Myth of Privatization of SOEs in Fiji:  
A Case Study of Telecom Fiji Limited

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Abstract
The privatization of state owned enterprises was pushed by the World Bank (WB) and International Monetary Fund (IMF) in the World Development Report of 1983, on the basis of policies introduced by Thatcher in Great Britain in the late 1970s and by Reagan in the USA in the 1980s. The global trend from developed and developing countries shows that privatization is the only way to bail out State Owned Enterprises (SOE) that are a financial burdens on the Government. One of the main aims of PSR is to transform an SOE into a privatized company with the government divesting all its shares. This paper argues that in Fiji, despite attempting to do so, this has not happened in the first high-profile case of privatization – that of the Posts and Telecommunication Ltd.

Introduction
This paper examines the privatization process in the state owned telecommunication entity, initially known as Posts and Telecommunication Department. This paper, first, examines the external and internal forces that led to the call for privatization of the entity. Second, it discusses some challenges involved during the privatization process. Third, it addresses the question whether privatization of the entity did take place. Finally, this paper highlights some general trends of what happens when an SOE is privatized, that can be utilised to develop a model which could possibly be used to benchmark reforms in other SOEs in Fiji and other South Pacific Island countries.

Case for Privatization

Globally, there is extensive literature on the privatization of State Owned Enterprises. Writers like Young (1990), Hutton (1996), Crouch and Streeck (1997), Graham (1997), Elliott and Atkinson (1999), Burnes, Katsouros and Jones (2004) state that the drive for privatization arose from the economic shocks of the 1970s. This paved the way for the rise of neo-liberal governments of Margaret Thatcher in the United Kingdom in 1979 and Ronald Reagan in the United States of America in 1980. Both these were committed to reducing the role of the state and giving greater freedom to the private sector. Since the United Kingdom had a large number of state enterprises, it became the test bed for privatization; one that is still frequently held up as an example for other countries. Over the last 20 years, external and internal forces have influenced the growth of privatization in many other countries (Osborne and Gaebler, 1992; Farazmand, 1996; The World Bank, 1996; White and Bhatia, 1999; Awamleh, 2002).

There is some literature on privatization of State Owned Enterprises in the South Pacific islands, namely in Samoa and Fiji. Reddy (1997) has looked at reform process and the Implications of public sector reforms on human resource management in the South Pacific. McMaster (2001) has commented on public enterprise reforms in Fiji and policy Implementations and reversals. Prasad and Snell (2001) and Reguri (2003) have argued that reforms of SOEs were driven by external forces such as IMF and World Bank. Amosa (2002) examined reform of SOEs in Samoa and argued that reforms were driven by internal forces. Appana (2003) informs that with the support of the international organisations, SOE reforms in Fiji have been based on the New Public Management (NPM) model.

Method

The paper is based on first-hand primary empirical research conducted by the authors between 2006 and 2010. Three main research methods were used for this study. First, face-to-face interviews were conducted with major stakeholders of the TFL reforms. The interviews were by the use of semi-structured and structured questionnaires. The first set of stakeholders who were interviewed included different levels of staff of Telecom Fiji Limited such as senior management (CEO, General Manager, and General Manager Human Resources). The second set interviewed were current employees of TFL at various levels and ex-workers of the company. A total of 50 employees were interviewed, which was 10% of the workforce. Employees that participated in the survey were supervisory staff as well as technical and customer service staff. We found the ex-workers of TFL more open and willing to reveal in-depth information about the company than current workers since their fear of victimization by the company was non-existent. The third set interviewed were officials from Ministry of Public Enterprises while the fourth set comprised officials of the Fiji Public Service Association, and the Fiji Post and Telecom Employees Association. The fifth set interviewed were the customers of TFL; 200 customers along the Suva-Nausori corridor were interviewed.

The second research method used was observation techniques since one of the authors was a former worker of TFL.

The third research method used was literature review of primary company and government documents, annual reports and Hansard records. Secondary published articles on SOE reforms were also reviewed.

Background of Fiji Post & Telecommunications Limited

The Department of Post and Telecom was commercialized in 1990 and was named Fiji Posts and Telecom Limited (FPTL). The FPTL was formed on 18 August, 1989 under the provisions of the Companies Act (1983) as a limited liability company. Prior to 1989, it was known as Post and Telecommunications (P&T). The corporatization stemmed from the government’s broader public sector reform policy. Corporatization commenced before the introduction of the Public Enterprises Act (1996). In 1996, FPTL was re-structured by splitting it into Telecom Fiji Limited and Post Fiji Limited.

Analysis of Shareholders of TFL: 1990-2010

Reform started in TFL in January 1990. Twenty years later, the government is still the major owner of TFL with 92.6% shares and only 7.2% of shares held by other organisations in Fiji. The 92.6% share of TFL by the Fiji government consists of 58% shares via FNPF and 34.6% shares via Amalgamated Telecom Holdings (ATH) Ltd. The 7.2% shares are owned by the Fijian Holdings Limited, the Lomaiviti Provincial Council, the Unit Trust of Fiji Limited, the Yasana Holdings Limited and the Yatulau Company Limited. Table 1 shows the details of ownership of TFL over the last twenty years.

Table 1: Shareholders of TFL: 1990-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholders</th>
<th>Percentage Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to Jan 1990</td>
<td>1. Fiji Government</td>
<td>100%</td>
</tr>
<tr>
<td>December 1998</td>
<td>1. Fiji Government (via ATH)</td>
<td>51%</td>
</tr>
<tr>
<td></td>
<td>2. Fiji Government (via FNPF)</td>
<td>49%</td>
</tr>
<tr>
<td>January 1999</td>
<td>1. Fiji Government (via FNPF)</td>
<td>51%</td>
</tr>
<tr>
<td></td>
<td>2. Fiji Government (via ATH)</td>
<td>49%</td>
</tr>
<tr>
<td>Currently 2010</td>
<td>1. Fiji Government (via FNPF)</td>
<td>58.2%</td>
</tr>
<tr>
<td></td>
<td>2. Fiji Government (via ATH)</td>
<td>34.6%</td>
</tr>
<tr>
<td></td>
<td>3. Other Institutional Investors*</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

* Other institutional investors include Fijian Holdings Limited, Lomaiviti Provincial Council, Unit Trust of Fiji Limited, Yasana Holdings Limited and Yatulau Company Limited. Source: Created by the Authors- August 2010

In 1998, the ATH was formed by the government as a financial institution to hold and look after government’s shares in TFL, Fintel Limited and Vodafone Fiji Limited. The Fiji Government holds 49% shares in Vodafone Fiji Limited (with the majority shares held by Vodafone parent company in the UK). As of now, the Fiji Government holds 34.6% shares of TFL via ATH.

There are four subsidiaries of TFL: TransTel Fiji Limited,
Xceed Pacifika Limited, Connect Limited and Vodafone Fiji Limited.

ATH has 51% shares in FINTEL with the remaining 49% held by the British Cable & Wireless Limited. FINTEL is Fiji’s sole provider of all international telecommunications services.

Figure 1 shows the details of government ownership via ATH.

**Figure 1: The Ownership Structure of ATH: 2010**

ATH was incorporated as a public company on 10 March 1998 under the Companies Act 1983. It commenced business operations from 16 December 1998. ATH is one of Fiji’s largest companies and Fiji’s principal telecommunications holding company. Through its investments and provision of direct services, ATH offers a broad range of telecommunications and information services throughout the Fiji market. The principal activities of the ATH Group include the provision of local, national (trunk) and mobile telephony, Internet and data related services and provision of directory services.

Figure 2 gives details of the three investments forming part of the ATH Group including their principal activities and also provides details of telecommunications management services provided by ATH to the Government in relation to the government’s shareholding in FINTEL.

**Figure 2: Ownership of Fiji’s Telecom Sector: 2002**

ATH Annual Reports (Diagram drawn by authors)

**TFL: Nationalised Monopoly – Myth of Competition**

The government issued an exclusive 25-year licence to FPTL for the provision of telephone, telegraph and telex services on a national basis from 1990 (FPTL Annual Report, 1990). The exclusivity of the licence expires contractually at the end of 2014. The exclusivity of the licence was later transferred to Telecom Fiji Limited (TFL) as there was further restructuring of FPTL in 1996. TFL’s
role was to maintain, provide and install domestic ‘fixed-line’ and ‘mobile’ telecommunications data transmission and telex services (TFL Annual Report, 1996). With effect from 1 July 1996, the postal business was transferred to Post Fiji Ltd and the old FPTL changed its name to Telecom Fiji Limited (TFL). The coercive pressure for the split emanated from Arthur Anderson’s consulting report as well as the globalising influence of new public management. Anderson’s consultant was hired in 1992 to undertake a strategic review and vision for the company. Most of the capital projects were funded by government loan and the P&T Trust account. According to an ex-employee, the assistance provided by government required offshore loan guarantees from the Asian Development Bank and World Bank.

Reasons for the formation of Amalgamated Telecom Holdings

The formation of ATH had ‘hidden agendas’. The collapse of the National Bank of Fiji had a direct link to this. The $220m bad and doubtful debts from the National Bank needed to be funded. This was through privatization of ATH at a price approximately 3 times the value of the closest private bid. The ATH sold 49% of its shares to the nation’s largest financial institution, the publicly owned Fiji National Provident Fund. Grynberg et al. (2002) claim that the privatization of ATH was not a privatization of assets but an effective expropriation of the assets of the Fiji National Provident Fund by the Government, which was a reflection of a weak system of fiscal governance and accountability in Fiji. The consequence, however, was that collapse of the National Bank of Fiji was finally funded by transfer of public assets in 1998 and 1999. The transfer of ATH to the Fiji National Provident Fund also helped the government reduce its deficit to 1.7% of GDP and achieve a budget surplus. In other words, the government used funds derived from privatization and asset transfers to pay government debt and also used part of it to facilitate its growing spending. Without privatization, the deficit as a percentage of GDP for 1998 and 1999, would be at 5% and 5.8% of GDP respectively.

The increase in government expenditure in 1999 prior to the May 1999 elections would have been more difficult without the transfer of ATH assets to the Fiji National Provident Fund.

The Fiji Government had three options for the refinancing of the National Bank of Fiji after 1995. These included an increase in taxes, an increase in public debt, and sale of public assets. The option of public asset sales was consistent with government policy of privatization and would also help to reduce public debt.

The Government obtained far more than the expected amount from the sale. In the 1999 budget estimates, the Government could not have been expecting more than $F50m to $F60m for the transfer of shares; $F50m to $F60m was the figure of the bid of the two losing private sector buyers. However, just after the 1998 budget was passed, the Government announced the sale for $F253m. Before the sale Government decided to consolidate its entire telecommunications holding into one company, the ATH. This new single holding consisted of 51% of FINTEL ownership, 100% of Telecom Fiji ownership and 100% of Vodafone Fiji ownership. The transfer of ATH to FNPF was the biggest single financial transaction in the history of Fiji.

In justifying the sale of ATH to Fiji National Provident Fund, the Finance Minister stated:

> FNPF capital base is significant as we all know, and in particular, it has assets of $F1.9 billion on which it currently earns 8% .... Under management forecasts, the projected ATH dividend on the 49% shareholding for the years 1999/2000 would be less than 2% of the price paid by FNPF. This is significantly less than the average rate of 8% paid on government debt. Privatisation makes the government significantly better off. It is a return of 6% per year, not a bad return on $253 million (Hansard Report, 1998: 4119).

From the workers’ point of view, this sale was a major loss because assets that would earn 8% elsewhere were traded for assets giving a return of less than 2%. Workers also argued that it would be difficult for FNPF to deliver higher dividends from buying ATH because Government had already decided to open up the telecom market by reducing the monopoly licence of 25 years. It was through this monopoly licence that ATH was earning huge profits, but it would be highly likely that its earnings will drop significantly when the monopoly agreement expires.

Rothschild consultants valued the government’s telecommunications holdings in 1996 using 1995 and 1994 figures. It is astonishing that the FNPF, Ministry of Finance and other interested parties took the asset valuation at its face value. The assumptions employed
the Rothschild analysis were based upon the experience of 1994 and 1995, when there was a 10% rate of growth of working lines in FPTL. The economy was performing considerably better in 1994/5, than in 1998 and 1999 when it was suffering the combined effects of the Asian financial crisis, the NBF collapse and the drought in the cane belt.

It appears that the government was determined to acquire cash from FNPF through the sale of its stake to pay for the NBF disaster; the valuations did not matter in the government’s pre-determined mind. Even before the valuation of the assets was done, the then Minister for Public Enterprise and subsequent Minister for Finance, James Ah Koy, suggested in parliament during the debate on the restructuring bill in 1996 that the government was planning to sell its telecommunications holdings to recapitalise the NBF. It is also noteworthy that the government had commissioned the Rothschild report on privatization of the telecommunications at the height of the NBF crisis. The amount of revenue generated from the sale of ATH that was used for debt repayment in 1998 was $207 million almost exactly equivalent to the loan of $209 million that was floated in 1996 to 1997 for NBF.

The following is reported in a web article:
In 1998, Credit Suisse first Boston was hired to carriyout the steps for a partial private sale of ATH. The sale took place in December. The best offer was received from the Fiji National Provident Fund (FNPF) – the country’s pension system – who bid F$254 (US $130) million for 49% of ATH. FNPF paid an extra F$23 million premium for the right to acquire an additional 2% for majority ownership that it exercised in September 1999. In March 2002, additional government shares were offered to the public and institutional investors and ATH was listed on Suva’s South Pacific Stock Exchange... (Bula Internet: Fiji ICT Case Study, 2004:24)

The sale was used to finance the NBF debt and the growing public debt in Fiji during the last years of the Rabuka Government. FNPF paid three times more than the private bidders, which included FINTEL. There was considerable public concern over the involvement of Lionel Yee in the restructuring of the bank. Prior to the sale Yee was chairman of both FNPF and FPTL. He resigned from his post at FPTL just two weeks before the transaction (Pers. Comm., Cable and Wireless, February 1999). Of note is also the fact that Yee was also a board member of NBF immediately before the Bank collapsed. So was another member, Winston Thompson, who was on the board of NBF, and FNPF when the purchase deal was made. Such conflict of interest were the order of the day in Fiji; had such a conflict arisen in any country with even reasonable notions of transparency and good governance, Yee as well as his reporting authorities would have been taken to serious task, including prosecution.

Subsidiaries of ATH

Fiji is well equipped with modern technology for both its internal and international telecommunications market. All the major towns have access to digital telephone exchanges and the islands are linked by cable and satellite to worldwide networks. Worldwide Direct Dialling is accessible and the most demanding business requirements can be satisfied by the full range of modern services.

The ATH has a number of subsidiaries; these include: Telecom Fiji, Vodafone Fiji, Connect, Transtel, Xceed, ATH Technology Park Limited and Fiji Directories. ATH also acquired management rights over the government-held shares in FINTEL, the international service provider (Annual report ATH, 2006).

Telecom Fiji Limited is a 100% owned subsidiary of ATH. TFL held an exclusive license to provide domestic transmission of voice and data in Fiji until 2014. This exclusive license was cancelled and other companies were encouraged to enter the telecommunications market. It operates Fiji’s only Public Service Telephone Network (PSTN). TFL exclusively provides local and long distance telephone, Telegraph, telex and data transmission services. Telecom Fiji operates the nations fixed line and the national transmission network.

Since its establishment, Vodafone Fiji Limited was the country’s sole provider of mobile telephony service, using the Global System for Mobile (GSM) standard. This is a joint venture of Telecom Fiji Limited, which owns 51%, and Vodafone International Holdings BV which owns 49% of shares. The mobile phone industry opened its market to other mobile operators.

Internet Services Fiji Limited which trades under the ‘Connect’ brand name, is a 100% subsidiary of Telecom Fiji Limited. This is a commercially active Internet service provider (ISP). The internet market has a few other participants, including Vodafone and its sub-
Privatization of SOE’s: The Case of Telecom Fiji Ltd

A subsidiary InkMobile, and Unwired, a private company. Some dedicated ISP licences have also been issued, including to the University of the South Pacific which operates its distance learning network.

FINTEL is the exclusive provider of international telephone, telegraph, telex, and data transmission services. 49% of FINTEL is owned by Cable and Wireless plc.

Fiji Directories Limited is a non-exclusive provider of directory services. Fiji Directories publishes Fiji’s telephone directories. ATH owns 90% and Edward H. O’Brien (Fiji) Limited 10% of this company.

TransTel Limited is a 100% subsidiary of Telecom Fiji Limited; its principal activities are the marketing and selling of prepaid telephone calling cards, and management of the public telephone network. It provides calling card services, either direct or through ATH operating companies. TransTel was set up in 2003 and took over the functions previously carried out by the Card Services Unit of Telecom Fiji. The company also specializes in processing financial transactions over telecommunications networks and maintains Fiji’s public phone service facilities. It has also expanded into prepaid internet, prepaid utilities, e-banking and other products focusing on prepayment and adding value.

Xceed Pasifika Limited is a 100% subsidiary of Telecom Fiji Limited. This company competes in a deregulated market. It specializes in customer premises equipment like telephone handsets, PABXs, customer premises cabling, computers, and surveillance equipment.

ATH Technology Park Limited is a 100% subsidiary of ATH, and was established as the vehicle through which the proposed ATH Technology Park at Vatuwaqa could be developed, owned, and operated. (Annual report ATH, 2006)

Deregulation

Fiji has a resourceful telecom system with access to the Southern Cross cable that links New Zealand, Australia and North America. Fiji’s telecom industry has been made up of three major monopolies, which were all protected through exclusivity licenses and/or pricing structures. Telecom Fiji Ltd had the exclusive licence to provide domestic voice and data services; Vodafone Fiji Ltd had been the sole provider of mobile services; and Fiji International Telecommunications Ltd (FINTEL) had the monopoly on the supply of international voice and data services. ATH had major stakes in all these. The massive network of ATH provide a prima facie indication that given a rigid licensing regime with technological restrictions, and operators holding exclusive rights in specific market segments, ATH dominance in the market has not broken down the monopoly of the pre-reform era to the extent necessary in a fully functional modern economy. This may disadvantage growth in the range of services that could be provided; such structures also hinder consumers’ realization of benefits that can ensue from emerging technologies, and may not allow the opportunity to exploit the reality of convergence between telecommunications, internet and media.

This, however, began changing. A new regulatory environment was announced in November 2007, which was to bring in a new telecommunication law. In February 2008, the local press reported that Digicel Fiji Limited was awarded a licence to provide mobile services in Fiji. The government also announced that the new Telecommunications Promulgation 2008 would commence on 1 August, 2008. This promulgation established a telecommunication regulator, as well as empowered the Commerce Commission on telecommunication matters. Digicel Fiji Limited began its operations in October 2008.

While there were widespread speculations over Digicel Fiji’s impact on Vodafone Fiji, ATH’s cash-cow, the outcome was not as depressing. ATH’s share price at the Fiji stock exchange provides an indicator. Since ATH listed in the stock market in 2002, the Fiji public bought shares at F$1.06—the stock spent most of its public life between F$0.70 and F$1. After trading below its offer price for four years, ATH made it back to F$1.06 in 2008. The arrival of Digicel has, however, had a drastic impact on prices of mobiles and calling charges. How the companies fare over a longer period of time is yet to be seen.

Commerce Commission of Fiji

The Commission was established under the Commerce Act 1998. It is an independent body that is to ensure that there is no anti-competitive behaviour in the country. It also regulates prices of certain goods and services which are deemed to be either essential for consumers, or which relate to industries regarded as less than competitive. Telecom prices came under this category of prices.
The Commerce (Control of prices for Telecommunication services) Order 2004 declared that prices for all telecommunication services be controlled including fixed line, mobile, and internet. Soon after, Telecom Fiji made a submission to the Commission proposing a tariff re-packaging plan. In its proposal, TFL wanted an increase in line rentals and a reduction in calling charges. TFL offered call plans that were to be optional, whereby customers would have had the choice to either subscribe to the new plan or remain with the existing plan. It later revised its proposal. The Commission noted that the second proposal involved compulsory tariff rebalancing but the proposal was not different from the initial proposal. The rationale for the proposed changes was that the charges for installation and line rental for residential customers were below cost for many years. The offset was achieved by high prices of intra-regional, inter-regional and overseas call charges. A standard line rental of $12 proposed by TFL was considered by it to be significantly below its claimed access costs of around $40. TFL proposed a phased implementation over three years, arguing that this would allow customers to adjust to higher line rentals.

The Commission found that all telecom companies had been charging excessively high prices in the past years, very much more than the efficient costs of provision of services. There were cases where monopoly rents had been present, which led to economy-wide inefficiency. Such pricing was found in fixed line rental, local calls, fixed to mobile call rates, intra-regional and inter-region calls, mobile subscription rates, mobile to mobile call rates, mobile to fixed line call rates, international call rates, wholesale internet supply charges, outgoing international carriage charges, inbound international termination charges, and call termination charges between providers.

The Commission allowed for an increase for line rental which reflected the changed value of money. There had been no effective increase in line rental implemented for many years; at least since TFL began supplying the services. This was due to inflation that had reduced the real level of line rental significantly over the years. The Commerce commission argued that new services should be costed on the basis of their economic viability and not cross subsidised by other services. It made a historic intervention to decrease telecommunications charges for domestic and international calls, and Internet services. The monopoly companies had been charging some of the highest rates in the world. It ordered that long distance calls within Fiji decrease by 70% while international calls come down by an average of 55%. However, line rental rates were increased. Mobile phone charge rates had been cut by 50% and Internet charges by 25%. The Commission also ordered a decrease in the charges imposed by Telecom Fiji and FINTEL for incoming calls from abroad, making them cheaper for people calling from other countries. Table 2 provides the details on the reduction in rates.

Table 2: Commerce Commission Determined Rates: 2006

<table>
<thead>
<tr>
<th>Service</th>
<th>Existing (VEP)</th>
<th>06/10/05 to 31/12/06 [VEP]</th>
<th>% Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business line rental (1-2 lines)</td>
<td>$4.16/month</td>
<td>$35.00/month</td>
<td></td>
</tr>
<tr>
<td>Small Businesses (1-2 lines)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local calls</td>
<td>$0.1091/call</td>
<td>$0.1091/60 minute interval</td>
<td></td>
</tr>
<tr>
<td>Intra-region calls</td>
<td>$0.1432/min</td>
<td>$0.1291/min</td>
<td>9.8%</td>
</tr>
<tr>
<td>Inter-region calls</td>
<td>$0.4296/min</td>
<td>$0.2050/min</td>
<td>52.3%</td>
</tr>
<tr>
<td>International calls (Weighted Av)</td>
<td>$1.4260/min</td>
<td>$0.7500/min</td>
<td>47.4%</td>
</tr>
<tr>
<td>Fixed to mobile calls</td>
<td>$0.5500/min</td>
<td>$0.4950/min</td>
<td>10.5%</td>
</tr>
<tr>
<td>Residential/school: line rental</td>
<td>$2.84 per mn</td>
<td>$8.00/month</td>
<td></td>
</tr>
<tr>
<td>Residential/school: call charge</td>
<td>$0.1091/call</td>
<td>$0.1091/call</td>
<td></td>
</tr>
<tr>
<td>Fixed to mobile calls: residential &amp; schools</td>
<td>$0.5500/min</td>
<td>$0.4950/min</td>
<td>10.5%</td>
</tr>
<tr>
<td>Quick dial calls*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Determination of Prices for Telecommunication Services in Fiji. P 35-6

Concluding Remarks: Efficiency and Costs

The public sector has often been labelled as inefficient in providing services. The causes of inefficiency are bureaucracy and red tape. The solution proposed is to privatize the operation so that the private sector can provide services more efficiently.

In the case of Telecom Fiji, however, since privatization costs have started to increase, customer service has become less efficient. Fiji Posts and Telecommunications used to be the most profitable government department before it became corporatized. During the difficult year of 1987, it realised a $F6m profit, which rose to $F8m in 1989. As a government department, it provided an essential social service yet remained viable and cost efficient. The move towards privatization has been a disastrous experience for the company.
Privatization of SOE’s: The Case of Telecom Fiji Ltd

FPTL profits have declined each successive year, nose-diving from $F12m in the first year of privatization in 1990, to $F10m in 1991 and dropped markedly to $F3.8m in 1992. Such a significant decline in profit cannot simply be explained away through a claim of increased capital expenditure. Figures available in 1992 showed that overtime work had more than doubled, rising from 10,000 hours a month at the beginning of the year to 22,000 hours a month by December 1992. This is one of the reasons why profits had decreased and operating costs increased. This was also a result of mismanagement of company resources.

As a result of privatization, the government also loses control of activities that it is financing. This affects the end users who are most in need of this service. The private sector will only serve those sections of the market that are most profitable, ignoring the needs of the neediest in the community.

In addition to this, while privatization focuses on economic benefits, it often ignores the issues concerning transparency, accountability, equity of access to services, and the quality of those services.

Privatization of telecom operations has:
- resulted in substantial revenue loss to the public reserves.
- led to marked decline in profits for the company.
- lowered worker morale and resulted in the loss of some highly experienced and skilled staff.
- caused crisis after crisis; there have been scandals, abuse of privilege, mismanagement and exploitation by Board Members pursuing their own self interest.

Experiences from other countries vary. The 1998 survey of the Organization for Economic Cooperation and Development (OECD) of the communications sector in its industrialized member nations showed that 100% private ownership of telecommunications is far from common, and that in only 6 of the 29 OECD member countries (United States, United Kingdom, Canada, Denmark, Mexico and New Zealand), were the telecommunications networks privately owned. Partial privatization appears the norm in most of the industrialized world; this includes Japan, countries of Eastern Europe, France and Germany. Fiji claimed that it was following the first world countries; however, in fact it followed none. It did not even consider the relevant data.

References


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