

Australia telecom giant Telstra to axe 8,000 jobs

June 20 2018, by Martin Parry



Telstra employs 32,000 people across 20 countries, according to its most recent annual report telecommunications company Telstra reported a 36.6 percent jump in annual profit as it vowed to invest billions in boosting its network after customer frustrations over numerous outages.

Australia's dominant telecommunications company Telstra Wednesday announced plans to axe 8,000 jobs—a quarter of its workforce—as part of a drastic new strategy to cope with an increasingly competitive industry.

The decision by the company, one of Australia's largest employers, is part of a shake-up targeting an extra Aus\$1 billion (US\$750 million) in cost-cutting by 2022, on top of Aus\$1.5 billion previously announced.

It will also split its mobile and infrastructure divisions into separate businesses.

"In the future our workforce will be a smaller, knowledge-based one with a structure and way of working that is agile enough to deal with rapid change," said chief executive Andrew Penn.

"This means that some roles will no longer be required, some will change and there will also be new ones created."

The cuts come less than a month after Telstra said its 2017/18 earnings will likely be at the bottom of its guidance range of Aus\$10.1 billion to Aus\$10.6 billion, blaming increasing competition in mobile and fixed broadband.

That warning sent its shares tumbling to a more-than six-year low of Aus\$2.71.

They had partially recovered since, but took another hit on Wednesday, closing 4.81 percent lower to Aus\$2.77.

CMC Markets chief market analyst Michael McCarthy said the restructuring plan may not be enough to please investors, who have watched Telstra's share price almost halve in the past year.

"Some investors think the Telstra patient needs radical surgery, and could view today's measures as band-aids," he said.

Telstra employs 32,000 people across 20 countries, according to its most recent annual report. Of the jobs to go, one in four will be executive and middle management roles.

Prime Minister Malcolm Turnbull called the announcement "heartbreaking" for the workers, but said he was confident most would find other jobs.

"While one company reduces its workforce, there are other companies and new companies, including other telecommunication companies, creating new opportunities and jobs," he said.

Tipping point

Penn said the company had to take action to stay on top in a highly competitive market where technology was evolving quickly.

"In this environment traditional companies that do not respond are most at risk.

"We have worked hard preparing Telstra for this market dynamic while ensuring we did not act precipitously. However, we are now at a tipping point where we must act more boldly if we are to continue to be the nation's leading telecommunications company."

Telstra has a range of businesses including fixed broadband, mobile, data and IP, network application services and digital media.

Part of its new strategy will see it create a wholly-owned standalone infrastructure business unit from July 1.

Called Telstra InfraCo, it will comprise the firm's fixed-network infrastructure including data centres, non-mobiles related domestic fibre, international subsea cables, exchanges, poles, ducts and pipes.

Its services will be sold to Telstra, wholesale customers and Australia's National Broadband Network, controlling assets with a book value of about Aus\$11 billion.

"As technology innovation is increasingly relying on connectivity, the role of telecommunications infrastructure is becoming more important," said Penn.

"There is virtually no technological innovation happening today that does not rely on a high-quality, reliable, safe and secure telecommunications network.

"In this world our infrastructure assets are becoming more valuable. By creating a new infrastructure-focused business unit we will better optimise and manage these assets."

Telstra also intends to "monetise assets of up to Aus\$2 billion over the next two years to strengthen the balance sheet", and has set aside Aus\$600 million in restructuring costs.

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