

31 March 2015

## **Discussions deadlocked – Telkom offers CWU affected members VSP and VERP options.**

Telkom has offered Voluntary Severance and Voluntary Early Retirement Packages to Communication Workers Union members affected by the Section 197 process currently underway. This move follows after discussions between Telkom and CWU reached a deadlock.

Two weeks ago, Telkom approached organised labour with an offer related to our current Section 197 process to outsource elements of our business to external companies.

The offer was two-fold. Firstly, Telkom offered all unions the opportunity to access Voluntary Severance Packages (VSP) and Voluntary Early Retirement Packages (VERP) for their affected members. Secondly, Telkom offered to extend the transfer date for exiting Telkom employees from 31 March, to 30 April.

SACU and Solidarity accepted the offer. CWU declined the offer. As CWU had withheld their majority consensus, the offer was withdrawn from all unions.

“While Telkom respects the right of our people to choose to be affiliated to a union, we also know that union members are firstly Telkom employees. Our affected employees have made it very clear that they want the option of a VSP or VERP in making their final decision. This has repeatedly been communicated by many of the affected employees to their Telkom line managers”, said Telkom spokesman, Jacqui O’Sullivan.

As SACU and Solidarity accepted the initial offer, Telkom then approached these two consenting unions with the opportunity to sign a variance agreement with Telkom. This agreement legalised Telkom’s offer of VSPs and VERPs to just those two unions.

Over the past two weeks, Telkom has engaged with CWU on a number of occasions to try and secure a fair and equitable outcome for all employees whom are affected by this Section 197 process. Despite Telkom’s repeated efforts to secure the option of the VSP and VERP for all affected CWU staff, the union has still not agreed to sign a variance agreement with Telkom. The Company’s last meeting with CWU ended yesterday evening, once again with no progress having been made.

Telkom has committed to undertake its turnaround strategy in a transparent and fair manner. We do not believe it is in the best interest of our people, for CWU members to be barred from accessing the VSP and VERP option, simply because their union has chosen to deadlock. In the face of this deadlock, Telkom is exercising its right as the employer, to approach its affected employees directly.

All members of the CWU whom are affected by the current Section 197 process are therefore now eligible to apply for a VSP or VERP.

Telkom is disappointed that CWU has been unwilling to sign a variance agreement, however, we believe that deadlocked negotiations should not negatively impact the options available to our affected employees.

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### **ABOUT TELKOM:**

Telkom is a leading communications services provider in South Africa. We had consolidated operating revenue of R16.8 billion and normalised profit after tax of R1, 683 million for the period ended 30 September 2015. Total assets amounted to R41.9 billion and equity attributable to the owners of Telkom to R23.5 billion as of 30 September 2015. The group generated normalised free cash flow of R1.4 billion for the period ended 30 September 2015.

As of 30 September 2015, we had approximately 3.3 million telephone access lines in service and 1,030,441 ports connected via MSAN access. We offer business, residential and payphone customers a wide range of services and products, including:

- fixed-line retail voice services using PSTN (Public Switched Telephone Network) lines, including ISDN (Integrated Services Digital Network) lines, and the sale of subscription based value-added voice services and calling plans;
- fixed-line customer premises equipment rental and sales services both voice and data needs and these include PABX, Computers, Routers, Modems, Telephone handsets and other ancillary equipment;
- interconnection services, including terminating and transiting traffic from South African mobile operators, as well as from international operators and transiting traffic from mobile to international destinations;
- fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL (Asymmetrical Digital Subscriber Line) services, packet-based services, managed data networking services and internet access and related information technology services;
- Data Centre Operations includes e-commerce, application service provider, hosting, data storage, e-mail and security services;
- W-CDMA (Wideband Code Division Multiple Access), a 3G next generation network, including fixed voice services, data services and nomadic voice services;
- mobile communication services, including voice services, data services and handset sales through our mobile navbar-brand called Telkom Mobile;
- information and communication services including cloud services, infrastructure services, workspace services, global service integration management and hardware and network equipment sales locally, in seven African countries, the UK and Dubai through Business Connexion Group; and
- other services including directory services, through Trudon (Pty) Ltd, wireless data services, through Swiftnet (Pty) Ltd.

Convergence is one of our key strategic initiatives in building a sustainable future for Telkom. We will lead the provision of converged services in South Africa in support of our mission statement: Seamlessly connecting people to a better life.