

## **Response submitted by Telstra Corporation LTD to the Standing Committee on Employment, Education and Workplace Relations on the effects that the existing Share Ownership Scheme**

### **Introduction**

When the Commonwealth sold one third of its shareholding in Telstra in Nov 1997 eligible members of staff were invited to participate in Telstra Employee Share Ownership Plan (ESOP).

The ESOP provided staff with the opportunity to receive an interest free loan for purchasing a total of up to 2000 Telstra shares . For every four shares purchased through this method a free share was offered , hence the naming of this element of the ESOP as the "One for four Offer ". In addition a maximum total of up to 200 further free "loyalty" shares could be obtained by staff that purchased shares through their own means on a one free for Ten purchased basis.

Recipients of the 1 for 4 offer were required to retain their shares for 3 years whilst they remained employed by the company. The free shares from the One for Ten Loyalty Offer were issued to staff members 12 months after the initial launch. 90% of eligible employees participated in the 1 for 4 offer. Furthermore 95% of those participants opted for the maximum allocation of 2000 shares with 95% taking advantage of the company's initial free loan.

The high level of initial take up demonstrates the positive perception of the ESOP by staff, which no doubt has been boosted by the significant growth in the share price since the offer was accepted.

### **WORKPLACE RELATIONS & PRODUCTIVITY**

In considering productivity improvement, the ESOP cannot be considered in isolation. A range of significant and often interlinked changes have taken place in Telstra's workplace relations since 1997, including:

- A new enterprise agreements
- A focus on the managers role in establishing a direct relationship between the employee and the Company

While there has been no direct causal link established between the ESOP and productivity improvement, the internal employee opinion survey identifies a strong positive view by the majority of employees as a result of owning shares in the Company. Specifically, survey results show that employees who are shareholders consider that they are more focussed on providing customer satisfaction , take a more active interest in the company's financial performance and are less tolerant of poor performance in the workplace.

At an anecdotal level, there is a view within the Company that participation in ESOP is a positive factor in the individuals employment relationship with the Company.

In summary, the ESOP experience for staff has been positive due both to the nature of the offer and the growth in value since 1997.