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GIWUSA  
MWASA  
NUMSA  
SACU  
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7 November 2018

Dear Sirs,

**NOTICE IN TERMS OF SECTION 189 AND 189A OF THE LABOUR RELATIONS  
ACT OF 1995, AS AMENDED ("the Act").**

1. The company operates in an economic environment that has gone through a technical recession, reduced consumer demand and a poor economic outlook. Our customers are not immune to these challenges, which in turn, impacts on our business.
2. As a result, and for reasons that are set out more fully below, and which will be elaborated upon during the consultation meetings, the company is contemplating dismissing some of its employees for reasons related to its operational requirements. This letter accordingly serves as a formal notice as required by s189, read with s189A of the Act.

**RATIONALE**

3. The company has historically provided IT and telecommunication services to its customers, made up primarily of large business enterprises and the public sector.
4. In the telecommunication space, the voice business constitutes at least 50% thereof. The decline in voice revenues thus negatively impacts the overall financial position of the company.
5. The weak economy has led, amongst others, to a decline in the demand for the services offered by the company. The decline for services includes voice and related services, which have negatively impacted revenues, resulting in declining profitability.
6. Added to the above is the fact that the company also has a high cost to income ratio of 82%, representing R17b of its revenue, and in the absence of any interventions as proposed herein, it is expected to increase to R18.2b, in the next financial year, representing 87% of its revenue. This is not sustainable.



7. The company also has competitors in all areas of its business, who generally offer their comparative services at more competitive rates and prices because of their lower cost structures, including employment costs. This has also negatively affected the company's business, revenues and profitability.
8. The changes in the regulatory environment are also likely to add more pressure on revenues. The recent announcement by ICASA in respect of termination rates is a case in point.
9. In order to arrest the decline in the company's deteriorating operational and financial performance, it has become necessary to reduce the operating costs, including employment costs, the latter which makes up the bulk of its cost base and structure.
10. As you are aware, the company recently restructured its Executive Committee ("EXCO"), as part of the process of reducing costs and seeking new ways and ideas to improve operational and financial performance.
11. The company has also split the business into two operating entities, with each entity as a separate Profit and Loss Center:
  - 11.1 Information Technology, comprising of Digital Customer Experience, Digital Applications and Cloud Infrastructure (CITS); and
  - 11.2 Telecommunications, comprising of Voice, Data, Wireless and LAN Operations (CTS).
12. The newly appointed EXCO members have now prepared new organizational structures for the business areas within these two new entities for which they responsible. The purpose of this restructuring is to transform the organisation to a project driven organisation resulting in enhanced focus and coordination across the organisation, improved ability to access resources, speed of execution and faster decentralised decisions. These changes should have a positive impact on the operational and financial performance of the company.
13. The newly designed organizational structures will, if implemented, result in the reduction in the number of positions required to operate the business, with a view to reducing employment costs and associated costs in general.
14. It is for the above reasons that the company is contemplating the dismissal of some of the employees.



## ALTERNATIVES CONSIDERED

15. The company has over the past few years sought and implemented different ways to avoid the dismissals or reduce the number of employees likely to be dismissed. These include the following:
  - 15.1 The creation of a business and operating model focused on propelling a digital transformation capability;
  - 15.2 The acquisition, disposal and merging of subsidiaries and companies which could enhance the revenue generating base and capabilities for the company;
  - 15.3 Curtailing external recruitment where practically possible;
  - 15.4 Not replacing retirees and those who have resigned where this is possible;
  - 15.5 Restriction and reduction of overtime;
  - 15.6 Voluntary Severance Packages and Voluntary Early Retirement Packages, (still to be discussed during the consultation meetings);
  - 15.7 Placing employees within the Telkom Group of companies should any reasonable vacancy be available(still to be discussed during the consultation process); and
16. Regrettably, these combined efforts have not resulted in a marked improvement in the company's performance and outlook to a point where the contemplated dismissals are avoidable.

## THE NUMBER OF EMPLOYEES LIKELY TO BE AFFECTED AND THE JOB CATEGORIES IN WHICH THEY ARE EMPLOYED

17. Subject to the outcome of the consultation process, it is anticipated that approximately 790 employees across the company in various divisions and all existing job categories will be affected and or impacted. More detail will be provided at the consultation meetings.



## THE PROPOSED METHOD FOR SELECTING WHICH EMPLOYEES TO RETRENCH

18. It is proposed that the following selection criteria be implemented:

The company will make use of a placement process, the full details of which will be shared with you during the consultation meetings, which will be objective and fair, and will be based on the following principles:

- Qualifications, certification and professional registration (as required in the Job Description)
- Experience (as per job requirement/job description)
- Skills determined in structured competency-based interviews and psychometric assessments
- Employment Equity as a tie breaker where appropriate, taking into account the divisional and company's employment equity plan
- Last In First Out – LIFO, also to be used as a tie-breaker where appropriate, where it does not result in the unacceptable reversal of transformation initiatives and employment equity plans.

Employment Equity and LIFO may also be used in conjunction with each other where this is appropriate.

## THE TIME WHEN, OR THE PERIOD DURING WHICH, THE RETRENCHMENTS ARE LIKELY TO TAKE EFFECT

19. The restructuring process and contemplated dismissals will take place over a phased period.
20. It is anticipated that the first group of employees whose dismissal cannot be avoided will be retrenched / leave the employment of the company on or about 28 February 2019.
21. The second group of employees whose dismissal cannot be avoided are likely to leave the employ within a period of approximately six months after the conclusion of the first phase. The second phase will affect employees in the following areas of the business:

- **Human Resources Division**
- **Finance Division:**
  - Accounts Payable
  - Accounts Receivable
  - Billing
- **Supply Chain Division:**
  - Category Management
  - Procurement
  - Warehousing & Logistics
  - Facilities Management



- **IT Solutions Division:**
  - Enterprise Infrastructure Solutions:
    - CFC
    - SIM
    - Tech Connect
  - Field Services
  - Specialised Solutions
    - Retail Solutions
  - Enterprise Application Solutions
    - SAP CoE

22. The company may require some employees not to serve their notice period in which event the employees will be paid his/her salary in lieu of notice.

#### **THE SEVERANCE PAY PROPOSED**

23. It is proposed that employees will receive the following payments:

- Contractual notice pay unless an employee is required to serve the notice period;
- One and a half week's remuneration for each completed year of continuous service or part thereof (which is higher than the statutory one week's remuneration for each completed year of continuous service);
- Leave entitlements in terms of existing company policies;
- Employees will receive their retirement benefits in accordance with the rules of the retirement fund to which they belong.

#### **THE COMPANY PROPOSES TO ASSIST EMPLOYEES, SHOULD THEY BE RETRENCHED**

24. The company proposes to assist affected employee as follows:

- Allowing employees reasonable time off to attend interviews;
- Assisting employees with the compilation of CVs;
- Not requiring employees to serve all or part of their notice period in order for employees to be able to look for other employment;
- Waiving of any maternity and/or training debt;
- Waiving of any restraint of trade restrictions in as far as it relates to working for suppliers, clients and/or competitors. Any confidentiality and non-solicitation restrictions will however remain intact.
- Providing emotional support and assistance to employees through ICAS.



- Providing reasonable assistance to facilitate claiming any UIF benefits and/or benefits that may be owing to an employee from any Company retirement fund in which the employee participated.
- Providing an employee with a certificate of service.

**THE POSSIBILITY OF THE FUTURE RE-EMPLOYMENT OF THE EMPLOYEES WHO ARE DISMISSED**

25. The possibility of future re-employment with the company appears to be remote at this stage.

**THE NUMBER OF EMPLOYEESEMPLOYED BY THE EMPLOYER**

26. The company currently employs approximately 8047.

**THE NUMBER OF EMPLOYEESTHAT THE EMPLOYER HAS DISMISSED FOR REASONS BASED ON ITS OPERATIONAL REQUIREMENTSIN THE PRECEDING 12 MONTHS**

27. The company has retrenched 5 (five) employees in the last 12 months.

**CONSULTATIONS**

28. It is proposed that the first consultation meeting should take place on 21<sup>st</sup> November 2018, subject to confirmation with the facilitator to be appointed by the CCMA. Additional dates for consultations will be arraigned at the first meeting.

29. In view of the number of trade unions which will be involved in the consultation meetings, each trade union will be limited to three representatives at each consultation meeting.

30. In order to make the consultation process more effective, the company will disclose the following information to the consulting parties:

- Financial performance for the first two quarters of the current financial year, and the financial performance since 2016;
- Proposed new organisational structures, including the number of available positions;
- A draft placement procedure manual; and
- Such additional information as may be necessary to enable meaningful consultations to take place.



31. The Company wishes to emphasise that the decision to initiate this consultation process, given its potential outcome and effect on jobs, was not taken lightly. The painful truth is that if the current situation continues, even more damage may be caused to the Company's commercial viability which may be impossible to address.

## **FACILITATION**

32. In order to promote fair and effective consultations, the company has requested the CCMA to appoint a facilitator in terms of s189A(3)(a) of the LRA. A copy of the request is attached.

Yours faithfully



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**HOPE LUKOTO**

**CHIEF OF HUMAN RESOUCES**

## DETAILS OF UNIONS INVOLVED

### **1. COMMUNICATIONS WORKERS UNION (CWU)**

222 SMIT STREET,  
TRANSNET BUILDING  
20TH FLOOR  
BRAAMFONTEIN

Tel: (011) 720 0360 /1 or 082 710 5666 & 083 317 3584

Fax: (086) 547 0498 / 086 607 5040

EMAIL: [TEBO23KORU@GMAIL.COM](mailto:TEBO23KORU@GMAIL.COM); OR [MOGALANET@GMAIL.COM](mailto:MOGALANET@GMAIL.COM) OR  
[NOMIM@CWU.ORG.ZA](mailto:NOMIM@CWU.ORG.ZA)

### **2. SOUTH AFRICAN COMMUNICATIONS UNION (SACU)**

3B CANAL EDGE,  
FOUNTAIN ROAD,  
BELLVILLE,  
7530

TEL: (012) 216 6616

FAX: 086 478 4478

EMAIL: [HAREM@TELKOMSA.CO.ZA](mailto:HAREM@TELKOMSA.CO.ZA) OR [SACUBO@TELKOMSA.CO.ZA](mailto:SACUBO@TELKOMSA.CO.ZA)

### **3. SOLIDARITY**

CORNER DF MALAN & EENDRACH STREET  
CENTURION

TEL: (012) 644 4300

FAX: (012) 664 6493

E-MAIL: [SERVICE@SOLIDARITY.CO.ZA](mailto:SERVICE@SOLIDARITY.CO.ZA) OR [LINDAS@SOLIDARITY.CO.ZA](mailto:LINDAS@SOLIDARITY.CO.ZA)

### **4. INFORMATION COMMUNICATION TECHNOLOGY UNION (ICTU)**

PRIME TOWERS,  
296 FRANCIS BAARD & VAN DER WALT STREET,  
OFFICE 401, 4TH FLOOR,  
PRETORIA, 0002

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FAX: (012) 320 8526 / 086 617 5001

E-MAIL: [ICTU@TELKOMSA.CO.ZA](mailto:ICTU@TELKOMSA.CO.ZA)



- 5. NATIONAL UNION OF METALWORKERS OF SOUTH AFRICA (NUMSA)**  
NUMSA HEAD OFFICE,  
153 LILIAN NGOYI STREET,  
NEWTOWN,  
JOHANNESBURG, 2001  
TEL: (011) 689 1700 / 1 / 2 / 3 / 4  
FAX: (011) 838 4092  
LEGAL DEPARTMENT DIRECT: (011) 689 1745
- 6. MEDIA WORKERS' ASSOCIATION OF SOUTH AFRICA (MWASA)**  
P O BOX 11136  
JOHANNESBURG  
2000  
TEL: (011) 337 1019  
FAX: 086 596 6828  
EMAIL: [TUWGUM@YAHOO.COM](mailto:TUWGUM@YAHOO.COM)
- 7. GENERAL INDUSTRIES WORKERS' UNION OF SOUTH AFRICA (GIWUSA)**  
MELODY CENTRE, 5TH FLOOR, OFFICE 508, 159 MEYER STREET, GERMISTON, 1401  
TEL: (011) 873 4804 / 072 513 9851  
FAX: (011) 873 0921 / 086 535 5181  
E-MAIL: [PETER@GIWUSA.CO.ZA](mailto:PETER@GIWUSA.CO.ZA)
- 8. UNITED ASSOCIATION OF SOUTH AFRICA (UASA )**  
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