

# Job cuts set to resume at Telkom

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6 Aug 2014

Telkom's Chief Executive Sipho Maseko has told investors that the company's objectives are to lower the cost of human capital, improve financial performance and bring leadership closer to customers.



Telkom's Sipho Maseko is planning to increase value-added-services, Internet protocol TV and on-demand video to the company's portfolio of offering. Image: Telkom

He said the aim of the company is to flatten the structure by reducing the layers between management and customers.

It plans to reduce its employee cost-to-revenue ratio from its current level of 30% to 25% but still higher than the global figure of 20%. Telkom wants to reduce its costs by R5bn within five years.

Maseko told investors that revenue from voice calls was under pressure and data revenue remained a challenge as consumer moved away from fixed-line to mobile solutions.

The company will resume its restructuring programme this week after it stalled two weeks ago when trade union Solidarity took Telkom to court, accusing it of using race to select staff for retrenchment.

Telkom hired Labour Mediator Charles Nupen to oversee the consultation process with unions regarding job cuts. Last week Telkom said all parties reached consensus that the current restructuring process must proceed.

An analyst estimated Telkom may have to make 3,500 or more employees redundant to achieve its cost-to-revenue ratio of 25%.

The restructuring plans include reducing its procurement and property portfolio costs.

## Properties

In the year to March Telkom incurred more than R2bn on property-related operating costs. Its property portfolio comprises 23m square metres of land and 2.2m square metres of buildings, of which it owns 1.7m. It will sell some of its properties and is likely to move its head office.

With regard to procurement, Telkom spent about R17bn with about 2,400 suppliers. About 80% of that amount went to just 23 suppliers.

Referring to procurement, Telkom's chief procurement officer, Ian Russell, said the company would focus on taking as much as possible out of the full-year 2014 costs base of R17bn over a three-year period.

Telkom is spending billions of rand upgrading and rolling-out fibre networks as it prepares to add content, including video-on-demand, to its product portfolio.

The company is looking at a number of options, which include becoming an infrastructure provider for other content providers, offering internet protocol TV (IPTV) through reselling other content providers' products, and acquiring its own content and selling its own IPTV product.



Some of Telkom's property portfolio, including its twin-towers buildings in Pretoria, are likely to be sold to reduce costs. Image: [Tech Central](#)



Some of Telkom's goals for its retail business include having 1.5m homes connected to its fixed- and long-term evolution high-speed wireless network by 2019. It also aims to have a significant percentage of revenue from bundles, content and value-added products by 2019.

Source: Business Day via I-net Bridge

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