THE CONSEQUENCES OF DEREGULATION AND PRIVATISATION FOR INDUSTRIAL RELATIONS IN TELSTRA

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INTRODUCTION

The purpose of this paper is to examine the issues surrounding privatisation and deregulation in the context of the partially privatised Australian telecommunications carrier, Telstra. The focus will be on attempting to explain changes in industrial relations approaches in the period from 1992 to 1998. These will be analysed in the context of enterprise bargaining over this time frame. The paper will consider changes in employment, pay, the employment relationship and outsourcing. It will be argued these changes were largely due to deregulation but mediated by political contingency, especially through the privatisation process.

The paper is divided into a number of parts. The first part of the paper will survey the arguments about the primacy of deregulation or privatisation and the effects of these processes on industrial relations, pay and employment. In the absence of

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an Australian literature, arguments will be drawn from the British experience where the breadth and depth of the privatisation process has created a useful academic discourse. The second part describes the structure of Telstra, the unions and the process of deregulation and privatisation. This is followed by part three which examines Telstra's profitability, staff numbers and wages in the context of deregulation and privatisation. Within part four changes in industrial relations, the reshaping of the employment relationship and outsourcing are analysed. Finally in part five the themes are brought together and conclusions drawn.

PRIVATISATION AND DEREGULATION WITHIN THE BRITISH CONTEXT

Some writers argue that under privatisation a company is subjected to countervailing forces. It is freed from the direct political control of the government and is instead driven directly by the financial markets and shareholders and indirectly by government through the regulator. The aims of these two parties are in many ways counterposed with the shareholder and financial markets' focus on costs translating into staff reductions. Conversely the regulator's attention to quality curbs the pressure to reduce costs through labour savings (Ferner and Colling 1991:396-398). Accordingly Ferner and Colling argue (1993a:138-139) industrial relations will oscillate between a confrontationist and a more conciliatory approach dependent upon pressures from the financial institutions and shareholders to cut costs or pressures from the regulator around service quality. Thus the privatisation process results in the direct power of government as owner and regulator has been turned into indirect power operating through the office of the regulator and the contradictory aims of the shareholders and regulator resulting in swinging patterns of industrial relations.

The privatisation process, as evidenced by the pattern of oscillating industrial relations, has provided management with both the opportunity and necessity to challenge and reassess industrial relations strategies. The privatised companies strive to respond to a more market driven environment by becoming more responsive to customer demands and more innovative and flexible in the face of competitive pressures (Ferner and Colling 1993a:138-139). Within the British electricity industry, for example, this opportunity were produced by competition, shareholder expectations and a new framework of regulation and resulted in employment losses, a move from collectivism to a more individualistic approach to industrial relations, changes to bargaining and the decentralisation of management structures (Ferner and Colling 1993b:123-125). Ferner and Colling argue (1991:401) privatisation and the perceived expectations of the shareholders and financial markets influenced managerial attitudes towards unions. Some managers have expressed a desire to lessen the role of the union whilst others undoubtedly harboured a desire for a union-free environment. But whilst Ferner and Colling attribute changes in industrial relations to privatisation, they recognise there have been other factors at work, such as deregulation (1991:406). They conclude the most significant factor behind the changes in industrial relations was competition rather than privatisation (1993b:126). It is, as Forrester concludes (1993), a situation fraught with difficulty. The lengthy period of privatisation and changes in the industry makes any attempt to compare the period pre and post-deregulation difficult. He concludes disentangling the effects of deregulation from those of privatisation requires a sophisticated research methodology and substantial empirical data. In the UK these aspects have been absent to date. It is therefore unclear whether we can attribute these changes in industrial relations to privatisation or other factors associated with deregulation such as competition.

This scepticism about the influence of privatisation on changes in industrial relations is continued by other authors. Domberger gives primacy to competition by arguing publicly owned enterprises subjected to competitive forces can be more efficient than privately owned companies in the same industry (1993:67). Pendleton and Winterton (1993) propose that as there are pressures encouraging continuity during the privatisation process on the basis there is no clear-cut evidence that a change of ownership automatically exposes ex-public sector organisations to new or more intense pressures to reform labour management. It is the combination of changes in product market competition and privatisation, as occurred in the bus industry (Forrester 1993) and the ports (Turnbull 1993), that changes the behaviour of corporations. They conclude privatisation is relatively insignificant in accounting for the changes in industrial relations and argue that commercialism, mediated by 'political contingency', that is the forms and strength of government intervention, that informs the capacity of management to exercise strategic choice in industrial relations.

Some authors have attempted to move away from a focus on processes and institutions and have concentrated on the effects of privatisation upon pay and employment. Haskel and Szymanski (1994) in a study comparing wage increases in privatised and public sector organisations found privatisation generally reduced employment by 25% whilst competition had little effect on employment. Privatisation resulted in some reduction in wages but this was comparatively small at about 4%. Where there was competition wages fell as a result of reduced market power. These findings are refuted by Pendleton (1997) who argues Haskel and Szymanski's study suffered from methodological problems and produces evidence that a change in ownership does not have a direct impact on pay and employment. If events prior to privatisation are seen as part of the privatisation process then the relationship to reductions in pay and employment is stronger. Continuities in employment practice amongst privatised utilities can be explained by limited exposure to competition. Similarly falls in employment levels can be explained through market competition (Pendleton 1997:574).

The evidence on the effects of privatisation on pay and employment appears to be contradictory. It is methodologically difficult, as Forrester recognised, to separate privatisation and deregulation. These forces often operate in tandem and there is a certain amount of ambiguity in the use of the terms. Privatisation can be used to refer to events preceding and after a change of ownership or only those which occur after the change of ownership. Similarly deregulation can be taken to refer to a change in the amount of regulation governing an enterprise, corporatisation or the introduction of competition. This tends to make conclusive statements difficult.

Whilst the debates have revolved around the effects of privatisation and regulation on employment and conditions, there has been little attention paid to new forms of organisation associated with privatised companies. A dual pattern of industrial relations has emerged in some utilities based around a core/non-core distinction (Ferner and Colling 1991). The core business mirrors the traditional industrial relations ethos of public enterprises characterised by well organised unions, strong bargaining relationships and management by agreement persists or reasserts itself after a period of instability. But in the new non-core areas of the business, such as subsidiaries, a new and changing culture of industrial relations unfettered by the traditions of the past was seen as more likely and desirable by management. In British Telecom the unions had some difficulty in obtaining recognition in the subsidiaries and were concerned they would be used as a site for the development of new industrial relations strategies that would then be adopted by the core company (Ferner and Colling 1991:405). This pattern asserts itself in a slightly different form in the British water industry. After privatisation the use of outsourcing intensified. Management typically divided the company into core/non-core business and looked to contracting out increasing amounts of non-core activity. A further trend was the creation of new independent companies consisting of personnel previously employed by the core business competing directly with other contractors for contract business from the water companies and other customers. Within the new companies management have greater freedom to implement the industrial relations strategies seen as necessary for success Ogden (1994:75) recognises this may have major implication for those still employed in the core business. Thus privatisation creates a duality of core/non-core business. The non-core business may be poorly unionised, composed of contractors and used for the development of new industrial relations strategies. This brings with it the possibility of these conditions being imposed upon the core business or used as a benchmark to draw concessions on employment conditions.

TELSTRA

The Company

Until a one-third privatisation in 1997 Telstra was Australia's monopoly telecommunications carrier. It remains Australia's principal telecommunications carrier and is one of Australia's largest companies. The company is organised around customer based business units and discrete corporate functions, such as Finance and Employee Relations.

The Australian telecommunications market was opened to competition on 1 July 1997. This as expected by Telstra to have significant effects on the company's operating revenue due to an anticipated loss of market share and falling prices (Telstra Annual Report 1997: 26).

The Unions

There are two principal unions in Telstra. The largest is the Communications, Electrical and Plumbing Union (CEPU) and was formed by the amalgamation of a number of smaller unions. The Communications arm of the CEPU covers the Operators, Technicians and Lines Staff in Telstra. It is organised around two divisions based on the largest amalgamating unions. The Community and Public Sector Union (CPSU) is the second largest union in Telstra covering administrative officers, professionals, information technologists and some technical officers from OTC.

THE PROCESS OF DEREGULATION AND PRIVATISATION

A process of deregulation in the Australian telecommunications has occurred over the last decade. Three major pieces of legislation have defined the process of deregulation and privatisation. The federal Labor Government (1983-1996) enacted the *Telecommunications Act 1989* which allowed for full competition in the provision of value added services and customer cabling, the liberalisation of the customer premises equipment area and the creation of the independent regulator, AUSTEL, with technical regulation and consumer protection functions.

The *Telecommunications Act 1991* enshrined a more fundamental restructuring merging the government owned international carrier OTC with the national carrier Telecom. The merged entity was to compete with a second carrier based on the financially troubled government satellite AUSSAT. The legislation also provided for three mobile licenses, opened the market to an unlimited number of carriers from 1 July 1997 and expanded the role AUSTEL by requiring it to actively promote competition. The second carrier license was sold to Optus Communications, a company owned by Cable and Wireless, Bell South and Mayne Nickless, (Fell 1991:22) which commenced operations in 1992.

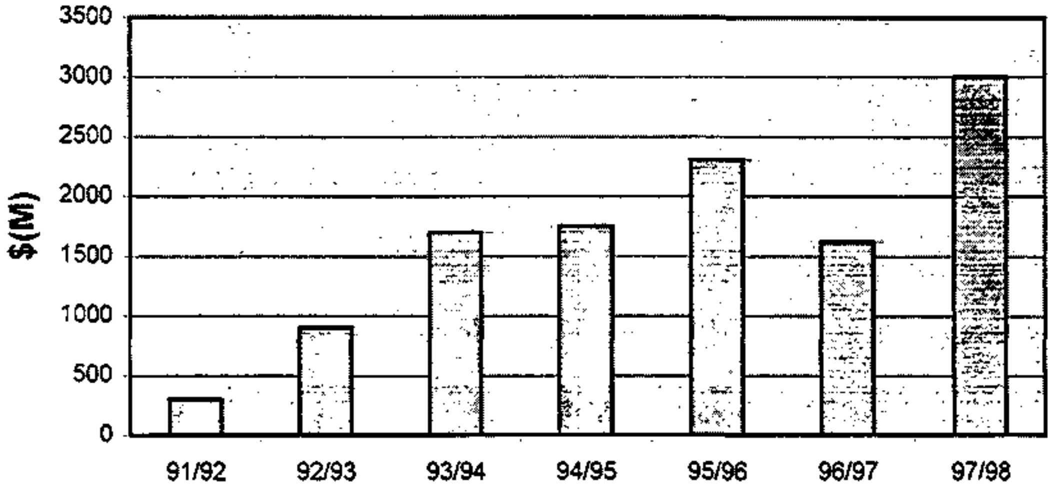
A Howard Liberal-National government was elected in March 1996 with privatisation of Telstra and competition as an explicit part of its platform. The government moved on the competition aspect of its policy with the *Telecommunications Act 1997*, which removed all legislative barriers for entry to Australian telecommunications market and all restrictions on the use of specific delivery platforms. Under this new framework there are no restrictions on the number of carriers or service providers, responsibility for competitive conduct was transferred to the Australian Competition and Consumer Commission (ACCC). (CEPU Structural and Regulatory Changes and Globalisation in Postal and Telecommunications Services., n.d.) and the Australian Communications Authority (ACA) assumed responsibility for licensing and technical standards. The privatisation aspect of its policy was addressed through to the *Telstra (Dilution of Public Ownership) Bill 1996*, which enabled one-third of the company to be sold. Telstra shares made their debut on the stockmarket in November 1997. Thus the deregulation of the Australian telecommunications market has been a lengthy process and differs from the British situation in that it commenced under a Labor Government and continued and, it could be argued, intensified under a Liberal-National Government.

The notion of deregulation conjures images of a freeing of the market from regulation. But, as Pendleton and Winterton (1993:241) suggest, for the British Thatcher government to achieve the changes it desired it needed to intervene in the affairs of public sector organisations. Although the rhetoric suggested non-intervention this was not the case with market liberalisation or deregulation being the replacement of one set of regulations with another set of regulations. A similar situation has occurred in Australia where the legislation defining the role of the monopoly national carrier has been replaced with a plethora of new legislation directing the operation of the company through regulatory bodies, such as the ACCC and ACA. The government, as owner, has subjected the carrier to increasing amounts of regulated competition whilst paradoxically demanding increasing dividends (*The Australian Financial Review,* 14 July 1992) and is continuing to use Telstra as a vehicle for social policy. These contradictions have become more pronounced with the company's partial privatisation, under which Telstra has a duty to maximise the minority shareholders' share value. This clashes with the government's desire and ability, as majority shareholder, to direct the company to act in a way that may not maximise the company's value for the minority shareholders. Whilst the rhetoric of liberalisation or deregulation advocates a freeing from government imposed regulation, the actual process involves the replacement of one set of regulation with another set of regulation. This process of introducing competition to the telecommunication market and the government's continued use of the company both as a vehicle for social policy and a source of revenue has created a more complex and contradictory environment for Telstra.

Profitability and Employment.

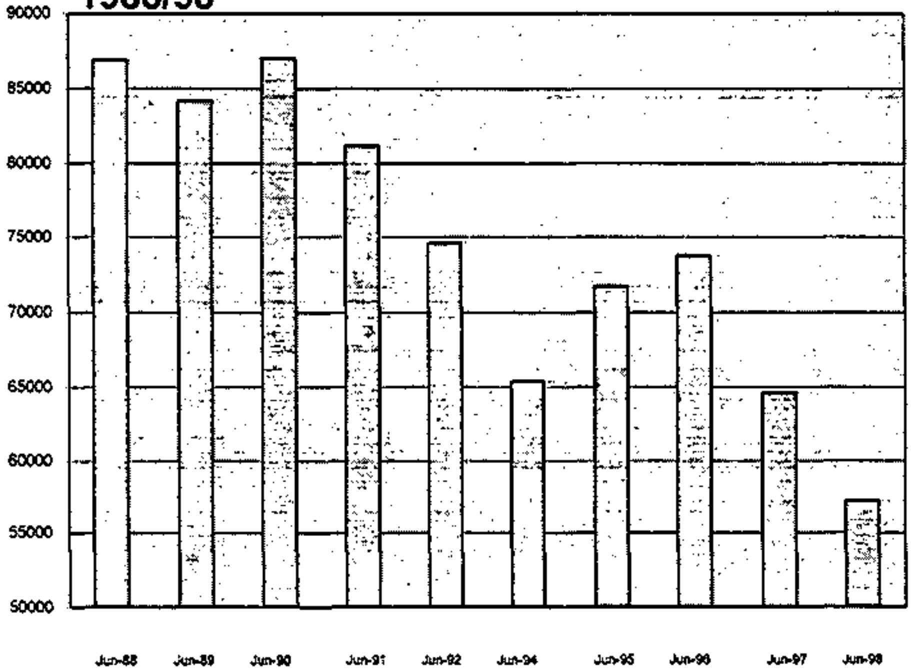
As Chart 1 illustrates Telstra is and remains a profitable company.

Telstra Operating Profit 1991-1998



Telstra has recorded Australia's largest corporate profit (*Sydney Morning Herald*, 14 September 1996) and profit growth has been impressive especially in the context of deregulation and privatisation. The profit decline in 1996/1997 was largely due to an abnormal provision of $1,126 million in relation to estimated redundancy and restructuring costs (Telstra Annual Report 1997, 9). Telstra still retains a very strong position in the market with a near monopoly position in local calls with 97% market share and a dominant position in STD with 81% in STD and 65% in IDD (*The Age*, 23 October 1998, p. B2.).

TABLE 1 - TELSTRA FULL TIME STAFF 1988/98



As table 1 demonstrates, over the period 1988-1998 the staff numbers declined from 86,832 to 57,234. However the decline can hardly be attributed to lack of profitability. Indeed staff reductions may help explain the strong profits recorded in more recent years. It would appear the *Telecommunications Act 1989* had little effect on staff numbers. However the passing of the *Telecommunications Act 1991*, which allowed the Optus' entry into the market in 1992, was followed by significant staff cuts. Staff numbers again rose over the period 1995 to 1996 because of the roll out of the broad band cable network (*Business Review Weekly*, 11 December 1998, 43) and a perception the staff cuts had affected service quality. Once again the numbers declined in the period prior to full competition and privatisation in 1997 and this trend is continuing.

TABLE 2: ENTERPRISE AGREEMENT WAGE INCREASES, 1993 – 1999

Year	**Increase.**
February 1993	3%
June 1993	3%
December 1993	2%
September 1994	2.5%
March 1995	2%
September 1995	2.5%
March 1996	3%
September 1996	2.5%
March 1997	3%
Early 1999	4%

Since the commencement of enterprise bargaining in 1993 wages have recorded a compound growth of 31.15%. As well staff have received two payments of $650 through a gain-share scheme. After protracted and fraught negotiations, an enterprise agreement has recently been concluded for the next two years. This will deliver two pay increases of 4% on certification and a further 4% on the introduction of new workforces that will deliver considerable functional flexibility. In broad terms privatisation and deregulation does not appear to have had a negative effect on wages.

INDUSTRIAL RELATIONS

Employment Conditions

When the deregulation process commenced Telecom employees worked under conditions that were very similar to those in the Australian Public Service. All Telecom employees were on paid rates awards and a 36 ¾ hour week on a Monday to Friday span was the norm with the exception of the operators who worked a 34-hour week. The technical and communications staff had one rostered day off per fortnight on either Friday or Monday whilst the administrative officers had a flexible working hours scheme. This gave employees a significant amount of control over the hours they worked. The unions had recognition on tripartite boards dealing with employee welfare, such as Promotion Appeals Board and Disciplinary Appeals Board.

Telstra's Strategy

Telstra's strategy was first publicly articulated in 1992. The Board's Chair, David Hoare, outlined the prospect of significant and more widespread competition and the need to perform commercially and deliver appropriate returns to the government. First there was a need to realise that in a competitive environment the needs of the customer were of over-riding importance. Secondly Telecom's people must become involved in the business in a "way where they see their interest and the interest of the Corporation as identical." Management would have to communicate with, inform and involve employees and decentralise decisions in order for people at all levels to influence the operations of the business (Australian and Overseas Telecommunications Corporation Annual Report 1992, 2). Thus Telstra's initial strategy was to revolve around customers, management communication, a commonality of interest and the decentralisation of decision making.

Negotiations for a first enterprise agreement commenced against a background of Optus entering the telecommunications market and significant retrenchments. In the period February to June 1992 there were 6,300 retrenchments at a cost of $115 million in redundancy payments (*Australian Financial Review,* 12 November 1992, 5). In July 1993 staff numbers had dropped to 68,000 and redundancies were running at an average of 800 a month (*Age*, 12 July 1993, 5). The CEO, Frank Blount, articulated his desire to "keep a close check on costs and ... when you have 75,000 employees ... wages are a big part of your cost structure" (*Australian Communications.*, February 1993, 54). Redundancies were part of a process to reduce costs and confront competition. The other components of the strategy were to be dealt with in the forthcoming 1993 Enterprise Bargaining Agreement negotiations.

Telstra began these negotiations with the view of rationalising conditions of employment derived from the public service. These were perceived as irrelevant in a competitive environment and management believed their removal would ensure long term profitability (Telecom., Key Areas of Productivity Improvement Associated with Enterprise Bargaining. 21 May 1993). Telstra wanted to negotiate a core award and then decentralise negotiations to arrive at business unit agreements. Telstra attempted to synthesise a commonality of interest by seeking union support the inclusion of the Corporate Vision in the core award. Telstra's pay offer was 8% for the 1992/93 year with the possibility of a contingent component $500 'gainshare' payment for the achievement of significant productivity and performance gains in the 1992/93 financial year (Telstra Enterprise Agreement - An Agreement for Business Improvement and Future Growth, 18 November 1992). After its initial rejection by meetings of CEPU members, (*Australian Financial Review*, 14 December 1992, 5) a second ballot adopted the agreement (*Australian Financial Review*, 28 January 1993, 7). It gave an immediate 3% pay rise with a further 5% dependent on a separate productivity-based agreement (*Australian Financial Review*, 9 February 1993, 10). Telstra hailed the agreement as producing a shift away from adversarial industrial relations to a system where the interests of the business were seen to be interlinked with those of employees (*Australian Financial Review*, 11 February 1993, 4).

Within the context of the enterprise agreement negotiations, Telstra's focus on customer needs translated into its desire to achieve performance management and temporal and functional flexibility. Costs were to be reduced through management delayering and the introduction of technology. Commonality of interest would be achieved through removing of supervisors and managers from award coverage. Employee involvement would arrive through the harnessing of ideas on how to 'grow' network usage. In May 1993 Telstra revealed its business unit agenda to the unions. The management of the Consumer Business Unit, which contained the majority of Telstra's employees, produced its agenda. Management wanted to develop and introduce an integrated "field" workforce designation and salary structure which would have the effect of getting rid of the demarcation between technical and lines staff. The Consumer Business Unit wanted to increase ordinary hours by 4 hours from a span of 8 a.m to 6 p.m to 7 a.m to 9 p.m with these hours able to be worked over a period of seven rather than a five days. Ordinary hours were to be paid at single time regardless of the day of the week and lunch breaks could be taken any time between 11 a.m and 3 p.m. Performance development reviews were to be introduced for all staff, including individual performance assessment. Customer service staff could have their calls monitored by a supervisor. The Dispute Settling Procedure had a "no bans" clause which would have significantly restricted the unions' ability to impede the introduction of change. Management wanted to increase overall staffing flexibility by removing quotas on the number of part time to full time staff, introducing fixed term staff and casual employment. Incentive based pay was to be introduced for all designation groups and payable on a team and individual basis. Management also sought award free arrangements for supervisors and above and the right to use external contractors for a percentage of customer access network construction work (PSU Bulletin 17 May 1993). Whilst management may have regarded this as a means of better satisfying customer needs, it represented a fundamental attack on conditions and union coverage.

The PSU regarded this agenda as confrontationist. At well attended membership meetings in May 1993, management's approach was condemned and demands were made to retain supervisors under award coverage (Interview former union official 12 December 1996). The PSU negotiating team argued they were not there to negotiate away the award conditions or members right to be covered by awards but management refused to take these issues off the agenda (PSU Bulletin June 1993). Subsequent meetings endorsed an industrial campaign commencing with bans on the collection and processing of revenue and the use of all telephones between the hours of 9.30 am to 12 noon (PSU Bulletin 11 June

1996). The CWU expressed reluctance to adopt any bans on the basis that its members were less likely to be affected by the prospect of contracts (*Australian Financial Review*, 24 June 1993, 4).

In a hearing before the Australian Industrial Relations Commission (AIRC) Telecom stated the dispute had closed half its customer contact areas and it expected a significant impact on revenue. There were no suggestions of stand downs with Telecom indicating a preparedness to negotiate (PSU Bulletin 24 June 1993). On the same day Telecom announced that Bill Dawson, Director of Industrial Relations, would be placed on special assignment before leaving the company in August and be replaced by Ian Macphee (Interview former union official 12 December 1996). Ian Macphee had been a "wet" Liberal politician and Industrial Relations Minister in 1982 and 1983 (*Australian Financial Review*, 19 July 1994).

There appears to have been some pressure placed on Telecom by the Minister of Industrial Relations, Laurie Brereton, to resolve the contracts issue (*Australian Financial Review*, 1 July 1993, 11). Subsequently Telstra agreed to maintain the award system for all employees (Telstra Agreement as Settlement Between Telstra and the Public Sector Union Over Contracts and Conditions, 29 June 1993). The PSU believes Telecom did not expect the reaction they received from the workforce.

> 'They were shocked at the opposition. They miscalculated badly. They set themselves up with a game plan for change of government in 1993 and didn't change tack' (Interview former union official 12 December 1996).

The CWU reached agreement over the second phase agreements to apply in 6 of the 22 business units clearing the way for a 3% pay rise due on 1 July 1993 (*Australian Financial Review*, 1 July 1993, 11). Telstra's confrontationist approach had been based on an anticipated change of government, in effect a form of political contingency influencing the decisions managers make. It failed in the face of union opposition and political contingency in the form of Ministerial intervention.

Conciliation

The appointment of Ian Macphee marks the commencement of a conciliatory stage in Telstra's industrial relations. In March 1994 Telstra management and the major unions, CEPU and CPSU, met at the seaside town Lorne to explore future relationships. The conference was intended to 'provide an opportunity for managers, staff and unions to share ideas and build a common view of our future working relationship' (Telstra Internal Document., 10 March 1994). The outcomes of the conference were directed at the nature of industrial relations needed to achieve a desirable future and took the form of the Participative Approach Statement of Intent (PA). Two key factors of the statement of intent were a commitment to the success and growth of Telstra and a second part focused on making Telstra the best place to work and contained the central elements of the approach. In order to achieve the latter it was seen as necessary to

- develop consultative practices that recognise unions and management as equal and independent parties both having the ability to initiate;
- unions at all levels have a legitimate role to play in the decision making process; and
- union involvement in the early stages of strategic and all other levels of planning and change processes (*Our Future*, No. 63, 29 March 1994).

Whilst the CPSU perceived the conference as a genuine attempt by senior management to explore an alternative set of relations between management and unions, there was uncertainty around how far this approach had permeated management ranks. The union saw three positions as prevalent within management ranks:

- a genuine commitment to a partnership approach which knowingly encompasses a move away from a management prerogative approach;
- a pragmatic view of using the partnership approach to achieve ends through an apparent adherence to a different way of doing industrial relations;

- opposition to a more consultative approach and a re-commitment to management prerogative to achieve business outcomes (PSU *Report on the Lorne Conference for Consideration by Section Executive.*, n.d.).

The CPSU appreciated the pragmatic nature of Telstra's motives. As one official has commented:

> Telstra certainly wanted to modernise the relationship through getting unions involved in the decisions with the aim of getting the union's decision making influenced by commercial imperatives. The union was aware many of the changes Telstra wished to make would involve job losses and knew the participative approach would be used as a way of minimising industrial action' (Interview former union official., 23 February 1997).

Telstra anticipated that involving the unions in the early stages the change processes would foster an awareness of the commercial pressures and a willingness to embrace change without industrial action. The union wanted this to occur in 'an environment where people were treated well, their opinions were valued and they could contribute to the corporation' (Interview former union official, 12 December 1997). The union's ideal was to have an environment where people could have control over their daily working life and contribute to the success of the company.

The PA was formalised in September 1994 when a new enterprise bargaining agreement was formalised It was heralded as spelling the end of enterprise bargaining characterised by a traditional adversarial approach between the parties resulting in trade offs (*Our Future*, No. 85, 9 September 1994). The PA was implemented at the workplace level through a number of trials. There were some successes but the CPSU found it was a difficult process. As time progressed there were doubts about the commitment of both management and the unions to the PA. Management perceptions was that bans were unnecessarily applied even though there was significant consultation with the unions; work program slippages resulted from time consuming consultation and the PA was being used by the unions to 'challenge management's duty to manage' and the unions seeking the right of veto. Union perceptions were that management, especially at the highest levels, were not committed to the PA, employees were denied a right to input through the unions on decisions which would impact on their jobs, skills and security and there was flawed decision making on key matters affecting Telstra's future (Telstra Internal Document, 3 August 1995). Thus there were tensions on both sides with management believing the PA was not facilitating the introduction of change and was being used to challenge their power. The unions believed management was not committed to sharing power and was making flawed decisions on Telstra's future. The PA had slipped into triviality with arguments over the process rather than achievement of outcomes.

Confrontation

The inability of the PA to deliver Telstra's desired outcomes led to a reversion to a confrontationist mould of industrial relations. The timing of this shift was probably influenced by the impending Federal election in 1996 which seemed likely to deliver a Coalition Government pledging increased competition in the telecommunications industry, the partial privatisation of Telstra (Liberal Party, 1996) and an industrial relations reform agenda designed to individualise the employment relationship (Teicher and Svensen, 1998). The prospect of increased competition in July 1997 brought about by the *Telecommunications Act 1991* was probably a further influence.

Anticipating a change of government a former RTZ manager, Rob Cartwright, was appointed Director of Employee Relations in mid 1995. RTZ is a mining company with general notoriety for its efforts to replace collective individual employment arrangements with standardised individual contracts in order to remove unwanted 'third parties', such as unions and the AIRC, from the employment relationship (McDonald and Timo, 1996:454). He has been nominated by the Minister for Workplace Relations, Peter Reith, as part of the "A team" of industrial change in

Australia. He sees this as a group of human resource managers who will take Australia's 'industrial revolution to the next stage by transforming the way their companies deal with their employees' (*Business Review Weekly*, 10 March 1997, 20-23). Thus Telstra's industrial relations approach was indirectly informed by political contingency. Management anticipated a changed political environment and reacted by aligning their industrial relations accordingly.

Telstra distanced itself from the PA and redefined its relationship with the unions. The company redefined the PA as being about managers involving the unions and staff in the implementation of major initiatives which had the potential to alter the number or content of jobs. The unions' involvement was seen as necessary to more effectively manage necessary change. The PA was seen as 'definitely NOT about co-determination with the Unions whereby the Unions have the right of "veto" in management's decisions.' Union knowledge and views would form a valuable input to the decision making process, but ultimately management was seen as accountable to make company decisions (Telstra - Participative Approach Management Responsibilities, 10 July 1995). The Secretary of the CPSU's Telecommunications Section expressed his dismay at the 'shift by the CEO to back in the reactionaries who have never supported PA.' It was seen as evidence of a power shift within the organisation and as signalling that:

> unions have been returned to our rightful position in the organisation of helping management carry out their well-formulated plans. We are accepting of our incapacity to contribute to what might happen and know that we cannot question why management may wish to pursue any course of action, however suicidal (CPSU Telecommunications Secretary to Section Executive 30 July 1995).

The union perceived it had been marginalised to a passive organiser of labour rather than having an active role in determining the future of the company.

Negotiations for a new EBA commenced in August 1995. The unions were aware of the changing industrial relations environment and were keen, as was Macphee, to finalise the matter. The agreement was certified only three months later and amounted to a reaffirmation of the PA. It committed Telstra to wage increases of 11% over a two-year period. The CPSU saw the EBA as a positive outcome. In it the CPSU flagged issues such as EEO, childcare and parental leave in the expectation these may be difficult to achieve under Telstra's new employee relations agenda. It cemented the PA for a further two years. This was seen as important as a change of government would bring industrial relations reform and a privatisation agenda (Interview former union official 23 February 1997).

With further deregulation of the telecommunications market occurring on 1 July 1997, the election of the coalition government appears to have given Telstra renewed impetus to pursue its industrial relations agenda. It was an environment where Telstra was

> Comforted by the coalition's government's new industrial relations climate and guided by industrial relations staff recruited from the confrontationist environment of mining giant CRA, Telstra believed it could crash through (Morgan, 1997:49).

In an interview on the changed industrial relations environment Chief Executive Officer, Frank Blount argued that when he arrived at Telstra the problem was weak management had abdicated to the unions its duty to communicate with employees. The removal of many of these managers and a belief that 'worker's attitudes to the company have turned around' made it easier for him to take on the unions. As well the change of government was influential: 'Everybody knows about it, they write about it, I might as well say it; a Labor Government's different than the current Government.' He suggested the Labor Government had urged him to take a soft line on the unions (*The Age.*, 18 September 1996). Political contingency, in the form of a change of government, and a perceived altering of worker's attitudes towards the company provided Telstra with a renewed impetus to forge a new industrial relations approach which was manifest in new forms of employee management and a return to confrontationist industrial relations approach.

With the third EBA due to expire in October 1997, the parties began to prepare the ground. The recently enacted *Workplace Relations Act* (WRA) was designed to increase the bargaining power of employers at the expense of employees (Teicher and Svensen 1998:13). Telstra argued its enactment represented a significant change to the regulation of employee relations and the company would be "exploring the application of these changes to our business." The WRA provided a pretext to abandon collective agreements as the only form of the employment relationship.

> I have come across a commitment to the CPSU that the Company will only deal collectively with employees potentially covered by awards. Given that freedom of association and individual choice are basic principles in the new industrial regulation, this clearly can no longer apply' (Telstra E-News No. 175 13 March 1997).

Telstra's claims for the forthcoming agreement were little changed from 1993 though the industrial relations environment had changed dramatically. It sought an EBA that would allow it to be competitive and responsive to customer needs. Staff were told they worked under 'anachronistic employment conditions and work practices' that were 'cumbersome, inefficient, administratively time-consuming and generally out-of-date' in comparison with competitors. This was evidenced by the outsourcing offers received from reputable companies which wished to undertake work and functions at a much lower cost than Telstra could achieve. Telstra warned staff that if its cost were too high market share would be lost and outsourcing would occur with a resultant loss of jobs (Telstra E-News No. 137. 25 August 1997). Thus comparisons with external labour markets were used to induce staff to accept reduced conditions of employment.

Staff were assured their annual wage rates would not be reduced, flexitime would be retained and there would not be an increase in the number of ordinary hours worked (*Our Future.*, No. 231, 8 August 1997). but the span of ordinary hours would be extended (*Our Future*, No. 230, 1 August 1997). The initial proposed ordinary hours of duty were from 6.30 am – 9.00 pm Monday to Friday and from 7.00 am to 6.00 pm on Saturday (CPSU Bulletin, 11 September 1997). The CEPU argued this could result in a person being forced to work Tuesday to Saturday as their ordinary hours. Telstra wanted the loading for Saturday work to be reduced from 50% to 15% (CEPU Bulletin No 99, 8 December 1997) and permanent night shift penalties reduced from 30% to 15% (CEPU Bulletin No. 88, 3 October 1997). The overtime meal allowance would only be paid when 24 hours notice was not given. Closures, variations or the introduction of shift work would only require 7 days notice (CEPU Bulletin No 99, 8 December 1997).

As in 1993, Telstra proposed grouping employees into a number of workforces and use of the Hay grading system to place people into a single pay structure. This would cut across all the occupational groupings and business units and yield considerable functional flexibility. The first workforce to be established, the Field Work Force, was to take in the employees engaged in the design and construction of the Customer Access Network and the end to end repair, maintenance and installation of all customer services. This would cover some 18,231 staff from a range of classifications including professional, administrative officers, technical officers, lines officers and communications officers. These would come from areas such as Commercial and Consumer, Business and Government and Network Technology Group (CPSU *Report on Telstra's Field Work Force Proposal.*, n.d., 1). The move to workforces and the abolition of the current occupational groupings has the potential to open significant demarcation disputes between the CEPU and the CPSU

The unions and Telstra produced prodigious amounts of information on the EBA. Telstra believed the process of communication was important to secure the allegiance of staff. In a bulletin to managers, the Director Employee Relations argued

> The unions clearly understand that this is a competition between the managers and the union officials in effective communication for the allegiance of our people. Please ensure your team does it's (sic) part to win it' (Telstra Internal Document 1997).

Whilst the unions depended upon their traditional media of bulletins and journals, Telstra used a far greater variety of media than in the past. Staff could ring EBA hotlines, watch the EBA video, digest EBA information packs; attend EBA team briefings and read the articles in the weekly company newspaper *Our Future.*

After two months of negotiations the CPSU was becoming impatient with Telstra's refusal to alter its position on a number of issues. The CPSU held a 24-hour stoppage followed by a series of one-hour stoppages (CPSU Bulletin, 26 November 1997). Telstra told staff "Strike action is clearly not appropriate for a newly privatised business" (Telstra E-News No. 164, 28 November 1997).

As intended the WRA hindered CEPU's ability to advance its claims and was used by Telstra in a punitive manner. Telstra made significant use of s.166A of the WRA, which allows the AIRC to issue a certificate enabling an action in tort to be initiated against a union or officer of the union. CEPU did not take industrial action for over a year because large sections of the union's membership were party to other industrial agreements (*Australian Financial Review*, 13 August 1998, 13). The technicians and material distribution officers employed in the Business and Government business unit were not covered by such agreements and undertook a 24-hour strike. Telstra advised staff 'the planned strike [would] be illegal and not protected under the Workplace Relations Act. The company will pursue all legal avenues to prevent the strike and protect its business interest'

(Telstra E-News No. 309, 16 December 1997). The CEPU responded, telling members that Telstra was trying to intimidate the union by threatening legal action that could cost hundreds of thousands of dollars and threatens officials with personal bankruptcy (CEPU Communications Division Bulletin No. 104, 19 December 1997). Telstra's legal action appears to have failed for technical reasons (CEPU Communications Division Bulletin No. 106, 22 December 1997). At the expiry of the certified agreements in July 1998, the CEPU announced it was commencing an industrial campaign commencing with a series of 48 hour rolling stoppages and followed by bans (CEPU Bulletin No. 72, 17 September 1998). Telstra again commenced proceedings under s.166A of the WRA to sue the CEPU and three of its officials over the action (CEPU Bulletin No. 49, 19 August 1998). CEPU responded by lifting the bans, (*Workforce*, Issue 1182, 2 October 1998) a move Telstra attributed to 'extensive proceedings' in the AIRC associated with application for a s.166A certificate (Telstra E-News No. 88/98, 2 October 1998). Telstra's use of the WRA and the very real prospect of major damages and costs appear to have forced CEPU to curtail its industrial action.

Telstra again utilised the WRA when it warned the unions it would put its latest offer to a direct vote of the 60,000 staff which, if successful, would have resulted in the implementation of a non-union collective agreement (*Australian Financial Review*, 23 October 1998, 5). The unions retreated, agreeing to support the proposed agreement (Telstra E-News No. 92/98, 22 October 1998). CPSU admitted its decision resulted from the fact that

> It is likely that there would be no further concessions made by Telstra without a long and intense campaign of strikes and other industrial action and it would be difficult to sustain such a campaign in the current environment' (CPSU Bulletin, 23 October 1998).

CEPU stated reasonable agreements have been obtained that would deliver significant wage increases without trade offs in employment conditions. Monday to Friday were retained as ordinary hours of work overtime meal allowance retained, existing operator shift centre arrangements were protected and individual salaries preserved. The CEPU conceded it did fall short of many objectives but believed it should be put to the vote (CEPU Bulletin No. 81, 22 October 1998). After 14 months, Telstra had obtained an agreement that delivered temporal and functional flexibility. The length of the negotiation process, Telstra's use of the WRA and a belief that it would require a long and difficult industrial campaign to win further concessions that led the unions to support the EBA.

As in the UK, Telstra's approach to industrial relations has oscillated between and confrontationist and conciliatory approaches over the last six years. However the reasons for this differ from the UK. Within this timeframe Telstra has sought to achieve greater workforce flexibility against a background of deregulation and privatisation. The industrial relations approach taken has depended upon the government in power or an anticipated change of government. The ends Telstra has wanted to achieve have remained constant but the approach it has taken has been mediated by political contingency.

The Reshaping of the Employment Relationship

The last three years have seen a major redefinition of the employment relationship in Telstra. Its beginning coincided with management disillusionment with the PA and the appointment of a new director of employee relations. In the sense of shifting from a public sector to a private sector mindset, Telstra has undertaken a process of individualisation and union marginalisation.

A major feature of the reshaping has been the introduction of a new set of Organisational Principles. The first principle, Management Levels, specifies work must be organised to a maximum of six levels. Leadership Responsibilities makes managers 'accountable for their people and the output of their people.' Authority and Accountability specifies authorities and accountabilities held by managers cannot be delegated or granted to a third party. However it is the last two principles which are most revealing. Under Leadership Discretion the manager recommends the appointments of staff, communicates with them, evaluates their performance and rewards differentially according to performance and recommends to the one-up manager the removal of direct reports. The Representational Role specifies that the manager to employee relationship is the primary relationship, with third party roles subordinate. The manager is to represent reports on all 'hygiene' disputes affecting employees and all disputes/problems concerning employees' benefits and conditions will be progressed through the employees' manager (Telstra *Organisational Principles.* n.d.). Telstra believes third parties, such as parts of Telstra, suppliers or unions have a legitimate supporting role, but this can never substitute for the duty managers and team leaders have to look after the well being and best interest of their staff so they in turn can look after customers (*Our Future* No. 265, 17 April 1998). A manager or team leader's discretion includes choosing team members, rewarding good performance, coaching for poor performance and recommending removal or transfer if that becomes necessary (*Our Future* No. 267, 1 May 1998).

Telstra's Employee Relations area has played a pivotal role in implementing enacting these changes into the workplace. Employee Relations has positioned itself in a strategic HRM sense as being linked to business objectives and sitting between these objectives and the workforce. It views itself as the enabler between the Telstra business plan and the customer by driving behavioural change in the workforce and putting management systems in place (Telstra Internal Document 1998). The type of behavioural and system change employee relations management believe is needed is depicted in Table 4.

TABLE 4: TELSTRA'S DESIRED CHANGES IN THE EMPLOYMENT RELATIONSHIP

From	To
Public Service	Private sector
Little Risk	Risk
Process	Customer
Paternalistic	Self accountable
Collective	Individual
Commodity	Representative
Equality	Fairness
Teller	Communicator
Prescriptive	Discretionary
Complex	Simple
Entitlement	Incented
Hours	Contribution
Time based increases	Performance based increases

Source: Telstra Internal Document 1998

Telstra's individualisation of the employment relationship has proceeded by marginalising the unions and attempting to become central in representing employees. Telstra has made significant use of the WRA to achieve this end. Under the WRA awards were to become residual in that they were required to be stripped back to 18 allowable matters by 30 June 1998 (Teicher and Svensen 1998:12). All other award provisions lapse unless the union has been able to negotiate their inclusion in certified agreements. (CPSU Overview of the Workplace Relations Act). In the transitional period prior to 30 June the AIRC could vary an award by removing non-allowable matters. This could be by arbitration, only if an attempt had been made by the applicant to reach agreement. After 30 June the AIRC must review each award to remove non-allowable matters (ACTU Outline of the Workplace Relations Act).

Telstra's Director of Employee Relations stated the most important thing he had to introduce in Telstra was "a performance management system, which is about incentives and discipline". (*Business Review Weekly*, 10 March 1997, 20-23). Telstra has replaced its internal tripartite Disciplinary Appeals Board (DAB), a legacy of Telstra public sector origins, with an Employee Conduct Procedure. The DAB was a tripartite body constituted under Clause 10 of the *Telstra Corporation General Conditions of Employment Award 1996* to deal with appeals from the internal disciplinary process. A union official often represented appellants. Telstra argued these procedures were incompatible with its desire to have principles and procedures for employee conduct and discipline that are 'consistent with the human resources requirements of a modern customer focussed Corporation operating in a competitive environment' (Telstra E-News, 24 January 1997). Under the proposed Employee Conduct Procedure's definition of unsatisfactory performance included a 'failure to demonstrate a high level of commitment to Telstra's goals and objectives.' The misconduct and unsatisfactory process would commence with an informal discussion followed by a verbal warning, which would in appropriate cases be followed, by two written warnings and then dismissal, with recourse to the AIRC for unfair dismissal (Telstra Internal Document 1998a). CEPU labelled Telstra's proposed process as "3 strikes and you're out" warning members that under this proposal three warnings for being late, not being nice to customers or performing the job poorly could result in dismissal (CEPU Bulletin No. 43, 15 May 1997). After unsuccessful negotiations with the unions, Telstra foreshadowed the likely need to involve the AIRC (Telstra E-News, 16 May, 1997). Telstra has been to strip the procedures governing discipline from the award and have them replaced in policy with the Employee Conduct Procedure (CPSU Bulletin, 2 July 1998).

Telstra has introduced new selection processes aligned with the organisational principle of management discretion. The Promotions Appeal Board (PAB) "which can not only overturn a manager's decision, but decide who gets the job" and recruitment panels "which can substitute for the manager in the hiring process." were seen as obstacles to the effectiveness of the manager-employee relationship (*Our Future* No. 267, 1 May 1998). Telstra wanted a selection process based on single person selection panels and the replacement of the tripartite Promotions Appeal Board. The unions and Telstra were unable to come to agreement on the process (Telstra E-News No. 8/98 17 February 1998) and it was referred to the AIRC which ruled the PAB was not an allowable matter under the award simplification process. CEPU have lodged an application with the High Court in an attempt to overturn this decision (CEPU *The National,* November 1998).

Telstra unilaterally changed aspects of the redundancy agreement to give managers the discretion retrench the worst performing employees following the administering of skills assessment to staff likely to be retrenched. Under the terms of the old agreement a person could not be retrenched if there was a volunteer who was willing to be retrenched in their place. The unions opposed these changes arguing that the process, known as Resource Relancing, left workers vulnerable to discrimination (*Age*, 19 July 1996). After a considerable negotiation and arbitration by the AIRC Resource Rebalancing was put in place (CPSU Bulletin. 24 March 1997). While Telstra initially failed in an attempt to have the tripartite Appeals Board, used as an avenue of appeal in the case of management initiated redundancy, abolished this was achieved through the award simplification process (AIRC s.45 appeal Print Q8133 30 October 1998).

Telstra has abolished the tripartite boards and replaced them with an internal management review, known as the Fair Treatment process (Telstra E-News No. 108, 4 September 1996). This involves an appeal by the aggrieved employee to the manager above their immediate manager. The Fair Treatment Process overview stresses that the manager to staff member relationship is primary but the employee can have a representative/observer with them during the process. The role of the representative/observer is to advise and assist the staff member but not to directly intervene in the interview (Telstra Internal Document 1998b). The effect of replacing the tripartite boards is to marginalise unions.

Telstra's desire to introduce an incentive aspect to performance management and the agreement making options opportunities afforded by the WRA has led Telstra to offer some employees Australian Workplace Agreements (AWAs). In late 1997 the company began to offer to some of the managerial and more highly paid professional and administrative officers but they have since been offered to more lowly paid administrative officers. The AWAs include offer a salary based on the employee's current salary, together with access to performance pay and salary packaging. There are indications the AWAs involve reduced conditions of employment, especially in the areas of redundancy and superannuation (APESMA Telstra Newsletter, 23 December 1997). The CPSU saw AWAs as 'clearly designed to break down the collective strength of the union' (CPSU Speakers Notes, 25 September 1997). The effect of the AWAs is to individualise the employment relationship and reduce the role for unions.

This replicates the UK experience where the management of some privatised companies (Ferner and Colling 1991) have worked to lessen the role of unions and moved to a more individualistic approach. Telstra management have seen this as implicit in a move from a public to private sector employment relationship and have been facilitated by the provisions of the WRA.

Outsourcing

Telstra has increasingly used outsourcing to reduce costs and latterly as a way of cutting employment levels. Table 4 gives an indication of the scale and type of outsourcing.

TABLE 5 OUTSOURCING IN TELSTRA 1992-1999

Date	Entity	Status	Number of Staff
1992	Food Services	Outsourced	Approx. 100
1992	Automotive Plant	Outsourced	720
1992	Telecom Industries	Outsourced	1,100
1996	Visionstream	Outsourced	Approx. 2,000
1996	ITG	Joint Venture	2,000
1997	Telstra Managed Services	Joint Venture	210
1997	National Directory Services	Joint Venture	650
1997	Material Distribution Services	Outsourced	350
1997	Pit and Pipe	Outsourced	Approx. 1,200
1997	Properties	Outsourced	200
1998	Small Business Systems	Joint Venture	800 to 850
1998	Paging Services	Outsourced	200
1998	Network Design and Construction	Commercialised	7,000
1998	National Billing Group	Outsourced	Reductions proposed
1999	Call Centre	Joint Venture	Reductions proposed

Outsourcing has taken place in two waves and its character has changed. The first wave coincided with the outcomes of the *1991 Telecommunications Act*. The 4,000 jobs outsourced were lower skilled and paid jobs, for example the jobs in Food Services and Telecom Industries had a high proportion of women. These positions were largely from support areas and were designated non-core. The second wave of outsourcing occurred in the period since 1996 while privatisation and full deregulation of the market was taking place. Soon after the Liberal National Party Government was elected the Minister for Communications, Senator Alston, called upon Telstra to improve its financial performance. He said comparisons of Telstra's performance against international carriers had revealed a significant gap in revenue per employee and lines per employee criteria. Alston had met with Telstra's CEO and chair of the Board and indicated the Government would be involved in shaping the next corporate plan for the carrier (*Age* 28 March 1996).

Internal Telstra documents leaked to the Senate Inquiry into the Partial Privatisation of Telstra revealed the existence of outsourcing targets of 15,500 jobs over the two years to July 1998. It would seem this was related to a desire to achieve world's best practice in terms of staff per line and costs per line as identified by the Minister. In reviewing the areas for outsourcing the factors taken into consideration were total staff involved, whether the outsourcing would improve the staff/line benchmark, the potential expense/financial impact and the industrial relations impact (Telstra Project Mercury Documents n.d.). The release of the three-year corporate plan revealed job losses of 9,000 in 1996/97, 6,000 in 1997/98 and 7,000 in 1998/99 (*The Australian,* 14 September 1996). The planned 30% staff cuts and an increase in profit led industry analysts to predict it would add billions of dollars to Telstra's float valuation (*Age,* 14 September 1996). Telstra denied the job reductions were due to the planned privatisation but ascribed them to the effects of competition (*The Australian,* 13 July 1996).

With the Government and competition driving staff cuts of this magnitude, Telstra's outsourcing strategy changed. Those areas that are outsourced continue (Ogden 1994) to be generally non-core (Visionstream, Material Distribution Services, Properties, Pit and Pipe). Increasingly core business, such as Information Technology Group, National Directory Services and Small Business Systems have been outsourced into joint ventures. Those areas that become joint ventures are strategic and generally in areas of potentially profitable emergent technology.

The pay and employment outcomes from this process appear uneven. There has been union recognition in almost all cases. The exception being the National Directory Services joint venture Pacific Access (AIRC Print P5280 22 September 1997). There appears to have been an almost universal extension of the number and span of working hours. In some of the joint ventures, such as Advantra, there were significant pay increases (CPSU Briefing Paper - Network Services Joint Venture., 17 June 1997). The evidence does not appear to support Ferner and Colling's contention (1991) of a dual pattern of industrial relations. The flexibility provisions obtained by Telstra in the 1998 EBA and the unevenness of outcomes in the outsourced areas would appear to indicate a fragmentation of industrial relations.

Whilst traditional outsourcing and joint ventures are the main categories, Telstra is experimenting with new types of outsourcing. It is in the process of commercialising Network Design and Construction with the possibility that it may be outsourced (APESMA Telstra Newsletter August 1998). A joint venture company has been established to run a call centre to be used as an external benchmark against internal call centres (Telstra C&C Sales Staff Bulletin No. 4, 9 November 1998). The CPSU fears this represents a threat to job security (CPSU Bulletin, 11 November 1998) These claims bring (Ogden 1994). the possibility of benchmarking being use to draw concessions on employment conditions in the core business.

In the first wave of outsourcing in 1992, the sale of non-core business appears to have been a response to the competitive pressures introduced by the *Telecommunications Act 1991*. The second appears to have occurred largely as a result of political contingency as Telstra was facing increasing competition and was anxious to reduce costs. This coincided with the government's desire to achieve international benchmarks, that would result in a higher sale price, and was reflected in the corporate plan that was assembled by Telstra with government input. Management were able to manipulate external forces, namely the Government's anxiety about achieving benchmarks, as a justification for job reductions that would enable them to achieve greater profitability (Ferner and Colling 1993a:139). Although the parties had different motives their common solution was job reductions and outsourcing. Outsourcing removed costs from the company whilst the joint ventures removed costs but enabled Telstra to retain control over the new companies. While the achievement of the benchmarks through outsourcing and job losses may have assisted the government to achieve a higher sale price, the financial benefits do not appear to be as clear cut. In 1997/98 Telstra's labour costs had decreased by $308 million from the previous year whilst other operating expenses had risen by $336 million. The increase in operating expenses was attributed to increased costs of information technology and contract payments as a result of outsourcing (Telstra Annual Review 1998, 28-29).

CONCLUSIONS

The constant force through the period 1992 to 1998 has been deregulation. The logic of competition would diminish Telstra's monopoly position and lead to decreased market and revenue share. During this period Telstra continued to record large and increasing profits but focussed significant attention on costs. This has been achieved through workforce flexibility, staff reductions, retrenchments and outsourcing. Wages have not been subject to the same stringency and have continued to increase.

The industrial relations approaches to achieving workforce flexibility have oscillated between a confrontationist and a conciliatory approach. The approach taken has been significantly influenced by political contingency. The confrontationist stance taken during the 1993 EBA negotiations appears to have been influenced by managerial expectations of the election of a Liberal-National Party Government. Political intervention by the Labor government appears to have influenced a move to a conciliatory approach. The expectation of a Liberal-National Party victory in the 1996 election largely caused a reversion to a confrontationist approach. The election of the Liberal National Party government, pledging a commitment to industrial relations reform, competition and the partial privatisation of Telstra, enabled the company to utilise the 1997 enterprise bargaining agreement to achieve elements of workforce flexibility it had been seeking since 1993 and begin the process of individualising the employment relationship. Privatisation exerted an influence on Telstra's industrial relations in an indirect way. The government considered Telstra's sale price would be maximised if the company could meet international labour benchmarks. Telstra management wanted to reduce costs, especially labour costs, to meet the threat posed by competition. Although the motives of the two parties were differed the desired result was the same. The outcome was a corporate plan detailing staff reductions of 22,000 jobs over three years through redundancies and outsourcing. It was the meeting of management attempting to deal with the consequences of deregulation coinciding with the political contingency of government intent on privatisation.

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