

# Your company: the Telstra Review is out

*Shareholders in the part-privatised telecommunications giant now have the past year's performance figures and indicators at their fingertips, collated and sent to them in a couple of neat publications*

**P**ackaged in two parts, the first a user friendly marketer's invention titled "Welcome to the first Annual Review of your company..." , plus the second more turgid "Business Description and Financial Statements" or Annual Report 1998, Telstra's inaugural account of itself as a publicly listed company has just landed on the doorsteps of its 1.8 million shareholders.

The 160-page Annual Report, prepared to meet Australian statutory obligations as well as those of the US Securities and Exchange Commission, proceeds through an amalgam of items: exchange rate explanations, business and property descriptions, legal proceedings, control of registrant, nature of the trading market, taxation, financial data, management's discussion and analysis, report by directors, financial statements, independent audit reports and a five year financial summary which shows sales revenue having risen from \$12.8 million in 1994 to its \$16.8 million figure in the year ending June 30, 1998.

The Annual Review 1998 is far more user friendly, as must have been the intention, geared as it is toward all Telstra's "ordinary" shareholders, the Mums and Dads, young families, retirees, students, blue collar workers and those upwardly mobile young urban professionals who all bought shares in November 1997.

This 44-page publication is at pains to highlight Telstra's key activities during the 1997-98 financial year in an easy-to-read, concise "short form" overview that some shareholders at least will be thankful for. The financial highlights - earnings per share (up by 17 per cent to 23.3 cents), total revenue (up by 8.3 per cent to \$17.3 billion), net profit after tax (up 17 per cent to \$3 billion), instalment receipt price (\$4.14 at closing of the stock exchange on June 30, 1998) and total dividends paid/payable per share (\$1.8 billion, fully franked/interim dividend of seven cents plus final declared dividend of seven cents to be paid on October 30, 1998) - are laid out on one page.

They are followed by a session of Q&As which ask what result Telstra achieved and how it was achieved, how Telstra will continue to grow revenues and profits, the effect of the Asian economic crisis, the improvements to people management, how customer service has progressed, and how customers in rural and remote areas of Australia are being provided for by the company.

These last two questions - the development of customer service and improvement of services to rural and remote areas - are ones upon which Telstra is most often judged, particularly since the introduction of the Customer Service Guarantee (CSG) when the telecommunications industry was deregulated on July 1, 1997. The June 1998 carrier performance figures released by the

Australian Communications Authority showed that 89 per cent of Telstra customers received their new services in rural and remote Australia within the Customer Service Guarantee (CSG) timeframe (which allows longer provisioning times for rural and remote customers). Telstra's urban customers experienced an improvement in fault repair times, with 79 per cent of faults repaired within the CSG timeframe, 12 percentage points better than the March quarter. In rural areas, 82 per cent of faults were repaired by Telstra on time but in remote areas, only 60 per cent of faults were repaired within the timeframe. There is still room for improvement which the Review does not acknowledge.

The Review treats shareholders to a simple analysis of the company's performance since listing. "Telstra is Australia's largest listed company on a fully capitalised basis at \$71 billion on 30 June 1998. It is also Australia's most profitable company, based on its net operating profit after tax of \$3,004 million. This represents an increase of 17 per cent over the previous year's profit before abnormals, and exceeds prospectus by 7.1 per cent...Since listing, up to 30 June 1998, Telstra's instalment receipt price has outperformed the Australian All Ordinaries Index by 100 per cent. This vote of confidence made Telstra one of the best performing companies on the Australian Stock Exchange".

The question of continued growth and performance is tackled over three pages of the review and highlight the company's commitment to improving core telephony business,

... continued on page 12 ➤

# Telstra Review

... continued from previous page

looking at richer and smarter communications options, and growing international business. "Global competition is shaping the direction of the communications market. To remain at the forefront of the technological revolution, Telstra is striving for continued efficiency improvements and the delivery of innovative and competitively-priced new products and services for customers".

The Review states that Telstra is currently two years into an efficiency program with a focus on reducing operating expenses by streamlining the organisation and its work processes to reduce duplication and unnecessary complexity and to take advantage of recent capital investment. Full time staff numbers are expected to reduce by 27,500 between 1996 and 2001.

***The 160-page Annual Report, prepared to meet Australian statutory obligations as well as those of the US Securities and Exchange Commission, proceeds through an amalgam of items: exchange rate explanations, business and property descriptions, legal proceedings, control of registrant, nature of the trading market, taxation, financial data, management's discussion and analysis, report by directors, financial statements, independent audit reports and a five year financial summary which shows sales revenue having risen from \$12.8 million in 1994 to its \$16.8 million figure in the year ending June 30, 1998.***

Customer and community benefits are addressed in consecutive sections of the Review, in answer to the questions, "What benefits is Telstra delivering to customers?" and "How does Telstra benefit the community?"

The Review states that Telstra's "Making Life Easier" mission statement is its answer to customer needs and a way of focusing the business on delivering measurable gains in customer service and satisfaction. "Our focus on customers drives us to develop new products and solutions in direct response to the communication needs of customers...Other tangible improvements in service delivery will be provided by proactively testing, detecting and fixing faults".

In terms of community benefits, the Review lists Telstra's responsibility as a corporate citizen and its involvement in the well-being of the wider community. It is the official Telecommunications Supplier to the Sydney 2000 Olympic Games, a Team Millennium Olympic Partner and Worldwide Partner of the Sydney 2000 Paralympic Games. It also marks the company's formal consultation with consumer groups through its

Consultative Councils for residential and small business consumers.

"These forums play an important role in improving Telstra's understanding of the needs and expectations of all consumers during a period of rapid change in communications and information technologies and equip us to respond accordingly.

"For the first time, a Customer Service Guarantee gives customers a clearly outlined set of standards that all Telstra employees are committed to provide. If we don't meet the performance standards customers are entitled to claim a service guarantee payment. We are also committed to meeting all other regulatory requirements".

Telstra's board of directors - all 11 of them - are listed and pictured, and in a mirror of the larger Annual Report, corporate governance and the report by the directors are presented toward the end of the Review. The only thing that can be said about the directors' report is that of the 11 directors, only three (John Ralph, deputy chairman, Frank Blount, CEO and Elizabeth Nosworthy, director) managed to attend all 18 board and board committee meetings during the financial year ended June 30, 1998.

The profit and loss account, balance sheet and statement of cash flows are accompanied by discussion and analysis of their particular merits or otherwise, and the Review winds up with the 1998-99 financial calendar and advice on where to look for further information about "my investment".

Telstra's annual general meeting will be held at 1.30pm on Friday November 6, 1998 at Melbourne Park, Batman Avenue, Melbourne Victoria. Then shareholders can look forward to the announcement of the half-year financial statement on March 11, 1999 after which an interim dividend will be paid to them on April 30, 1999. <<

Karen Winton