E-BULLETIN Telecommunications

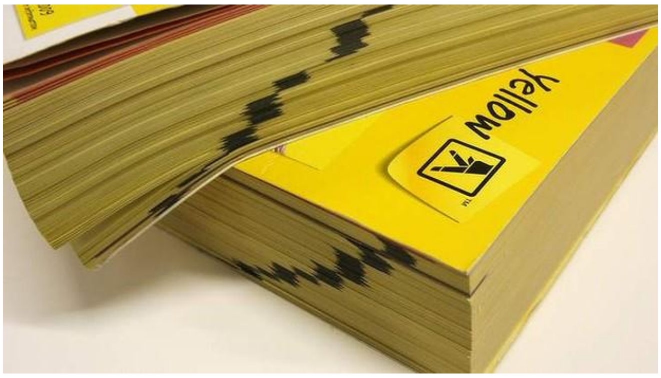
#2. Friday, 21 February 2014

1. Sensis moves to cut 800 jobs

The CWU has strongly condemned Telstra's proposal to cut 800 jobs from its directory business, Sensis.

Telstra announced the cuts just days after revealing a 10% rise in company profits over the 2013 calendar year. On the same day those results were released, the press reported unnamed sources as saying that up to 1,000 jobs were set to go from the company, largely from Sensis.

The reports suggested that many of the jobs would be sent to what was described as Telstra's "captive centre" in Manila.



The Sensis cuts now announced will be from the advertising operations, sales, management and support areas.

They come on top of big job losses from Sensis last year, when some 700 jobs were taken out of the company. The majority of those jobs were also sent offshore.

The job losses will be concentrated along the east coast, especially NSW and will affect many regional centres. As well as Sydney, Canberra and Melbourne, affected sites are expected to include Geelong, Hobart, Townsville, Ballina, Cairns, Coffs Harbour, Adelaide, Wollongong, Darwin, the Sunshine and Gold Coasts, the NSW Central Coast, Newcastle and Penrith.

The CWU is continuing to argue in Canberra for measures to penalise companies which offshore Australian jobs – or for positive incentives such as tax credits for those who bring work back on-shore.

In the immediate situation, any CWU affected by the cuts should contact his or her state branch.

2. CWU meets with Telstra on network management outsourcing

The CWU met with Telstra on 10 February over the proposal to outsource a range of network management functions to an "international partner" in Asia Pacific.

As reported in E-Bulletin #1, the move will affect staff in Network Infrastructure Operations (NIO), Network Assurance Operations (NAO) and Network Service and Facilities (NS&F). A total of 128 jobs will be sent offshore and 12 new ones created.

Telstra says that it is only the more routine high volume work that will be sent offshore, with responsibility for end-to-end service provision and management of severe incidents remaining in Australia.

But the CWU has queried whether this division of labour is likely to deliver the overall efficiency and service quality that Telstra says it wants.

CWU members currently dealing with faults escalated from overseas "first stop" call centres report frequent difficulties in communication with their "international partners".

The union has also questioned whether those "partners" will have sufficient knowledge of Australian conditions, including the specific technology mix in the Telstra network, to ensure prompt problem solving.

Telstra wants to send high skilled network management jobs off-shore.

And while any loss of jobs is of course a blow to those made redundant, it is of particular concern to the CWU that the jobs involved in this round of cuts are highly skilled and involve core network functions. The great majority of the redundancies in the Network Assurance Operations (NAO) and Network Infrastructure Operations (NIO) are at Band 7 level or above.

For a start, the work performed by these specialists is hardly "routine". Are their roles now to be performed by workers skilled only to perform routine functions? If so, what are the implications for service standards?

And if this work is eventually outsourced, why can't these employees be re-trained and redeployed – to assist, for instance, in addressing the many network management issues that are bound to arise as customers are migrated to the NBN.

Over and above its commitment to redeployment in the current Enterprise Agreement, Telstra has received $100 million from the federal government to (among other things) help train a workforce for the NBN project. Its technical experts and technical specialists who are now facing redundancy would seem to be ideal candidates.

3. Unions call for national action on ICT skills drain

The new wave of job cuts in both Telstra and Sensis has again raised the question of the future of Australia's Information and Communications Technology (ICT) workforce.

Both the CWU and the CPSU have condemned the job losses and drawn attention to their implications for local workforce development. And they have called for government action to support employment in a sector that is increasingly central to the economy as a whole.

At a time when the future of Australian manufacturing is uncertain and the mining boom is tailing off, it is increasingly clear that the growth of ICT-enabled businesses and services is essential to maintaining current living standards.

Telstra, as Australia's largest domestically-based ICT company, has a role to play in that transition – not only through the modernisation of its own infrastructure and service offerings and through engaging with ICT start-ups, as it does already, but also through supporting the development and retention of the local ICT skill base.

But public policy must also support the growth of "smart" companies and a "smart" workforce.

The alternative is a future as a low growth, low wage economy and a generation of Australians growing up worse off than those before them.

4. Mobiles key to Telstra's strong half-yearly results

Telstra has announced a profit of $2 billion for the first half of this financial year, with results driven by steady growth in mobile and fixed broadband revenues and by the expansion of its Network Assisted Services (NAS) and International businesses.

At a time when its major competitors are struggling to retain mobile customers, Telstra added 739,000 new domestic retail services to its customer base. By the end of 2013, Telstra had 15.8 million mobile customers, an increase of nearly 10% since the previous year. Some 4.1 million were on 4G.

Optus, in comparison has just announced a decline of 64,000 services over the December 2013 quarter while Vodafone continues to struggle to stem the losses it has suffered over the last two to three years.

Vodafone had 7.5 million mobile subscribers in 2010, but the figure had dropped to 5 million by November 2013. Some positive growth occurred in December.

Telstra claims to have four times the 4G coverage of any other company in Australia.

Telstra's mobile base is now larger than Optus and Vodafone's combined. Significantly, the recent growth was not achieved at the expense of margins which increased by 2% over the reporting period.

These results are a strong vindication of the aggressive mobiles strategy adopted during the Trujillo years which saw the rapid roll-out of the Telstra 3G network. The continuation of that strategy under Thodey has seen Telstra extend the reach of its 4G network to cover 85% of the population by December last year.

Telstra now claims to have 4 times the 4G coverage of any other company in Australia.

5. Telstra's "Asian Century" and Australian jobs?

Telstra's half-yearly results show that the company is performing strongly in its home market.

But CEO David Thodey has made it clear that he sees an increasingly large part of its business future in Asia.

The strategy of leveraging off domestic successes to expand internationally can be seen in an area such as Network Assisted Services (NAS). While the 29.3% increase in NAS revenues reported in Telstra's half-yearly results largely reflects Telstra's success in winning federal government contracts, Thodey's eyes are on regional opportunities for NAS services in the future.

The establishment of data centres in Singapore and Hong Kong and the planned joint venture with Telkom Indonesia are part of this strategy.

So what does such a strategy mean for Telstra's current and future workforce?

To date, Telstra's regional adventures have met with mixed success. But they have themselves had relatively little impact on domestic employment levels and conditions. These have been driven more by the dynamics of the local market.

The question is whether the company is now entering into a distinctly new phase.

An ever-increasing number of functions, including core network management roles, are being off-shored into Asia. At the same time at least some direct employment by Telstra in the region is being created. As a result, the Telstra workforce is becoming more dispersed and fragmented – and is providing fewer local opportunities for highly skilled workers – than has historically been the case.

Telstra is not alone in moving in this direction. The last 18 months have also seen big job losses in Optus as its parent company, SingTel, restructures along regional lines. A significant number of roles performed for Optus in Australia are now delivered out of Singapore.

But as Australia's largest telecoms employer, Telstra still has a central role in ensuring Australia retains the IT skills that are needed in a modern economy.

It is time for a public discussion about how it might do so.

6. Telstra sheds 163 jobs in retail shops sales

Telstra has begun selling off its retail outlets. The move will lead to a reduction of 163 jobs, including casual and part-time staff.

Last year Telstra advised the CWU of its intention to put 8 of its stores on the market. The shops were located in the Northern Territory, Queensland, NSW and ACT.

Going, going, gone. Telstra has begun the sale of a number of its retail shops.

Since that time there appear to have been some changes to the particular shops being sold. However Telstra has now notified the union of the sale of shops in Queensland (Mackay, Townsville, Rockhampton), Western Australia (Bunbury, Rockingham), NSW (Tuggerah, Rouse Hill, Erina Fair) and ACT (Woden).

Most of the shops are being sold to the Vita Group which already acts as a major retailer for Telstra, with some 85 Telstra- branded retail stores in its portfolio prior to the acquisition of any stores currently owned by Telstra.

The Woden shop has been sold to a licensee.

Any loss of jobs in rural and regional areas, where employment opportunities are often scarce, is bad news for employees and for the economy generally.

The CWU understands however that there will be some opportunities for relocation within Telstra for some affected employees and that for those made redundant there will be openings with the Vita Group.

Any CWU members affected by the closures and needing advice on their entitlements should contact their state branch.

7. iiNet reports subscriber, profit growth

iiNet has consolidated its claim as No.3 in the Australian broadband provider and is nipping at Optus' heels in this section of the market.

In half-yearly results announced 21 February, iiNet reported that its total broadband subscriber base stood at 926,000 at the end of December 2013, only marginally behind Optus' 996,000. Last week Optus reported that it had lost 7,000 broadband customers in the December quarter.

iiNet's subscriber growth over the six months to December came largely from the acquisition of Adam Internet, the South Australian provider which Telstra was barred by the ACCC from acquiring last year.

iiNet is challenging Optus for the number two spot in the fixed broadband market.

iiNet subsequently snapped it up for $60 million, adding some 70,000 broadband customers to its base.

Significantly, though, iiNet has also achieved strong "organic" growth (i.e. growth not achieved through mergers or acquisitions) in the last half year, adding a net 16,000 customers over the period.

The company now claims 16% of the fixed broadband market and a 25% share of all NBN accounts.

iiNet's 19% underlying profit growth over the reporting period puts it in the forefront of the local telco market on this measure.

With one of its current Enterprise Agreements due for renewal later this year, iiNet can well afford to ensure that its employees share in the benefits of its success.

8. Abbott wanted pay cuts of up to 40% at SPC

The Abbott government tried to pressure the management of Victorian food processor SPC to cut wages by up to 40% according to recent press reports.

According to *The Age*, SPC Managing Director Peter Kelly was urged by the government last December to put all his employees on the award if he wanted any financial assistance for restructuring.

The report chimes in exactly with the statements of Tony Abbott when he announced he would not offer the company support and pointed to its employees' above-award conditions.

But awards provide only minimum conditions – and minimum wages schedules. Apart from loss of any negotiated conditions, SPC workers would have suffered heavy pay cuts if the government had had its way.

Pay for a level-two process worker, for instance, would have been cut from about $50,000 a year to $33,000. For higher-paid maintenance workers, the falls would have been even more dramatic, dropping from as much as $85,000 a year to about $50,000.

As recently as last week, Abbott told parliament that it was not his government's intention to attack people's wages.

These reports give the lie to those claims.

9. Wages growth at all-time low

Figures released on 19 February show that Australian wages are growing at their slowest rate on record.

Wages grew by an average 2.6% during 2013, while inflation rose by 2.7%. So in fact real wages are declining – a fact that won't be news to the many who struggle to meet rising energy and other household costs.

So much for the Abbott government's arguments that Australian workers, like those at SPC, are being overpaid.

ACTU Secretary Dave Oliver pointed to the figures as showing that the government's campaign against current working conditions and pay levels was "false and misleading".

"There is no such thing as a wages blow-out in Australia," he said.

"On the other hand, at the same time as wages growth is slowing, big corporations are revelling in a bumper profit season, with major employers like Commonwealth Bank, BHP Billiton and Wesfarmers reporting big jumps in earnings and multi-billion dollar profits."

"This follows the worst unemployment figures in over a decade. We are still waiting for Tony Abbott to step up and fight for jobs."

"He must urgently spell out a plan for job creation and back up his promise of one million new jobs within five years."

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