



4 July 2013

Committee Secretary
Standing Committee on Environment and Communications
PO Box 6021
Parliament House
CANBERRA ACT 2600

By email: ec.sen@aph.gov.au

Dear Committee Secretary

The CPSU welcomes the opportunity to make a submission to the Senate Standing Committee on Environment and Communications inquiry into the impact of imposing a certain carrier licence condition on Telstra Corporation Limited.

The PSU Group of the Community and Public Sector Union (CPSU) is an active and progressive union with approximately 55,000 members. The CPSU represents employees in Commonwealth government employment including the Australian Public Service (APS), the ACT Public Service, the Northern Territory Public Service, CSIRO, the telecommunications sector, call centres, employment services and broadcasting. The CPSU is one of the primary unions representing employees at Sensis which produces the White and Yellow Pages for Telstra.

The CPSU supports the imposition of a carrier licence condition on Telstra that would require it to produce printed and online national number directories in Australia. The offshore risk to confidential information, impact of customer service, profitability of Sensis, job losses and long-term impact on the services sector justify the imposition of such a carrier licence condition.

Telstra Carrier Licence Conditions

Amending Telstra's current carrier licence conditions

The CPSU supports introducing a Telstra carrier licence condition that requires it and its subsidiaries to undertake any work to produce number directories, in print or online, and any related incidental work in Australia. CPSU members at Sensis strongly support varying Telstra licence conditions to ensure work remains in Australia.

Currently, Telstra is only required to produce a printed copy of the alphabetical number directory (White Pages) without charge as a book.¹ Telstra is not required under its carrier license to produce either a business telephone number directory (Yellow Pages), or an online version of the White or Yellow Pages.²

An amended requirement should guarantee an online version of the White Pages as a public good and ensure the White Pages and the Yellow Pages are produced in Australia.

Ministerial power over Carrier Conditions

The production of number directories is a matter already dealt with in Telstra's current carrier licence conditions.³ Legislative change is not required to make the production of number directories and associated work in Australia a condition of Telstra's carrier licence.

¹ Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997 made under 63 (3) of the Telecommunications Act, Clause 9, 9b

² Senate Environment and Communications Legislation Committee, Telecommunications Legislation Amendment (Consumer Protection) Bill 2013 [Provisions], p.17

³ Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997 made under 63 (3) of the Telecommunications Act, Clause 9

The Communications Minister has the power to declare and vary conditions of a carrier licence under the *Telecommunications Act 1997*, Part 3, 63 through a written instrument. The original requirement for Telstra to produce and distribute the White Pages for free was made under this power.⁴

The Minister would be required to notify Telstra in writing before making an instrument.⁵ The written notice would need to set out a draft version of the instrument and invite Telstra to provide any submissions about the draft.⁶ The time limit specified in the written notice for submissions must be at least 30 days.⁷

If there is any doubt about the ability of the Minister to make a declaration regarding Telstra carrier licence conditions, the Commonwealth Government should amend the *Telecommunications Act* to ensure the clarity of Ministerial power in this regard.

The Commonwealth should also, at a later date, consider reassessing the definition of a standard telephone service in light of declining landline use and increasing mobile usage.

Ensuring public and small business confidence

Security of confidential information

Telstra is required by its carrier licence condition to publish a directory of standard telephone service users – with some limited exceptions.⁸ Telstra has previously acknowledged that this provision reflects the Commonwealth's view that a comprehensive national directory is a necessary public good.⁹ As it remains part of Telstra's Carrier Licence Conditions, it is evidence that the Commonwealth still believes there is a public benefit derived from the provision of the directory.¹⁰

Given the White Pages requirement to publish user details, there would be public disquiet and concerns about privacy if this work was undertaken offshore.

Telstra also produces the Yellow Pages, a business number directory and an essential business tool for small businesses. For businesses to be included in the directory, significant amounts of private data must be supplied. Data supplied includes:

- ABN;
- Licenses;
- Owner operator details including addresses and birth dates;
- Company profiles including , shareholdings, staffing levels and management structures;
- Banking / BSB numbers / authorised banking signatures;
- Credit ratings / reviews;
- Business customer numbers, profiles, habits and trends;
- Business turnover; and
- Business history.

CPSU members at Sensis have raised concerns about the offshoring of work and the potential risks to the security of confidential information. Customers are comfortable and reassured by the Australian regulatory system that protects their personal and business information. They are concerned about what happens to their confidential business and financial information offshore. Only by ensuring work is done in Australia can users and customers be certain that their data will be secure and protected by Australia's regulatory system.

Prioritising Customer Service

Sensis has justified offshoring on the basis that it will result in better customer service.¹¹ Sensis has not actively sought out customer feedback on the proposal and there appears to be a lack of market research about offshoring.

Customers value their customer support being on shore. Over 90% of customers surveyed by the CPSU do not believe the offshoring will improve customer service and do not support it. They want to speak to people who

⁴ Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997 made under 63 (3) of the Telecommunications Act, Clause 9

⁵ Telecommunications Act, Part 3, 64 (1a)

⁶ Telecommunications Act, Part 3, 64 (1a)

⁷ Telecommunications Act, Part 3, 64 (2)

⁸ Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997 made under 63 (3) of the Telecommunications Act, Clause 9

⁹ Senate Environment and Communications Legislation Committee, Telecommunications Legislation Amendment (Consumer Protection) Bill 2013 [Provisions], p.18

¹⁰ Senate Environment and Communications Legislation Committee, Telecommunications Legislation Amendment (Consumer Protection) Bill 2013 [Provisions], p.18

¹¹ Peter Cai and Glenda Kwek, Better Service offshore: Telstra, *BusinessDay*, 12 February 2013, <http://www.smh.com.au/business/better-service-offshore-telstra-20130221-2esmj.html>

understand their business needs. This results in a better customer experience with local knowledge and experiences being valued highly by customers.

"Who would want to spend their money with an organisation who does not service customers. It would be sensible to explore one of the many other existing options." - Customer

"Off shore service arrangements are already incompatible with my needs with other businesses." – Customer

Over 70% of customers surveyed by the CPSU have also indicated that if work is offshored, they would reconsider advertising with Sensis.

"Have recently become a Sensis customer, if I would have been made aware of this I wouldn't have done so...now locked into it for approximately another 6 months." - Customer

"Should they go ahead with this, just as they can change their staff, I will have to give serious thought to leaving Sensis, as I am sure will many others." – Customer

Staff have also expressed concerns that offshoring customer service and customer care roles will have a detrimental effect on the level of customer service.

"It is important to have a local understanding of the customer's needs to tailor solutions to be able to enhance the customer's business and marketing strategies." – Staff Member

"There will be operational difficulties, both short term (higher risk) and long term (ongoing risk) particularly with print issues where errors occur they have an impact over 12 months. Every time an advertising or public error occurs, it hurts Australian businesses and people's lives directly. Australians appreciate local knowledge and assistance; they will only get that if these jobs remain local." – Staff Member

"With production, a lot of sensibility and good judgment is made (that can't be defined by business rules) at a production stage, we wouldn't expect the same with offshored production." – Staff Member

Another staff member pointed out that past experience of offshoring had been far worse customer service.

"Telstra and Sensis have both offshored in the past and both have been complete failures. Our customers do not want there services to be moved off shore. If the business wants to retain and maintain our customer base, it wants to provide a high level of customer service – jobs need to remain in Australia." – Staff Member

It is not in Sensis' interest to offshore the work. Customers do not support offshoring, it will affect the quality of customer service and many may cease to advertise with Sensis.

Profitability of Sensis

Telstra have informed the community that the offshoring proposal is essential to save an ailing business. Sensis Managing Director John Allen has stated that *"until now we (Sensis) have been operating with an outdated print-based model – this is no longer sustainable for us."*¹² This is not a position supported by the facts.

Sensis is a very profitable business, and one that produces a satisfactory rate of return on investment. While the business has been built on the production of the Yellow Pages book, Telstra/Sensis have a well developed strategy to transform the business into a modern on line directory service. This has included the purchase of competitors such as TrueLocal.¹³

Sensis made around \$690 million EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) profit last financial year 2011-12 and Telstra declared a record \$1.6 billion half year profit.¹⁴

The CPSU notes that Sensis revenue is predicted to return to growth and Telstra Group Managing Director, Digital Media, Rick Ellis has stated that *"our (Sensis') predicted decline in print revenues is mapping to plan; our growth in digital revenues is actually exceeding the plan. We are looking at this thing hollowing out in 2014 and moving to a growth trajectory."*¹⁵

¹² Michael Janda, Telstra confirms mass Sensis job losses, ABC, 21 February 2013, <http://www.abc.net.au/news/2013-02-21/telstra-confirms-mass-sensis-job-losses/4531902>

¹³ Peter Cai and Glenda Kwek, Better Service offshore: Telstra, *BusinessDay*, 12 February 2013, <http://www.smh.com.au/business/better-service-offshore-telstra-20130221-2esmj.html>

¹⁴ John McDuling, Telstra cuts 700 jobs from Sensis, *Australian Financial Review*, 21 February 2013, http://www.afr.com/p/technology/telstra_cuts_jobs_from_sensis_9tVIWBUvbxivyAxCMwJHVP

¹⁵ Mitchell Bingemann and Darren Davidson, Telstra rules out big media buy, for now, *The Australian*, 10 July 2012, <http://www.theaustralian.com.au/media/telstra-rules-out-big-media-buy-for-now/story-e6frq996-1226422020556>

Immediate and future job losses

The current proposal from Sensis will result in:

- 648 redundancies
- 391 jobs offshored.¹⁶

These job losses are significant in their own right as it represents 20% of the entire Sensis workforce.¹⁷

It is important that the Committee understands that these immediate job losses also set the platform for further future job loss – as the 390 jobs offshored this year form phase one of a three phase restructure.¹⁸ Most of the roles in phase one are skilled roles that involve high levels of technical, commercial and sales systems skills.

The CPSU understands that it is Sensis intention to establish an overseas partner and then identify associated potential future jobs to be offshored as part of stages two and three.

The CPSU also understands that stages 2 and 3 will involve around 1700 skilled roles from customer care, support, service and sales staff.

The end product of this planned restructure appears to be that the entirety of the Directory business – excepting small numbers of sales roles – will be performed offshore.

Effect on Australia's Economic and Strategic Interest

Off shoring presents a substantial risk to Australian jobs

The Services Sector comprises over 70% of the Australian economy and 75% of jobs¹⁹. The success of the sector is fundamental to the nation's economic and strategic interests.

Digital technologies delivered via the internet are having a profound impact on the sector.

The National Institute of Economic and Industry Research (NIEIR) reported in 2008 that more than 80,000 jobs had been offshored in the Australian services sector and predicted worse was to come.²⁰

Four years later in 2012, the NIEIR reported that their dire predictions had come true with a further 20,000 service sector jobs per year offshored over that period including office clerks, accountants, bank workers, IT programmers, graphic and web designers, finance managers and advisers.²¹

Disturbingly, the NIEIR goes on to predict between 700,000 – 1 million service sector jobs will be lost to offshoring over the next two to three decades.²²

This is an issue and trend that must be addressed.

Offshoring is not in the national interest

It is widely understood that future Australian prosperity depends in large part on developing a knowledge based economy. Australia needs a services sector that is competitive in a global services market where success will depend, not upon labour price, but upon having a critical mass of skills and competencies, coupled with leadership in innovation and the application of digital technologies

Offshoring represents a major risk to achieving these goals – as current skills are lost as well as the ability to develop future skills, experience and the ability to innovate and lead in the application of new technologies. CPSU argues that offshoring costs not just current jobs but also future jobs.

¹⁶ John McDuling, *Up to 500 Sensis jobs at risk*, *Australian Financial Review*, 14 February 2013,

http://www.afr.com/p/technology/up_to_sensis_jobs_at_risk_JctBFIFxcqBxAWfQ8ccNaP

¹⁷ Patrick Stafford, *Telstra to ship Sensis jobs offshore to "world-class vendors"* as economists debate impact of massive job cuts, *SmartCompany*, 22 February 2013, <http://www.smartcompany.com.au/hiring/054316-telstra-to-ship-sensis-jobs-offshore-to-world-class-vendors-as-economists-debate-impact-of-massive-job-cuts-2.html>

¹⁸ John McDuling, *Up to 500 Sensis jobs at risk*, *Australian Financial Review*, 14 February 2013,

http://www.afr.com/p/technology/up_to_sensis_jobs_at_risk_JctBFIFxcqBxAWfQ8ccNaP

¹⁹ CIA, *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/as.html>

²⁰ National Institute of Economic and Industry Research, *Off-shore and off work: the future of Australia's service industries in a global economy - a call to action*, May 2008, p.iii

²¹ National Institute of Economic and Industry Research, *Off-shore and off work: the future of Australia's service industries in a global economy: an update*, September 2012, p.3

²² National Institute of Economic and Industry Research, *Off-shore and off work: the future of Australia's service industries in a global economy: an update*, September 2012, p.3

The Telstra case can be seen as a microcosm of this issue:

- Telstra are offshoring jobs to cut costs.
- This means that essential skills, competences and experience are being lost.
- This limits the future ability to build a high value business on shore.

Offshoring such work limits the capacity of our nation to develop the skills, experience and products essential for future high value service sector work. The NIEIR has already highlighted that the failure to ensure the competitiveness of Australia's service industries is affecting the government's ambition to move towards a high-value knowledge-based economy and has undermined investment in education and training services.²³

The establishment of the Service Leaders Group by the Commonwealth Government in April 2013 shows that the Commonwealth understands the need to build a modern, high value service sector. The Services Leaders Group is part of a strategic mechanism for the Commonwealth Government to consult with leaders in business, unions and the research sector. Offshoring by Telstra undercuts this agenda. It is within the Commonwealth's scope and power to ensure that the policy settings exist so that high-value service jobs such as those in Sensis remain in Australia and are not offshored.

CPSU members at Sensis also believe that by imposing a Licence Carrier Condition on Telstra that all work associated with number directories must occur in Australia, the Commonwealth will send a strong message to Telstra and other companies that it supports keeping service jobs onshore:

It would cause thousands of companies to think long and hard before deciding to offshore jobs. It would be a signal that any decision to do so could cause a significant backlash and resistance from the public and to their brands.

This will set a strong message to most large organisations that the Government will do its utmost to minimise the offshoring of jobs.

The Commonwealth should also consider an inquiry into the impact of offshoring on the community and the additional Commonwealth resources that will be required to assist those affected by it. Both the general public and business should be provided the opportunity to provide feedback on the impact offshoring will have on the community and the economy.

Yours sincerely

Michael Tull

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²³ National Institute of Economic and Industry Research, Off-shore and off work: the future of Australia's service industries in a global economy: an update, September 2012, p.8