

# **Public Statement of Compliance**

With

the Australian Competition and  
Consumer Commission Guidelines on  
Price Exploitation And The New Tax System

**Made By Telstra Corporation Limited  
(ABN 33 051 775 556)**

**6 June 2000**



## Introduction

The introduction of the Goods and Services Tax (GST) in combination with associated government policy and legislation (the "GST regime") will mean significant changes to Telstra's operations and dealings with customers. Telstra has worked with the ACCC and other Federal government departments to ensure that these changes are fully reflected in Telstra's policies and accurately conveyed to our staff and customers.

Telstra has established a GST Implementation Team, with the charter to identify and manage the programme of policy, process and systems changes necessary to achieve compliance with the GST regime. Included within the scope of this charter is compliance with the specific provisions of the ACCC Guidelines on Price Exploitation and the New Tax System<sup>1</sup>.

This statement explains Telstra policy in response to the government initiatives and compliance requirements and sets out an agreed compliance framework.

## Overview

Telstra intends to fully comply with the price exploitation provisions of the Trade Practices Act (Part VB) in that it will:

- a) Use all reasonable endeavours to identify expense savings that result from the elimination of existing indirect taxes and introduction of the GST, through an extensive supplier contract review programme.
- b) Deliver to customers, in the form of lower prices or smaller price rises, any net expense savings which result from the elimination of existing indirect taxes and introduction of the GST regime.
- c) In the calculation of net expense cost reductions,
  - (i) consider only those implementation and compliance costs which are incremental and directly attributable to the GST regime; and
  - (ii) offset against these implementation and compliance costs any compliance cost reductions arising from the removal of the previous tax system.
- d) Implement an internal programme to ensure compliance. Responsibility for Telstra's GST Compliance Programme will reside with a nominated senior manager who will,
  - (i) be responsible for ensuring that Telstra complies with the compliance framework outlined in this Statement (and supporting material provided to the ACCC),
  - (ii) be responsible for investigating any significant issues and concerns which may impact on the ability of Telstra to comply with this Statement including any issues that are raised by staff, customers or external auditors,
  - (iii) where necessary, raise significant issues which may arise in connection with this Statement with Telstra's Chief Executive Officer and / or the Telstra Board,
  - (iv) provide the ACCC with periodic compliance reports and relevant information; and
  - (v) be a central contact point for dealings with the ACCC on Part VB matters.
- e) Ensure that where prices are displayed pre sale, any display will not be misleading or deceptive. In accordance with existing Telstra policy all commercial advertising will be reviewed, prior to release, to ensure compliance with the Trade Practices Act.

The detail of Telstra's compliance framework and monitoring mechanisms has been developed in consultation with the ACCC and recorded in separate confidential documentation submitted to the ACCC in conjunction with this Statement<sup>2</sup>.

Telstra will also comply with the Government's policy in relation to GST inclusive capping on standard and payphone untimed local telephone calls, which will have an immediate benefit for customers.

## **Pro-active Preparation for GST**

Telstra is pro-actively undertaking a range of activities aimed at ensuring that the transition to GST is as smooth as practicable and that customers realise any benefits of cost reductions in a timely fashion.

### **Expense Savings Realisation**

Rather than waiting for savings to flow from its suppliers, Telstra is actively engaged in a significant supplier contract review programme aimed at facilitating maximum realisation of expense cost reductions.

### **Staff Education**

As part of its GST regime implementation activities, Telstra will conduct a major staff education programme targeted at ensuring Telstra personnel understand the company's responsibilities regarding price setting and price display. This programme includes the formulation of specialised GST Pricing Guidelines and the promotion of educational material through internal communication channels.

Those staff who are actively involved in price setting will receive specialised education on required pricing procedures.

### **Customer Education**

A major customer awareness programme has commenced as part of Telstra's implementation of the GST regime. This programme includes a GST Helpdesk, internet site and educational inserts included with customer bills. The format of customer bills will also be amended to provide clear identification of the GST included.

## **Handling Customer Concerns**

It is Telstra's expectation that the period of transition to the new GST regime may be a difficult one for business and consumers as all parties come to grips with the new taxation arrangements and pricing environment.

Telstra customers will be able to raise GST related questions and concerns through normal customer contact channels. Call centre personnel will be trained to provide customers with help regarding their general GST related concerns and additional expert assistance will be available through a Customer Hotline. Telstra will also liaise on an ongoing basis with the ACCC to resolve any customer issues or concerns which may be raised through the Commission.

Through the issue of this Public Statement Telstra seeks to provide a positive assurance to customers that price exploitation will not occur. Telstra will be striving to ensure that the transition to the new GST environment is as smooth as possible for its customers.

Authorised on behalf of Telstra by



Ziggy Switkowski  
Chief Executive Officer,  
Telstra Corporation Limited

<sup>1</sup> ACCC PRICE EXPLOITATION AND THE NEW TAX SYSTEM General Principles, Information and Guidelines on When Prices Contravene Section 75AU of the Trade Practices Act 1974 published 14 July 1999 and updated 9 March 2000

<sup>2</sup> Telstra reserves the right to vary its approach to compliance with the Price Exploitation Guidelines at any time to more closely encompass the spirit of the legislation or to assist in practical implementation of the legislation. When such variations are made, this statement and any supporting material will be updated to reflect the changes.