The Graduate School of Business

Faculty of Management Studies

REVENUE AND CASH FLOW IMPROVEMENTS

IN TEL•ONE (PVT) LTD:

MEETING THE CHALLENGES OF RESOURCE CONSTRAINTS AND

TELECOMMUNICATIONS SECTOR REFORM

By

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EXECUTIVE SUMMARY

Against a background of declining macro-economic conditions in Zimbabwe, significant challenges confront management in changing the financial performance of debt-ridden parastatals or public corporations. Chronic budget deficits, poor economic policies and mismanagement have ensured that these under capitalised companies post successive losses thus increasing the burden on the tax payer who must pay for their survival.

The research study seeks to establish the strategies which management can implement to raise revenue and improve cash flows in preparation for privatisation. If the companies are to be competitive in a deregulated sector, the chosen strategies must offer quick and sustainable solutions. The shareholder's intention is to place these companies in a profitable position in order to gain maximum value from prospective investors.

The recommended strategies are intended to improve financial performance of a telecommunications company confronted by a myriad of problems, which include:

- Critical shortages of foreign currency required to implement network development and maintenance programmes as well as payment of traffic handling obligations.
- Competition from new entrants,
- Government intention to privatise a company weighed down by a huge local and foreign debt.
- An economy experiencing negative growth, high unemployment and chronic inflation.
A population on the verge of starvation resulting from food shortages created by badly implemented land policy and drought conditions afflicting Zimbabwe and Southern Africa in general.

The study focuses on key processes that create improvements in revenue and cash flow generation in the short to medium term. The processes are considered against a background of declining macro economic conditions and telecommunications sector deregulation.

Experiences on deregulation of telecommunications sector in other countries are considered, and in Zimbabwe, the work done by BT consultants during restructuring and commercialization of the Post and Telecommunications Corporation is assessed.

The study shall consider and recommend changes necessary to improve revenues and cash flows. In particular, the study shall:

- Critically review service provision for new customers, line transfers, reallocation of recovered lines, the delayed billing of connected customers and meter reading timetable for statement generation.

- Consider and develop improvements in international traffic and accounting rates management in order to increase revenues, which contribute half of the company’s profits.
• Assess and develop debt management strategies in order to improve cash flow and profitability.

• Assess the company’s cash handling procedures and recommend process improvements in order to realise the computed servings in overdraft interest or earnings arising from timely investments.

• Develop a system of continuous improvement through tracking, feedback and training.
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CHAPTER ONE

1. INTRODUCTION

The underdeveloped economies of African countries pose undeniable challenges. The lower levels of industrialisation in these countries have influenced the living standards of their people.

Whilst some of these countries pursue mixed economy policies, companies that make up the economic backbone struggle under a heavy burden of debt and mismanagement. The resultant scenario is not a pretty sight; there is rural poverty and urban squalor. The other end of the social strata displays growing affluence - thus issuing a contradictory statement to that of negative growth and company closures that characterise the economy.

In Zimbabwe, the National Budget statement presented in October 2001 by the Minister of Finance and Economic Development, painted a gloomy picture for 2002. The projection for sectorial growth was negative in:

- Agriculture - 6.7%
- Electricity & Water - 4.7%
- Construction - 5.0%
- Hotels and distribution - 8.6%
- Manufacturing - 7.0%
- Transport and Communication - 4.3%

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The only economic sectors projected to have positive growth rates are mining at +2.2% and finance and insurance at +1%.

The statement gives little hope to Zimbabweans. Decline in gross domestic product (GDP) would spell more company closures and a rise in unemployment levels. Only mining and the financial services sector were expected to register marginal growth! Inflation was projected at 115%.

A period of twelve months has lapsed since these projections were made. What has been the economic out-turn for 2002?

Sector performance indicates worse results than those projected. Manufacturing, hotels and distribution and agriculture show indications of an economy sinking deeper into decline. Agricultural performance has suffered from the land problems in Zimbabwe. The drought conditions that have afflicted Zimbabwe and other countries in Southern Africa have brought a large part of the population closer to starvation. Food imports are necessary to avert starvation. The world community will have to assist Zimbabwe with grain as the country has an acute shortage of foreign currency to meet the importation bills.
Foreign currency shortages have created an environment of complete uncertainty and are the major cause of hyperinflationary conditions prevailing in the economy. Under these circumstances planning has become almost impossible.

1.1 Withdrawal of International Institutions

The large capital outlay for developmental projects requires funding from institutions possessing both capital and skills in attracting these resources. Ongoing projects such as Gweru - Chivhu - Harare transmission link have been abandoned due to withdrawal of such financial support by the Arab Bank of Economic Development (Badea). Whilst the financier has expressed interest in resuming the project, traffic bottlenecks remain unresolved on the route. Congestion of calls originated from other countries has hampered revenue generation in both local and foreign currency. This route remains an important link with South Africa, which is Zimbabwe’s main trading partner. Suspension of loan disbursements have also hampered the commencement of the Glen View and Harare Central Business Districts (CBD) projects funded by KFW; while ADB has stopped loan disbursement to Alcatel for projects undertaken and commissioned in Chinhoyi, Chitungwiza and Marondera. Tel•One has been left alone to fulfill its contractual payment obligations to the contractor. The situation created does not give hope in meeting the roll out targets as per license requirements as well as fulfilling national communication demands.
1.2 Impact of foreign currency shortages

Foreign currency shortages have played a large role in economic decline. Much of Zimbabwe’s productive sectors rely on imported inputs in the production of goods and services. Without foreign currency, such imports have become impossible leading to shortages and high inflation. Inflation was as high as 135% at September 2002. However, total external payment arrears have risen to US$1,319 million as of November 2002 and are projected to peak at US$1394.6 million by end of year.

1.3 Health and its impact on economic progress

On the health front, the AIDS pandemic continues to claim lives. DR Reginald Matchaba Hove, a lecturer at the University of Zimbabwe, in his address at the Centenary Conference of the Institute of Chartered Secretaries and Administrators in Nyanga Zimbabwe, reports that approximately 2000 AIDS and HIV related deaths occur every week in the country. Consequently, life expectancy has fallen by about 16 years from 1990 to 1999. The probability of dying between the ages of 15 and 59 years is now one of the highest in the world at 730 per 1000 population. This is the productive age group required to work in commerce and industry as well provide Zimbabwe with its future labour force. Life expectancy is slightly over 40 years for men and higher for females.

Whilst drugs for other ailments have also become scarce and expensive, the health delivery machinery has almost collapsed. The burden of health care has become prohibitive. As reported earlier, unemployment continues to increase as economic
decline persists. The financially impoverished family is subsequently left with a great challenge to survive in a hostile economic environment resulting in further health risks for those left behind.

1.4 Privatisation of Public Corporations

In 1994, the Zimbabwe government had resolved to change the tide of economic decline and proceeded to commercialise and put up for sale large stakes of its ownership within the debt-ridden public corporations. But what were the origins of these public corporations and their roll in economic development?

In Africa, these public corporations have their origins in the colonial period. As African governments came to power at independence, the number of state enterprises increased. The thinking was that, in order to demonstrate sovereignty and secure political and economic independence, government participation in all sectors of the economy was critical. The plan also ensured employment opportunities for those emerging from the political and armed struggles and their faithful followers. The promises made before independence had to be met progressively. A transformation had to take place. The former guerillas and political activist needed to be integrated into the mainstream economy. Public corporations were the ideal place to learn new skills in the operation of industry and commerce. Governments also noticed the signs of market failure and justified their intervention in the economic mainstream on these grounds. In later years,
evidence would emerge to show that these programmes failed to establish an adequate framework that would ensure efficiency and sustained growth. There was lack of clear objectives, vacuums in technical expertise in top management, poor financial controls and gross political interference in the management decision- making process without accountability. These ingredients produced one unsurprising result- inefficiency and losses in these public utilities. By end of 1998, parastatal losses were estimated at Z$11 billion, thus compounding Government’s domestic debt problem.

After experimenting in the politics of Marxist- Leninist theories and on noticing the political changes in the Soviet Union and Eastern Europe- the vanguard of socialism, the government of Zimbabwe made a complete u-turn to embrace capitalism. Nearly all the political leadership had preached socialism in public and yet they privately amassed wealth. The litmus test came when they tried to implement the party’s ZANU PF leadership code, which among other things required all leaders to declare their property. This proved to be a monumental task as none the were leaders willing to produce evidence of how successful they had operated as capitalists or how corruption had accumulated so much wealth for them.

The economic crisis in Zimbabwe of the late 1980’s, which was characterized by high inflation, increasing budget deficits and rising unemployment also provided the required stimuli for the government to accept discussions on the privatisation of state enterprises.
It has been realized that continued government direct and indirect assistance to public enterprises has remained a primary source of the perennial budget deficits. By 1999, public enterprises had accumulated losses of about Z$20 billion. Ever since these developments started, the government of Zimbabwe has since privatised Dairy Marketing Board (Dairy Board Zimbabwe), Rainbow Tourism Group, The Cotton Marketing Board (Cottico), CAPS Holding and Commercial Bank of Zimbabwe (Jewel Bank). The focus was now on the Post and Telecommunications Corporation.
CHAPTER TWO

2 BACKGROUND AND MANAGEMENT DILEMMA

The Post and Telecommunications Corporation, a wholly owned government company is going through a process of restructuring, commercialisation and eventually privatisation. Weighed down by a crippling debt, the restructured Post and Telecommunication Corporation was being split into strategic business units. With an enabling act of Parliament, the strategic business units comprising Postal Operations, Fixed Telephony Services and Cellular Mobile Business became separate legal entities. If the turn around in financial performance is achieved, the units will be privatised thus raising the much-desired capital to retire debt, provide for infrastructure development and give relief to the taxpayer.

In the restructured Tel•One (Pvt) Ltd, which is the fixed telephone service successor company to the Post and Telecommunications Corporation, the management dilemma is to achieve financial turn around. What are the short-term strategies that the company can employ to achieve growth and profitability? Constrained by sub-economic tariffs granted by a government faced with increasing political protests over high level of prices in urban areas, the company must do a soul searching exercise, refine its internal processes and re-engineer some of its activities in order to achieve the following:

- Retain and expand the customer base
• Achieve revenue growth in both volumes and monetary terms
• Ensure and secure adequate cash flows to support operational and capital developmental requirements
• Ensure an adequate return on investment

2.1 MANAGEMENT QUESTION

a) What are the opportunities and/or constraints that exist or inhibit the revenue growth prospects in a telecommunication company? What impact do improvements in application and vetting procedures and customer connection processes have on revenue generation?

b) What business process strategies can be implemented in the short to medium term to improve both revenue and cash flows in a fixed network service provider such as Tel-One (Pvt) Ltd?
3. LITERATURE REVIEW

The deregulation of telephone industries has spurred price competition and innovation and has greatly increased the volume of telephone service.

3.1 Telecommunications reform

The story of the deregulation of the telecommunication industry is not confined only to one part of the world. In fact, changes have happened around the world and these changes have seen telephone monopolies crumbling.

In the book, ‘The Economy Today’ by Bradley R Schiller, the demise of telephone monopolies is chronicled.

United States of America

In 1982, the courts put to an end AT & T's monopoly, transforming long distance telecommunications into a more competitive industry with more firms and less regulation.
Canada

In 1994, 10 regional phone companies were required to provide equal access to their transmission networks. Over 200 new companies entered the industry.

Japan

In 1984, the Japanese government ended the monopoly held by Nippon Telegraph and Telephone (NTT). More than 500 companies have entered the industry, chipping away at NTT's market share.

Great Britain

On 19 July 1982, government formally announced its intention to privatise British Telecom with the sale of 51% of the company's shares to private investors. In 1984, the Telecommunication Act was passed to pave way for bringing competition into telecommunications in the United Kingdom.

France

The French government has retained a single state-owned network but has opened competition in equipment and services.
Germany

In 1996, the state owned monopoly was privatised. Competitive entry began in 1998.

Chile

In 1994, the long established monopoly, Entel was deregulated and entry barriers were dropped. Within 2 years Entel's market dropped to 40%.

Brazil

In 1998, the state owned monopoly Telebras was opened to competition.

Mexico

The telecommunication market was opened to competition in 1997.

The European Union

In 1998, all local and long distance markets were opened to competition.
3.2 Telecommunications reform in Africa

These winds of change have also blown across Africa with varying degrees of success.

Kenya

The bid to sell-off the state owned Kenya Post and Telecommunications Corporation (KPTC) ran into problems after the collapse of talks with the key bidder in 2001. The Econet Wireless- led Mount Kenya Consortium had put up a bid of US$305 million for Telkom Kenya, which the government considered as too low. The success or failure of the privatization programme is seen as the ultimate test of the country’s commitment to economic reforms. The BBC World Business Report has observed that the delay of the sale, which was first planned for April 2001, was one of the reasons behind the International Monetary Fund to suspend lending to the country.

Nigeria

In Nigeria, the State owned telecommunications giant, the Nigerian Telecommunications Limited (NITEL), has experienced delays with its privatization plans after the preferred bidder failed to raise the balance of the cash within the 90- day deadline. The US$1.1 billion sale of 51% of NITEL was

**South Africa**

The planned privatisation of Telkom SA has fallen victim to the general global downturn in telecom stocks. November 2001 was targeted as the floatation date for the telecoms company. Despite the delays encountered, the plans are likely to be revived in March 2002.

**Zimbabwe**

In Zimbabwe, the monopoly of the state owned Post and Telecommunication Corporation was broken by a court order, which granted an operating license to Econet Wireless in December 1997. Econet Wireless commenced operations in July 1998. By 2001, three mobile operators existed in Zimbabwe; namely the state owned Net-One, Telecel Zimbabwe and Econet Wireless.

Indications are that, in this industry, change is inevitable for telecommunications companies the world over. Whether state owned or privately owned, companies will need to re-examine processes in order to survive the fierce competition.
3.3 Reasons for deregulation

What were the reasons for deregulation? Answers may come from the pioneers of deregulation of the telecommunications industry.

The British and Americans initiated the process in 1982.

3.3.1 Sector deregulation in America.

American Telephone and Telegraph’s (AT & T) dominance of the telecommunications industry had always been cause for concern with the Department of Justice’s (DOJ) investigation of AT & T and the Bill System for anti-trust violations starting in the 1950's and lasting through the 1980s. In the book, ‘Case Studies in Finance, Managing for Corporate Value Creation’, Robert F Bruner states that the US District court in Washington D.C. entered a consent decree settling the DOJs antitrust case against AT & T and its affiliates in 1982. The Modified Final judgement (MFJ), as the decree was commonly known, required AT & T to divest the 22 local telephone companies that comprised the Bell System. AT & T was allowed to keep Western Electric and Bell Labs and most importantly, its long distance and international businesses.
One consequence of deregulation was that, AT & T now had to pay an access fee to the Regional Bell Operating companies, which served close to 75% of local telephone exchange lines in the country.

AT & T had to look beyond local telephone service for alternative sources of revenue. The 1984 divesture paved the way for new competition in the long distance market. New companies had entered the market driving the prices of long distance service down for the consumer and increasing call volume.

### 3.3.2 Sector deregulation in Britain

In 1982, the government announced its intention to privatise British Telecom with the sale of 51% of the company's shares to private investors. The telecommunications act was passed in 1984. British Telecommunication plc (BT) was incorporated as a limited company on 1 April 1984. The transfer to BT of the business of British Telecommunication, the statutory company, was effected on 6 August 1984 and the offer for sell was made in November 1984.

Government wanted to create freedom for BT from Treasury and ministerial control. It sought to bring competition to telecommunication and ensure that growing companies like BT had the discipline of the market place to meet the needs of its customers effectively.
The then Secretary of State for Trade and Industry, Cecil Parkington said,

"There is reason to hope BT, freed from state control will develop over the years into a major force in world electronic and IT and rank with AT & T, IBM and other international companies. That is what we, as government wish to come about" (source- BT Archives and historical Information Center).

For much of the century, British Telecom ruled unquestioned as a monopoly in the UK market.

The Telecommunications Act brought this to an end. BT found itself competing with Mercury, a subsidiary of Cable and Wireless.

In 1984, BT helped to revolutionalise the image of share ownership as more than two million small investors bought stock. By 1991, full competition had hit the British market, effectively bringing to an end the monopoly shared by BT and Mercury. The British telecoms watchdog- Office of Telecommunications (OfTEL), pressed BT to open up more of its network to competitors and cut prices.

With these in roads in telecommunications market share, survival for these companies would depend upon increased revenues through business process
reviews that will result in cost containment and increased profitability.

Management will have to understand the business in order to lead effectively.

This study is important as it allows the generic growth of revenues for companies in this transitional position.

### 3.3.3 Sector deregulation in Zimbabwe

As mentioned in earlier sections on deregulation, the birth of competition in the telecommunications industry came through the legal process with the High Court of Zimbabwe granting a license to operate a mobile cellular service to Econet Wireless (Pvt) Ltd. The failure by the PTC to provide telecommunication facilities to the general public was an infringement to their constitutional right of freedom to communicate. However, as early as 1994 the government had commissioned a study on the telecom sector reform. Whilst the government took a cautious approach to opening up the industry to competition, financial problems within the Post and Telecommunications Corporation hindered the creation of additional capacity in order to satisfy demand for service. These problems led management to search for solutions.

### 3.3.4 The search for viable solutions

Various studies were commissioned by the Board of the Post and Telecommunication Corporation to assist management in drawing up action plans,
which were aimed at addressing the poor financial performance of the corporation. The research study draws from these reports and other literature.

The literature comprises :-

- The Edward report. (July 1997)
- The Financial Improvement package by David Jack of BT Teleconsult (August 1998)
- The internal investigation in cash flow problems PTC taskforce (January 1998)
- Economic Review in the Budget Presentation statement October 2001
- South Africa's Economic Crisis by Colin Stoneman
- PTC Financial statements
- Tel-One Financial Statements

The literature will demonstrate the environmental state in which the company must achieve improvement. The Zimbabwe Millennium Economic plan will highlight the grim social problems of unemployment and civil protest exacerbated by general economic decline.
Paragraph 4.13 of the programme reads,

“In light of these developments in the productive sectors and foreign exchange market, there has been a marked strain on the social sectors. Poverty levels have risen, against the background of rising unemployment, aggravated by high population growth and inadequate poverty alleviation measures”.

The Zimbabwe Millennium Economic Plan further states that, the failure to effectively restructure and reform the civil service and parastatals, directly contributed to unsustainable budget deficits. The deficits were largely financed through domestic borrowing, which precipitated weaknesses in other macroeconomic fundamentals as evidenced by high inflation and interest rates, deteriorating balance of payments and depletion in international reserves. The shortage of international reserves coupled with speculative tendencies, weakened the Zimbabwe dollar and reduced the country’s credit rating which made it difficult for government and the private sector to raise funds in international financial market.

The plan is dated February 2000. At the date of writing my dissertation in September 2002, a lot of developments both political and economic have come to pass and the economic imperatives indicate a struggling nation.
What are the conditions obtaining on the ground?

- The Finance Minister Dr. Simba Makoni reported in June 2002 that International reserves had dwindled and the country had no usable foreign exchange reserves to procure critical imports such as drugs, fuel electricity and raw materials.

- Inflation in September 2002 has reached 139%.

- Only about seven public corporations have been privatised. Since the year 2000, the response of investors has been cautious amid fears of expropriation of private property. The lessons learnt in Zimbabwe's land reform problems remain etched on their minds. Guarantees on private property ownership have proved to be false.

- The United States dollar trades officially at fifty-five Zimbabwean dollars. Currency in this market has dried up or is not accessible to other sectors except Ministry of Agriculture (for food imports), Zesa (for electricity imports) and Noczim (for oil imports). On the parallel market the US dollar trades at seven hundred to eight hundred Zimbabwe dollars.

- Interest rates have been managed at around 30% in order to contain the government expenditure and supposedly to assist the productive sectors.

- Overall, the economy is projected to register a negative GDP of 12%.

The Zimbabwean Millennium Economic Plan put the focus on inflation through interest rate targeting. The monetary strategy was to be supported by a social contract between government, business, the labour movement and civil society.
However, after the 2000 parliamentary elections and the 2002 presidential election, the envisaged contract is virtually non-existent.

The extent of mistrust and hostility between civil society and the labour movement on one hand and the government on the other makes the question of cooperation unthinkable. This above scenario has created conditions of rapid economic decline and increased business failures.

What then are the chances of TelOne prospering in such an environment?

The Edwards Report and Financial Improvement Report by BT Teleconsult are studies, which centered on process improvement. These studies unfortunately coincided with organisational restructuring. The envisaged financial improvement project lacked continuity as staff at various levels took up retrenchment packages. Some staff was promoted out of the jobs they had studied and had experience in or simply found themselves in a minority position and those in control hardly knew about the work packages or lacked the resolve to implement changes.

3.3.5 British Telecom's work on PTC revenue improvement

Commercialisation

In 1998 the Government contracted British Telecom to lead in the processes of restructuring and the commercialisation of the Post and Telecommunications Corporation.
The project was split into two main activities. The restructuring part would see the setting up of strategic business units with senior management being recruited by BT and the PTC Board to oversee the changes.

Parallel to this process, commercialisation became a priority as the Post and Telecommunications Corporation was facing serious financial difficulties. For the second year running, the company has posted successive losses. Further, the cash flow situation was precarious. The corporation was surviving on commercial loans in the financing of its working capital requirements. It was a period that saw rapid devaluation of the Zimbabwe dollar from US$1: $38 to 1 US$: $55 Zimbabwean dollars. The company was posting heavy exchange losses and interest payments. The interest rate had surged to 60%.(see figure 1)

The financial performance was alarming to both management and the workers. It may be one reason why the voluntary exit package programme was heavily subscribed at the end of 1999. The volunteers had no particular age restriction. Both the young and older workers nearing retirement and management were on the volunteer list. The restructuring exercise unfolding compounded the situation for management. What would be the chances of surviving the financial crisis as well as the restructuring exercise that had clear objectives of bringing in new blood and ending up with a trim and lean structure? The risk was very high and it would only be minimised by taking up the offer of voluntary retrenchment.
The commercialisation process was to address as quickly as possible some of the financial ills besetting the company. BT had contracted David Jack a financial expert to look at revenue and cash flow improvement processes. The package was to be for twelve months and he was to work closely with the Director of Finance, Cellestino Gavhera and other managers in the finance department. The PTC Finance Director attached this writer to work with the consultant for the duration of his assignment in Zimbabwe.

David Jack was one of the BT financial experts who had participated in transformation of British Telecommunications and had gone through two restructuring processes in the company. Business process reengineering was the key driver for effecting change and early results. He was also an expert at change management and demonstrated tact in dealing with resistance to change in order to achieve early results.

On page 1 of his report he writes under methodology

"Following analysis of problem areas, action plans were constructed, discussed, agreed and implemented. Many actions were in place in time for effects to be measured in June and July. Further, significant results will appear for August. Thereafter, there should be on going stability."
Resistance to change was overcome by reasoned argument and firm insistence that changes were to be implemented fully."

In the BT Teleconsult report David Jack set the basis of contract and work package as follows:

"PTC contracted with BT Teleconsult for two consultancy years of work within the period April 1998 to March 1999. Half of the work concerns restructuring of the PTC organisation, recruitment and process re engineering. The other half involves enhancing PTC financial performance through revenue generation, savings and efficiency improvement. Savings from the latter project were expected to exceed the costs of the consultancy and to be a permanent feature of PTC financial performance".

Various challenges faced this work package. The fact that reorganisation was in progress at the same time as the programme to improve financial performance meant that commitment by some employees with their sights on a package became questionable. Even for those who did not consider being retrenched, prospects of them continuing in the same job after reorganisation were not clear.

However, in this environment the report on financial improvement states that:

"bills are reaching customers at least ten days earlier than
a corresponding period in 1997. Significant advancement of collections has already taken place”.

Cash collected (ordinary bills) 1998

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Apart from the May figures where the company had an industrial strike, collections were advanced by $80 million per month. It was observed that billing programme had become a primary source of cash flow problems and compounded the working capital difficulties experienced by the company. It should become an integral part of the solutions offered for a company desiring cash flow improvements.

The companies created after restructuring had an infusion of new people and new skills. However, skills which are specific to the telecommunications industry could not come from outside the PTC as the company was the only
telecommunications company in the country. Even the new mobile rivals like Econet had to draw a large pool of their staff from key departments within PTC. The founder and Chief Executive of Econet had been a manager in the operational department in PTC.

The point is that there was dislocation in the continuation of work processes identified as necessary for revenue improvement. There was staff movement and new focus in setting up the new companies. This study is key to revive the identified benefits and further prepare Tel-One for privatisation and enhancement of shareholder value.

This research study will consider the stated literature and review the process within the current organisational structure. A survey will be carried out to determine the level of process knowledge or lack of it and its impact on organisational performance.

The research study will be submitted to Tel-One Management in order to harness resources required to achieve financial turnaround. The results will constitute some of the performance targets for the management team to cascade to lower levels within the departments.
CHAPTER FOUR

4.0 IMPORTANCE/BENEFITS OF THE STUDY

The focus of the study will be to implement sustainable improvement programmes in the following areas :-

4.1 Billing

This is a very important area of the company. Almost all services of the company are consumed first and then billed later to the customer. The process can be a source of revenue leakage and cash flow problems.

Some of these problems are :-

- spare lines metering
- no recorded usage on working lines
- current customers not receiving bills
- line piracy worsened by non actioning of exceptional error reports
- disputed or low integrity bills arising from data capture errors or file corruption.

4.2 International traffic and accounting rate management

- Review current practices, propose actions to minimize costs and optimize revenues with specific consideration of the impact of public collection on traffic patterns.
Consider the influence of foreign exchange rates on network operational costs and its impact on traffic imbalances and foreign exchange position of a network operator.

4.3 Debt management

- the billing timetable to be structured to deliver optimum revenues
- the billing timetable to facilitate timely customer file updates necessary for accurate bills.
- accurate age analysis reports to support debt collection.
- accurate call data for international traffic settlements and mobile cellular interconnection charges.

4.4 Cash management

Banking

Banking arrangements impact on:

- Interest charges
- overdraft arrangement
- security concerns for overnight cash storage

4.5 Stores management and purchasing

- Efficiency of stores accounting system
- Accounting for surplus material after project completion.
- Contract handling in hyper-inflationary environment
CHAPTER FIVE

5.0  RESEARCH DESIGN

The research study investigates the management and operational processes that affect revenue generation and cash flows in a telecommunication company in general and Tel-One (Pvt) Ltd in particular. This research depicts a case study and it will make use of descriptive evidence such as interviews and observation by the researcher and from secondary data sources.

The study shall utilize information from regional commercial services. All in all, there are five regional areas comprising a collection of digital and analogue exchanges where various customers are connected.

A purposive sampling technique will be used as it is considered that it will deliver the best conditions and information in order to satisfy the research objectives. The study shall center on two regional areas of Mashonaland province and Matabeleland province adjudged to comprise a sizeable number of both digital and analogue exchanges. These exchange areas are concentrated in cities and towns as well as rural areas. This affords sufficient environmental conditions to monitor performance under diverse conditions that depict Zimbabwe's population profile, economic progress and resource availability and constraints.
5.1 THE NATURE AND FORM OF RESULTS

The processes shall be studied from various literatures available internally, including Tel•One's own billing system in use as well as from reputable Telecommunications organizations. Selected personnel from the business development department to gauge the skills and knowledge level shall conduct interviews. The intention is to identify and highlight the following:-

- quantification of revenue losses or cash flow implications
- the best short term strategies to implement in order to effect the desired change and improve results
- areas that management can remedy through action plans which they devolve to lower ranks in the form of objective setting and performance management within acceptable time horizons.
- costs associated with actions/inaction by various staff members
- training requirements
CHAPTER SIX

PROCESS REVIEW AND ANALYSIS

6.0 Introduction

Tel•One, The Fixed Line Network Operator

The need to urgently turn around the company to attract potential investors when the right investment climate is created has become a compelling reason for implementing business process reviews and survival strategies required to avert job losses in the company as well as maintain reasonable levels of service in the face of declining macro economic situation in the country.

The following quote from George Newman, The Conference Board, in the book Crafting and Executing strategy page 30 is instructive:

"How can you lead if you don't know where you are going".

John W Teets, CEO for Greyhound Corporation says,

"Management's job is not to see the company as it is - but as it can become".

Frank Sinodo-2002
The identification of business problems and the search for sustainable solutions and the application of these solutions is necessary for business survival in a competitive environment.

Against this background, this study seeks to rediscover the lost opportunities, quantify them and to provide informed leadership.
6.1 THE BILLING PROCESS

Tel•One services offered to the public include telephone, telex, data leased circuits, Internet services, VSats services and Data packet switch.

For the year ended 31st December 2001, Tel One recorded total income of $11,793 billion and this apportioned to the various services as follows:-

<table>
<thead>
<tr>
<th>Service</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone</td>
<td>10,468 billion</td>
</tr>
<tr>
<td>Telex</td>
<td>14,949 million</td>
</tr>
<tr>
<td>Data leased circuits</td>
<td>305,514 million</td>
</tr>
<tr>
<td>Internet Services</td>
<td>77,503 million</td>
</tr>
<tr>
<td>Interconnect Income</td>
<td>174,545 million</td>
</tr>
<tr>
<td>Inter SBU income</td>
<td>5,850 million</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,270 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,793 billion</strong></td>
</tr>
</tbody>
</table>

Frank Sinodo-2002
In order to maximize the benefit to the company, effort shall be applied to the review of telephone service, which constitutes 91% of total income.

6.1.1 Telephone service

Telephone service shall be segmented into national and international traffic. International traffic will comprise both outgoing and incoming traffic between Zimbabwe and the outside world.

6.1.2 National service

It is instructive to note that local traffic or national traffic constitute 66.27% while international traffic constitute 33.73% of total telephone service income. The study shall consider processes that generate both national and international traffic. The analysis shall aim at identification of network or process constraints in revenue generation.

Following on this information, the processes shall be traced from service application, service delivery, call data records (cdr) conversion through to bill production. At each of the stages, process weaknesses will be identified and the magnitude of revenue losses will determine the urgency and efforts to be applied in correcting the problem.
6.1.3 **International service**

The area of International Service lends itself to more scrutiny because of the size of its income as proportion of total telephone service income. The majority of telecommunication company’s international traffic and business remain the most profitable areas of operation; typically a quarter of a telco’s revenues is from international operations and yet it produces over half the profits. Further, it is a potential source of foreign currency in an economy characterized by dwindling national foreign currency reserves arising from international isolation of the country.

6.1.4 **Network layout**

The country is divided into five regions. Each of the regions is comprised of telephone switching centers (exchanges), transmission links and an access network servicing both residential and business customers. The call data generated by these customers is processed at regional headquarters in Harare, Bulawayo, Gweru, Masvingo and Mutare. Annex - shows these centres Annex - shows the technology mixture of switching centers which can be categorised as Analogue and digital exchanges.
6.1.5 **The Subscriber Line Management Systems (SLMS)**

A subscriber line management system is used to monitor and process the customer application details, to identify spare network resources from which customers can obtain service as well as trace progress on service provision and bill activation for connected customers. Network faults can also be traced on this system.

6.1.6 **The Digital SLMS system**

The Matabeleland digitalisation project that is nearing completion provides evidence of what an efficient subscriber line management system should deliver in a modern telecommunications network. Of significant importance is the automatic bill activation immediately after line installation. The structure where raw call data records (cdr) are uploaded directly from the Fetex 150 digital switch on to the mediation system for conversion into billing system significantly eliminates manual meter reading and data capturing time, incorrect meter recordings on meter books and incorrect data capturing from the meter books into the billing system files.
The processes eliminated in this structure are costly in terms of labour requirements to undertake this work, errors arising from the process and delayed billing which results in cash flow problems. With current interest charges ranging from 39% to 45%, overdraft facilities are a costly alternative for organisations experiencing cash flow problems. On the other hand, interest forgone as a result of lost investment opportunities on the money market can be very high if the processes are not carefully reviewed.

The digital SLMS system is considered as a benchmark upon which to assess other line management systems. It is the desired operational platform that a competitive Telecom company should have.

However, as a result of investment resource constraints, exacerbated by declining macro economic performance and politically inspired flight of capital, the alternative manual system must be improved upon. Mindful of the benefits that can be derived from an efficient digital service, the manual process shall be examined in detail in order to optimize performance and reduce costs. The objective is to achieve benefits in the short to medium term before resource constraints are fully eliminated.
6.1.7 The Manual SLMS System

A manual system comprising the filing in of enquiry forms of network components availability by commercial services staff and responses by technical staff on these issues, is in operation in some parts of the Regions. This process enables commercial services staff to establish the availability of spare capacity and the status of network components to enable them to initiate the process of inviting prospective customers to come in and pay for both installation fees and deposit fees.

6.1.8 Necessity of studying this process

Zimbabwe is facing critical shortages of foreign currency worsened by the withdrawal of international financial institutions who could give the country balance of payment support. Funding for capital expansion projects has literally evaporated. Against this background, demand for service is very high and revenue growth opportunities come from timeous utilization of idle capacity. Delays in service provision can only mean lost revenue earnings within a defined time scale. The study shall highlight the extent of these losses, which can be averted.
6.1.9 **Process layout**

The service delivery process under examination is for new installations, transfers and recoveries. It can be observed from the various flow charts for these processes that any bottlenecks unresolved occurring at any of the identified stages creates revenue losses. These processes shall now be considered in turn.

6.1.9 **New installations**

Even with capital investment constraints, new installations are budgeted to reach 79,000 lines. These installations have become possible as a result of completed projects in Chinhoyi, Mutare, Chitungwiza and the Central Business districts of Harare where access network capacity is available to connect new customers in newly completed buildings. As for the other areas of Chinhoyi, Mutare and Chitungwiza, the access network has been put in place to allow last-mile installations to customer's premises. The Matabeleland digitalisation has created new service opportunities to about 53 000 customers in Cowdry Park, Enganwini, Pumula and the Bulawayo exchange areas.
The study is focused on taking as little time as possible in order to achieve early connections and therefore early revenue inflows. The maximum time that an efficient process should take to effect a connection is two days after network components identification and receipt of customer payment for deposit and installation fees.

Questioneers sent to identify the average time taken in the regions when connecting customers as well as outstanding connections have given the following statistics:

<table>
<thead>
<tr>
<th>Region</th>
<th>days taken to connect</th>
<th>outstanding Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harare</td>
<td>35</td>
<td>497</td>
</tr>
<tr>
<td>Mashonaland</td>
<td>30</td>
<td>91</td>
</tr>
<tr>
<td>Matabeleland</td>
<td>20</td>
<td>2571</td>
</tr>
<tr>
<td>Manicaland</td>
<td>35</td>
<td>308</td>
</tr>
<tr>
<td>Midlands</td>
<td>40</td>
<td>256</td>
</tr>
<tr>
<td>Masvingo</td>
<td>25</td>
<td>136</td>
</tr>
</tbody>
</table>

The revenue generated in 2001 by 180,000 connected lines was $10,872 billion. This ideally gives us revenue per line of $60,388 per annum and $5,033 per month.
Costing of delayed connections

Clearly, there is a cost accompanying delays in effecting customer connections. The more these delays are not managed the more costly it will become. Again customer perception efficient service provision is compromised. The calculation of such costs shall use the following formula:

\[ A \times B \times (C-D) \]

\[ \frac{30}{3859 \times 5033 \times (25-2)} \]

Where

A is the average number of outstanding new connections per month.

B is the calculated revenue per month per working line

C is the average number of days taken to effect connections

D is the acceptable number of days it should take an efficient team to connect.

\[ \frac{3859 \times 5033 \times (25-2)}{30} \]

The result is $14,890 million representing the cost of delays.

The reasons for delays
The reasons sighted for these delays are listed below:

- Records on network availability incorrect
- Customer premises inaccessible
- Drop wire not available
- Line jacks not available in stock

Management of delays

- Records on network availability incorrect.

This situation arises were the records of pairs to be connected from the distribution points are incorrect and in some cases indicating available capacity. Installation teams will however find that the distribution points close to customer's premises are full and therefore no connection can be effected despite the customer having been requested to pay the deposit and installation fees.

- Customer premises inaccessible

Installation teams will arrive to install a job and find the customer not at home or those present simply not aware of the installation job. Security considerations account for the latter problem whilst customer unavailability may be an indication of incorrect information advised to the company by the customer.
• Drop wire not available. No line jacks. These are critical materials for completing an installation job.

Clearly, it is desirable to put in place management process in order to earn $14.89 million. Per year this amounts to $178,686 million and would look good on any bottom line in any company's financial statements.

**Transfers of existing customers on the new network or to another location**

• **Transfers to new network**

Such transfers are prevalent in Matabeleland where a new digital exchange system replaces the analogue exchange system. Changes have also been effected on the access network where old copper cables buried directly underground have been replaced by optical fibre running in ducts. The existence of this new infrastructure has necessitated the transfers of customers from the old network to the new network.

The study quantifies the revenue saving created by an efficient transfer system that saves on time and ensures early usage of network resources by customers.
Transfers to another location

Company relocations to new sites or offices as well as people moving from their current residential areas to new areas are common occurrences. This activity necessitates the transfer of customer's lines to the new sites if it is still within the same exchange area. Where it is outside the exchange area, the consequences of delays follows similar pattern as with any new connection explained above. Customers cannot carry their line/number from one exchange area to another due to the different numbering system as well as differing distribution system per exchange area.

Costing of delayed transfers

The acceptable time frame for undertaking transfers is six days from the time all network components are identified and after payment of transfer fees. Lost revenue opportunities arise when such transfers are not executed in time.

The formula employed for calculating revenue lost is similar to the one for new installation namely :-

\[ A \times B \times \frac{(C - D)}{30} \]

Where
A is the average number of outstanding transfers per month.

B is the calculated revenue per month per working line

C is the average number of days taken to effect transfers

D is the acceptable number of days it should take an efficient team to transfer a line.

\[ 9689 \times 5033 \times (45-6) \]

\[ 30 \]

The result is $63,394 million representing the cost of delays per month or $760,729 million per year.

**The reasons for delays**

Reasons for delays are similar to those stated for new installations. These are:

- Records on network availability incorrect
- Customer premises not ready
- Customer's premises inaccessible
- Drop wire/line jacks not available

**Reallocation of recovered line**
A potential source of revenue loss is the management of allocating recovered lines. Lines may be recovered as a result of non-payment or customer voluntarily relinquishing services. Customers will voluntarily surrender service for a variety of reasons. The more cost conscious will surrender service because they are no longer able to pay for service provided.

Regardless of the reasons, the recovered lines need to be reallocated to those on the waiting list. These numbers can be identified from the list of spare lines available within an exchange area. The growth in the size of the report is an indication that more recovered lines remains unallocated in the network. If the recovered numbers are reallocated, the spare capacity in the exchange will not rise. It is also noted that for technical reasons, not all lines in say a 10,000-line exchange will be connected. Technical requirements would limit the connected lines to say 8,500 of full capacity. This means that some 15% will always be spare or reserved for emergencies such as hospitals, Police requirements or any other such important adhoc requirements, which would not need to wait for the installation of another exchange.

The reports indicate that an average of 3,251 lines above acceptable spare capacity is available in the regions. This represents unallocated lines despite the availability of access network. Whilst the situation would require more critical analysis as the network’s capacity to utilise the numbers on the switch must comply with manufactures’ recommendations on effective usage. Indications are that an average of 1,500 connectable lines remain as spare.
Again, during economic downturn, as is currently experienced in Zimbabwe; the reasons may have to do with failure by potential customers to pay for deposits and installation fees.

However, the size of the waiting list would suggest that idle spare capacity has more to do with administrative inefficiencies in managing the reallocation of recovered lines.

Costing of delayed reallocation.

Using the formula

\[
\frac{A \times B \times (C - D)}{30}
\]

Where

- A is the average number of outstanding connections per month.
- B is the calculated revenue per month per working line.
- C is the average number of days taken to effect connections.
- D is the acceptable number of days it should take an efficient team to connect.

\[
\frac{1500 \times 5033 \times (45-6)}{30}
\]

Frank Sinodo-2002
The cost can be computed at $9,814 million per month, which translates to $117,768 million per annum.

Management of re-allocation of recovered lines

Lists of monthly recoveries may need to be carefully filed to facilitate administration of reallocations.

Dates by which these numbers should be allocated may be set against each of the recovered lines and assigned to sales people to ensure that deposits and installation fees are collected from those on the waiting list to facilitate connection by the required dates.

Certainly monthly revenues of $9,814 million according to the above calculation are high enough to warrant implementation of an efficient administrative process.

Timely activation of connected lines.

Credit control measures include the disconnection of non-paying customers as a last resort. Statistical returns indicate an average of 2,300 lines recovered per month.
throughout the five regions. The recoveries are meant to resolve the problems associated with poor debt collection such as cashflows constraints and the consequent interest payments on overdraft or interest receivable opportunities missed from surplus invested funds.

Investigation indicates that the reallocation of recovered numbers to others on the waiting list can result in the technical teams completing connections and problems will arise where connected numbers are not billed on time. It is common for such numbers to go for even six months without a bill being produced. Normally where there is no bill produced, no payment will be made. For illustration, periods ranging from 35 to 60 days shall be considered for calculating the cost of prejudice in uncollected revenues. Use will be made of the revenue per line figure of $5,033 to compute the revenue savings that could arise if the process was reduced to 15 days which is time allowable by the billing system to complete the following tasks: -

a) Allowable period to process reallocation
b) Time needed to raise B-copies and activate billing process 14 days.

The process lends itself well to Business process re engaging (BPR). An estimated twenty-one days would be served if the process can be improved to optimum levels.

The amount is derived as follows :-

Days taken to reconnect say 35 days.
\[ A \times B \times (C-D) \]

\[ 30 \]

Where

- \( A \) is the average number of outstanding installations on the billing system per month.
- \( B \) is the calculated revenue per month per working line.
- \( C \) is the average number of days taken to activate number on the billing system.
- \( D \) is the acceptable number of days it should take an clerical team to activate bill.

\[ 2500 \times 5033 \times (35-14) \]

\[ 30 \]

The cost can be computed at $8,808 million per month, which translates to $105,693 million per annum.

**Taking call data records at end of month**

The collection of meter readings from switching exchanges differs considerably from analogue exchanges and digital exchanges. Investigations reveal that meter readings in the manual exchanges are taken as early as the 15\(^{th}\) of the month. It is considered that reading period should allow for:
a) Reading and recording of new meters for the month in the meter books.

b) Punching the readings from the meter books onto the billing system called the Administrator Billing System.

c) Correction of abnormal meter readings file before data conversion and validation for bill production.

Ideally, time taken on process number (a) and (b) can be reduced considerably by purchasing meter-reading computers, which allow for:

a) Punching the meter reading on the hand held meter reader.

b) Directly downloading of the readings on the Administrator Billing System. This process saves the punching of meter readings from the meter books and the associated data capture mistakes that arise.

It has been established that the processing of exchange call data records into customer bills can be reduced considerably by as much as twelve days. This means that meter-reading time can still be delayed by this time. Readings can therefore be safely undertaken from 27th of the month. Given average monthly revenue of $5,033 the revenue billed in this month instead of latter would be $140,942 million ($5033x12days x70000 lines/30 days) for say 70,000 lines. If
80% of this income is collected this ensures that this amount is available to the company early enough to earn interest of $527,619 million at 39% for 12 months and reduce the overdraft cost.
6.2 REVENUE GENERATION AND TARIFFING ISSUES IN INTERNATIONAL TELECOMMUNICATIONS BUSINESS

6.2.1 Introduction

The income and expenditure accounts for the year ended December 2001 show that telephone income constitutes 91% of the total income. As alluded to in the Part 1, this income is comprised of national income and international income. It is this latter category that the study shall review and present improvement strategies in this segment of the report.

International income

International income originates from voice traffic and leased circuits providing data handling capabilities as well as voice leased circuits.

The infrastructure supporting international traffic consists of two international gateways namely - Harare Trunk Switch Exchange and Gweru International Gateway. Traffic is further beamed to and from the earth station where two antennas are facing the Pacific Ocean and Indian Ocean at Mazoe Earth Station.
Space segment is rented on the Intelsat orbituary station to handle the incoming and outgoing international traffic to various destinations throughout the world.

**Consultancy work on international traffic**

In the consultancy work undertaken by Mike Jackson of BT Teleconsult, the issues confronting the company is referred to in the executive summary as follows:

"The on-set of competition means that over the next few years, things will change, and change rapidly. If PTC does not drive the changes its position will worsen, foreign investment will be difficult to attract, government will be left with an outdated institution, producing a significant drain on resources and its best people will be enticed away by competition".

Use shall be made of Mike Jackson's models in identifying revenue opportunities missed on various routes. Whilst, I participated in this work package, I am indebted to this learned gentleman, for the guidance and expertise exhibited in his report. Sadly, this work was never utilized in the
PTC mainly because of the restructuring process that unfolded and the urgent tasks of setting up the successor companies to PTC - initially referred to as the Strategic Business Units (SBU). However, significant issues still remain; investment is still elusive, after the government threw out the IMF supported economic structural adjustment programmes. Flight of capital has ensued; the need to urgently turn around the company and achieve sustainable growth has become a compelling reason for urgent action. Finally, survival strategies are required to avert job losses in the company as well as maintain reasonable levels of service in the face of declining macro economic situation in the country.

The review of revenue generation on international routes shall cover collection charges, accounting rates, the relationship between collection charges and accounting rates and the settlement of statement between international traffic carriers.

6.2.2 **Collection charges**

Collection charges refer to the charges raised by a network operator on its customers for making calls to various international destinations. These charges must cover the operating costs of the network as well as compensate other operators for facilitating the completion of these calls in
other countries. This segment of costs is termed telephone handling cost in the company's detailed financial statements.

**Out-payments**

The out-payments to other international network operators are not made in the currency in which collection charges are raised. The collection charges are raised in Zimbabwe dollars and the out payment for handling traffic is made in foreign currency in compliance with international Telecommunication Union (ITU) Regulations and as agreed to by various administrations.

The currencies in use are the Special Drawing Rights (SDR) the Gold Franc and the US dollar.

The level of collection charges becomes significant with respect to international traffic since a portion of it must be paid over to the other traffic carriers as handling costs.

Collection charges represent a cost to the customer for making the calls. To the corporate world, it represents a cost of conducting business with individuals or other corporate bodies in various parts of the world. For multinational corporations with branches in other parts of the world, the
cost differential between Zimbabwe and other countries were those branches are located presents a cost management exercise which can affect the pattern of calls to and out of Zimbabwe using Tel•One's network.

The point is illustrated with an example. Lets assume that a company called ABC Corporation has its headquarters in the United States of America and has one of its branches operating in Zimbabwe. Lets further assume that, the volume of traffic minutes generated in making business transactions between headquarters and the branch is 100 minutes. (This is a very simplistic example but it will illustrate the point).

The exchange rate between Zimbabwe dollars to the United States dollar is Z$56,925/US$.

Now the costing is as follows: -

**Branch expenditure**

100 minutes at say Z$120 = Z$12 000

If the calls are originated from the United States

100 minutes @ say US$80.00 = US$8 000
The company will out-pay, US$8,000.00 for its bill if the calls are originated from the United States or it will pay Zim$12,000 if the calls originate from Zimbabwe.

Converted to hard currency, the branch will pay ZS12,000 divided by 56,925

= US$210.80

The ABC Corporation will have the following expenditure on its consolidated accounts.

Telephone charges = US$8,000

Or

Telephone charges = US$210.80 if calls originate from the branch in Zimbabwe.

It certainly makes sense for the company to take advantage of the weak exchange rate and reduce its costs by originating the highest volume of its intended business calls from Zimbabwe. If companies and individuals use this approach with their business counter parts and families or relations, Tel•One as a network operator will find itself in a net out-paying position as a result of high traffic minutes generated because of lower real collection rates. In essence, Tel•One is charging Z$120 per minute ÷ 56,925 which is the exchange rate between the US$ and the Zimbabwean
dollar = US$2.11 per minute compared to the US$80.00 per minute charged in the United States.

Such levels of collection charges can stimulate high traffic volume imbalance between the two administrations. The company has no influence on the exchange rates. The only tool at its disposal in correcting traffic imbalance is considering the adjustment of the collection charges. Altering traffic charges will present the correct leverages in changing the balance of traffic between Zimbabwe and the United States of America. This course of action must take into account the intensity of competition between network operators in Zimbabwe. However, they are likely to suffer the same fate unless the network operators in Zimbabwe are using the collection charges as a strategy of market penetration. Since the out-payment is in foreign currency, the level of collection charge must be adequate; that is, in foreign currency terms, to meet this cost in addition to other operating costs which include the cost of putting up the infrastructure.

Analysis of collection charges between Southern African administrations reveals the following picture.
<table>
<thead>
<tr>
<th>Country</th>
<th>Admin. Local</th>
<th>Col/charge Local</th>
<th>Exchange rate</th>
<th>Col/charge in US$</th>
<th>TelOne charge local</th>
<th>TelOne charge in US$ pegged rate</th>
<th>TelOne charge in US$ Market rate</th>
<th>Difference In US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>SPTC</td>
<td>R6.09</td>
<td>US$1/R10.54</td>
<td>.57</td>
<td>Z121</td>
<td>2.2</td>
<td>.19</td>
<td>.38</td>
</tr>
<tr>
<td>Malawi</td>
<td>Zamtel</td>
<td>K7782.2</td>
<td>US$1/k4566</td>
<td>1.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Botswana</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Namibia</td>
<td>Telecom Namibia Ltd</td>
<td>N$2.67</td>
<td>US$1/R10.54</td>
<td>.25</td>
<td>Z79.95</td>
<td>1.09</td>
<td>.12</td>
<td>.13</td>
</tr>
</tbody>
</table>

The current macro economic situation in Zimbabwe compounds the difficulties. Zimbabwe operates an official exchange rate where the Zimbabwe dollar is pegged against the United States dollar and other trading currencies. The official rate against the US dollar is US$1/Zim$55. On the parallel market, the rate ranges of between 650 to 800 Zimbabwe dollars to the US$ as at September 2002. The official market does not have the currency and Zimbabwe has accumulated huge debts in traffic handling charges. Further, those countries whose charges are in United States dollars such as Zambia have a freely traded foreign currency market.

If the United States dollar was a scarce currency on the Zambian foreign currency market, then Zimbabwe would expect a lot of call back traffic with the Zambian customers taking advantage of Tel•One ‘s regional and international rates which
are in local currency. Traffic volumes between the countries are indicated as follows.

As has been seen, lower collection charges encourage high volume of outgoing calls leading to higher out-payments. The position is further worsened by a weak local currency in relation to the trading currencies under consideration. Given devaluation, an administration in an out-payment position may end-up heavily indebted unless the issue of volumes is tackled by reviewing collection charges in order to tilt the balance traffic flow in one’s favour. Of course, this will happen within the bounds permitted by competition. Zimbabwe has deregulated the communications sector, thus opening up the once closed industry to competition.

It is accepted that the level of public collection is not the only determinant of traffic volume between operators in different countries. Business conditions and trading patterns will affect traffic volumes between countries. For instance with a boost in tourism in Zimbabwe, traffic flow can increase to Zimbabwe reflecting inquires and bookings. Similarly, with an economic upturn in Zimbabwe the calls out of Zimbabwe may increase reflecting increased inquiries, orders and business transactions. However, when all is taken into account, an operator can manage its traffic through adjustment of the public collection tariffs.

If collection charges are increased customers will make less calls, traffic levels will decrease and the balance of traffic will reverse.
If collection charges are increased, traffic will migrate to competitors who will deliver the traffic via an alternative carrier.

Tel•One's low tariffs for both domestic and international service as exhibited in the above sections has led to huge traffic imbalances even with mobile operators. While the mobile charge is about Z$19.52 per minute, Tel•One charges $3.00 per minute. The result has been a massive increase in traffic terminating on mobile networks from the fixed network operated by Tel•One. Whilst this has boosted revenues of Tel•One by this additional traffic, serious cash flow consequences can arise due to poor debt collection from Tel•One's customer base. Where the customers are encouraged by lower tariffs in their choice of networks and some extended credit period granted by a network without prepayment facilities, incidences of bad debts are high and have presented serious cash flow problems for Tel•One. The traffic in favor of mobile operators is not paid for in accordance with collection levels but in accordance with billed revenues.

Collection is an individual operator's responsibility. In other words, payment is made on the basis of exchanged traffic irrespective of whether the calling customer has paid or not.
6.2.2 **Accounting rates**

For purposes of billing each other, international traffic carriers or network operators use Total Accounting Rates (TARS) to price traffic minutes into monetary value. The total accounting rates are agreed to between each of the operators.

**Relationship between collection charges and accounting rates**

**Existing Accounting Rates for major destinations**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Accounting Rate (SDRs)</th>
<th>With Effect From</th>
<th>TelOne is a Net Out-payer</th>
<th>TelOne is Receiver</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>0.121/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>0.1610/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Botswana</td>
<td>0.071/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>USA (AT&amp;T)</td>
<td>0.07510/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>USA (MCI)</td>
<td>0.07510/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>USA (Sprint)</td>
<td>0.07510/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>0.085/97</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>0.0810/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>0.207/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>0.109/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>5/96</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>0.805/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>0.6447/95</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.641/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.501/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>0.984/97</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>0.701/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>0.4012/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>1.001/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>1.006/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>0.601/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>0.501/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>1.001/99</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>S. Korea</td>
<td>1.006/98</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
2. Current Conversion Rates

The current conversion rates are as follows:

<table>
<thead>
<tr>
<th>1 SDR</th>
<th>1 SDR</th>
<th>55,935</th>
</tr>
</thead>
<tbody>
<tr>
<td>$Z60</td>
<td>$Z60</td>
<td></td>
</tr>
<tr>
<td>$Z37</td>
<td>$Z55</td>
<td></td>
</tr>
</tbody>
</table>

The level of TARs may vary between the Operators. Total Accounting Rates have become tools by which operators can undercut and wrestle business from competitors plying the international service.

<table>
<thead>
<tr>
<th>Country</th>
<th>Traffic mins</th>
<th>Existing TAR (SDRs)</th>
<th>Out-payment saving in SDRs if TAR reduced by:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Apr-99</td>
<td>10%</td>
</tr>
<tr>
<td>UK</td>
<td>1,651,644</td>
<td>0.50</td>
<td>82,582</td>
</tr>
<tr>
<td>Kenya</td>
<td>570,770</td>
<td>0.98</td>
<td>55,935</td>
</tr>
<tr>
<td>Belgium</td>
<td>90,958</td>
<td>1.00</td>
<td>9,096</td>
</tr>
<tr>
<td>Sweden</td>
<td>73,281</td>
<td>0.64</td>
<td>4,690</td>
</tr>
<tr>
<td>Austria</td>
<td>43,969</td>
<td>1.00</td>
<td>4,397</td>
</tr>
<tr>
<td>S.Korea</td>
<td>6,539</td>
<td>1.00</td>
<td>654</td>
</tr>
</tbody>
</table>

The above figures indicate the priority in which TAR negotiations should be handled.

In essence, the strategy to adopt in order to retain profitability through revenue increases and cost reductions is to negotiate lower accounting rates where traffic balance is not in Tel•One's favour. This reduces the overall out payment. On the other hand, where Tel•One is a net receiver, the strategy is to negotiate and agree the highest possible accounting rates. This approach will have the effect of boosting Tel•One's revenues.
The above figures indicate the priority in which TAR negotiations should be handled.
6.3 WORKING CAPITAL MANAGEMENT

Introduction

Glen Arnold in Corporate Financial Management contends that the act of finance-raising has profound consequences for the success of the organization. The decisions, which involve small and short-term commitments whilst individually being small and often routine, they are collectively extremely important for the well being of the firm and the achievement of its goals. Glen Arnold states that,

"The quality of day to day interaction with banks, shareholders and other finance providers is also vitally important. Thought and time have to be devoted to cultivating the relationships. Any one encounter with, or information flow to, these backers may be regarded as insignificant, but cumulatively an image of business is created in the minds of some very influential people. Ideally that image needs to be professional and purposeful and to show a sound grasp of the competitive position and potential of the firm."

These words become particularly significant, especially at a period when the Post and Telecommunication Corporation faced serious cash flow problems which threatened its very survival in 1998 well up into 2001. A crisis meeting was held
by the Post and Telecommunications’ Chief Executive Officer and his divisional
directors and the single agenda item was how to finance the PTC wage bill for the
month of March in 1999. One could almost hear the minds grounding to a stop
after the Finance Director had advised the meeting that no additional overdraft
could be given by the company’s bankers beyond the currents limits.

It is sufficient to mention that the Chief Executive Officer’s last minute call to the
Executive Director Corporate Banking of Zimbabwe Banking Corporation
produced financing for that month’s payroll. Without further guarantees of how
future salaries and other operating expenditure was to be financed, the meeting
proceeded to pass a resolution to cut with immediate effect, the salaries of the
4500 workforce.

It is important to conclude that the sad developments eventually led to the
departure of Chief Executive Officer and the Group Manager for Human
Resources. The workers took their case through the legal system ending with the
Supreme Court, which ordered the reinstatement of the reduced salaries in
October of 2002. For Tel One (Pvt) Ltd, the Supreme Court’s order would not
apply, as the company had secured a separate agreement with the union when it
negotiated and sealed the 2001 Collective Bargaining Agreement.

Glen Arnold continues as follows,

"A poor image can lead to increased costs of funds,
the blocking of expansion and, in extreme cases, the
removal of managers.”
6.3.1 **Debt Management**

The billing programme

The billing programme can seriously prejudice Tel•One’s revenue and affect debt management in various ways.

Of particular importance is the last date of payment which is printed on the statements which are dispatched to the customers. Customers traditionally prefer to pay their bills on or just before the last date of payment as advised on the statement. Following this pattern, customers will congest accounting offices or payment collection centers around the last payment date up the end of the month.

The last date by which payment is received should therefore aim to achieve the following:-

a) Allow the customer to make a conscious effort to budget for this payment before most of the bills become due and payable. The statements would come from other service providers such as electricity authorities, City Councils for water and refuse collection and departmental stores operating on credit terms.
b) The date should provide for adequate time to process the receipts and ledger the payment on the billing system in order to update the customer’s records.

The above process must consider resources available for other urgent tasks such as meter reading, data punching, bill validation, bill enveloping and bill posting reach the customer some ten to fourteen days before the last date of payment. The consequences of an incorrect statement are that debt collection will be compromised. This is so as customers will contest the bill and credit controllers will not enforce credit policy as they will be aware that some statements are in correct.

c) Some dishonest customers may take advantage of low integrity bills and withhold payment until they are found out.

The Postal System

Complete reliance on the Postal delivery system for the transmission of bills to the customer has created problems if the process is not well managed.

In recent years the postal network has suffered disruption from industrial strikes. The creation of a separate successor company dealing with postal service appears to have created viability problems as the subsidies from telecommunication business have dried up over night. Postal have appeared to want to ensure maximum disruptions of TelOne mail each time there is an industrial action.
Bills destined for the Manicaland Region have been known to have been speedily delivered in the opposite direction to Matebeleland. It is critical therefore that alternative means of advising the customer of outstanding amounts be established.

**Short-term solutions**

1. Developing a web site at TelOne where customers can access their bills on line.

2. Signing a service level agreement with Postal Authorities giving special concession of treating TelOne bills as priority items for delivery purposes.

3. Service level agreement should stipulate delivery time commitments. These can take the form of – urban is equal to J + 1. The J would represent date of delivery. For the delivery in urban areas, a letter posted today should reach it intended address the following day.

4. It should be noted that the service level agreement will cover both bills and receipts been sent from outlying areas to the billing centers for processing.

**Debt Control**

Having set up the above operating framework, the next step would be to ensure an effective debt control system. Ideally, this should take the following form. The
Finance department should set out the performance conditions for an acceptable debt management strategy. Outstanding debtor days would be the key performance indicator used in evaluating commercial service managers in each of the regions.

**Bulk Billed Accounts**

Bulk billed accounts represent those accounts where a number of telephone numbers are billed under a single account. An example would be where a government’s telephone numbers are billed under a single account addressed to the principal accounting officer for that department. Because of the central payment system in government this type of billing system would be ideal, as one payment would be made for the whole department’s consumption. As a result of the need to verify the bills by various sections within the department, more time would be allowed to facilitate the process.

**Average debtor days**

Sixty days outstanding debt would be the performance target to aim for.

Obviously the political angle of debt collection should be managed in the case of government departments. This can take the form of high level contacts by senior managers in Tel•One with senior officials in the defaulting ministry.

**Commercial Accounts**

Commercial accounts represent the rest of the other type which is not bulk billed accounts. These constitute the major portion of Tel•One’s customer base. For these
customers, private debt collectors can be engaged on conditions that allow full recovery of costs from the customer. Care should be taken to ensure that any payments made by customers are not withheld by the agent and converted to his own use. The monitoring of receipt issued to the customer by the collection agent should ensure that a reconciliation is done with the payment remitted.

**Average debtor days**

An average outstanding debt should represent about forty-five days.

Commercial managers should operate a target focused, debt collection strategy in order to ensure that the working capital requirements of are met.

6.3.2 **Cash management**

The cash collection process is undertaken at TelOne's own banking halls and at Post Offices throughout the country.

At both these outlets, payment is tendered in cash or by cheque. A smaller volume of payments is processed through commercial banks and building societies.


Tel•One's Cash Collection Process

Tel•One has facilities to handle cash and cheques through personal presentation at counters and by depositing cheques in cheque posting boxes.

Because of the volumes involved the challenge has been to get the huge sums into the bank on the day of collection.

Cheque deposits in Boxes

The process of logging cheques and receipting these payments had to be altered to facilitate twice same day banking. The P25 cheque registration form had to be converted to operate as a receipting form.

Previous Procedure

The Registry opened the mail as it arrived and sorted out cheques/statements and ordinary mail.

The cheques were then registered in the P25 recording (a) drawer, (b) cheque number, (c) bank sort code, (d) payee and (e) amount. (See figure 7)
This process would take the whole day and the cheques would be taken for receipting. The cheques would then be receipted on a TA126 telephone billing receipt and each receipt book is a security document and serially numbered. Unless cheques went through this process, they would remain in the building and would not be banked. Only receipted cheques would be banked. The process meant that cheques would take as long as five or cleared and prepared for banking.

The aim of a proper cash management system is to get the money to the bank in order to reduce any overdraft thereby cutting down on the interest payable. Alternatively, the cheques are banked and cleared early through the banking system in order to earn interest after investment on the money market. The current process needs revision.

**Procedure before registration of cheques**

a. The Registry will open the mail as it arrives and sorts out cheques/statements. (The procedure for other correspondence should be followed but this will not delay the treatment of cheques).

b. Cheque collection from the boxes should be done twice a day to allow time for receipting. This can be done at 9.00am or at least an hour before banking in the afternoon.
c. All cheques will be scrutinised for:-

- acceptable data
- amount in words and figures
- signature present

d. Invalid cheques must be referred back to the customer.

e. Postdated cheques may be referred to the Credit Control Manager together with other correspondence for his attention.

Registration, receipting and banking

The P35 and the TA126 will be combined to produce a TA126A which will serve as a cheque registration form as well as a receipt book. Once cheques are registered they are also automatically receipted and are immediately ready for banking. (see figure 8)

The TA126A will be used to register and detail cheques. All columns must be completed. Four copies will be made out as follows

Copy 1 will accompany the cheques to cashier and be used to support bank in
payment.

Copy 2 will accompany the cheques and be retained by the cashier.

Copy 3 will be sent to billing input to support manual payment input. Customer will have enclosed statement stamped and receipt number recorded and statement is sent back to customer.

Copy 4 will be retained by the registry to support manual receipting for dispatch to customer.

Each batch of cheques will be numbered and signed out to the cashier who will sign on arrival. A record of batches sent will be kept.

Registry Supervisor will ensure that all cheques on hand are listed on the TA126A and passed to the cashier for banking by the afternoon banking deadline.

Receipting

The above process has also taken receipting process into account as receipt numbers are pre-printed on the TA126A. (Copy - shows the TA126A).
The receipt numbers and account numbers are written on the back of the cheques.

**Ledgering payments on the billing system**

The TA126A copy 3 will be checked for legibility and passed to the billing officer for immediate input. If this process is delayed, the customer's statements may come wrong without showing the payment made. The billing officer ensures that all batches have been received and that input is not delayed. Each TA126A will constitute a batch.

**Banking**

The cashier will ensure that all completed TA126As and their cheques are banked on the same day.

1. For cash and cheques paid over counters during the day, the cashier will remove from the tills all cheques and large notes at a time sufficient for normal banking input to be prepared before bank time.

2. Arrangements are also made with the banks relationship managers to ensure that at the stipulated banking times the till points will be reserved for Tel•One transactions.
Collection through Post Offices

The payments made through Post Offices may take time to establish as this process normally allows for the Post Offices cash accounts to be sent to their headquarters for processing at the end of the month. This process may take almost two months. Certainly cash flow consequences may be serious for Tel•One (Pvt) Ltd.

To resolve this problem a service level agreement SLA will be entered with Postal Services which guarantees that interim payments will be paid over to Tel•One every week on Tuesday based on an average collection figure for the past three months. This approach allows for adjustments on tariffs to be considered in the interim payment.

Calculation of Benefits of Twice Same Day Banking

The replaced process, which saw receipts taking a longer time before they are banked, represented loss in terms of interest earning opportunities. Without the twiceSame day banking, it is estimated that at least 35% of collections would remain in the office after each single mid morning banking. Apart from posing a security risk of storing large sums of money
in the buildings, the interest lost over night for each month can be calculated as follows: -

1) current daily banking average=$16,000,000
2) percentage left unbanked =35%
3) monthly interest rate for overnight deposits=27%

Therefore monthly interest forgone is calculated as follows: -

= $16,000,000 x 35% x 27% x 360 days = $544 Million.

Such savings can provide a significant improvement on the company's profitability.

6.3.3 STORES MANAGEMENT AND PURCHASING

Service Level Agreements (SLA) with major corporate customers have been difficult to implement as a result of some shortages of materials such as drop wire line jacks and telephone handsets. This material is essential to meet standards of performance required for meaningful service level commitment.

As indicated in preceding sections, reducing time taken to implement new connections, line transfers or fault clearance increases revenue performance. It is important therefore to ensure a proper stores
management and purchasing systems that operates effectively within the constraints and company specific circumstances.

Stores management

Observed weaknesses

i. Information System

It is noted that the current information system is in need of replacement.

The MAX stores accounting package, obtained from MAX International in the UK, through the local company ICL is outdated and inadequate. The local ICL company does not have in-house expertise to upgrade the system themselves and some programme malfunction have had to be referred to the UK supplier causing much delay and cost to Tel•One.

Any delays in correcting these problems has meant that Tel•One would hire contract labour to complete data input in order to meet deadlines for financial reporting.

The method of stock valuation at weighted average prices causes delays at year-end and in some instances results in large under estimates for job costs.

Reports on non moving stores items useful for identification of stock suitable for disposal has taken the Tel•One’s IT department some five weeks to produce. Some of the bespoke programs

Frank Sinodo-2002
written by ICL have never been tested and the data they generate is inaccurate. The response time for transactions and file update is unacceptably slow.

ii) **Inflation and the purchasing process.**

The impact of hyper-inflationary has created a difficult purchasing environment for the company. All material suppliers in Zimbabwe who win tenders for the supply of material have in almost all cases changed and increased the price of tendered materials before delivery. In some cases these prices have doubled.

**Project material**

The project material left over after project completion, have not been delivered into the stores system in some cases. All this material needs to be booked into stores for identification and usage by other users involved in maintenance programmes. This material is critical given that there is a shortage of foreign currency in the country to pay for the fresh orders.
**Recommendation for stores and purchasing**

When the foreign currency situation improves it will be necessary to replace the current stores accounting package. In the meantime, the contractual commitment in the maintenance contract needs to be closely monitored and enforced to reduce costs.

The legal section of the company in TeleOne will need to draft effective contracts to plug loopholes exploited by suppliers.

The price validity period must be stated. In the event of price change the price escalation formula must be clear to allow for verification and acceptance of the changes before further movements from the market.

All project material must be identified in all exchange areas and booked into stores for use in the system. This will ensure that the user who are spread throughout the country will identify the material through the stores accounting system and plan for the required works in the network.

These are the required strategies for implementation in the short term. Further assessment of processes in this area will be done once the macro economic situation improves. Stores management and the business process reengineering would need to continuously review the area to minimize cost and improve profitability.
CHAPTER SEVEN

THE FINDINGS

Summary findings

The various processes introduced in this project and the resultant calculations are summarized in this section. It is important to note that simple processes can create substantial loses if they are not reengineered and streamlined to produce the desired efficiencies in a results focused company. The financial impact posed by lack of attention to detail is normally not quantified. It follows therefore that what is not known is not likely to be corrected. Paul J Meyer, in his book, *Effective Personal Productivity* says,

"Today's rapidly changing and keenly competitive market place requires constant improvement of current strategies and methods. Workable procedures of course, are absolutely necessary for the day to day functioning of an organisation."
These computations are an indication of the average cost/savings that TelOne can achieve with current infrastructure and resource constraints pending privatisation.

**Calculated savings**

<table>
<thead>
<tr>
<th>Description</th>
<th>$\text{\textdollar} \times 10^3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Costing of delayed connections</td>
<td>14,890</td>
</tr>
<tr>
<td>2. Costing of delayed transfers</td>
<td>760,729</td>
</tr>
<tr>
<td>3. Costing delays in re-allocation of recovered lines</td>
<td>117,768</td>
</tr>
<tr>
<td>4. Activating B-copies</td>
<td>105,693</td>
</tr>
<tr>
<td>5. Reading metered units early in billing month</td>
<td>527,619</td>
</tr>
<tr>
<td>6. International revenue –say</td>
<td>500,000</td>
</tr>
<tr>
<td>7. Cash Management twice same day banking</td>
<td>544,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,571,000</strong></td>
</tr>
</tbody>
</table>

Average costs/savings were extracted from the preceding sections dealing with improving efficiencies in service delivery, processing of call data records, processing customer bills, international traffic and accounting rate management impact of foreign exchange rates on traffic imbalances, debt management, cash management and purchasing issues which impact on revenue generation.

The key findings are:
• Revenue and cash flow improvements can be realized through process reviews and reengineering. Once a structure is built that allows the variables of the process to be considered individually, the presentation of figures representing existing revenue opportunities can spur the various divisions of the company into adopting corrective action.

• Economic and financial imperatives such as exchange rates should guide the various divisions in strategy formulation. The setting of tariff levels and their impact on volumes and relevance to the international trading environment of the telecommunications industry are considerations requiring spooling of expertise from finance marketing in engineering and international business.

• Market retention and consolidation in a shrinking economy can be tackled by optimising the available resources to produce improved incomes to sustain operations and goals.

• That the bulk of the process changes can be implemented with the existing resources in terms of equipment, human resources and financial requirements in that savings can more than compensate for costs incurred.

• Establish, control and maintain documented processes.

• Training and human resources development needs to be an ongoing target-focused process to ensure that the organisation maintains its momentum of change to achieve sustainable financial improvements.

When the political and economic climate permits, Tel•One will need to implement a project that is similar to BT’s Project breakout which was launched in 1993. Such a project will seek to fundamentally review in a sustained manner, the business’
efficiencies. The 'breakout project' task is to design improvements that would help 
generate and enhance revenue, work more efficiently, grow markets, delight customers 
and run world-class processes that would make the organisation more competitive and 
more profitable.
CHAPTER EIGHT

CONCLUSION AND RECOMMENDATIONS

Introduction
This chapter is meant to revisit the preceding chapters in an effort to bring out the salient points covered in an endeavor to highlight the significance of the study.

Chapter One
This section of the study reviews the macro economic situation in Zimbabwe. It highlights the state of economic decline experienced by various sectors, the losses incurred by the major public corporations and governments attempts to privatise these institutions in an effort to reduce the perennial budget deficits.

Chapter Two
The focus is put on the Post and Telecommunications Corporation. The study looks at the restructuring undertaken and the split of this loss making entity into separate successor companies representing Postal, Fixed Telephony and the Mobile Cellular Company.
The management dilemma is to achieve financial turn around of Tel•One (Pvt) Ltd, a successor company of the Fixed Telephony division of the Post and Telecommunication Corporation.

Set against a background of negative growth rates, high unemployment, political and economic isolation of the country, financial turn around of the company is the challenge confronting the management of this resource constrained company. The company aspires to privatise by giving 30% stake to a strategic partner.

The management question is, "What are the opportunities and / constraints that exist or inhibit the revenue growth prospects in telecommunication company?

What business process strategies can be implemented in the short to medium term to improve both revenue and cash flows in a fixed network service provider such as Tel•One (Pvt) Ltd?"

Chapter Three

This part traces the world-wide moves in telecommunication sector deregulation. The reasons for this phenomenon are noted and various literatures with a bearing on Zimbabwe's economic progress is reviewed to demonstrate the urgent need for process review to improve Tel•One's revenue and cash flows in order to enhance company value before privatisation.
Process reviews carried by BT are considered. The results of the research study will be submitted to Tel•One Management in order to harness resources required to achieve financial turn around. These will constitute some of the performance targets for management team to cascade to lower levels within the organisation.

**Chapter Four**

The benefits are identified in the following areas:

a) Billing  
b) International traffic and accounting rate management  
c) Debt management  
d) Cash management  
e) Stores management and purchasing function

A purposive sampling technique is used to assess conditions and information that satisfy the research objectives. Secondary data sources are used in the study.

**Chapter Six**

The chapter reviews and analyses various process critical for performance improvement. The methods for computing costs incurred or revenue opportunities are shown for billing, international business and capital management.
Chapter Seven

The results are summarised and recommendations for carrying out sustained improvements are given.
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BT "Our Passion for Quality" (1998)

[http://www.bt.co.uk/quality](http://www.bt.co.uk/quality)
GLOSSARY OF TERMS

B-copies – input form to introduced new account on the billing system.

B T Teleconsult - Management consultant arm of the British Telecoms.

Commercialisation - Increase efficiency to ensure that income and indeed company survival depends on gaining sufficient work to meet operation expenditures and not rely on handouts for survival.

Company cash flows - comprise movement of money in and out of the business.

Exchanges - Telephone Switching plant providing service in a defined geographical area.

Line piracy - Unofficial service connection done fraudulently.

Parastatals - Government owned public companies providing services in many sectors of the economy e.g. Telecommunications, Energy, Rail, and Agricultural commodity boards such as grain and cotton.

Privatisation - process of changing government ownership in corporations by issuing out shares to the public or selected investors to raise capital.

Revenue - Income arising from Telephone, Telex, data leased lines and Internet services.

Tel-One (Pvt) Ltd - the successor company to the telecommunication division of the Post and Telecommunications Corporation.

Under capitalised - in adequately financed.

Vetting procedures - process of identifying and selecting credit worth customers to be given service.

Zimbabwe Millenium Economic Recovery Programme - an 18 month economic recovery plan building upon fiscal policy adjustment commitments made by government.
### FIGURE 1

**POSTS AND TELECOMMUNICATIONS CORPORATION**  
**INCOME AND EXPENDITURE AND APPROPRIATION ACCOUNT**

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Turnover</strong></td>
<td>$5,094,825</td>
<td>$5,075,170</td>
<td>$5,708,495</td>
</tr>
<tr>
<td><strong>Cost of sales before staff costs</strong></td>
<td>$(1,993,343)</td>
<td>$(2,115,855)</td>
<td>$(4,155,211)</td>
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<tr>
<td><strong>Gross profit before staff costs</strong></td>
<td>$3,101,482</td>
<td>$2,959,315</td>
<td>$1,553,284</td>
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<tr>
<td><strong>Other operating income</strong></td>
<td>$90,479</td>
<td>$84,064</td>
<td>$33,970</td>
</tr>
<tr>
<td><strong>Operating (deficit)/surplus</strong></td>
<td>$3,191,961</td>
<td>$3,043,379</td>
<td>$1,587,254</td>
</tr>
</tbody>
</table>

**Administrative expenses before**

<table>
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<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff costs</strong></td>
<td>$(815,819)</td>
<td>$(699,937)</td>
<td>$(660,625)</td>
</tr>
<tr>
<td><strong>Operating (deficit)/surplus</strong></td>
<td>$562,718</td>
<td>$(405,303)</td>
<td>$(1,043,267)</td>
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</tbody>
</table>

**Net financing costs**

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
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</thead>
<tbody>
<tr>
<td><strong>Interest Payable</strong></td>
<td>$832,738</td>
<td>$1,015,765</td>
<td>$(1,301,168)</td>
</tr>
<tr>
<td><strong>Exchange Losses</strong></td>
<td>$3,266,517</td>
<td>$(80,744)</td>
<td>$(2,084,431)</td>
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<tr>
<td><strong>Premiums, raising fees and other</strong></td>
<td>$35,599</td>
<td>$51,620</td>
<td>$(126,773)</td>
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<tr>
<td><strong>Interest receivable</strong></td>
<td>$(3,543)</td>
<td>$(227,188)</td>
<td>$176,058</td>
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<tr>
<td><strong>Net financing costs</strong></td>
<td>$4,071,311</td>
<td>$759,453</td>
<td>$(3,336,314)</td>
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</tbody>
</table>

**Taxation**

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<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Deficit)/surplus before taxation</strong></td>
<td>$(3,508,593)</td>
<td>$(1,164,756)</td>
<td>$(4,379,581)</td>
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<tr>
<td><strong>Taxation</strong></td>
<td>$137,718</td>
<td>-</td>
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<tr>
<td><strong>(Deficit)/surplus after taxation</strong></td>
<td>$(3,370,875)</td>
<td>$(1,164,756)</td>
<td>$(4,379,581)</td>
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<tr>
<td>ASSETS EMPLOYED</td>
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<td>1999 ($)</td>
<td>2000 ($)</td>
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<td>-----------------</td>
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<tr>
<td>Fixed Assets</td>
<td></td>
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<tr>
<td>Land and Buildings</td>
<td>618,046</td>
<td>723,126</td>
<td>722,514</td>
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<tr>
<td>Telecommunications plant</td>
<td>4,337,687</td>
<td>5,247,343</td>
<td>15,128,898</td>
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<tr>
<td>Postal and store plant</td>
<td>11,960</td>
<td>11,183</td>
<td>1,325</td>
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<td>Fixtures and fittings</td>
<td>68,320</td>
<td>96,967</td>
<td>131,577</td>
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<tr>
<td>Transport equipment</td>
<td>60,527</td>
<td>53,846</td>
<td>187,353</td>
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<tr>
<td>Capital work-in-progress</td>
<td>763,775</td>
<td>2,236,268</td>
<td>4,934,633</td>
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<td>Fixed assets</td>
<td>5,860,318</td>
<td>8,368,733</td>
<td>21,106,300</td>
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<tr>
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<td>2,256</td>
<td>3,871</td>
<td>3,871</td>
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<tr>
<td>5,862,574</td>
<td>8,372,604</td>
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<td>Current Assets</td>
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<tr>
<td>Stores</td>
<td>496,253</td>
<td>412,074</td>
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<td>Debtors</td>
<td>1,126,387</td>
<td>1,513,968</td>
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<td>Bank balances and cash</td>
<td>6,952</td>
<td>43,411</td>
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<td>1,629,602</td>
<td>1,969,463</td>
<td>1,953,384</td>
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<tr>
<td>Current Liabilities</td>
<td></td>
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<td></td>
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<tr>
<td>Creditors</td>
<td>2,295,839</td>
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<td>1,047,005</td>
<td>1,774,357</td>
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<td>Other provisions</td>
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<td>459,725</td>
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<td>3,770,991</td>
<td>6,109,220</td>
<td>8,798,930</td>
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<td>Net current liabilities</td>
<td>(2,141,389)</td>
<td>(4,139,757)</td>
<td>(6,845,546)</td>
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<td>3,721,185</td>
<td>4,232,847</td>
<td>14,264,625</td>
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<tr>
<td>FINANCED BY</td>
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<td></td>
</tr>
<tr>
<td>Provision for deferred taxation</td>
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<td>-</td>
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</tr>
<tr>
<td>Medium term loan</td>
<td>235,000</td>
<td>850,000</td>
<td>300,000</td>
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<tr>
<td>Long term local loans</td>
<td>1,070,797</td>
<td>811,131</td>
<td>805,869</td>
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<tr>
<td>Long term foreign loans</td>
<td>4,426,184</td>
<td>5,738,141</td>
<td>6,955,183</td>
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<tr>
<td>5,731,981</td>
<td>7,399,272</td>
<td>8,061,052</td>
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<td>Capital funding and reserves</td>
<td>(2,010,796)</td>
<td>(3,166,425)</td>
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<tr>
<td>3,721,185</td>
<td>4,232,847</td>
<td>14,264,625</td>
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</table>
Figure 3 Backbone Switching Network
FIGURE 5

TEL*ONE (PVT) LTD
INCOME AND EXPENDITURE AND APPROPRIATION ACCOUNT

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
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<tbody>
<tr>
<td>Turnover</td>
<td>11,793,132</td>
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<tr>
<td>Cost of sales before staff costs</td>
<td>(5,504,107)</td>
</tr>
<tr>
<td>Gross profit before staff costs</td>
<td>6,289,025</td>
</tr>
<tr>
<td>Other operating income</td>
<td>38,161</td>
</tr>
<tr>
<td></td>
<td>6,327,186</td>
</tr>
<tr>
<td>Administrative expenses before</td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>(853,617)</td>
</tr>
<tr>
<td>Staff costs</td>
<td>(3,368,374)</td>
</tr>
<tr>
<td></td>
<td>(4,221,991)</td>
</tr>
<tr>
<td>Operating (deficit)/surplus</td>
<td>2,105,195</td>
</tr>
<tr>
<td>Loss on disposal of property plant and equipment</td>
<td>(1,638)</td>
</tr>
<tr>
<td>Net financing costs</td>
<td></td>
</tr>
<tr>
<td>Interest Payable</td>
<td>(1,400,271)</td>
</tr>
<tr>
<td>Exchange Losses</td>
<td>683,442</td>
</tr>
<tr>
<td>Premiums, raising fees and other</td>
<td>(90,850)</td>
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<tr>
<td>Interest receivable</td>
<td>415,945</td>
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<tr>
<td></td>
<td>(391,734)</td>
</tr>
<tr>
<td>(Deficit)/surplus before taxation</td>
<td>1,711,823</td>
</tr>
<tr>
<td>Taxation</td>
<td>1,711,823</td>
</tr>
<tr>
<td>(Deficit)/surplus after taxation</td>
<td>1,711,823</td>
</tr>
</tbody>
</table>
## ASSETS EMPLOYED

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Assets</td>
<td>$</td>
</tr>
<tr>
<td>Land and Buildings</td>
<td>783,229</td>
</tr>
<tr>
<td>Telecommunications plant</td>
<td>16,307,710</td>
</tr>
<tr>
<td>Stores plant</td>
<td>1,126</td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>143,554</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>139,509</td>
</tr>
<tr>
<td>Capital work-in-progress</td>
<td>3,736,847</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>21,111,975</td>
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<tr>
<td>Investments</td>
<td>3,871</td>
</tr>
<tr>
<td></td>
<td>21,115,846</td>
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</tbody>
</table>

## Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores</td>
<td>401,223</td>
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<tr>
<td>Debtors</td>
<td>2,884,211</td>
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<tr>
<td>Short term investments</td>
<td>593,114</td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>139,592</td>
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<tr>
<td></td>
<td>4,116,140</td>
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</table>

## Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors</td>
<td>5,495,939</td>
</tr>
<tr>
<td>Short term loans</td>
<td>4,933,824</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>-</td>
</tr>
<tr>
<td>Other provisions</td>
<td>349,531</td>
</tr>
<tr>
<td>Overdraft</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>10,679,294</td>
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</tbody>
</table>

Net current liabilities             | (6,561,154) |
                                     | 14,554,692 |

## FINANCED BY

<table>
<thead>
<tr>
<th>Description</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for deferred taxation</td>
<td>-</td>
</tr>
<tr>
<td>Medium term loan</td>
<td>-</td>
</tr>
<tr>
<td>Long term local loans</td>
<td>691,641</td>
</tr>
<tr>
<td>Long term foreign loans</td>
<td>6,188,798</td>
</tr>
<tr>
<td></td>
<td>6,881,439</td>
</tr>
<tr>
<td>Capital funding and reserves</td>
<td>7,673,253</td>
</tr>
<tr>
<td></td>
<td>14,554,692</td>
</tr>
</tbody>
</table>
# POSTS AND TELECOMMUNICATIONS CORPORATION

## CASH REMITTANCES FROM/TO

<table>
<thead>
<tr>
<th>COUNTER NO.</th>
<th>DATE</th>
<th>STAMP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

### DRAWER | CHEQUE NUMBER | BANK No. | BRANCH | PAYEE | $ | c |
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<thead>
<tr>
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<tbody>
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<td>26</td>
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</tbody>
</table>

### BANK CODES
- **Reserve Bank**: 1
- **Barclays**: 2
- **Standard**: 3
- **Zimbank**: 4
- **Grindlays**: 5
- **BCCZ**: 6

### TOTAL VALUE OF CHEQUES

- **Notes**
- **Silver**
- **Bronze**

**TOTAL**

- Amount in words
- Remitted by
- Received by
23 July 1998

THE MANAGER STORES

RECEIPT NUMBERING ON TA 126A BOOKLET RECEIPTS

As a result of technical difficulties encountered by the printers in pre-numbering the receipt number column, the booklet containing the TA126 A has been accepted in its present form subject to the following conditions being maintained in future print orders:

(I) Being security stocks each of the four copies is pre-numbered with a security serial number on the top right hand corner eg. 0951.

(II) Each page will contain 25 receipts and each cheque receipt will be in one of the 25 rows starting from 1 to 25.

(III) Therefore, to complete the six to eight digit receipt number, the pre-printed security serial will be taken eg. 0951 as in (I) above and the remaining two digits will come from the list number against which a cheque receipt is being issued ie 01, 02 to 25.

The receipt number will then read 095101, and the next receipt number in line will be 095102 and so on up to 095125. (as per attached).

It is therefore important to always print the TA126 A providing the four to six digit security serial as the other two digits will be made from the list number against which a cheque is receipted.

I hope you will find this in order and communicate this requirement to those who do the procurement and allocation of serial numbers to printers for printing.

F Sinodo
PRINCIPAL ACCOUNTANT MANAGEMENT ACCOUNTS

cc. Manager Internal Audit
    Manager Management Accounts
    Manager Operations IT
    Manager Services and Sales
    - Manicaland
    - Mashonaland
    - Matabeleland
    - Midlands
    - Masvingo
<table>
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<th>LIST</th>
<th>DRAWER</th>
<th>BANK CODE</th>
<th>CHEQUE NUMBER</th>
<th>RECEIPT NUMBER</th>
<th>TELEPHONE NUMBER</th>
<th>ACCOUNT NUMBER</th>
<th>$</th>
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**TOTAL VALUE OF CHEQUES**
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<th>TELEPHONE NUMBER</th>
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<th>JOB QUEUE</th>
<th>STATUS / PROBLEM</th>
<th>TARGET COMPLETION DATE</th>
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POSTS AND TELECOMMUNICATIONS CORPORATION.

REPORT.


FROM Mr Willard Thomas
Organisation And Methods Officer
Organisation And Methods Branch
PTC Headquarters Directorate
Room 1 N 11. First Floor
Runhare House
107 Union Avenue
Harare.

TO Director Finance
9th. Floor (North Wing)
Runhare House
107 Union Avenue
Harare.

COPIED TO The Principal Accountant Management
Accounts: (Finance Directorate)
Mr David Jack
B T Telconsult Financial Consultant.
All Regional Telcom Managers.
All Services & Sales Managers.

SUBJECT

STANDARD TIMES FOR ENVELOPING OF TELEPHONE
ACCOUNTS AND MANPOWER CALCULATIONS FOR
THE TELEPHONE ACCOUNTS ENVELOPING TASK AT
REGIONAL SERVICES AND SALES OFFICES.
## PRESENT AND PROPOSED SITUATION

### PRESENT SITUATION

<table>
<thead>
<tr>
<th>REGIONAL CENTRE</th>
<th>Standard time per bill in mins or part thereof</th>
<th>Total number of bills to be enveloped every month</th>
<th>Amount of time available per person per day in minutes</th>
<th>Total number of people employed for enveloping of accounts</th>
<th>Number of days taken to envelope accounts</th>
<th>Salary costs per month for enveloping task</th>
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</thead>
<tbody>
<tr>
<td>HARARE</td>
<td>0.29</td>
<td>178,000</td>
<td>450 min</td>
<td>24 casuals</td>
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<td>450 min</td>
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### RECOMMENDED SITUATION

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<th>REGIONAL CENTRE</th>
<th>Standard time per bill in minutes</th>
<th>Total number of bills to be enveloped every month</th>
<th>Amount of time available per person per day</th>
<th>Total number of people to be employed for one day</th>
<th>Total amount of time available per person per day</th>
<th>Total number of people to be employed for three days</th>
<th>Total cost of employing people for three days</th>
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<tbody>
<tr>
<td>HARARE</td>
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<td>178,000</td>
<td>450 min</td>
<td>113</td>
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<td>$850</td>
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# REGIONAL BILLING PROGRAMME FOR THE MONTH OF NOVEMBER 2002

**ATTENTION:** MARKSA PRE 700334  
**FINANCE DEPARTMENT**

**PLEASE RECEIVE OCTOBER 2002 REGIONAL BILLING PROGRAMME FOR MATABELELAND**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>START DATE</th>
<th>END DATE</th>
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<tbody>
<tr>
<td>1. READ ANALOGUE EXCHANGES</td>
<td>START DATE 30.11.02</td>
<td>LAST DATE 30.11.02</td>
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<td>2. READ DIGITAL EXCHANGES</td>
<td>START DATE 30.11.02</td>
<td>LAST DATE 30.11.02</td>
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<tr>
<td>3. MANUAL CAPTURING ANALOGUE METER READING</td>
<td>START DATE 02.12.02</td>
<td>LAST DATE 03.12.02</td>
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<td>4. PRINT &amp; ACTION REPORT 125</td>
<td>START DATE 04.12.02</td>
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<td>5. RUN BILLS CHECK BILLS PRINT BILLS <strong>NUMBER OF BILLS</strong></td>
<td>ON 09.12.02</td>
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<td>6. GULLOTINE BILLS</td>
<td>10.12.02</td>
<td>11.12.02</td>
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<tr>
<td>7. ENVELOPE &amp; DISPATCH BILLS TO CUSTOMERS</td>
<td>START DATE 12.12.02</td>
<td>LAST DATE 14.12.02</td>
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<tr>
<td>NO. OF STAFF ENVELOPING BILLS</td>
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<tr>
<td>FIRST TO REACH CUSTOMER BY</td>
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<td>LAST TO REACH CUSTOMER BY</td>
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<td>LAST DATE OF PAYMENT</td>
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**BILLING CONTROLLER**

19 DEC 2002

P.O. BOX 48, BULAWAYO
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<th>Date</th>
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<th>Cash Banked</th>
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<td>10 009 911-77</td>
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