

1992-02-03

**POLICY GUIDELINES
FOR THE INCORPORATION OF THE
NAMIBIAN POST AND
TELECOMMUNICATIONS SERVICES**

TABLE OF CONTENTS:

	Page
I . An Introduction to the Rationale behind the Incorporation	3
II. The Establishment and the Overall Objectives of the Corporation	7
III. The Scope of Operation	9
IV. The Contract	12
V. The Structure of the Corporation	13
VI. The Powers of the Corporation	15
VII. Mechanisms of Control	17
VIII. The Role of the Ministry	19
IX. Emphasis on Personnel Policy and Human Resource Development	21

1. An Introduction to the Rationale behind the Incorporation

It is an established fact that post and telecoms (telecommunication) services and the economic and social development of a nation are closely interrelated. This relation is well observed by most governments and the area of post and telecoms is therefore given priority.

The rapid technological development and the internationalization of services which is taking place worldwide, including most of the developing countries, have forced many governments to review and change the institutional structures in the field of post and telecoms.

De-regulation, liberalization, incorporation and privatization have been the answers for governments trying to cope with the new situation in the market for post and telecoms services.

The Namibian Development

The Namibian Government's intention to incorporate the Department of post and telecommunications (DOPAT) is very much in line with the international considerations and policies mentioned above. However, the reasons for the incorporation and the solutions to the problems are specific for Namibian conditions.

As a developing country Namibia has the difficult task of organising the post- and telecoms markets to serve an industrialized sector as well as an urban and rural developing sector. Both have high demands on services but of a completely different nature.

Therefore the Namibian policy for post and telecoms will have two objectives. The primary objective is to grant a service for the whole country at a reasonable cost, which is necessary to prevent the discrepancy between the developed and the rural areas from increasing further. A post- and telecoms service for all Namibians must be developed. Today service at a reasonable price is not available to everybody socially the services will help families and friends keep in touch in spite of new living environments.

Craft and industry can not be developed without cheap and reliable means of communication. This is also the case for the development of the rural area, for which well adapted services is a must. However, they do not have to be as advanced as those for industry. The capacity to pay will probably also be too limited even for the basic service which can be achieved with the technology of to-

day.

Consequently, there is a need for innovation when it comes to producing affordable post and telecoms services in order to meet the demand from the rural districts.

The other objective for the Namibian post and telecoms policy is to meet the commercial demand with a modern and efficient service, which is essential for the development of the urban and industrialized part of the Namibian economy.

The Necessity of an Advanced Technology

The industrialized sector of the Namibian economy competes with industry in Africa and elsewhere. Therefore the industry is in need of conditions which are equal or better than those of its competitors. Consequently it is not a luxury to offer enterprises advanced and sophisticated solutions to their postal and telecoms problems. Instead it should be seen as part of an industrial development policy.

Experience tells us that telecoms services aiming at an advanced business market usually are profitable. This could probably also be the case for postal services although the experience from such efforts is still limited.

If handled with a business approach, there is money to be gained by choosing the right collective solutions instead of solutions for every individual enterprise. This money could at least partly be used to build a service for the less developed parts of the country.

A condition for such a policy is however that the advanced services will be sold on a commercial basis and that the profits on those services will be kept at a reasonable level. Too high profits imply too high prices from which in the long run only the competitors will gain.

A Strong Public Corporation

A PT market with exclusively private interests would probably be somewhat reluctant to contribute to the rural development. The state needs an organisation which can deliver service also in areas where the demand is weak. A public-owned corporation could be such a tool.

It has already been stressed that it is necessary that the PT corporation gets a sound financial basis so that it can meet the demands of the commercial sector without any organisational restraints. It should also be able to

create revenues which can be channelled to the development of social services but avoid high fees which would prevent industrial development.

Reasons for an Organisational Change

In general, the Namibian post and telecoms system is well above the average African standard in almost all respects. However the present level of the services does not guarantee future performance. The current system is challenged by a number of important changes in the environment as well as by shortcomings within the existing arrangement.

There are clear indications that the post and telecoms system is already suffering from the low investments and insufficient maintenance during the last decade. Taking into account the service development needs of the country as well as the necessity to replace obsolete equipment, a substantial increase of the investment level would be required. In view of the Government's limited financial resources and the need of urgent priority allocations in other fields, it is important to find ways of a long term financing of the post and telecoms services outside the state revenue fund.

Especially in the field of telecoms, investment decisions must be based on long term development plans. The different parts of the system are closely interdependent and need careful planning and long term financial commitments. The present administrative arrangement with the finances as a part of the state revenue fund and consequently allocated on a yearly basis prevents long-term planning.

The fact that DOPAT is a department within the government structure has an impact not only on the financial abilities but also on other managerial and resource aspects. Due to several links to the government service system e.g. the provision of buildings and houses for the operations as well as for the staff, the coverage of utility costs and the fact that no charge is paid for capital costs on equipment, investments and stores etc, it is almost impossible to estimate the economic performance of DOPAT.

On the revenue side, the tariffs and the service charges have mainly reflected the socio-political demands whereas the opportunities to set market prices have not been fully explored.

There is a demand for qualified technical staff for telecoms and computer qualified staff from the private as well as from the government corporate sector. As a government department this makes DOPAT extremely

vulnerable, due to the inability to offer competitive remuneration.

An expansion of the services, long term investments, competitive remuneration etc, will require a totally new economic balance for the post and telecom services in the country. Experience shows that these services can be rendered on a financially viable and sustained basis provided that the operations are organized in a business-like manner in order to allow flexibility and facilitate business development.

The post and telecoms services forms an important infrastructural component for economic and social development and should thus remain a public utility. Consequently they will remain a political responsibility but will have to be given an institutional frame that promotes business which is in the national interest. The intention to transform the present department into a state owned enterprise - a corporation - will serve this purpose.

II. The Establishment and the Overall Objectives of the Corporation

We propose that the Government:

1. *Forms a public corporation fully owned by the Republic of Namibia, under a new act for post and telecommunications.*
2. *The corporation should include the postal, the tele (including. radio) communications and the saving's banks services as well as all other activities necessary to accomplish its objectives.*
- 2a. *The corporation should be conducted according to sound business principles, be economically and financially viable and pay dividends to the owner*
3. *The primary purpose of the corporation should be to serve the national need of goods and services in its field at a reasonable cost in rural as well as urban areas.*
4. *The corporation as a national public utility corporation shall provide basic postal and telecommunication services accessible and affordable to all citizens in all parts of Namibia and meet the high quality demand of crafts, business and industry.*
5. *Following from the national responsibility and priviledges the corporation will be incorporated under a special Post and Telecommunications act. In*

all cases there are no specific regulations in the P&T act the Companies Act should be used as complement

6. *The corporation should as an entity conduct its affairs according to sound business principles and should, when it has reached a profitable level, pay dividends to the owner in respect to its equity interest in the corporation.*
7. *The obligations and expectations for development of the infrastructure, the service level and the standards of service quality should be specified in a contract between the Government and the corporation (see further paragraph 11).*

The objectives for a PT corporation owned by the Republic of Namibia are stated in paragraph 3 - 6 above. If they should be fulfilled, it requires that the state has a long term policy for the corporation as to its social and regional duties. Another prerequisite is that the government respects the integrity and the accountability of the board and the management of the corporation.

The liberty of the board to act in a swift and flexible way, not restricted by rules and regulations, is actually crucial for the development of especially the telecom but also the postal sector. So is a business strategy something which is difficult to achieve in the present organisation. Unless these two conditions are met, the chances will be limited for Namibia to create an infrastructure which is supportive to enterprise.

In a broader perspective it should be realized that well managed and widely distributed post- and telecoms services are two of the most powerful tools for achieving economic development locally as well as on a national basis.

For this reason it is of the utmost importance that the management of those services will not be restricted by any organisational hindrances. In the form of a corporation, the management of the Namibian PT corporation could act more easily in the manner required on a fast changing market.

The management should also be expected to take necessary actions to deal with matters related to cost effectiveness and hence create resources for social and technical investments.

The incorporation will imply a separation from the state budget and from the Public Service Act as well as from the rules and regulations imposed by the Public Service Commission. Representing the Republic of Namibia as the owner and fulfilling all the functions as such, the

Government will however have an important relation to the corporation.

"Sound business principles" as are stated in paragraph 2a means in this case that the corporation should be able to generate an income in order to cover its operating costs, costs for depreciations, taxes, payment for interest and repayment of loans and provision for a reasonable proportion of funds needed for expansion. When the corporation has reached a profitable level, a dividend should also be paid to the owner in relation to its equity. The corporation should also follow the accounting and reporting principles common in business.

III. The Scope of Operation

8. *The post and saving's banks services and the telecoms (including. radio) services should be organized in two separate business divisions.*
- 8a. *The post and saving's banks services and the telecoms(including radio) services should be organized in two separate corporations, subsidiaries to the Namibian Post and Telecommunications Corporation (NPTC).*
- 8c. *The two subsidiaries shall have economic relations based on strict business principles and good accountancy principles. Losses of one corporation may be covered by profits of the other corporation through transfer via NPTC, explicitly and openly accounted.*
- 9.a. *This arrangement shall be replaced within 5 year by two separate corporations, one for postal services and one for telecom services through the abolishment of NPTC and amendments in the acts.*
10. *The corporation should develop strategies for post as well as telecoms services conforming to the regional and social obligations as directed in paragraph 3, as well as to the financial viability for each service. The board should also carry a responsibility for the marketing and public relations strategies of the corporation.*

Post and telecoms activities are fundamentally different and can be expected to become even more so in the future. Politically and legally there are some similarities as to the way the two markets work, but the various kinds of services and technology involved are completely different.

The telecoms sector can be described as high-tech, with

heavy investments and high demands on technical and professional knowledge but relatively few people employed.

The postal sector is rather the opposite - in less need of technology and of technical and professional knowledge but with high demands on personal service and with many people employed due to the necessary contacts with the customers.

Also financially the differences are evident. In most countries telecoms services are profitable, whereas the postal services in many cases operate at a loss.

One of the reasons for this - apart from those implied above - may be that a big part of the turnover of the telecoms service comes from the urban or commercial sectors while the post service is needed in the rural areas and directed towards the households. It is the communication facility for the people and its importance is especially stressed by representatives of the regions and of remoter communities.

From a financial point of view the postal services will not be capable of reaching a cost coverage in the near future and the Government will probably have to cover an operational deficit.

The incorporated telecoms can on the other hand be managed profitably and according to strict business principles.

It is not surprising that the general trend the world over has been and still is to separate the postal and telecoms activities. The advantages of having separate bodies have seemed to be greater than the common traits and dependencies.

The best solution may therefore be implement the incorporation under a joint holding company and to make a decision now to totally separate the two activities within five years from the date of the incorporation, by abolishing the holding company and amending the act.

IV. The Contract

11. *Within the framework of national policy, the Minister should settle a contract with the corporation through its board to specify its goals and standards and to jointly review its achievements (see paragraph 7).*

11a. *In case the corporation will not meet the agreed standards of the contract the Cabinet on the advise of the Minister may discharge the board of*

directors.

The Government, represented by the Ministry of Works Transports and Communications, and NPTC, represented by the Board of Directors shall enter a specific agreement on the performance of NPTC. **The purpose of this agreement is to provide the operational frame for expected obligations and achievements within a period of three year.**

The affairs of the NPTC shall be conducted according to sound business principles, be economically and financially viable and pay dividends to the owner. The agreement shall state the **expected rate of return on fixed assets, dividends to be payed, financial strength and productivity increase.**

The NPTC, as a national public utility corporation, shall also provide the basic telecommunication services accessible and affordable to all citizens in all parts of Namibia and meet the high quality demands of crafts, business and industry.

These objectives shall be defined, operationalized and explicitly agreed upon between the Government and the NPTC for the three years period, see above. Accordingly, the following criterias and obligations shall be agreed upon for the **telecommunication operations:**

The infrastructure development in terms of number of connected habitats and connected lines specified for the Windhoek area and the rest of the country, and **service quality** in terms of availability in the domestic traffic, maximum average numbers of faults, time limits for clearing of the faults and for delivery of requested service for basic telephone. Corresponding criterias and obligations will be agreed upon for the **postal operations.**

The agreement shall contain the limits and **principles for tariffs** charged by the corporation. Accordingly tariffs adjustments shall be linked with the consumer price index and principles of a nationwide, uniform tariff setting will be agreed on.

Special **services requested by Government** ministries and institutions such as defence installations and operations or service for disabled persons or other social services shall be provided at a cost price basis, in accordance with specified service contracts.

The services, specially requested and payed for by the Government, should be accounted itemwise and the Government should have access to these accounts.

The **obligation of the Government** to the corporation shall be defined and operationalized as well. Accordingly,

provision and terms of loans and guaranties shall be specified as well as exemptions from taxes and duty.

V. The Structure of the Corporation

12. *The corporation's affairs should be directed by a board of 7 or 9 directors appointed by the Cabinet on the proposal of the Minister for post and telecoms. The board should contain an uneven number of members. In appointing members the Cabinet should specify such periods of appointment that not more than one third of the members should leave in one year. All members should have the possibility of having a renewed appointment, which should not exceed three years, the normal tenure of office.*
13. *The members of the board should by qualifications represent various experiences of the Namibian society, such as business experience and consumers' interests. Non-Namibians, members of the National Assembly and civil servants from the concerned ministry should not be appointed. The Government may however appoint a civil servant from that or some other ministry as the Government representative to the board of directors. The Government representative should have the right to attend the board meetings and to address the board but should not have the right to vote.*
- 13a *Disclosure of interests*
14. *The board should elect the chairman of the board and appoint the chief executive officer of the corporation.*
15. *The board of directors may according to its discretion delegate to the chief executive officer to exercise any of the powers which the corporation is authorized to handle with the exemption of those specifically mentioned in the paragraphs or other powers of corresponding crucial importance to the corporation.*
16. *The chief executive officer should be empowered to hire and dismiss personnel of all categories within the laid-down procedures.*
17. *The Minister should on specific grounds have the authority to dismiss a member of the board during the tenure of office, and appoint a new member in his/her place. Amongst such grounds could be mentioned negligence to attend meetings and general misconduct or does not act in the interest of the corporation.*

18. *The corporation should be audited by an independent chartered accountant. The chartered accountant should be appointed by the owner, i e the Cabinet, on the proposal of the Minister. The Auditor General should, after consultations with the corporation, advise the Minister as to the choice of the chartered accountant.*

The basic principle for the relations between the Government and the corporation should be that the Government should not interfere with the business of the corporation.

One of the owner's instruments to influence the policy of the corporation's affairs is to appoint the members of the board. This should be done by the Cabinet on the proposal of the Minister for post and telecoms.

Two guidelines could be used for the appointments. One should stipulate the general qualifications of the members, such as experience from business, society or science. With this kind of background the members should be able to give a substantial contribution to the handling of the corporation's affairs.

There should also be rules as to whom should not be appointed, such as non-Namibians, members of the National Assembly and civil servants from the concerned Ministry, so that they should not have to take on double or even conflicting roles. The direct access to the officials of the ministry as an important link with the corporation and a source of information for the board can be achieved by the arrangement of having a Government representative on the board.

In order to maintain a continuity on the board, the members should be appointed for varying periods of time. There should also be a possibility for the owner to dismiss a member during his or her tenure of office. The grounds for this act must however be specified, so that it will not be used to change the balance of the board or to get a majority for a specific, controversial issue.

In order to avoid unnecessary tension, the board should consult the Minister before the appointment of the chief executive officer.

VI. The Powers of the Corporation

19. *The Namibian Post and Telecommunication Corporation should be vested with all the necessary statutory and financial powers to accomplish its objectives and it should pay full taxes.*
20. *The corporation should within a certain scope decide*

on post and telecoms tariffs, on corporate investments and divestments. It should be empowered to sign any contract connected with the business of the corporation, to issue bonds, borrow money and make dispositions of the funds of the corporation. For the general adjustments of the tariffs the scope should be related to the consumer price index and for the sales or mortgages of the property of the corporation it should be within 10 % of the value of the assets.

21. The exclusive privileges of the corporation as to postal services should be maintained for the provision and forwarding of letters countrywide and internationally. Competition by private actors should nevertheless be allowed in this area of operations after licensing.
22. The exclusive privileges of the corporation as to the telecoms- and radio services should be maintained only concerning the infrastructure investments such as switching and transmission network and access to the tele and radiocommunication net. Competition by private actors should nevertheless be allowed in these areas of operations after licensing. All operators of services have to comply to the principle of "must carry".
23. All other areas of operations apart from those covered by paragraph 21 - 22 should be open to competition. End-user products such as telephones, telefax apparatus, switchboards and radio equipment must meet international standards and technical standards set by the corporation. The end-user products should be approved by an independent commission, in accordance with the standards mentioned above.

Any enterprise - state-owned or not - should as far as possible work in free competition.

An exclusive right for postal services should only be maintained to secure the customers a regular nationwide service of forwarding of letters. This service should be at a reasonable and equal price for the whole country and the market for this services should be protected.

In international agreements Namibia has also undertaken to keep a regular service of forwarding letters internationally.

For social reasons the duty or right to forward letters on a countrywide or international level should be reserved exclusively to the corporation. No other exclusive rights in the postal field should be reserved

to the corporation.

Local distributors of letters from the post offices to the companies or households should improve the current service to the customers. Private competitors therefore ought to be allowed to enter the privileged market of the corporation as to forwarding letters after licensing.

A national radio- and telecom network is of a vital importance to the country, especially during national or international crises. Therefore the net is a defence requirement of the country and a safeguard against enemies within the country. For this reason the corporation should keep its national monopoly on the radio and telecoms nets.

Private actors should however have a possibility to connect themselves to the network or to build their own parallel nets for specific purposes, unless there are any political, technical or other vital reasons which forbid it.

Provisions should be made to set up an independent **commission** with the function to issue licences for equipment to be connected to the public network, for building and operating network and to oversee agreements on modalities and compensation for access to network. This will be in accordance with the legislation and policy guidelines given by the Ministry of Works, Transport and Communications for telecommunications services, Similar functions for the licensing of postal operators and modalities and compensation for access to connecting services should be carried out for the postal services.

From a practical point of view, the commission may or may not be combined with other commissions and its secretariat may be organized direct under the commission or be provided by the Ministry of Works, Transport and Communications.

VII. Mechanisms of Control

24. *An independent commission should be established for setting standards and for licensing of commercial activities in the field of post and telecom services. The operators should have to pay a fee for the licence.*
25. *In order to secure the interest of the consumer, the corporation should institute a consumer protection body for the public and business.*

Protection of the Consumers' Interests

The individual consumers are in need of a stronger protection on the market. A way of securing their interest is to institute a body within the corporation, which can investigate complaints from the individual customers and help them negotiate with the service providers.

VIII. The Role of The Ministry

26. *The Minister should submit an annual report on affairs of the corporation to the parliament.*
27. *All property, including buildings for operational use and houses for staff, physical and financial assets, intellectual property, rights, debts, liabilities and obligations which are of concern for the fulfilment of the services, should with the consent of the corporation be transferred from the Ministry to the corporation.*

The transformation from a Government department to a corporation will change the Government's role. As now, it will be the duty of the Government to make a proposal to Parliament on the Namibian policy for post and telecom.

As a representative of the owner it is for the Minister to put demands which are on a sound financial basis and to negotiate a performance contract with the corporation. In this way the Minister can secure the policy decided by the national Assembly and also report to the Cabinet on the continuous development of the PT market.

The ownership and control of all the PT assets, including the buildings, should be transferred to the new corporation at the starting date.

The buildings and physical assets should be evaluated according to the simplest possible method. For buildings a standard evaluation in two main categories is suggested: function of the building and location of the building. A value per square metre for each category should be established. The value of each building can be calculated accordingly.

The value of capital investments should be estimated according to a general straight line depreciation of 10% per year and for cars and office equipment 20 % per year, and be based on the yearly expenditures, for capital investments between 1983/84 and 1991/92 and for equipment between 1988/89 and 1991/92.

One half of the established value of the assets should constitute the equity capital of the corporation. The other half of the value of the assets should be accounted

for as a loan from the state to the corporation.

The corporation should pay a commercial interest rate. The loan should be depreciated according to special agreements in the performance contract.

In connection with the negotiations for a contract between the corporation and the Government, the Minister should secure staff within the Ministry to prepare for them. The Ministry must also have resources for the assessment of the annual report of the corporation and the execution of other duties a responsible owner may have.

IX. Emphasis on Personnel Policy and Human Resource Development

28. *Any employee of the department will have the option to become an employee in either the postal or the telecoms business division of the corporation on the transfer date.*
29. *The employee should be subject to conditions of employment which should be not less favourable than those applicable to him or her on the day before transfer.*
30. *When the employee of the department becomes an employee of the corporation, he or she should retain all vacation and sick leave and terminal benefits which stand to credit, including monetary benefits and cease to be a member of the public pension fund and become a member of the postal pension fund or the telecommunications pension fund, on no less favourable conditions.*
31. *Employees will be employed within the wage and salary structures of the corporation.*
32. *Employees may belong to recognised trade unions operating within the corporation's industrial relations policy.*
33. *Promotions should be based on merit and performance and not on length of service.*
34. *Employees will be subject to the corporation's disciplinary code, loans policy, medical benefits, leave regulations and workmens' disability and compensatory fund procedures.*
35. *Realizing the important role which the post and telecommunication corporation can play to fulfil the national ambitions for human resource development, it is the duty of the board to ensure that the*

corporation will make maximal efforts in this field for all personnel. Specific efforts should be made to recruit, educate, train and promote personnel which have not previously had such opportunities.

The personnel of the present department for post and telecommunications should not lose their employment or any benefits such as pension schemes. In most cases they should get the same or similar employments as before. In a few - mainly managerial - positions there may have to be alterations due to a changed organisational pattern. The job security should however always be safe-guarded.

If the employee chooses to work in the corporation, the department should be notified in writing and instructions on the procedures should be forwarded to all personnel.

The shortage of qualified personnel, in particular on the technical side, should be met with extensive training and human resource development programmes. The programmes should particularly aim at:

- a) developing managerial and supervisory leadership potential, enhancing knowledge and skills, improving effectiveness and assisting in the self-development of individuals in the corporation in the light of current and anticipated training needs.
- b) developing career paths for all levels of personnel within the corporation in order to improve their potential to contribute to the profit and growth goals of the corporation.
- c) training and improvement of the capacity and skills among supporting staff categories of the corporation's personnel in order to provide efficient administration and services to the management.
- d) addressing specific areas of training needs within the organisation and developing appropriate training programmes to meet these needs.
- e) providing for an on-going training and development plan for the corporation's personnel, by the establishment of a recognised training function
- f) mount adult education schemes for personnel especially in English literacy and communication skills
- g) securing scholarships and funding for local, regional and international programmes for corporation personnel
- h) obtaining funding to ensure the up-grading of training facilities, curriculum, instructors and equipment for effective in-house training

i) initiating a graduate development programme to ensure that after a period of training, a coregroup of graduates will enter middle management cadres, with the possibility of eventually arriving into senior management positions within the corporation.

It should not be forgotten that the corporation also in its new more independent role, will have the same national duties as before. This applies to the goal of reaching a balanced structure by means of affirmative action.

A balanced structure could be reached via strategic recruitment and promotional efforts and by establishing and implementing the above mentioned powerful, long-termed management and human resource development strategies and programmes which should be continually updated. This should be considered as an important part of the corporation's objectives and a major management responsibility.