

Telstra

THE MARKET

Communications in Australia is the stuff of adventure.

In the days of the Gold Rush, bushrangers preyed on mailmen - and shot more than one of them dead in broad daylight. Today, the information industry is a good deal safer, but the process of conveying messages across Australia is still marked by a sense of excitement.

Telstra is central to that excitement.

Communications workers are no longer robbed at gunpoint, and they no longer have to trek across vast tracts of impossible terrain. But the pioneering spirit of progress, marching hand-in-hand with efficiency and service, remains very much alive in Telstra's communications policy.

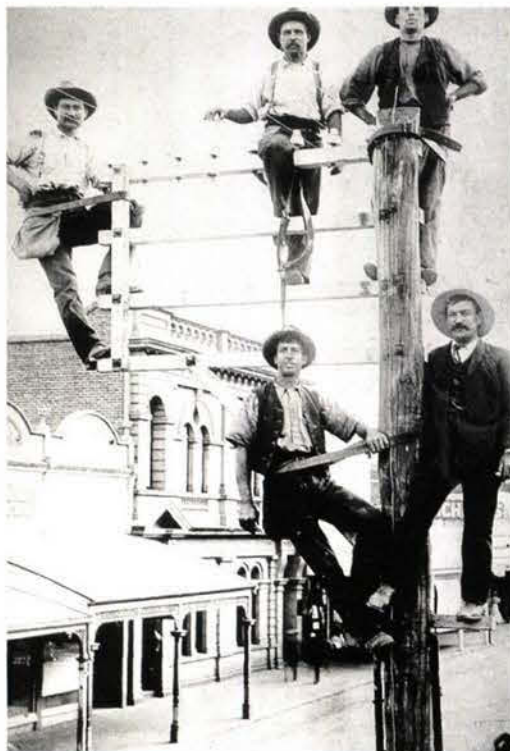
However, the picture is changing. Despite having around 9.5 million fixed-wire telephones and 2.1 million mobile phones in operation - the largest customer base of any Australian business enterprise - providing telephony alone is no longer sufficient. For Telstra, Australia's brand-leading carrier, the focus now lies in feeding information and entertainment 'down the wire'.

The program of technological progress and customer service being undertaken by Telstra to meet this challenge is an adventure on a scale few countries can match.

It won't be easy. As in so many countries, the Australian telecommunications market has been deregulated. Telstra's proud record is no longer enough. Telstra must be more competitive, efficient, strong and flexible in order to grow and prosper.

In short, it's not just a matter of ever-shifting goal posts. It's a whole new ball game.

And the stadium is global.



ACHIEVEMENTS

Communications in Australia has always been a challenge.

In the old days, geography alone dictated this. If it meant sending wires up sheer cliffs, using rockets and air force helicopters, Telstra did it.

If it meant creating solar powered phones for remote outposts, Telstra did it. Communications meant pioneering, and it defined the way Australians saw themselves and were seen by others. And there is no sign of this abating.

Despite a vast, climatically hostile inland and a coastal fringe of sprawling urban development, Telstra's fixed line service reaches into 96% of Australian homes. That's very nearly a phone in every home.

Telstra's mobile networks, analogue and digital, now reach 91% of the population, the fourth highest penetration rate in the OECD, behind more compact countries like Norway, Sweden and Finland, who introduced mobile phones five years earlier. At current growth rates, more Australians will be using mobile phones than fixed phone services by the year 2000.

In the space of a few years, Telstra's core business has jumped from delivering relatively slow,

analogue telephone services to developing and delivering advanced, high-speed information services based on wireless, optical fibre, digital, multimedia and interactive technologies.

Today, the challenge for Telstra is to outperform at every turn.

But there are other sides to Telstra's achievements. Prices have been cut and new systems rolled out in response to customer needs. Telstra's bottom line achievements are also impressive. In 1995-96 Telstra's profit after tax, was \$2,304.7 million, up by 31.5%. Net profit increased by 9.1% to \$3,242 million, with revenues increasing by 8.2% to \$15,239 million. Sales revenue increased 8.1% to \$14,716 million, reflecting improved levels of customer service, despite competitive pressure. Again, quite an achievement.

Telstra also plays its role as a good corporate citizen. A government owned corporation (one third of Telstra is being privatised in late 1997) Telstra is a major contributor to Australia's wealth. Telstra's value added contribution of \$10,177 million represented 2.4% of Australia's Gross Domestic Product.

HISTORY

Telstra, as a brand, is a new kid on the block. The name has existed for a relatively short time but inherits the good name of previous incarnations. It extends back through one-and-a-half centuries of telecommunication; Telecom Australia, the Overseas Telecommunications Commission, the Postmaster General's Department, back to the Overland Telegraph and the East-West Telegraph - back even further to the first dawning of telegraphy in Australia in the 1850s.



Electronic telecommunications reach back to March 1854 when a telegraph line was opened between Melbourne and Port Melbourne. But not until 1872, with the completion of the Overland Telegraph and, five years later, the East-West Telegraph, did telecommunications really take off. These pioneering feats inspired the nation. By the close of the century Australia was one of the largest national users of telegraphy in the world. Telephony was not far behind.

See the world from the classroom?



The first private phone line in Australia was installed in 1880 and for a long while telephony and telegraphy developed side-by-side. Radio telephone linked Australia and Britain in 1927 and soon extended to Europe.

Introduced as a brand in 1995, Telstra is the natural inheritor of this historic legacy.

THE PRODUCT

Telstra's goal is to be the leading provider of electronic communications and information services in Australia and the Asia Pacific region. This will take excellent customer service, best practice financial performance and improved productivity. Strong and sustainable growth, a world class infrastructure, market leadership in Australia, corporate integrity and an involving and rewarding work environment are equal parts of the plan. But, as with telecommunications in other developed countries, rapid advances mean Telstra is in a constant state of dynamic change. Although remarkable enough that a Telstra customer anywhere in Australia can pick up the phone and talk to (or fax) anywhere in the world, this is no longer enough.

Customers are increasingly interested in what more the telephone line can deliver. The demand for computing, banking, broadcasting, information and entertainment, provide the key to future expansion. Telstra's challenge is to develop business partnerships.



RECENT DEVELOPMENTS

It has become a cliché to say that we live in interesting times.

In 1995, Telstra made a fundamental decision to construct a new broadband network that would be an infrastructure for communications and information services into the next millennium. By the end of June 1996 the cable rollout had passed more than 1.2 million homes in Sydney, Melbourne, Adelaide, Perth, Brisbane and the Gold Coast. By October that year, Telstra was delivering its first broadband service, Foxtel Cable Television, a joint venture with News Limited.

In September 1996, Telstra Multimedia introduced a second broadband service, using cable modem technology.

These services are just the beginning. The broadband network offers the capacity for a new

Phone home when you feel like it?



generation of services and applications in education, commerce, government services, leisure, distance learning and telemedicine as well as audio, video and data communication.

Telstra's strategy is to invest in local content providers to develop new forms of multimedia content. Teaming up with innovative Australian enterprises means that a dynamic multimedia sector is being fostered, creating the jobs of the future and export opportunities.

International ventures are conducted on two fronts. First, Telstra operates as an international carrier under its own name, providing a full range of integrated services. Second, in joint ventures with governments and corporations.

Telstra is a 20% shareholder with Mitra Global Telekomunikasi Indonesia where 400,000 new lines are to be installed over a three-year period. In India Modi Telstra has launched India's first mobile telephone network in Calcutta, and is growing steadily in a competitive market. In addition, the establishment of Telstra NZ, and the continuing growth of Telstra UK, continue to present new opportunities.

PROMOTION

Telstra's advertising is positioning the company as a community-aware organisation that cares for its customers; that wants them to enjoy at least one of life's simple pleasures, talking to family and friends wherever they are, simply and effortlessly and relatively cheaply. This will serve the company well as more players raise the competition stakes higher.

But Telstra is promoting itself in less obvious ways too. It has developed an environmental management plan to minimise impact.

Telstra is also presenting itself



as a community role model with the recycling of roughly 75% of all phone books.

BRAND VALUES

When customers choose Telstra they're choosing a concept rooted in a set of values developed and nourished over more than 120 years. These values have to do with engineering, innovation, ingenuity, practicality, resourcefulness and leadership. But they also involve pride, integrity, commitment, passion, helpfulness, care and respect. In other words, human relations.

Telstra's brand name is a great asset in its quest to remain Australia's dominant communications brand. This is not as easy as it sounds; it is certainly not something Telstra takes for granted.

Telstra's brand is seen as moving with the times, and changing for the better. It is seen as confident about its own future. These are dynamic descriptions that reflect forward brand momentum. Telstra's image is evolving from that of a low-tech, low-touch monopolist towards a more innovative and dynamic brand: strong, lusty, infinitely durable and yet with a high recognition factor for flexibility and change.

With more players entering the Australian telecommunications market, with a myriad plans and choices, customers will naturally turn to a brand they know, and can trust.

Telstra is such a brand.

Things you didn't know about Telstra

- 40,000 low-income people have free access to basic telephony provided by Telstra through InContact.
- Telstra's White Pages™ directories followed the Yellow Pages® onto the Internet in 1995-96, both creating world firsts.
- Telstra developed the digital map data for the in-car navigation system of the new BMW-7 series.
- Telstra staff joined school children, farmers and conservationists in planting 4000 trees and shrubs around the Narrakine telephone exchange in Western Australia in 1995-96 as part of a land rehabilitation program.
- Telstra's world leadership in privacy protection was recognised last year by the independent Privacy Audit Panel.
- Last year over 3,800 Telstra staff gave up their free time to help out at Exchange Open Days where the public is invited to see first hand some of the technological advances Telstra has made in telecommunications and information services.