FRIEDRICH EBERT STIFTUNG **NATIONAL UNION OF COMMUNICATIONS WORKERS (NUCW)**

WORKSHOP REPORT ON ZAMTEL PRIVATISATION HELD AT EDINBURG HOTEL, KITWE, ON 2ND JULY 2009

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Introduction

The workshop was the second workshop organized for the Northern Region after the one organized for the Southern Region and held in Lusaka on 29th June, 2009. The workshop was part of the planned workshops organized by the National Union of Communications Workers (NUCW) in conjunction with Friedrich Ebert Stiftung (FES) and Zambia Congress of Trade Unions (ZCTU) as a mother body. The workshops have been planned in light of the planned partial privatization of ZAMTEL by the Government of the Republic of Zambia.

Privatization in Zambia started feebly in 1988 with the establishment of the ZIMCO Committee on Privatization. With the change of government in 1991, privatization was made the principal policy for reform and development. The Zambia Privatization Agency Act was enacted in 1992 to provide the legal and administrative arrangements for the rapid divestiture of the then 150 registered enterprises and tens of [commercial] assets on the books of the state.

Privatization as envisaged under the Zambia Privatization Act had the following objectives, among others:

- to reduce budgetary expenditure in investments and subsidies to loss making enterprises;
- to attract private investments in sectors that had been ‘crowded out’ by state enterprises;
- to promote competition and improve the efficiency of operations of enterprises;
- to improve management standards
- to create employment and to produce quality products.
- to encourage wide ownership of shares;
- to derive capital incomes for the treasury.

The privatization programme in Zambia was prosecuted robustly so that within a relatively short space of time, from 1992 to 2000, nearly all state-owned enterprises scheduled for divestiture had actually been privatized. Only a few enterprises such as ZAMTEL and ZESCO remained under the ownership of the state.

There have been mixed reactions to the impact of the privatization programme in Zambia. The international community has commended the programme as highly successful. However, the actual results on the ground are dubious. Furthermore, very few, if any, of the stated objectives of the programme were met.

Privatization in Zambia is credited with rising poverty levels, unemployment, deindustrialization of the economy, reduced national capacity to produce goods and services and high levels of corruption and high death rates.

It is against this inconclusive background that the privatization of ZAMTEL is being debated.

Background

The Zambia Telecommunications Corporation Limited [Zamtel] was among the state owned enterprises that were originally classified as 'strategic' to await further government consideration on their privatization. However, this classification was soon reversed with the 'no sacred cows' speech by President Chiluba. It remained to timing to determine when an enterprise would be privatized.

Zamtel evolved from the General Post Office, a department of the government ministry responsible for transport and communications, into the Posts and Telecommunications Corporation which operated in the provision of postal and telecommunications services in Zambia. In 1994, the postal and telecommunications units were separated with one unit for posts and Zamtel as a monopoly provider of telecommunications services.

The explosion in the telecommunications technologies since the end of the cold war witnessed phenomenal growth in telecommunications and mobile phone enterprises in the world and the region by both the public and private sectors. In response to the demand for private participation in the telecommunications industry, the government enacted the Telecommunications Act No. 23 of 1994 to allow investments by the private sector and created the Communications Authority to regulate and supervise the provision of telecommunication services in Zambia.

The liberalization of the telecommunications industry attracted private investments particularly in mobile telephony and internet services provision. Notable among the investors in the mobile telephone industry were Celtel Limited, now Zain Limited and Telecel Limited, now MTN Limited. Six enterprises were registered to provide internet services, namely, Africonnect, Microlink, UUNet, Coppernet, Zamnet and Zamtel.

Initially, by deliberate government policy, Zamtel was restrained from adopting the dominant GSM technology and taking advantage of its vast infrastructure to dominate the cellular phone network in the country. The foreign-owned investors in cellular telephony took advantage of this restraint to dominate the country-wide rollout of the lucrative mobile phone services in Zambia since 1994.

Despite ownership of the largest asset base, Zamtel has the least mobile telephone client base of the three telecommunications enterprises. The table below shows the cellular phone subscriber base for each of the three providers:

Table1.

Operator	**Subscriber Base**	**Per Cent Market Share**
Zamtel [CellZ]	147 121[1]	7.1
Zain [Formerly Celtel]	1 729 589[2]	83.3
MTN [Formerly Telecel]	198 498	9.6
Total	2 075 208	100

Source: Communications Authority, Annual Report, 2007.

1. *June 2009 : 271 900 mobile and fixed line subscribers [Presidential Press Conference, Lusaka, 24 June 2009]*
2. *June 2009: 2 700 000 mobile subscribers [Presidential Press Conference, Lusaka, 24 June 2009]*

The attractiveness of Zamtel to investors lies in the potential that is represented by its asset base. The enterprise is highly coveted by those that recognize and appreciate its great potential. Zamtel readily fits the description of a sleeping giant. Zamtel owns and operates the following assets:

- [Virtual] monopoly in fixed line telephony with a client base of 93 000 subscribers and covering most parts of the country;
- Microwave towers for relaying voice and pictures;
- The Mwembeshi Earth station that carries all the international telephone and television communications;
- Fixed and mobile assets, including telephone exchanges, residential and commercial buildings;
- [Telephone] directory;
- Mobile telephone network branded as CellZ;
- Internet services provider (ISP)

Telecommunications is a high growth sector of the global economy. Global telecommunications services are estimated at an annual market turnover of US$ 1.5 trillion of which 40 % is accounted for by mobile telephone services. The high economic growth rates recorded by India in recent times are attributed to the development and growth of the telecommunications sectors.

The concept of the privatization of Zamtel follows in the footsteps of several telecommunications enterprises in the world that had been privatized. The successful privatization of British Telecom's encouraged governments of the world to consider privatization of their national providers as a strategy to popularize privatization and to increase participation of the public in the economy. The partial privatization of British Telecom's in 1984 when 50.4% of the shareholding was offered to the public was popular and helped to break the resistance to the sale of state owned enterprises. In Africa, successful privatizations of telecommunications enterprises have been achieved in South Africa and Kenya.

The privatization of Zamtel is being debated in Cabinet and board rooms by the government and in the media by the public. The convoluted debate on the privatization of Zamtel has raised such questions as timing and the continued relevancy of orthodox privatization, the roles of private [foreign] investors in the Zambian economy and the [apparent secretive] handling of the process by the government.

Two compelling reasons have been advanced by the government for the privatization of Zamtel:

- Firstly, it is argued that privatization is the policy of the MMD government and that the divestiture of Zamtel is consistent with the mandate it has been elected to government for. It is argued further that the privatization of the remaining state owned enterprises is intended to complete the programme so that the economy may realize the benefits of privatization as envisaged in the concept documents, and;

- Secondly, that the operations of the corporation are threatened by insolvency due to a myriad of problems, including poor management and a poor balance sheet which has constrains the corporation from accessing investment and working capital.

At the press conference of 24 June 2009, President Rupiah Banda confirmed that Zamtel's financial position was poor. It has an external liability in excess of US$ 90 million. Its competitiveness is also very poor. It has a static fixed line subscriber base of about 93 500 and the smallest mobile base of only 178 400 compared to 2.7 million members for Zain, the dominant cellular provider. It employs a total of 2 505 people against 855 for Zain. Its staff costs take 58% of the total revenue compared to one percent for Zain and 4.5% for MTN.

There has been strong public reaction to the government's maneuvers to privatize Zamtel. There are equally strong sentiments against the privatization of Zamtel. These include the following, among several others:

- First, because privatization was initially introduced by the World Bank and the IMF as part of the conditionality of the unpopular and failed structural adjustment programmes[SAPs] of the 1990s.
  Civil society in the third world and Zambia have condemned SAPs as being largely responsible for the poverty experienced by countries compelled to reform and adjust their economies.
- Second, because despite the fact that privatization has been completed with the disposal of all but a few enterprises, there has been no conclusive closure report to assess the performance of the programme against the set objectives;
- Third, because privatization as a tool for reform and development was so poorly implemented that it did not achieve its intended objectives. Privatization is viewed as an expired tool!
- Fourth, because the Zambian privatization programme has been associated with serious corruption in which those responsible for the transactions are seen to have taken undue advantage of their offices. Cases of perceived corruption remain un-investigated by the state;
- Fifth, because privatization of the large scale state enterprises, such as ZAMTEL, in Zambia has become synonymous with foreign takeover of national assets with minimal participation by citizens. The economy is now seen to have been returned to foreign control and the full economic benefits of operations of such enterprises do not to accrue to the national economy. This situation is likened to pre-independence Zambia;
- Sixth, because the problem of poor market share and poor profitability by ZAMTEL is attributed to the government that restrained the corporation from investing in technology a situation that allowed competitors to take advantage. Furthermore, the state, as sole shareholder in Zamtel, is aware of the administration and management problems responsible for the poor performance of the enterprise but ignores to address them;
- Seventh, because the legal and regulatory environments remain undeveloped to provide effective oversight to safeguard the interests of the state, and

- Eighth, privatization should never be driven because the enterprise is in distress because finance and management can be procured provided that the project is viable

Zambia's economy and lifestyle depend a great deal on the telecommunication for its economic and social development. In order to achieve this, ZAMTEL plays a strategic and major role. After the liberalization of the Zambian economy, the telecommunication industry saw the coming in of other players in the ICT sector i.e., ZAMCEL then, now ZAIN (Z) and TELECEL then and now MTN (Z). Recent initiatives following the liberalization of the telecommunications sector have targeted reducing dependence on ZAMTEL for the provision of telecommunications solutions as other players in the market have commanded part of the market formerly enjoyed by ZAMTEL. This entails that the monopoly that ZAMTEL used to enjoy in the provision of telecommunication services is no longer there. The increasing efficiency of the other players in the market with their financial as well as technological muscle, has threatened the very existence of ZAMTEL in the ICT sector. The privatization of most major industries in the Zambian economy, which unfortunately resulted in massive closures of most companies to whom ZAMTEL was providing services has also a negative bearing on ZAMTEL's revenue base. However, it is worth noting that the more efficient and technologically superior companies in the telecommunications industry in Zambia will provide little benefit to the country as a sovereign nation because, private businesses by their nature will generally only consider the 'bottom-line' and not necessarily what is in the best interest of the country.

- **Government Position on ZAMTEL**

It is a fact now that the Government of the Republic of Zambia being the shareholder of Zambia Telecommunications Company Limited, holding the aforesaid company in trust of the citizens has decided the said company for partial privatization.

RP Capital Group of Cayman Island has been carrying out evaluation of the assets and liabilities of the company for some time now with a view to establishing the true value of ZAMTEL prior to partial privatization subject to cabinet approval.

2. OPENING SESSION: 29TH JUNE 2009

The session started with the singing of the national anthem and followed by a prayer by one of the participants.

Chair: Mr. Clement Kasonde: NUCW General Secretary

Speakers:

- Mr. Mukela Muyunda, Managing Director, ZAMTEL
- Mr. Patrick Kaonga: NUCW President
- Ms. Kathy Sikombe: FES Representative
- Mr. Mudenda : Guest of Honour and ZCTU General Secretary

Rappoteur: Mr. Sunday Chanda, Director, Afrika Leadership Development Institute, Lusaka

Mr. Clement Kasonde, NUCW General Secretary

Mr. Kasonde started by acknowledging the respective union officials present, while paying tribute to Friedrich Ebert Stiftung (FES) for the financial support rendered to the labour movement in Zambia and particularly to the two workshops for NUCW Southern and Northern Regions.

Mr. Kasonde noted that there had been anxiety and apprehension among members over the impending partial privatization of ZAMTEL and as an effort to manage the negative feelings among its general membership; NUCW realized that sensitizing of the workers through their respective union leaders was important if consensus was to be arrived at.

He dispelled rumours that NUCW had neglected Zamtel workers and stated that the telecommunications company had a series of challenges, which the Managing Director would share with the participants in his presentation and project the true standing of the company. Mr. Kasonde mentioned that the NUCW was working very hard and had managed to negotiate for salary increments in other companies such as MTN, ZNCB etc.

2.1 Mr. Patrick Kaonga: NUCW President

Mr. Patrick Kaonga welcomed participants from the Northern Region and thanked FES and ZCTU for standing with the NUCW especially at such a critical time when Zamtel was about to undergo partial privatization.

Mr. Kaonga discussed the challenges both locally and globally and why Zamtel needed to adapt to the changing environment. He stated that the NUCW supported the partial privatization of Zamtel as the only viable way forward and insisted that the interests of the workers should not be overlooked during this process. Mr. Kaonga mentioned that the business model that Zamtel was using was outdated and as such the equity partner should come on board who will help recapitalize the company. He contended that Zamtel could have been saved from its present challenges had particular measures been taken at the point of liberalizing the ICT sector in Zambia and even recapitalization could have made more sense then and the telecommunications company could have been prepared for existing competition.

Mr. Kaonga reiterated that liquidation under the present Employment Act should be avoided as workers would only be entitled to peanuts amounting to K200, 000.00 (Two hundred thousand Kwacha) and as such privatization was the best alternative under the circumstances.

2.2 Ms. Kathy Sikombe: FES Representative

Ms. Kathy Sikombe, speaking on behalf of the Country Representative reaffirmed Friedrich Ebert Stiftung's (FES) continued support to the labour movement in Zambia as a means to promote worker's rights. She stated that knowledge was power and the reason FES felt the need to create as much awareness around Zamtel privatization by ensuring that lessons can be obtained from other cases of privatization and learn from them.

She commended Zamtel management and the union for being open about the state of the company with the employees as that would prepare them for the inevitable privatization and allow them to start planning for their future.

Ms Sikombe mentioned that FES was considering an arrangement of bringing in an Expert on Privatization of the Telecommunication sector from Germany in the second half of the year to come and share experiences with the NUCW and their membership.

2.3 Guest of Honour- Mr. Mudenda: ZCTU General Secretary

The Guest of Honour, Mr. Mudenda, who is also the Deputy Secretary General for ZCTU opened his speech by commending FES over their continued support to the labour movement in Zambia. He stated that Zamtel was a very important asset in Zambia's national development and security and hence its privatization must be handled cautiously. He mentioned that ZCTU was aware of the difficulties Zamtel had, including its liabilities, which have made it very difficult for it to remain vibrant and stated that ZCTU had welcomed Government's intention to partially privatize Zamtel and this would hopefully lead to capital injection into the telecommunication utility.

He mentioned that ZCTU was interested in ensuring that the welfare of the workers be protected during this process and that the union must be allowed to make considerable input into the process. He commended the task force set up by the President of Zambia Mr. Rupiah Banda to look at Zamtel's privatization and insisted that the union should form part of that team so that recommendations being made can be informed.

Mr. Mudenda stated that the strategic partner should come to stay and must have the capacity for sustainability. He stated that Government must learn from cases where partners or investors had come and only to run away after they realized their profits. Government must ensure that the equity partner will have respect for the worker's rights by committing to the decent work agenda which should be reflected in income, social security and worker's rights being respected. This should include mainstreaming HIV/AIDS in policy of the new framework. Under the new arrangement, it is expected that the new ZAMTEL will positively contribute to Zambia's socio-economic development.

Mr. Mudenda informed the union leaders that he had information about a looming split within the NUCW and cautioned against such a development as it would weaken the strength of NUCW on ensuring that workers within Zamtel are protected. It is important to resolve any misunderstandings instead of opting for the creation of another union.

2.3.1 Zamtel Managing Director- Mr. Mukela Muyunda

In his opening remarks, Mr. Mukela stated that it was only normal for organizations to pass through the good and bad times and hence the need to call for doubling of efforts in the case of Zamtel. The MD mentioned that it was incumbent on organizations to undertake serious reflection in order to rise to the challenge and those that had neglected this important aspect would always be destined for extinction.

Mr. Mukela also commended the efforts of the Union and FES in keeping the workers informed of the developments as they were unfolding in Zamtel.

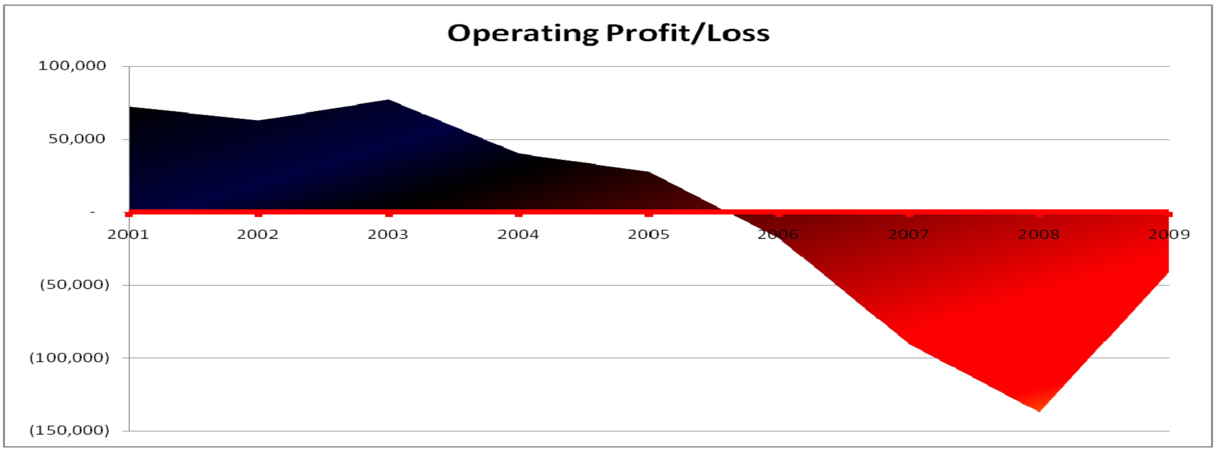
4. PRESENTATION ON THE STATUS OF ZAMTEL BY ZAMTEL MANAGING DIRECTOR MR.

The presentation by the Managing Director (MD) Mr. Mukela Muyunda generated a lot of participation from the participants as he carried them through the situation from inception to date regarding the state of Zamtel. He bemoaned the lack of sufficient time to discuss all the areas with the participants but promised to do his best in the time allocated to him during the one day workshop. He informed the participants that a safer approach to life as when it is based on facts and figures.

He pointed out that there were a number of points to note when dealing with either the success or failure of a company and listed the following:

i. Companies do not succeed or fail by chance;
ii. When a company succeeds, the decisions and actions that would have led to that success can be traced and measured;
iii. Similarly when a company fails, the decisions and actions that would have led to that failure can be traced and measured;
iv. A company does not succeed or fail over night. In the case of company failure, research suggests that failure can be foreseen 5 to 10 years before it even happens. Within this period signs are many.

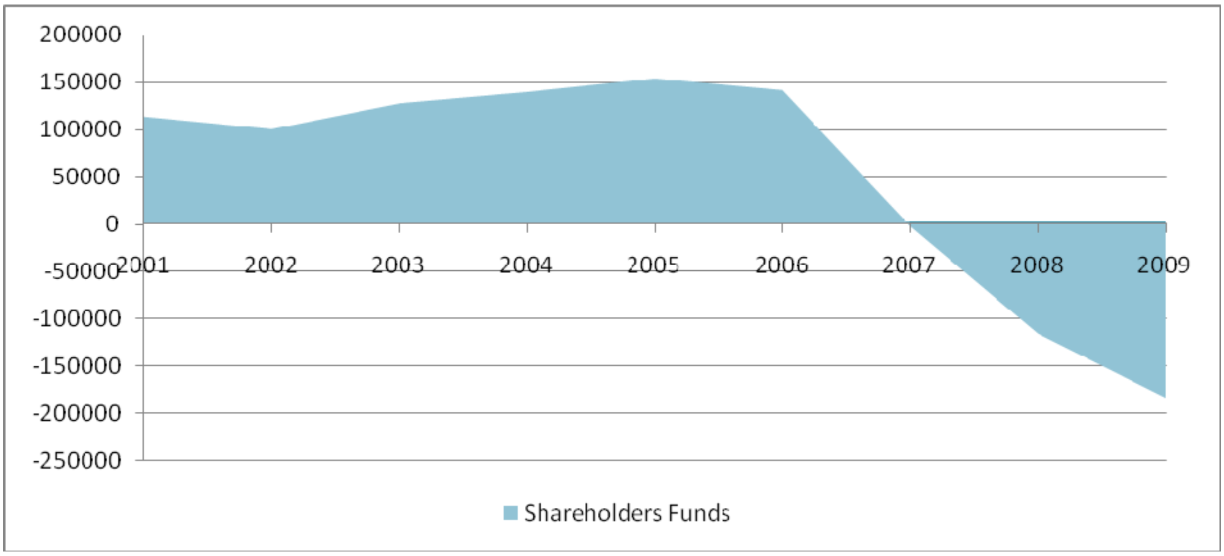
The MD went on to ask the big question which was where was Zamtel at this time? He informed participants that the company had been slowly, but surely drifting from Black to Red from 2003-2008 as indicated in the graph below:



Mr. Mukela also mentioned that unskilled Labour in Zamtel was being paid more than the market and said this was confirmed by the P3 Report which revealed that Zamtel's unskilled labour was being paid between 4 to 6 times what the market was paying and the skilled labour was being paid 50% what the market was paying

[redacted]

Mr. Mukela stated that by 2007 Shareholders' Value in Zamtel had totally been destroyed, the levels of indebtedness where on the higher side compared to its debtors as captured in the graph and tables below:



Zamtel's Indebtedness – 31 Mar 09

[redacted]

Zamtel Debtors- 31 March 09

[redacted]

Mr. Mukela made the following observations about Zamtel in its current form:
The company is:

i. Loss making;
ii. Bloated;
iii. Technically insolvent;

He also mentioned that in its present form, it was very difficult for Zamtel to create value unless it can be properly restructured. The MD cited examples of how other companies handled similar situations and discussed a recent survey of 350 major global corporations which showed the following steps being adopted by these corporations in the wake of the global financial crisis:

- 80% (280) of the companies have instituted cost saving measures;
- 67% (233) of the companies have instituted headcount reduction programmes;
- Over 50% (175) of the companies have rationalized their IT spend;
- Savings are also being sought from:

i. Sales and Marketing;
ii. Operations; and
iii. Supply Chain Logistics.

In concluding his presentation, Mr. Mukela asked what needed to be done in the case of restructuring Zamtel and made the following recommendations:

i. To find a Strategic Equity Partner who should bring in finances (Loan + Equity Financing), new technical capabilities, new marketing capabilities and international synergies;
ii. To develop a new business model;
iii. Headcount reduction is inevitable;

iv. Change the Zamtel Corporate Head Office from being bloated to Small, effective & Efficient and probably relocated to Lusaka;

The presentation was followed by open discussions from the participants who generally agreed with the MD's position that the Zamtel structure was top heavy and bottom heavy. Other issues that came out during the open discussion was the need for Zamtel to develop a culture of setting and meeting targets coupled by performance evaluation mechanisms as well as curtailing the culture of borrowing by the telecommunications utility.

5.PRESENTATION BY M & M MANAGEMENT AND LABOUR AND LABOUR CONSULTANTS LTD

Mr. Tresford Mwaba of M&M Labour Consultants presented a paper on the effects of Privatization on Employment: The Case of ZAMTEL and narrowed the discussion to the challenges of retirement and redundancy.

Mr. Mwaba informed the participants on the status of labour laws that provide for retirement and redundancy such as the National Pensions Act 1996 which stated that the official retirement age for men and women is 55 years. He discussed that redundancy is provided for by the Employment Act Cap 268 and the Minimum wages and conditions of Employment Act Cap 276 SI Nos 56 and 57 of 2006 and provisions of the collective agreements between employers and trade unions.

The consultant informed the participants that continued employment is also provided for by the provisions of the Employment Act especially Section 35 and that in the case of privatization, the Employment Act Cap 268 Section 35 provides that:

'No rights arising under any written contract of service shall be transferred from one employer to the other unless the employee bound by such contract consents to the transfer and the particulars thereof are endorsed upon by the labour officer.'

In dealing with the fear of the unknown in redundancy and retirement (facing the uncertain future) Mr. Mwaba informed the participants that studies conducted in this country show that many people who retire or are declared redundant face a trauma of the fear of the unknown as in Where to go?, What to do?, and, How to do it? It is also true in this regard that many questions remain unanswered. He stated that the good news was that people who retire or those declared redundant normally have a package that they get from the employer though most of them do not know what to do with it.

The consultant stated that the challenges before the NUCW were mainly how they were going to safeguard the employment and terminal benefits of their members under ZAMTEL.

Thereafter, M&M Labour Consultants worked with groups and feedback was provided which forms part of the key resolutions included in this report.

6. PRESENTATIONS ON THE PRIVATIZATION OF ZAMTEL BY MR. ALEXANDER CHILESHE- EAZ

Mr. Chileshe stated by defining what privatization was and gave a historic perspective to privatization in Zambia by stating that in Zambia, it started feebly in 1988 with the establishment of the ZIMCO

Committee on Privatization. With the change of government in 1991, privatization was made the principal policy for reform and development. The Zambia Privatization Agency Act was enacted in 1992 to provide the legal and administrative arrangements for the rapid divestiture of the then 150 registered enterprises and tens of [commercial] assets on the books of the state

Mr. Chileshe also discussed the rationale behind Zambia's privatization of parastatals and these included:

- Reducing budgetary expenditure in investments and subsidies to loss making enterprises;
- Attracting private investments in sectors that had been 'crowded out' by state enterprises;
- Promoting competition and improve the efficiency of operations of enterprises;
- Improving management standards
- Creating employment and to produce quality products.
- Encouraging wide ownership of shares;
- Deriving capital incomes for the treasury

Mr. Chileshe drew a comparative analysis of ZAMTEL and its existing competitors in the country that includes Zain (Zambia) and MTN (Zambia) focusing on Subscriber Base and Per Cent Market Share. It was discovered that while MTN had 198 498, representing 9.6% and Zain with 1 729 589, representing 83.3%, ZAMTEL's subscriber base was lowest at 147 121, representing 7.1% of the market share. Besides, ZAMTEL has an external liability in excess of US$ 90 million and its competitiveness is also very poor. The telecommunications utility company has a static fixed line subscriber base of about 93 500 and the smallest mobile base of only 178 400 compared to 2.7 million members for Zain, the dominant cellular provider. ZAMTEL employs approximately 2 505 people against 855 for Zain and its staff costs take 58% of the total revenue compared to 1% for Zain and 4.5% for MTN.

Mr. Chileshe told the participants that successful privatization of telecommunication companies had been done in Kenya and South Africa and Zambia could take a leaf from these countries.

Mr. Chileshe discussed that Privatization in Zambia is credited with rising poverty levels, unemployment, deindustrialization of the economy, reduced national capacity to produce goods and services and high levels of corruption and high death rates. As a result, there was need to create trust by the government in all concerned, including the general public.

RECOMMENDATIONS AND STRATEGIES FROM PARTICIPANTS

- A follow up workshop to discuss the actual presentation of a position to Government which safeguards the interests of the Zamtel employees

- A systematic way must be found to safeguard the issue of terminal benefits and avoid all delays in the process.

- All terminal benefits must be paid to retained workers before signing new contracts

- Others felts that a trust fund should be created as was the case with Mopani Mines though consensus was not reached on this matter since they needed to go back and consult their members

- The NUCW to take up an active role so that those who would be re-engaged under a new arrangement of Government and equity partner are secured and can bargain on new conditions of service.

Closing Session: Thursday 2 July, 2009

Chair: Mr. Kasonde- Secretary General, National Union of Communication Workers (NUCW)

The workshop was officially closed by the Secretary General for the National Union of Communication Workers (NUCW) Mr. Clement Kasonde. There was no communiqué prepared by the participants. Mr. Kasonde thanked the participants and assured them that more interventions would be planned and that communication will be stepped up in ensuring that employees have as much adequate information as possible.

9. ANNEXURE: NUCW POSITION ON ZAMTEL

9.1 Position of NUCW on Privatization of ZAMTEL

NUCW's position is that it is important to assess and consider the imp0lications of allowing ZAMTEL to be privatized in light of the economic, social as well as national security considerations. This aforementioned provides the context within which sound business decisions can be made in order to maintain and sustain the viability of ZAMTEL in particular and the Telecommunication industry in Zambia in general. In light of the foregoing, the NUCW's strong view has been that re-capitalization of the company would have been the best option and in the best interest of the country rather than privatization. An example cited is that a country like Zambia, whose economic prosperity and demographics are changing so rapidly, the need to maintain the telecommunications utility company in the control of the state is even more pronounced. Due to numerous highly uncertain internal and external economic and political factors, predicting the exact future state of the telecommunications industry in Zambia is difficult, if not impossible. However, the process of future scenario planning offers a way to identify the boundaries of future possibilities, thereby providing a context to develop a robust business strategy to better cope with a variety of possible future development. Thus, one aim of this statement is to identify important drivers of change in Zambia and assess how they can manifest themselves in the future, depending on how they are managed.

9.2 NUCW Recommendations and Proposals made to the Government

The NUCW arrived at the following recommendations for Government's consideration:

- That there is urgent need for the government to formulate administrative guidelines and procedures relating to tender procedure which does not necessarily slow the process in the procurement of telecommunications equipment and other value added services through the current rigid tender procedures which may just be an impediment rather than well meant control measure per se

- To source money to carry out rural telecommunications facilities from rural telecommunication funds to improve rural telecommunications infrastructure so that the cost of doing business and accessing the same becomes low and affordable thus stimulating development in rural areas as well

- To improve and expand GSM system for ZAMTEL in order to improve the financial position of the company

- To put up the Optical Fibre Cable System throughout the country so that ZAMTEL can manage to meet increased demand in modern ICT thus increasing its capacity to meet the increased demand in the transmission of telecommunication and other data signals, this obviously will help increase revenue for the company

- To ensure that the Zambian International Gateway (Mwembeshi Earth Station) is not liberalized as doing so would have resulted in depriving ZAMTEL of its needed financial resources. The liberalization would have also compromised national security.

Annexure B: Excerpt of the President's Speech

Republican President Rupiah Banda's Speech on ZAMTEL on 24th June 2009, State House, Lusaka, Zambia.

"To resolve the outstanding issues regarding ZAMTEL, I have appointed a committee of Cabinet Ministers chaired by the minister of finance and national planning to manage the process of finding a strategic equity partner and negotiating the conditions for the partnership. The minister of finance will chair this committee by virtue of his being a shareholder on behalf of Government in ZAMTEL.

I found it necessary to appoint this committee after looking at the complexity of the issues facing ZAMTEL, which are quite clearly apparent. Relative to its peers, ZAMTEL is extremely inefficient. The poor operating efficiency can be shown from the following:

1) *ZAMTEL has abilities in excess of US$90 million, which have to be sorted out before we invite a strategic investor; staff costs as a percentage of revenues come to 58% compared to 1% for ZAIN (Z) and 4.5% for the MTN Group; Mobile phone subscribers per employee is 108 ZAMTEL, 3,158 for ZAIN and 5, 382 for the MTN Group;*

2) *ZAMTEL staff numbers are three times higher than ZAIN staff levels, 2,505 against 855 for ZAIN; and ZAIN has 2.7 million Zambian subscribers, while ZAMTEL has about 271,900 subscribers both for mobile and fixed line.*

I have found that the use of small cabinet committees is proving useful and effective in resolving matters of this nature, as the case of Luanshya Copper Mines shows."