

15 November 2005

Office of the Company Secretary

The Manager

Company Announcements Office
Australian Stock Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Level 41
242 Exhibition Street
MELBOURNE VIC 3000
AUSTRALIA

Telephone 03 9634 6400
Facsimile 03 9632 3215

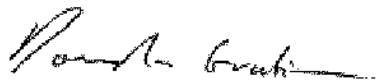
ELECTRONIC LODGEMENT

Dear Sir or Madam

Transcript of presentation by Chief Operations Officer at the Telstra Investor Day

In accordance with the listing rules, I attach a copy of the transcript of the presentation by Greg Winn, Chief Operations Officer at today's Telstra Investor Day, for release to the market.

Yours sincerely



Douglas Gratton
Company Secretary

SOL TRUJILLO: Obviously, in my opinion Deena has run one of the best wholesale shops I've seen around the world. I think the focus there, she has truly gotten, in terms of the customers that she serves, she understands the needs and it's all of this, kind of, what I would call "boring stuff", or some people call boring stuff, that really is most important to those customers.

Now we're going to transition. Obviously you've heard the retail, the wholesale side of the business, now we're going to talk about the factory. Obviously this is where all the stuff behind the scenes happens and is going to need to happen for us to execute on our strategy. So for those of you that have been worried or are wondering about NGN or what does that mean, and for those of you that are speculating on wireless platforms, whether it's CDMA or 3G or whatever else, you're going to hear about that, as well as, as we think about the rest of the plumbing, which is around our IT or information technology infrastructure. The person heading it up is our Chief Operations Officer, Greg Winn. Greg and I have had a chance to work together for a number of years. In my opinion, again, he's world-class. He knows this part of the business better than anybody I've ever seen or worked with, and now you'll get to hear from him directly. Greg.

GREG WINN: Thanks, Sol. I guess you can call me "the plumber".

My team runs what I call the factory. It's the engine that powers all the great things that my colleagues have been telling you about. Our factory includes the network infrastructure, the IT systems, the engineering and the field forces, our billing functions, sourcing and procurement, buildings and real estate, and all the other things that go into delivering service to customers. I'm going to share with you a vision for a transformed factory at Telstra. I'll describe the major components of the change

program that we have underway, and, importantly, I'll explain what we're going to do to ensure that the outcomes we're targeting actually happen.

My team just asked to deliver a range of integrated applications and services in a unique way for each customer segment with a high quality customer experience, faster than ever before, at low unit costs, where costs scale slower than our revenues. It's really not that easy, but we've signed up for it and it's well underway. Fortunately, at Telstra we have a good platform to build from. We have an extraordinary array of assets and capabilities. Our people - we have the deepest pool of telecom talent in this market. We have unmatched capabilities across a full spectrum of products and services and we have great reach into every corner of this nation. We have the financial resources and the ability to invest. We are one of the few large telcos in the world today which still has a full suite of its products in the portfolio. These things are one of the reasons that I'm here. But we're aiming higher now, our customers want more. The factory was not built for what we need and today's infrastructure, systems and processes need to be transformed. We have a clear vision; we're going to create one factory.

One of the first things that we're going to do is we're going to provide a platform for rapid and ubiquitous delivery across integrated services platforms, networks offering a consistent customer experience, again with low unit costs, which are not low today, then we can scale cost effectively and it is aligned to the needs of our customers. One of the first things that Sol did was that he brought all the key pieces together under my leadership. Earlier he talked about the silos; we've knocked the silos flat. This used to be separate, but now we have an overall accountability for the factory.

We're going to operate with four basic

principles: We're going to do it once, we're going to do it right for the customer, we'll do it in an integrated way and we'll do it at low unit cost. I like to have simple messaging for our employees so that they understand what we're focussed on. We're going to simplify the customer experience in our business. We're going to make things simple, we'll make them more intuitive for us and our customers. This is a transformational change which runs counter to the ingrained behaviour of the business, but the pay off will be extraordinary. It's going to unleash value and energy right across the company and it will make the savings sustainable, not temporary. So this will have a lasting benefit for our customers, our employees and our shareholders.

Everything starts with our customers. Bill told you earlier that we will understand our customers better than anyone. The factory will take that knowledge and build the things that matter most. The things that are good for customers are also good for us, like getting things right the first time, like doing things quickly and simply. You've heard a lot about integration today. No-one in Australia is providing it. Telstra is uniquely positioned, we have all the pieces. The factory will provide the platform through which we will deliver innovative, integrated services available only from Telstra. We're going to do some things differently to drive down unit costs. We're going to take advantage of our scale, we're going to concentrate our investments on a few strategic platforms, eliminating complexity and cost, while capturing scale benefits. Additionally, we're going to rationalise the general supplier base. On new technology we're going to standardise on off-the-shelf IT capability. Those of you that are analysts will understand the benefit of that. We're not going to customise. Plus, our New Generation Network technology will be architected to deliver the high volumes at dramatically lower costs. We're going to have less manual intervention, more automation, self service capability, all the

while eliminating bad volumes. We're going to work with world-class partners. We're going to have deep relationships, securing a low cost of ownership and gaining early access to their innovation capabilities. These are some of the things the customer will notice: One touch, one click, instant activation, self service when they want it, fewer faults, often resolved before customers are affected, fast, first time resolution of queries and requests and a common integrated experience across networks and devices. Well, we have an agenda and there is major components. We've made it pretty clear in recent months that we need to reinvest in our network and IT infrastructure. There has been some under-investment, we've allowed the business to become too complex, we did not get here overnight and we're not alone among the world's incumbent telcos in having this challenge. But we are not equipped to deliver on our vision and we're not ready for the exponential growth that is beginning to happen. As David Thodey told you, the IP growth story is no longer about the future, it's here. Traffic volumes are growing like a tidal wave. We measure them here in terabytes. By the way, that's one trillion bytes, and there is a lot of it going on. Our data and internet traffic has more than doubled in the last year and is up seven times since 2003. Right across the business we're seeing the volumes grow faster than revenues. Here, we can see how Justin's customers at BigPond are downloading data over broadband at a rapid rate and well ahead of the revenue growth curve. The same is true in our mobile space. The price per mobile voice minute has been falling steadily, and of course mobile data volumes are sky rocketing as well. So the sector is going through a fundamental change and we need to change our business accordingly.

So we've established that we have a clear need for change. We can't deliver the customer experience we aspire to without it. Our vision is for profitable integrated services and it

demands that we make change. The two biggest areas of change are obviously our network and our IT infrastructure, and we are going to transform both. Let's start with the network, which underpins and is the foundation for everything else that we do. The telecommunications business is incredibly complex. We've let this network become more complicated than it needs to be. We have multiple mobile networks, and I'll talk more about that later. We have two major fixed access networks and multiple data networks. This adds cost, reduces reliability and affects our customer experience. Across the various domains we have 334 different network platforms. Many of these are redundant or overlapping, they're hard to maintain, as well as costly and difficult to deploy our new services over. Life used to be simple when we just had a basic network carrying the basic three-minute voice call over copper, but things soon changed. We, as others, introduced Pair gain systems to provide better utilisation of copper, a decision that we've lived to regret. We added remote switching infrastructure, and then we kept adding and adding, switching technologies, transport technologies, multiple evolutions of mobile technology. We closed one down, the old AMPS network, but we're currently running three networks. We have multiple data networks for corporate customers, including X.25, ATM and Frame Relay, all of which are still in the network today. We have duplicate broadband data networks, Cable and ADSL. So you get the picture; we've put a lot of stuff into the network and we've never taken much of it out. Then, of course, this is happening not just in one place, but in multiple locations all over the country.

To add this complexity we have a vast array of vendors and there is going to be fewer of them. Incremental change is not going to be enough. In any case, the infrastructure is just too complex to gradually disentangle and evolve, and as the new technologies emerge and mature to support

where we want to take our company, we're going to make a transformational change. We're going to replace and decommission the infrastructure while we deploy new. Today we have dual cores running at about 1.2 terabytes per second over 52 core routers, each with separate architectures, systems, operations and cost structures. The new core will provide a robust, scalable backbone for all the services we deliver, running at 92 terabytes per second, a 77-time increase in speed over 28 core routers for a net reduction of 24 routers. Big cost savings and a lot simpler. In our technology workshop, tomorrow, you'll get a chance to hear more details on all of this.

So to our multiple transport technologies. Our next generation ethernet will provide common, carrier-grade aggregation for all traffic onto the IP core. We're going to run four times faster, while removing 750 ethernet platforms that we have out there today. It's going to be cheaper, it's going to be more reliable than our current architecture, it will support the capacity and demands of new applications more cost effectively, especially in video and IP obviously. We will simplify at the multiservice edge, with a single operating support system architecture, with an eight times speed increase. We're going to remove over 1,000 edge devices and we're going to support the common services to our customers, regardless of the access network. So this will provide connectivity for the business customers, be it Frame Relay, ATM, ethernet over a common IP core. We will provide support for our customers who need to migrate in a timely fashion off their legacy data.

The support voice services over the core include POTS and voice over broadband. We're going to have a new level of simplification in flexibility. We're going to have high capacity soft switches. The high capacity soft switch has up to about 2 million lines each, versus 120,000 lines in a traditional class 5 switch. Our plan is to implement five mated pairs of soft

switches. That's 10 in total, serving over 5.4 million PSTN and ISDN lines. It's going to provide for a full, redundant, resilient network and we will take out 116 class 5 switches in five cities. It's rapid deployment of new services through software updates, the price performance curves will follow Moore's Law-style of economics. The new architecture is designed to accommodate multiple access technologies. We will deploy the best access technology in each part of the network. We will be investing heavily in 3G wireless, and you'll hear more about that in a few minutes, and the copper network will still be around for a long time, especially outside the densest areas. We'll be deploying more fibre into the network. We want to deploy fibre to the premise in our greenfield or new build sites, fibre to the node in existing areas where it makes sense, and we'll support very high speeds required by many of the new applications and services.

So what does it mean? For Telstra a simpler environment and for our customers a simpler experience. Higher reliability, faster speeds, fewer outages, faster services. We'll have common standards and platforms, lowering our costs. The customers will have the same experience across multiple devices and networks. We'll have faster development and deployment and the customer gets early access to innovative solutions. Again, lower unit costs, competitive pricing. In the new environment our new IP services will be developed in a fraction of the time taken for TDM-based services today; months versus years. We're going to have consistent standards in a horizontally layered network, not a vertically siloed network. The network architecture will accelerate new deployment. This means new integrated services, which are simply not practical today, become highly cost effective. Unit costs will follow the rapid declines associated with IT hardware performance improvements. We've seen price performance of IP telephony hardware triple in the last two years.

This new capability will be good for the country and the economy as well. Higher productivity, higher GDP, greater global competitiveness. This is the platform that will allow us to deliver truly differentiated, integrated applications and services, and only Telstra will be able to do it.

The deployment will be planned to occur over the next five years. We're going to deploy 12 megabit broadband across five cities: Sydney, Melbourne, Adelaide, Brisbane and Perth. We're going to cut over about 5 million POTS lines to soft switches and we're going to replace 116 expensive to run and maintain class 5s. Of course, all of this is subject to regulatory outcomes.

We will remove redundant and outdated platforms. It's going to be good for the network and good for our customers, who will benefit from more reliable, next generation platforms. The first wave of this program has already been designed is now being launched. Here's a high profile example, you may have read about this one, everybody else has. We have a highly complex, overlapping mobile environment. Three different networks, each with their own mobile data architectures. Whilst CDMA's coverage benefits were critical for our rural customers years ago, they don't help our GSM customers when they travel beyond GSM coverage areas. This made some sense at the time because CDMA coverage was far superior to GSM. But new developments mean now that GSM has the same reach, or can exceed CDMA, and the duplication is expensive. There is a cost penalty to this complexity. Over the last few years we've spent over four times as much CAPEX per CDMA subscriber than we have on GSM. At the same time we spend more than three times the CAPEX on a cost per originating minute of use, than GSM. We must and will change this. This is a great example of what I said earlier about needing scale to get our unit costs down.

So today we're announcing a plan to deploy a

nationwide 3G GSM network. We're going to be the first Australian telco to deliver wireless broadband nationwide, it's going to be in the 850 megahertz spectrum, it's going to offer multiple benefits, including higher data speeds through HSDPA, with upgradeability - and this is important; we're designing it so we can just do a card plug for a Super 3 and then 4G. The CDMA customers will have a migration path to the same or better services than they have today, and our 3G service will have the same, or better, range extension than the CDMA network today. Our network costs and complexity will be dramatically reduced, the customer experience for all customers rural and metro, will be enhanced, and we will be reviewing this plan, obviously, with the government. This is a major step forward for our customers and our businesses and we'll manage it carefully. Over time we'll unify all of our mobile customers on a single platform, with benefits for all, whether on CDMA or GSM today. All our customers will get faster speeds. HSDPA will offer up to 14.4 megabits peak, and is upgradeable to Super 3 at 100 megabit, and 4G, advertised at 1 gigabit. The same coverage and technology for all Telstra mobile customers, city and country. We'll have superior in-building coverage for voice and wireless broadband services, and superior international roaming for our current CDMA customers. CDMA customers will gain access to the same or better coverage, better in-building coverage, faster speeds, better international roaming and a better experience. The GSM customers will enjoy improved speeds and expanded nationwide coverage, and we will significantly reduce the complexity, improve our mobile cost position, and, again, we'll review this important change with the government.

Let's move on to the second major component of our transformation. It's probably one of the naughtiest ones, and that's the IT situation. Just as we saw on our network, our IT infrastructure is extraordinarily complex. This

is true both in business support systems and operational support systems. This is not what we call one factory. The cost and effort involved in making all of this work together is extraordinary. This must and will change, and we cannot implement our new capabilities until we make it happen. Therefore, it's a very high priority. You'll see in a moment that we have an aggressive plan to address this. The current environment simply doesn't support our vision. To take just one example, taking a multiproduct order is far too hard today, for us and for our customers. This is a critical operational and strategic issue and we're going to tackle it head-on. The two main things we'll focus on: Implementation of fundamentally new capabilities in both the BSS and OSS areas. These capabilities are needed to help us manage the Next Generation Network and the capabilities I've just described. Dramatic simplification of platforms and products and plans to pave the way for the implementation of these new capabilities. We're going to deliver this next transformation over the next three to five years, focussing on two major domains. CRM, billing and customer care will transform over the next three years, and our OSS systems will follow our network, New Generation Network, as we deploy it over the three to five-year time frame. But I want to be clear; the new capabilities are going to start to be deployed in mid-2006, less than a year from now. The early focus is improving on the quality of customer information, our CRM capabilities, market based management and front of house simplification. Today our billing and care is product focused, tomorrow it's going to be customer focused. Today our OSS is network focused and tomorrow it's going to be customer focused.

We have an aggressive timeline. How are we going to do it? One, we're going to have a few world-class partners, and, two, we're going to avoid custom builds and IT space. We have a defined plan which will radically simplify the

systems environment. We're going to remove some 80 per cent of our systems mostly in the next three years. When I say remove them, we're removing them. They're going to be cut dead and no longer will be available. Multiple benefits: We got less complexity, less costs for your outages and easier training for our front end employees.

Here is a view of the future, ordering and managing integrated services. It's a scenario. Kaye's family have just moved into their new house. Kaye wants to connect the new home to the internet and activate her home phone. She calls Telstra on her brand X mobile and talks to a consultant to arrange her connection. Kaye has a previous account history with Telstra, and other members of her family have mobile phones with a mixture of carriers, including Telstra. The consultant captures Kaye's details and checks her credit history. Once the details are entered, the CRM system identifies her microsegment profile and guides the consultant to recommend Telstra's "integrated communications for the family" offer. The consultant explains to Kaye the components of the integrated offer; home phone and home broadband, mobile phones and 3G mobile broadband, integrated messaging across all of the services, one integrated subscription price. Kaye accepts the offer for herself and her three children's mobile phones, giving Telstra two win backs. The consultant selects the accepted product from a single line item on a screen. The service qualification indicates that the PSTN and cable services, along with integrated messaging, can be activated instantly. Kaye can plug in her phone in her existing modem for immediate use. The mobiles that are already with Telstra are immediately on the new deal and pick up of SIM cards for the win back phones is arranged with Kaye. Kaye can now go on-line and set her messaging preferences. She also uses the web to establish her billing preferences, including how the bill is delivered, the notification method and sub-accounts set up and

preferred payment methods. One bill is produced for Kaye's integrated product, all services, Kaye receives an SMS advising that the bill is available on-line for viewing, and Kaye browses the bill on-line, using her 3G phone. The bill accurately reflects the agreed price and services, Kaye authorises payment of the account from her mobile, and a receipt for the payment is sent to her nominated email address. The integrated experience. There was one call, a needs-based offer, instant activation, self service customisation, on-line billing and convenient interactions. Here is another view from a proactive fault management standpoint. I'd like to say, it's our intent that our customers won't have faults with this type of a network, with the way we're going to build it. But assuming we do have one, this is how it will work.

After an upgrade of Telstra's firewall software, an automated service tester system checks access to the internet and reports on the outage in our network management system. The firewall is used for internet access and the problem is likely to prevent access to the internet for a number of Telstra's customers. Paul, a Telstra engineer, receives the alarm and, using the network inventory and the service level agreement management systems to review the impact of this service failure, determines that ABJ Corp and some BigPond customers are affected. Additionally, the systems have detected that ABJ Corp has an SLA that may be affected. Paul reviews the trouble ticket automatically raised by the system and confirms that a severity 1 is appropriate, given the impact to BigPond and ABJ Corp. Telstra's network monitoring system automatically communicate with the corporate notification system, an alert is automatically recorded on ABJ Corp's enterprise portal, and as for customer preferences within the portal, an email is also sent to John Key, an executive with ABJ Corp. Information messages are activated on IVR for inbound calls from BigPond customers.

Paul investigates the fault, using the network management system. He confirms that the firewall is indeed the problem. He determines that to fix the problem, he needs to roll back to the previous software. After executing the roll back, he validates that the fault has indeed been fixed and tests that the internet access is restored. Paul closes the trouble ticket, which triggers automated updates to ABJ Corp, the enterprise customer report portal, the call centre IVR. If the outage caused the customer SLA to be breached, then notification is sent to the account team for proactive follow up with the customer. The future experience; proactive fault detection, fault avoidance in many cases, customer level impact assessment, early notification, rapid resolution. Okay, making it happen. This is the key deal, how are we going to get this done?

That's going to require some significant investments. We'll invest significant CAPEX over the next five years to transform our business. Over \$10 billion to build the NGN network, including the wireless nationwide 3G, and over \$1 billion transforming our IT capability. The CAPEX to sales ratio, and John will talk to you, I think, a little bit more about that, is going to be reduced to the 12 to 13 per cent year range by fiscal year 10, and our headcount reductions, previously mentioned, across the business will be six to 8,000 over the next three and 10,000 plus at the five-year mark. We're going to contribute over \$3 billion annually in improved cash flow by fiscal year 10, 2010. So it's not just an infrastructure transformation, there is over 50 other elements that we have underway.

So I want to talk about how are we going to handle this. We have a centralised program office to orchestrate the effort. Our program office director is a gentleman named Stuart Lee. He's a Telstra veteran and well-respected in our company and he has hands-on 100 per cent leadership. Stuart reports to me. I'm

accountable for the overall program delivery. I'll have regular reporting to both Sol and the board, and through a series of working teams, that we've already formed, we've assigned them to each major element. We have a "benefits now" team driving rapid savings and they are already implementing savings worth hundreds of millions of dollars this year. Business simplification and process improvements are going to create large opportunities which pave the way for the new infrastructure, provide significant benefits prior to the implementation of our new infrastructure, for example by retiring redundant platforms, and then the infrastructure transformation, we have lots of teams working in the network and IT spaces to help do this. At the same time they have the normal support function of financials, initiative cracking, communications and training. We're following some clear principles. This is going to be different than previous programs at Telstra. It's going to be pushed harder, it's going to be tracked harder and it's going to be managed better. We have a strong governance process and we have the right resources and program management, and we're going to focus on the value delivered for our shareholders. We've identified the key measures that matter to customers and to our businesses. These are just some examples. We break them into three categories: A customer experience. Driving the outcomes that matter most to our customers, the factory efficiency and productivity, getting our unit costs down, infrastructure, health and performance, keeping our service levels up. Pretty simple. We'll be tracking these and other metrics relative to targets and holding our teams accountable for their outcomes. The change program is already underway and we've accomplished a lot in the last few months. We've already created the program office, we've launched BigPond wireless broadband, we've redesigned the engineering organisations and we've changed our capital allocation process in this business. We've built a common blueprint for change, we've identified

hundreds of network and IT platforms that will be capped and exited. So we have a lot of things going.

Then one more thing. Today I'm announcing that we have selected, as of a few hours ago, some vendors and strategic partners, and I'll just name a few. There is a lot of negotiation still underway and I'm only going to identify some few major elements. First and foremost, Alcatel has been awarded the contracts for our next generation soft switches and most of our access platform. Cisco is going to build our IP core, there will be a strategic vendor with us as well and working with us in the business, in the large enterprise markets. In our 3G area we have selected Ericsson. They are going to build our nationwide 3G platform, along with a clear path to Super 3 and 4, and then, in our first of what will be a series of upcoming announcements around the IT side, for the front of house CRM customer experience, through to the billing side of it, we have awarded the contract to a consortium of Seibel Keenan, and the service integrator will be the Accenture Corporation. So those are the first major announcements, we have probably have four or five others over the next week or two as we close and make our final selections.

Okay, as I said earlier, we're going to do it once, we're going to do it right for our customers in an integrated way, and at a low unit cost. So, in summary, we have a clear vision of our one factory. We're transforming the business, we're going to deliver on our vision and we're going to invest substantially to do so. We will deliver dramatic cost reductions, plus new capabilities to enable sustainable growth, and our customers will have a truly differentiated experience, only available from Telstra. I guess I get a question, too? One for the plumber.

SOL TRUJILLO: Yes, one for the plumber. Greg, again, much like what I talked about with David

Moffat, there is a lot that you have been driving, there is a lot of change that we're going to be making, but obviously, again, when you're into the operations it has to be executed by people and it has to be executed by thousands of people in order to pull off what we're talking about doing. So what are your plans about the techs, all the people in the trucks, the people in the centres and all the people that have to make this happen?

GREG WINN: That's a great question, Sol, and now that we're going to be done with this investor stuff and board meetings and all that, we can get out with the guys that got to do the work. We're investing over \$200 million in training over the next few years for our field forces and the appropriate engineers and staff. We're making it - one of the number one transformation initiatives is, we are going to train our people, they're going to be the best trained in the industry, not just in Australia but in the industry, and all of our partners that I've announced earlier have signed up for the training initiatives. But, again, we're going to invest over \$200 million and we're going to get it done and get it done right.

SOL TRUJILLO: Great. Thank you, Greg.

Let me just make one other comment relative to what Greg has talked about because I want to be absolutely clear. The undertaking that we have here is more comprehensive than any that you will have seen in virtually any telco around the world. The reason why is because telcos have done transformations around their fixed lined, or they've done transformation around their wireless business. What we're going to be doing is doing both at the same time and we're going to be doing it in a dramatically shortened interval from what you've seen announced from other telcos around the world. Because we are going to be integrated and the best way that I know how to do it and Greg knows how to do it, and all the rest of our

senior leadership team knows how to do it, is the way that we have discussed this morning.

So now we've finished talking about that core telco, if you will, in terms of the classic telco business. But now it's time to talk about another important part of our portfolio and that is the information, search and transaction part of our business, in addition to the connection of buyers and sellers. That is the business called Sensis. What I'd like to introduce to you now is our leader of that business, Bruce Akhurst.