

# Telstra: the Company



## Business overview

	1901	PMG
 Telecom Australia	1 July 1975	Telecom
	13 April 1993	Telstra

*Telstra is Australia's principal telecommunications company, one of Australia's largest corporations and one of the best-known brands in the country. Telstra offers a broad range of telecommunications and information services and is permitted to compete in all telecommunications markets throughout Australia. Telstra's principal activities include providing telephone exchange lines to homes and businesses, servicing local and long-distance telephone calls in Australia and international calls made to and from Australia, supplying mobile telecommunications services and providing a comprehensive range of data, Internet and on-line services and, through its affiliates, pay television. Telstra is also the principal provider of directory services in Australia.*

Telstra is a Team Millennium Olympic Partner of the Sydney 2000 Olympic Games and a world-wide Partner of the Sydney 2000 Paralympic Games and has been selected to provide the combined telecommunications infrastructures for fixed and mobile telephony, data, broadcast and print media including the carriage of high definition television.

Telstra believes that these partnerships will reinforce the Telstra brand in Australia and enhance Telstra's image in the Asia-Pacific region.

## Telstra's reach

Telstra's fixed telecommunications network extends across Australia, carrying over 90% of all calls and serving virtually all Australian homes and a substantial majority of Australian businesses. Telstra is also the largest mobile telecommunications company in Australia, covering the area in which 91% of the Australian population lives. Its customers can also use their digital mobile telephones in over 45 countries. As at 30 June 1997, it had an estimated 62% share of the Australian mobile telephony market, with 2.8 million customers on Telstra's MobileNet® services. Telstra is also a leader in mobile telecommunications technology. For example, it was the first mobile telecommunications company in the world to offer, on a commercial basis, GSM-based Internet access via mobile telephones.

## Telstra's markets

The markets in which Telstra operates have undergone significant liberalisation in recent years as Australia has moved to open competition. It has been subject to competition in the national long-distance and international telephone service markets since 1991 and in the mobile telephone service market since 1992.

On 1 July 1997, Australia's telecommunications markets were opened to full competition, with no limit on the number of telecommunications Carriers that may enter the market. As this open-market environment has only recently come into existence, there is uncertainty as to how competition will develop and the effect that it will have on Telstra. While this changing environment has presented, and will continue to present, significant challenges for Telstra, it has implemented a strategy to address this evolving regulatory and competitive environment. Telstra believes that today's open-market environment provides new opportunities for it to respond to competitive pressures. For example,

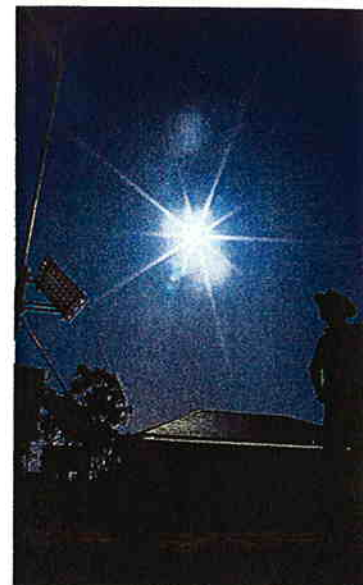
Telstra now has greater freedom to develop product packages and pricing plans tailored to meet the specific needs of particular customer segments.

## Transforming Telstra

Telstra is transforming its culture from one typically associated with a government-owned monopoly to that of a commercially oriented enterprise. It is developing a new corporate culture focused on delivering value to customers, improving commercial discipline, accountability and productivity, and increasing workforce flexibility and product innovation. Telstra is in the final stages of a programme to upgrade and rationalise some of its fixed networks and to improve many of its systems, including those relating to billing, sales and customer service (Networks and Systems Modernisation Programme). This and other ongoing programmes also include initiatives to improve work practices, streamline processes and eliminate duplication of overhead costs.

These initiatives are enhancing Telstra's ability to introduce new products, price products more effectively and provide quality customer service. These initiatives are also producing significant operating efficiencies by controlling maintenance and other costs and simplifying processes, thereby also allowing reductions in Telstra's workforce. While it has invested significant capital and other resources in the development and modernisation of its networks and systems, rapid changes in telecommunications and information technology may require Telstra to adjust its planned capital expenditures in response to such developments.

In order to roll out a network to support pay television and on-line services (the Broadband Network), provide for the growth of mobile telecommunications services, deliver increased value to customers and implement the Networks and Systems Modernisation Programme





Telstra increased staff numbers in the 1995 and 1996 financial years. The completion of these projects and the implementation of management's initiatives to transform Telstra's culture are planned to lead to a reduction in Telstra's workforce by approximately 25,500 full-time staff over a four-year period which began in the 1997 financial year. During the 1997 financial year, Telstra achieved reductions of approximately 11,900 full-time staff (of which approximately 20% resulted from the outsourcing of activities by the sale of certain businesses and the contracting out of some operations). The reductions in the 1997 financial year, however, were offset in part by the addition of 1,500 full-time staff relating to the consolidation of Telstra's directory services subsidiary, Pacific Access, as of 20 June 1997, resulting in full-time staff at 30 June 1997 of approximately 66,100.

### **International initiatives**

The increasing globalisation of commerce creates opportunities for Telstra to expand the scope of its international operations. Telstra has established sales and service offices in 9 Asian countries, the United States and the United Kingdom to offer a single source of telecommunications services to its multinational corporate and exporter customers. Telstra has also established telecommunications operations in the United Kingdom and New Zealand. In 1994, Telstra joined WorldPartners Association, an international telecommunications alliance, as a non-equity associate in order to enhance its ability to provide seamless delivery of products and services to internationally oriented corporations. Telstra is now in the early stages of negotiating with the owners of WorldPartners Company, a partnership among certain members of WorldPartners Association, for the purchase of an equity interest in that partnership.

Telstra is participating in the rapid growth in the Asia-Pacific region by exporting its skills through investments in targeted regional telecommunications markets. This effort is focused on 4 areas: Vietnam, Cambodia and Laos; South Asia (particularly India and Sri Lanka); Indonesia; and, prospectively, China. For example, Telstra pioneered the development of higher capacity international networks in Vietnam and participates in a joint venture to expand significantly the existing fixed telephone network in central Java, Indonesia. Although the investments made to date are small relative to Telstra's asset base, Telstra believes that its established presence in the Asia-Pacific region creates a base for future investments.

### **Strategy**

***Telstra's vision is to enhance its position as the leading telecommunications and information services company in Australia and to become a leading provider of such services in the Asia-Pacific region. To realise this vision, increase shareholder value and prepare for competition, Telstra has adopted a four-part growth strategy which has been in place since 1992. This strategy entails:***

- optimising returns from traditional telecommunications products and services in Australia;
- developing and delivering value-added telecommunications, on-line and content services;
- transforming corporate culture and improving productivity; and
- extending global scope.

Appendix 1 of the separate Appendices volume contains further information about Telstra's strategy.

## Organisation

In order to have a strong customer focus, Telstra is organised into 5 strategic business units and 3 corporate centre functions.

*Commercial & Consumer and Business & International* are responsible for direct sales and services to Telstra's customers. Telstra reinforces its customer focus with company-wide product management from *Retail Products & Marketing*. This group works actively with the direct sales divisions and with *Network & Technology* to identify customer segment needs, introduce new products and services, develop pricing and packaging plans, implement distribution strategies, manage product life cycles and reduce product unit costs. *Telstra Multimedia* manages the Company's pay television interests, many of the Company's Internet services, on-line and content services and the Broadband Network and oversees Telstra's 75% owned directory services subsidiary, Pacific Access.

The three corporate centre functions are *Finance & Administration, Regulatory & External Affairs* and *Employee Relations*.

## Marketing and customer service

Telstra's marketing and customer service strategy is focused on serving each customer with seamless delivery of products and services. With a broad range of telecommunications expertise, Telstra aims to provide a 'one-stop shop' for large and small customers. Telstra has built one of the strongest brands in Australia and has recently launched a national advertising and promotion campaign to introduce its Making Life Easier™ slogan to enhance customer loyalty and foster retention.

Telstra has an ongoing programme of initiatives to improve customer service and product quality and assurance. Initiatives include the modernisation and digitalisation of its networks, the implementation of its new integrated information and billing systems, and the implementation of new work practices. These initiatives are expected to improve Telstra's speed to market, cost structure and ability to offer a broad range of customer focused solutions. In addition, Telstra's Making Life Easier™ theme is being integrated into the approach of sales and customer support staff.

Telstra's significant customer base gives it the opportunity to market a broad range of products and services throughout Australia. Telstra segments its customer base to serve the differing needs of its customers more effectively. For each segment, Telstra seeks to customise its advertising and promotion, customer contact and sales channels, product design and support. Telstra incorporates segment information into its sales systems so that each customer contact can be tailored to the needs of that particular customer. To generate new sales and reach niche customer segments, Telstra intends to rely less on mass media, emphasising instead direct marketing and sales promotions and an increasing use of new media, such as the Internet. Telstra has also established a co-branded Visa card with Australia and New Zealand Banking Group Limited and Qantas Airways Limited to enhance customer loyalty and retention and promote Telstra's products and services. At present, there are approximately 900,000 of such cards on issue.

Appendix 1 of the separate Appendices volume contains further information about Telstra's organisation and marketing and customer service.



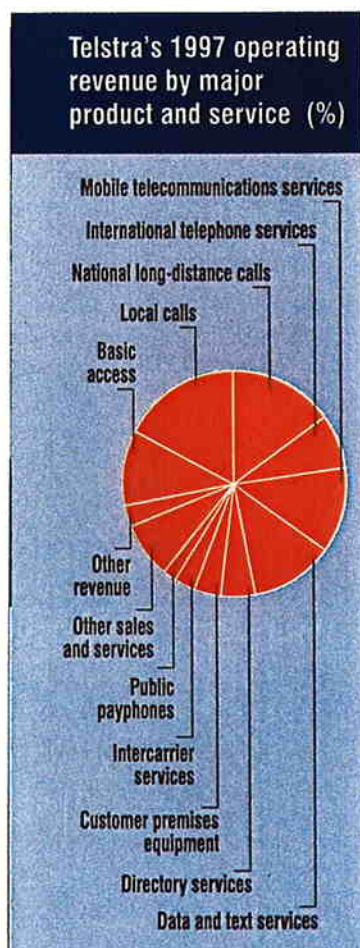
## Products and services

Telstra offers a broad range of telecommunications and information services allowing it to satisfy virtually all the telecommunications needs of its diverse customer base. Telstra is unrestricted in the types of telecommunications products and services it is permitted to offer, although there are certain regulatory constraints dealing with pricing and competitive behaviour.

Telstra continually strives to bring new value-added products and services to its customers. Examples include call waiting, conference call, voicemail products, ISDN and designated facsimile services. Demand for many of these new value-added products and services is replacing or enhancing

demand for the Company's traditional products and services. Telstra seeks to differentiate itself in retail markets based on its range of products and services and its ability to offer flexible product packages and pricing plans. Additional competition is reducing demand for some of Telstra's retail products and increasing demand for some of its products sold on a wholesale basis, particularly data and text services and the Company's intercarrier services.

The following table shows Telstra's operating revenue by major product and service category for the last three financial years and expressed as a percentage of total operating revenue.



	Year ended 30 June					
	1995		1996		1997	
	\$ millions	%	\$ millions	%	\$ millions	%
Basic access	1,713	12	1,727	11	1,740	11
Local calls	2,508	18	2,669	18	2,664	17
National long-distance calls	2,665	19	2,505	16	2,455	15
International telephone services	1,412	10	1,338	9	1,342	8
Mobile telecommunications services	1,166	8	1,705	11	1,981	12
Data and text services	1,364	10	1,574	10	1,883	12
Directory services	640	4	709	5	723	5
Customer premises equipment	653	5	611	4	576	4
Intercarrier services	373	3	485	3	558	3
Public payphones	254	2	259	2	248	2
Other sales and services	865	6	1,134	8	1,266	8
<b>Sales revenue</b>	<b>13,613</b>	<b>97</b>	<b>14,716</b>	<b>97</b>	<b>15,436</b>	<b>97</b>
Other revenue <sup>(1)</sup>	468	3	523	3	547	3
<b>Operating revenue</b>	<b>14,081</b>	<b>100</b>	<b>15,239</b>	<b>100</b>	<b>15,983</b>	<b>100</b>

(1) Other revenue includes interest received/receivable, proceeds from sale of assets/investments, dividends received/receivable and miscellaneous revenue.

### Basic access and local calls

Telstra currently provides basic access and local call services to virtually all homes and most businesses in Australia. Some of its basic access and local call services are also provided to Resellers.

Telstra's basic access service consists of the installation, rental and maintenance of connections between a customer's premises and the fixed network for the provision of basic voice, facsimile and Internet services. Telstra charges customers a monthly line rental fee and fees for connecting new lines or reconnecting existing lines. Because, generally, Telstra charges the same rate to all residential customers, a significant amount of cross-subsidisation occurs in favour of rural residential customers.

In general, Telstra charges for local calls on an untimed per call basis. As it reduces average local call prices in areas where there is competition or likely to be competition, it will be required by regulation to reduce, in the following year, local call prices in other areas of Australia.

Demand for basic access and local call services is driven by general economic conditions and growth in basic access lines in service and has been positively affected by Telstra's efforts to increase call completions by offering customers voicemail, call waiting and call forwarding. Demand for second basic access lines represents a growth opportunity for Telstra. However, revenue from basic access and local call services is expected to be adversely affected by the introduction of open competition, the introduction of number portability, new local call pricing regulation and customer migration to enhanced access services, such as ISDN.

### National long-distance calls and international telephone services

Telstra is currently the leading provider of national long-distance and international telephone services in Australia. National long-distance, including fixed-to-mobile calls, and international outgoing calls are generally charged based on duration, destination, time of day and day of week. Telstra offers its customers international telephone service to over 230 countries and territories. In addition to providing these national and international services to its residential and business customers, Telstra also provides these services to Resellers.

Demand for national long-distance and international outgoing calls is principally driven by the state of the economy and, particularly for residential customers, by price. Prices have fallen significantly over the last decade, driven principally by technology improvements and, more recently, competition. Customers have responded with increased calling activity, leading to overall market growth. Telstra has, however, lost significant market share over recent years as a result of competition and expects competitive pressures to continue to affect prices and its market share.

### Mobile telecommunications services

Telstra owns and operates both an analogue AMPS mobile telecommunications network and a digital GSM mobile telecommunications network, each of which provides coverage in the area in which 91% of the Australian population lives. Telstra is continuing to expand digital coverage into regional centres and along highways linking regional centres, and is also focused on improving the depth of coverage, particularly in-building coverage in major cities. Telstra's mobile telecommunications services also include sales of mobile handsets and paging services.



Telstra operates the only permitted analogue AMPS mobile telecommunications network in Australia. As required by regulation, however, Telstra sells capacity on its analogue AMPS network to Optus. Under current legislation, installing or operating an analogue AMPS mobile telecommunications network will not be permitted after 1 January 2000, at which time Telstra's analogue AMPS network is scheduled to be closed (this closure may be subject to exceptions in regional and rural areas specified in a determination to be made by the Communications Minister). Consequently, Telstra has been investing considerable resources to migrate its analogue customers to its digital service.

Telstra offers digital mobile telephony services that allow customers to send and receive voice and data calls. Other digital mobile services include facsimile, operator assisted paging, operator through-connect, financial and sports information services and international roaming in over 45 countries.

The number of Telstra's digital mobile customers has increased rapidly since it introduced digital services in 1993. Telstra attributes this growth to the increasing recognition of the value of mobile services by both business and private users, the coverage and enhanced features of its digital services and Telstra's strong distribution capabilities, particularly in retail stores. The growth in digital customers has recently also been positively affected by Telstra's efforts to migrate its analogue customers to its digital services.

In the 1997 financial year, Telstra's mobile telephone services experienced a churn rate of approximately 22% of its average customer base for the year, down from approximately 30% in each of the 1995 and 1996 financial years.

Telstra is currently evaluating its future spectrum requirements to accommodate further growth in the number of its digital

customers and anticipates that it will participate in the forthcoming public auctions of radio spectrum, although its participation will be restricted.

Mobile telecommunications services revenue is driven principally by overall market growth, usage and competitive activity. While per minute charges remained relatively stable over the last few years, prices are expected to trend downwards in future years, particularly as more competitors enter this market. Although the mobile telecommunications market has grown substantially over the past few years, the rate of growth has slowed and this rate is expected to continue to decline as the market becomes increasingly saturated and take-up extends to lower volume users.

### **Data and text services**

Data and text services consist principally of data transmission services, dedicated leased lines, ISDN and facsimile products such as FaxStream® services. Telstra offers ISDN access services for residential and business customers which require greater bandwidth than that provided by traditional basic access service. ISDN enables customers to make telephone calls, send high speed data or hold video conferences, separately or simultaneously, over a single service. Telstra provides a range of networking and data products and services which enable customers to connect computer systems and to build computer networks. For example, these products and services are used for automatic teller machine networks, retail EFTPOS networks and connection of local area networks between buildings. Telstra also provides customers with products and services enabling them to build voice and data networks both domestically and globally, and provides design, construction and management services for customer networks.

Demand for data and text services is driven by data traffic volumes, principally relating



to strong growth in computer networking and the popularity of the Internet, partly offset by competition and falling prices. It is also being driven by migration from basic access and associated calling products to data and text services, in particular ISDN and FaxStream® services.

### Directory services

Telstra is the principal provider of directory services in Australia, offering printed White Pages™ directories and Yellow Pages® directories, voice directory services, electronic and multimedia services and a portfolio of specialist products and services. It continues to develop its directories business through the introduction of new value-added information products and services through multiple media sources. Internationally, Telstra has pursued a number of opportunities, including the development of a directories business in Laos and the purchase of a directories business in Vietnam and a specialist directories products business in the United States. Telstra intends to grow its majority-owned directories business into a major directories and information services company in the Asia-Pacific region, while remaining the publisher and owner of the key assets of the business.

Telstra's printed directory portfolio includes 6 metropolitan, 49 regional and 15 community Yellow Pages® directories and White Pages™ directories, a national business directory, a directory for the hearing impaired and a corporate directory. In addition to printed products, the Yellow Pages® directories portfolio also includes various voice products, including recorded information and facsimile response services, and multimedia services, including publication of the Yellow Pages® directories on the Internet and various Internet advertising options. The White Pages™ directories portfolio also includes various multimedia products, including Internet and CD-ROM products.

### Customer premises equipment

The largest component of customer premises equipment revenue is the rental of telephones in accordance with Telstra's Universal Service Obligation. Customer premises equipment revenue also includes rental and sales of small business systems, maintenance fees for PBX systems, and rental and sales of telephones and other miscellaneous telecommunications equipment. Telstra is examining opportunities to outsource some of its customer premises equipment businesses.

### Intercarrier services

Telstra offers other Carriers access to its networks, facilities and infrastructure. Before 1 July 1997, only Optus and Vodafone were Carriers for this purpose. As a result of the changes to the regulatory environment that occurred on 1 July 1997, additional Carrier licences have been granted and more licences are expected to be granted in the future, including to companies that had previously been Resellers.

### Public payphones

Telstra is the principal provider of payphones in Australia. As at 30 June 1997, it operated 37,362 public payphones. A further 44,335 coin-only payphones were operated by third parties under equipment sale or lease arrangements with Telstra. Telstra is required to maintain a public payphone service, including in certain non-metropolitan or rural areas. Approximately half of Telstra's public payphones are in these areas.

Telstra is currently upgrading some of its public payphones to accept 'smartcards' with embedded computer chips. Telstra plans to replace a significant proportion of its public payphones and expects to complete the programme in early 1998. The upgrade programme also includes the installation of a new centralised system to manage its payphone network.





### Other sales and services

The principal components of Telstra's other sales and services are intelligent network products and services (including local rate services, such as One 3™, and Freecall 1800™ services), revenue of various controlled entities (including fees paid by FOXTEL for use of the Broadband Network), Internet access and intranet products and services, domestic operator-assisted calls, pay television connections, ship-to-shore services and recorded message and other enhanced call products.

### Internet access and on-line services

Telstra offers customers Internet access, on-line, content and web hosting services. Telstra's BigPond™ range of Internet services is designed to meet the needs of residential and business customers, with offerings ranging from basic dial-up access to sophisticated intranet solutions for multinational corporate customers. Telstra offers a range of pricing and access plans to home users and small businesses. Telstra has also begun to offer high speed cable Internet service to residential customers over the Broadband Network. For corporate customers, Telstra offers direct high speed national and international Internet connections. The number of Telstra's residential Internet customers grew by an average of 12% per month during the 1997 financial year. The Broadband Network and alternative technologies offer the capacity for a new generation of services and applications in commerce, travel, education, government and leisure.

### Pay television

FOXTEL, a 50/50 partnership between Telstra and News Corporation, offers home video entertainment services, including pay television services. FOXTEL currently offers over 30 television channels, including 6 movie channels, 3 sports channels,

3 children's channels, 3 documentary channels, a 24-hour comedy channel, 6 general entertainment channels, news, business and information on 6 channels, home shopping and retransmission of the 5 existing free-to-air national and commercial television networks. FOXTEL has experienced relatively high customer churn rates, although Telstra expects these levels to come down over time as a result of marketing initiatives to retain customers and improved programming as the industry matures. During the 1997 financial year, Telstra invested \$129 million and incurred start-up losses of \$106 million as its share of FOXTEL.

Telstra, News Corporation and Australis have executed agreements for Australis to acquire FOXTEL in exchange for Australis issuing new shares to Telstra and News Corporation. Telstra and News Corporation would each own up to 33.25% of Australis. There are several significant conditions and approvals required for the completion of the transaction. If the transaction is completed, Australis will enjoy the benefits of FOXTEL's current cable distribution arrangement. Australis will continue to operate its wireless distribution systems subject to obligations promoting use of the Broadband Network in the cabled areas. See 'Investment risks – Uncertain pay television industry environment' on page 32 and 'Prospects – Broadband Network' on page 39.

On 25 July 1997, Telstra, News Corporation and FOXTEL entities agreed terms on which the Broadband Network rollout obligations would be satisfied by passing 2.5 million homes by 31 December 1997. Under the new arrangements, Telstra has agreed to pay News Corporation



approximately \$60 million and has agreed to a reduction in the revenue share that it receives from FOXTEL for providing broadband transmission services for the next 5 years (or 7 years if the acquisition of FOXTEL by Australis is not completed).

The net present value of the contractual obligation for agreed fixed-dollar amount reductions in revenue share is approximately \$300 million. If there is a shortfall in these revenue amounts, Telstra will fund the difference.

Appendix 1 of the separate Appendices volume contains further information about Telstra's products and services.

## Network and information technology alliances

In July 1997, Telstra entered into an alliance with IBM Australia Ltd and Lend Lease Corporation Limited to position Telstra strategically to take advantage of growing opportunities in Australia and the Asia-Pacific region as information technology and telecommunications markets converge. The alliance is also expected to reduce Telstra's own long-term information technology costs. As part of its participation in the alliance, Telstra has engaged IBM Global, a company owned by the 3 members of the alliance, to conduct its data centre operations and some of the applications maintenance and enhancement activities for a period of 10 years. Telstra has agreed that, if it does not purchase certain volumes of services during the 10-year period, it will pay higher rates and penalties.

Telstra, IBM Australia Ltd and Lend Lease Corporation Limited have also formed a network services joint venture company, Advantra Pty Ltd. It is planned that Advantra Pty Ltd will supply network facilities management, network systems integration services and network application

services to major business and government customers in Australia and network services to the IBM Global Network's customers across Australia.

## Networks and systems

Telstra operates a number of fixed and mobile telecommunications networks to support its diverse range of products and services. These are all supported by an extensive national and international transmission infrastructure and largely centralised management, including planning, network control centres, operations systems and staffing. Telstra has in recent years invested a substantial amount of capital and resources in its networks and systems. Telstra has been deploying its digital mobile telecommunications network and the Broadband Network. Telstra is in the final stages of the Networks and Systems Modernisation Programme to upgrade and rationalise certain of its fixed networks and improve many of its systems, including those relating to billing, sales and customer service. This and other ongoing programmes also include initiatives to improve work practices, streamline processes, eliminate duplication of overhead costs and improve record keeping for property, plant and equipment.

In common with users of computers around the world, Telstra is investigating if and to what extent the date change from 1999 to 2000 may affect its networks and systems. It has established a programme designed to ensure that the impact of the transition to the year 2000 on Telstra and its customers is minimised. Telstra expects to spend approximately \$500 million on this programme by the end of the 2000 financial year. See 'Investment risks – Year 2000 date change – potential effect on networks and systems' on page 34.



Appendix 1 of the separate Appendices volume contains further information about Telstra's network and information technology alliances, networks and systems, special projects, global alliance and international investments.



## Capital expenditures and investments

Telstra is currently budgeting capital expenditures and investments of approximately \$4.4 billion in the 1998 financial year and planning to spend moderately less in the 1999 and 2000 financial years. Telstra expects to incur these capital expenditures in areas including:

- development of infrastructure and new products and services to meet the evolving needs of customers;
- anticipated acquisition of additional spectrum primarily for use in connection with mobile telecommunications services;
- continuation of the Networks and Systems Modernisation Programme;
- continuation of the digital mobile telecommunications network;
- fulfilment of the Broadband Network rollout obligation from approximately 2.1 million homes passed at 30 June 1997 to approximately 2.5 million homes passed by 31 December 1997;
- anticipated investment in international cables to cater for the expansion of overseas telecommunications traffic;
- further investment in pay television and on-line services content and development;

- investment in offshore ventures; and
- provision of enhanced telecommunications services to remote customers through its Remote Area Telecommunications Enhancement Programme.

Telstra may periodically make investments in, or acquire, complementary businesses. Telstra expects that its cash flow from operating activities will be sufficient to meet anticipated capital expenditures and investments in each of the 1998, 1999 and 2000 financial years. To the extent that unforeseen capital expenditures and investments arise or Telstra's estimates of its capital requirements prove to be understated and cause capital requirements to exceed net cash provided by operating activities, Telstra may need to fund such capital expenditures and investments with debt or other financing.

Appendix 1 of the separate Appendices volume contains information about Telstra's properties.

## Directors, senior management and employees

### Directors



**David M Hoare** BEd, FCPA; (64); *Chairman*

Chairman, Bankers Trust Australia Limited and Pioneer International Ltd; Director, Comalco Ltd and Birkmyre Pty Ltd; Non-executive Chairman of the Board of Partners, Mallesons Stephen Jaques; Convenor, Companies & Securities Advisory Committee; President, University of Sydney Graduate Business School Foundation.



**John T Ralph** AO, FCPA, FTSE, FAICD, FAIM, FAusIMM, Hon LLD (Melb and Qld); (64); *Deputy Chairman*

Chairman, Foster's Brewing Group Ltd and Pacific Dunlop Limited; Deputy Chairman, Commonwealth Bank of Australia; Director, Pioneer International Ltd and The Constitutional Centenary Foundation; President, Australia-Japan Business Co-operation Committee and Australian Institute of Company Directors; Member of Board of Melbourne Business School; National Chairman, The Queen's Trust for Young Australians; Chairman, Australian Foundation for Science.



**W Frank Blount** BSc (ElecEng), MBA, MS Management; (59); *Chief Executive Officer*

Before joining Telstra, Mr Blount held presidential positions with US telecommunications company, AT&T, in sales and marketing, training and education and network operations. Mr Blount has held positions including Chairman, National Technical Institute for the Deaf; Chairman, Rochester Institute of Technology; Chairman, Advisory Board, Georgia Institute of Technology, CEO of New American Schools Development Corporation. He is a Director of Entergy Corporation, First Union National Bank and Caterpillar Incorporated.



**N Ross Adler** BCom, MBA; (52)

CEO and Managing Director, Santos Ltd; Director, Santos Group Companies, Commonwealth Bank of Australia, QCT Resources Ltd and Australian Institute of Petroleum Ltd; Member, Business Council of Australia and the Corporations and Securities Panel; Chairman of the Board of the Art Gallery of South Australia; Vice Chairman, Council of Governors Wilderness School Ltd.



**Anthony J Clark** AM, FCA, FCPA, FAICD; (58)

Chartered Accountant; Managing Partner of KPMG New South Wales and Member of KPMG National Board; Deputy Chairman of Australian Tourist Commission.



**Michael H Codd** AC, BEc (Hons); (57)

Chancellor, Wollongong University; Director, Qantas Airways Limited, MLC Ltd, MLC Lifetime Ltd, Lend Lease Corporate Services Ltd, Australian Eagle Life Ltd, MLC Investments Ltd, MLC Insurance Ltd, Australian Nuclear Science and Technology Organisation and Menzies Foundation and Toogoolawa Consulting Pty Ltd; Member, Advisory Board, IBM Australia Ltd and Advisory Board, Spencer Stuart; Board of Advisors, The Constitutional Centenary Foundation; Senior Adviser, Asia-Australian Institute.



**Malcolm G Irving** AM, BCom, Hon DLit; (67)

Chairman, Caltex Australia Limited, FAI Life Limited and Australian Industry Development Corporation; he is also a director of a number of other companies.



**Elizabeth A Nosworthy** BA, LLB, LLM; (51)

Chairman, Port of Brisbane Corporation; Deputy Chairman, Queensland Treasury Corporation; Director, Australian National Industries Limited, David Jones Limited and Brisbane Airport Corporation Limited; Member, Supervisory Board of General Property Trust; Councillor, National Competition Council.



**Christopher I Roberts** BCom; (52)

CEO and Managing Director, Arnotts Limited; Director, Arnotts Group Companies, Transparency International Australia and Juvenile Diabetes Foundation Inc; Member, Advisory Board, Australian Graduate School of Management.



**John W Stocker** MB, BS, BMedSc, PhD, FRACP, FTSE; (52)

Director, Cambridge Antibody Technology (UK) Ltd, Circadian Technologies Ltd, Foursight Associates Pty Ltd and Wilcox Investments Ltd; Chief Scientist, Commonwealth of Australia; Chairman, Australian Science Technology and Engineering Council.



**Stephen W Vizard** AM, LLB, BA, FAICD; (41)

Chairman, Artist Services Group; President, Screen Producers Association of Australia; Board Member, Australian Commercial Television Production Fund; Board Member, Victorian Multimedia Taskforce; Member, Advisory Board, Addiction Research Foundation.

Telstra has a number of corporate governance practices in place, including 3 committees of the Board which oversee financial and business issues, audit and risk management, and appointments and compensation. Other than the Chief Executive Officer, all directors are non-executive directors.

In order to support the sale process and maintain continuity, the Chairman, Mr David Hoare, has agreed to the Government's request to stay on until a convenient date on or after the 1998 Annual General Meeting of the Company. The Chief Executive Officer, Mr W Frank Blount, has also indicated to the Board that he will remain in his role until the end of the 1998 calendar year.

## Senior management

Senior managers of Telstra who are not directors are:

Name	Position	Year appointed to position	Year appointed to Telstra
Doug Campbell	Group Managing Director, Network & Technology	1993	1989
Robert Cartwright	Group Managing Director, Employee Relations	1995	1995
Gerry Moriarty	Chief Executive Officer, Telstra Multimedia group	1995	1993
Paul Rizzo	Group Managing Director, Finance & Administration	1993	1993
Peter Shore	Group Managing Director, Commercial & Consumer	1997	1981
Ziggy Switkowski	Group Managing Director, Business & International	1997	1997
Graeme Ward	Group Director, Regulatory & External Affairs	1995	1972
Lindsay Yelland	Group Managing Director, Retail Products & Marketing	1996	1992

**Doug Campbell** BEng Mr Campbell was formerly Group Managing Director, Commercial & Consumer of Telstra. He has also been the Deputy Managing Director of Telecom and President of Canadian National Communications. He is a Fellow of the Australian Institute of Company Directors and of the Institution of Engineers, Australia.

**Robert Cartwright** BA (Hons) MBA Mr Cartwright worked in the CRA group of companies for over 15 years, predominantly in manufacturing with a special focus on change management, operations, finance and strategy. He was formerly President, An Mau Steel, Taiwan and Managing Director, Comalco Rolled Products.

**Gerry Moriarty** BEng (Hons) Mr Moriarty has 30 years' experience in the telecommunications and broadcasting industries in business leadership, strategic business development, major project management, engineering management and technical operations with Telstra, the ABC, TVNZ, Broadcast Communications Ltd, and NZBC.

**Paul Rizzo** BCom, MBA Before joining Telstra, Mr Rizzo was Chief General Manager, Retail Banking, of the Commonwealth Bank of Australia. He was previously CEO of the State Bank of Victoria, and, prior to that, a Member of the Executive Committee of the Australia and New Zealand Banking Group Limited where he held a number of senior executive positions over a period of about 25 years.

**Peter Shore** BSc Mr Shore was formerly Managing Director of Telstra's International Business Unit and General Manager of OTC's international operations. He has 15 years' experience in telecommunications.

**Ziggy Switkowski** BSc (Hons) PhD Dr Switkowski has been CEO of Optus, and Managing Director of Kodak (Australasia) Pty Ltd. He is a Director of Amcor Limited and Chairman of the Australian Quality Council.

**Graeme Ward** BEc (Hons) Mr Ward has extensive telecommunications industry experience, including senior positions in corporate strategy and planning. He currently leads Telstra's relationship with the Commonwealth on regulatory, shareholder and industry policy matters and is the Company's prime interface with the industry regulators.

**Lindsay Yelland** BSc Prior to joining Telstra, Mr Yelland held numerous positions in the computer industry, including Vice President, Asia-Pacific, Data General Corp and Vice President of Apollo Computer Corporation. He is a director of the Australian Information Industry Association.

## Employees

With approximately 66,100 full-time employees as at 30 June 1997, Telstra is one of Australia's largest employers. It has approximately 3,000 work sites in Australia and 711 expatriate and local employees located in parts of Asia, the United States of America and Europe.

Many current management systems and work practices still reflect Telstra's public service history. Telstra is transforming its culture from one typically associated with a government-owned monopoly to that of a commercially oriented enterprise. It is developing a new corporate culture focused on delivering value to customers, improving commercial discipline, accountability and productivity, and increasing workforce flexibility and product innovation.

Telstra's Employee Share Ownership Plan is intended to be an incentive to employees to participate in this transformation. Under the Plan, each eligible employee will be offered an interest-free loan from Telstra to acquire up to 2,000 Telstra shares under a special offer where, for every 4 shares bought, they receive 1 extra share free up to a maximum of 500 extra shares.

Eligible employees will also be offered 1 loyalty share, at no additional cost, for every 10 additional shares applied for and allocated under the public offer which they hold continuously for 12 months (up to a maximum of 200 loyalty shares).

The completion of a number of capital expenditure projects and the implementation of management's initiatives to transform Telstra's culture are planned to lead to a reduction in Telstra's full-time staff by approximately 25,500 employees over a 4-year period that began in the 1997 financial year. During the 1997 financial year, Telstra achieved reductions of approximately 11,900 full-time staff, of which approximately 20% resulted from the outsourcing of activities by the sale of certain businesses and the contracting out of some operations. These reductions were offset in part by the addition of 1,500 full-time staff relating to the consolidation of Pacific Access as of 20 June 1997, resulting in full-time staff at 30 June 1997 of approximately 66,100. Where possible, the Company is redeploying staff and assisting employees to find alternative employment elsewhere. Telstra is also pursuing changes to its retrenchment and redundancy arrangements to allow it to retain its most skilled employees. See 'Investment risks – Industrial relations and potential industrial action' on page 31.

