidential employee vote conducted online by Link Market Services, an independent firm. The voting details are:*

**But now with Economic Stimulus and growing wealth for the country all Telstra can manage is and after \$4.4bn free cash flow**

We have proposed: (Extract Company response 160909)

- Company rate pay increases of 2%, 3% and 4% for EA employees over the three year term of the agreement.
- A sign-on bonus of up to 2% in recognition of EA employees not receiving an increase in 2008.
- A performance bonus for top performers – SE (2.5%) and EE (1.5%).
- The introduction of full salary packaging benefits, including \$1000 towards Telstra products annually, purchasing additional leave and leasing of motor vehicles.
- The first increase would take effect from 1 October 2009.

What happened with the \$4.4bn free cash flow - up 13%

In my part of the world there is no one that ever gets above an ME - let alone an EE - could not gaining and maintaining an ME be rewarded with (1%) bonus.

I would see that the offer is in bad taste and that management have not considered the points of fair discussion.

If they are wishing to offer a sign on bonus - then it should be equivalent to at least the 4.5 % offered to the ECA in 2008/9. (Not the 4% as offered)

And the remaining incremental increase to be 4%, 4% at least

Additionally the Award Rate - Super Contribution be increased to a total of 14% .

The attachments are

- 1 Comment from the Australia - found on the Telstra Intranet
- 2 Page from Telstra Intranet - error is that Telstra is paying ECA participants with a 4.5% extra with a 4% due in October all negotiated in the middle of the World economic meltdown.

So to finish off while we at the coal face still work on the many databases and try and handle the increase in workload and continued apathy by management that we are not looking after our customers it is about time that management got real in the negotiations and at least offer the ECA rate ++.

# \$4bn profit bonanza for Telstra

Mitchell Bingemann  
Telecommunications

TELSTRA has produced a \$4.07 billion profit for the 2009 financial year, but new chief executive David Thodey has abandoned most of his predecessor's 2010 guidance targets as the realities of the economic slowdown, and the company's declining fixed-line revenues, kicked in.

The giant telco posted a 10.3 per cent rise in profit for the 12 months ended June 30, up from \$3.69bn a year earlier, to exceed market forecasts of \$3.82bn.

Revenue slipped below the company's guidance of 3-5 per cent growth, rising only 2.7 per cent to \$25.5bn as the company continued to contend with the decline in its fixed-line telephony business, which dropped 4.9 per cent to \$6.3bn for the year.

Revenue at Telstra's mobile business grew by 10 per cent to \$6.1bn, while wireless broadband revenue jumped 69.2 per cent to \$587 million and fixed retail broadband revenue was up 15.9 per cent to \$1.5bn.

In its business divisions, Telstra retail sales grew 3.1 per cent, business sales 4.7 per cent, enterprise and government 2.9 per

cent, and Sensis 5.8 per cent, while wholesale sales continued to decline with a 5.1 per cent drop compared to the previous year.

"As we highlighted at our half-year results in February, our business is not immune to the economic slowdown," Mr Thodey said.

"We continue to experience reduced usage of both fixed-line and mobile voice, while there is evidence of slowing customer growth in fixed broadband take-up."

Mr Thodey said earnings before interest, tax, depreciation and amortisation (EBITDA) increased 5.1 per cent, in line with the company's guidance range, to total \$10.9bn.

Mr Thodey cited the slowing economy as the key reason behind Telstra's decision to abandon the ambitious 2010 guidance set by former chief executive Sol Trujillo, who had placed his faith in the company's \$20bn five-year transformation plan.

Mr Thodey lowered 2010 targets for revenue, profit growth and EBITDA to "low single-digit" levels. EBITDA margins

for the year edged up slightly from 42.2 per cent to 43.2 per cent.

Telstra expects that margin to remain for the year, significantly down from Mr Trujillo's targets of between 46 per cent and 48 per cent.

Although most targets were revised within the lower brackets of market expectations, Mr Thodey maintained Mr Trujillo's 2010 free cashflow target of \$6bn.

"The company is committed to the target of generating \$6 billion of free cashflow in the 2010 financial year," Mr Thodey said.

While free cashflow for the year was up 13 per cent to \$4.4bn, the telco still has a mountain to climb before it hits its \$6bn 2010 target — A 36 per cent leap.

Telstra chief financial officer John Stanhope said that hitting Mr Trujillo's cashflow target of \$6bn would involve \$1bn in lower capital expenditure, \$600m in additional EBITDA and a lower tax payment because of a \$100m tax deduction from research and development that is associated with the IT transformation.

Other benefits connected with the IT transformation are not as rosy, however.

"We are behind on the benefits from the IT transformation and we won't see as much as we had expected in 2010," Mr Thodey said.

"When you put in new IT systems it doesn't mean that you immediately get benefits.

"It's hard work, very hard work.

Mr Stanhope said that Mr Trujillo's promised operating expenditure cuts of \$500m-\$800m by 2010 would be missed by at least \$250m because of delayed benefits from the IT program, which could further trouble the company's \$6bn target.

Despite this, most industry analysts agreed that the \$6bn free cashflow guidance could be achieved, but it was unlikely Telstra would surpass the target.

"Telstra's guidance was a touch conservative but it makes more sense than what Trujillo had aimed for. The company

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# Telstra springs \$4bn profit surprise

From Page 17

should maintain its revised margins guidance," one analyst said.

Telstra's 2010 guidance could all be scratched if the telco does not get a significant say in the government's plans to construct its \$43bn fibre-to-the-home national broadband network. Mr Thodey and Mr Stanhope made it clear that all future guidance

would exclude any unforeseen effects from the federal government's regulatory review of the telecoms sector and its NBN plans.

It was also revealed yesterday that Mr Trujillo's annual remuneration was cut by 32.3 per cent in 2008-09.

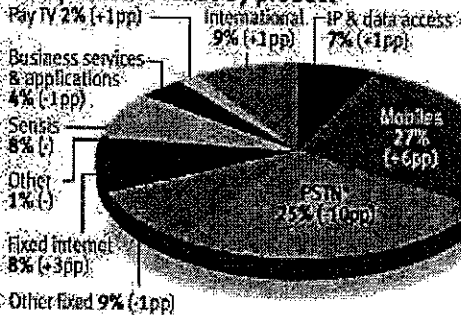
The package, including salary, bonuses and termination payments, was \$9.06 million, down from \$13.39m in the previous year.

## RINGING UP

### Telstra's financial results

\$bn	2009	2008	Change	
Sales revenue	25.4	24.7	▲2.9%	EBIT
Total revenue	25.5	24.8	▲2.7%	
Operating expenses	14.7	14.6	▲0.6%	Total revenue
EBITDA - reported	10.9	10.4	▲5.1%	
EBITDA margin	43.2%	42.2%	▲1pp	Profit after tax
EBIT - reported	6.6	6.2	▲5.3%	
Profit after tax	4.1	3.7	▲10.3%	Profit after tax
Accrued capex	4.6	4.9	▼6.1%	
Free cashflow	4.4	3.9	▲13.2%	
Ordinary dividends per share	28¢	28¢	-	

### Group sales revenue by product



### Revenue growth



\* Public switched telephone network

Source: Telstra