

**(Photo)**  
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## **Nepal Telecom-Vision**

Nepal Telecom has been successful to be established as a strong and competent organization for the last 15 years. The organization is filled with technically skilled manpower all equipped with outstanding and latest technology. But there is challenge in front for keeping same progress ahead. The telecom service operators in India and other countries remained major service providers in the initial few years but after the entry of international telecom service providers in the market, the incumbent and old telecom operators fell to second, third, or lower position after not being able to compete with new comers. So the time has come to move ahead with new concept and work schedule so that Nepal Telecom always remains ahead as well as keep her in the number one position. In this article, I have tried to raise some issues on the company's policy level.

1. Nepal Telecom has transferred to the company and the share has been distributed to public and employees, and listed in the stock market. In this situation, we should move ahead with the clear vision on these points given below, so that Nepal Telecom future can be made more secure.
  - a. How many shares the government will hold in long run?
  - b. Need of strategic partner in company necessary?

- c. Allowing foreign investor in the company?
- d. When to call for the existing capital to reach Rs.25 billion?
- e. Distribution of share to telephone customers?
- f. The remaining share from 10%, which was not fully subscribed as IPO, will be re-auctioned in near future or the government will keep with her?

These above policy issues should be short out as soon as possible so that it will provide positive contribution to the development of Nepal telecom as well as to the country as whole.

### **Proposed Policies:**

- 1.1 Telecom business is proved as profitable business worldwide. It is better to hold a 51 percent share by the government. However, government should provide authority and develop provision of appointing CEO from shareholders holding 49 percent share so that the daily operation and development functions of the company independently.
- 1.2 It is suitable to accept strategic partner involvement by providing share or without share to the international telecom service provider through global competition. In this way, it helps in operating the company actively with new concept and management. Based on the operation and management work, and reviewing their performance, the management from strategic partner can be extended up to 10 years. Strategic partner involvement may help in attracting foreign investors in future.
- 1.3 It is important to provide the share of Nepal Telecom to the national and international organization in future to attract the private sector into telecom business. When selling the share through tendering process, a condition should be made that one business house should be provided maximum five percent share and the restriction should apply to get all

share from international institutions from one country. In this way, singly institution's monopoly of foreign investors can be reduced. Attracting the foreign investors and making them to invest in Nepal Telecom will also develop an opportunity to explore in establishing a joint venture company in manufacturing sector of telecom equipment and accessories like the mobile set, telephone set, cable, wire. Accordingly, it will also support in diversifying the business and can also target a huge market of India and China, in promoting export business. The GDP of both countries are growing in double-digit and Nepal can take benefit from this.

#### **1.4 Investment Diversification**

Targeting to make paid up capital of Nepal Telecom to Rs.25 billion, the shareholders should provide 12 percent of profit as bonus share and remaining to provide as cash for the next five years. In doing this, the following benefits can be achieved:

- (i) Through the bonus share, existing capital of the company will increase and there will be enough liquidity and the amount can be used jointly in the investment of telecom production industries. The remaining liquid capital can also be invested in Nepal Electricity Authority for electricity production sectors.
- (ii) Due to the decision of providing bonus share, the share value in the secondary market will increase and the government can sell remaining (39 percent) share in market value and can collect around Rs.60/70 billion which can be used in other mega projects. Rather selling share at a time within a year, it can be sold simultaneously in the gap during 4-5 years and the received amount can be used in mega projects like East-West Electrical Railways, four-lane highway near Sagarmatha base camp for tourism promotion,

Kathmandu-Terai Fast Track, mega hydropower projects, etc. These projects can create huge job opportunity. The projects, then can be sold or provide on a contract basis to private sectors for the operation once construction work gets completed. After the operation, the projects will be huge sources of revenue. These sources of revenue in long run will help in developing other mega projects in the country. It will also help in establishing a chain of development and from these new projects and programs can move forward.

(iii) The government should make provision of providing a share of the company to each PSTN telephone and post-paid customers at the rate of 20 units on the amount fixed by the government. Around 600,000 customers of the company will get share provided in the way. With the customers becoming promoters, it can be expected that this will increase popularity of the company and safeguard the company's interest while attracting foreign investment providing long term benefit.

(iv) The remaining share from the ten percent which was not brought as IPO in 2009 by public (among 1500 Million units, 530 Million units has only been sold), should be provided to customers of Nepal Telecom. Each customer will get less than 20 units of share and the additional share will not get issued to public otherwise there will be huge supply and less demand which will decrease the share value and it will neither benefit to buyers and the government.

## **2. Regarding the Construction of High-rise Building**

The necessary process needs to move ahead for the construction of high rise building taken in the land near Central Office of Food Corporation. It will not only increase the

pride and prestige of the company, this will provide enough working space too. The building also can be provided in rent for the person or for commercial purpose which also helps in earning income.

### **3. Investment in Media Sector**

In countries like India, the US, big corporate houses develop media house to promote and secure the business. The same trend is being followed in Nepal too as corporate groups majorly invest in telephone as well as media house which can be challenging for Nepal Telecom's business. So it will be right to develop a media house partnering with private sector, keeping less than 50 percent share, for the promotion and long term security of Nepal Telecom business. It is not a big issue to invest NRs. 200-250 million and investing small amount will not only protect the company's interest but it will help to forward the policy level decision. The new era is the world of media and advertisement. Rather taking share premium of the existing media house, the company in own initiation should establish new media house by partnering with the private sector; and for the operation, board members need to be sent from the company for policy level involvement. The amount separated for Nepal Telecom's advertisement should be maximally used in the interest of the organization.

### **4. Resident facility for staff**

The construction of staff quarter as per Labour Act has not been able to move ahead for two years. Not only in Kamaretar in Kathmandu but the staff quarter needs to be built in

different places in the valley as well as other regional places and it should be pushed in fast track for the decision.

#### **5. Use of Cheap Calling Card**

Many call center has come into operation that can make calls from Kathmandu to the US and European countries paying just Rs.3-5. Due to this, Nepal Telecom is losing millions of amount annually on outgoing call (ISD). Though the voice quality of services provided by the call centers is not good, people are attracted to it due to the cheap price. As the call centers are not registered legally, the government does not get any tax amount from this.

Nepal Telecom while sending calls to the US, London and other countries, the company has to pay Rs4.50 as sharing a call to the companies in those countries. In this situation, to provide cheap and quality service, cheap calling card system can be operated which will cost Rs10 per minute. For this, DCME equipment can be installed that will decrease satellite charge. It also helps in controlling the losses that the company is facing. A cheap calling card can be useful for countries having many Nepalese working or residing over there.

#### **6. To control in leakage on International Call**

It has become essential to make an effective mechanism to control international income and outgoing call through VOIP illegally. In India, CBI has been raiding to control illegal call and taking strict action against them. Nepal Telecom has been annually bearing revenue leakage of Rs800 million including millions of loss of the government in VAT,

TSC, Income Tax including other tax. So it has become important to make legal provision as well as control work needs to move forward through alert center.

#### **7. Installation and Procurement of IP-TV Equipment**

Through PSTN connection of Nepal Telecom under IP-TV, people will have access to watch hundreds of channels on TV in future. Equipments are ready to use, but this business have not been started yet. This business will have potentially to earn additional more than Rs1 billion annually while a customer who has been paying the highest charges for around NRs. 500 monthly can get the service at NRs. 150-200 monthly with high-quality picture than those cable operators.

It is believed that the monopoly of cable operators will come to end. Similarly, IP-TV network can be provided through telephone network at any corner of the country. If the network comes in the integrated use then it will also help in managed beatification of cities and minimize numbers of cable wires from various cable operators.

#### **8. Employment Generation in Rural/Remote Area**

CDMA telephone service of Nepal Telecom has reached to all parts of the country and due to the cheap and trustworthy service, it is popular among customers. Now, the distribution work is being done on making the availability of 10 lines on every hilly district. Well off the family in the village are opening call center (PCO) in villages and are making a good income. It is good to make provision to provide an opportunity to open call center to marginalized, ethnic, women, conflict victim, and poor people. This concept can be implemented in around 2,000 village development committee. This policy

will help to uplift the economic level of around 20,000 family and additional 40,000 (per call center 2 staff) can get employment. And, if the employment is also provided to marginalized, ethnic, women, conflict victim, poor people then it will support to uplift their livelihood. In the income of call center, Nepal Telecom can make the policy to provide 20 per discount/commission.

Similarly, through CDMA telephone internet can be operated so that marginalized, ethnic, women, conflict-victim, and poor level people who have academic qualification SLC or school level can operate the computer training from the call center. For this, government should make the policy to provide loan without any collateral with minimum interest through Agricultural Development Bank and other banks and financial institutions or Ministry of Peace and Reconstruction and local level through Ministry of Science and Technology. The training cost should be carried out by the government. For all this, the Ministry of Peace and Reconstruction can play a coordinating role.

#### **9. Corporate Social Responsibility (CSR)**

The government, non-government, and private company have been spending certain percent of income globally to fulfill the social responsibility. For example, Microsoft is spending in AIDS awareness and protection, TATA Group has been providing financial help for the treatment of cancer and Escort in heart treatment. In Nepal, CSR initiations have been done in traffic awareness, eye donation, etc. but are being done in few numbers. It is important to support from government and private sector for the patients going under heart surgery, kidney (Hemodialysis), brain hemorrhage, muscular

dystrophy, cancer and other human life-saving sectors. The government can exempt tax in support amount as CSR. For transparency on the amount spent in Corporate Social Responsibility, the certain mechanism can be made on the participation of corporate house and civil society.

Nepal Telecom can also start for this. Nepal Telecom can provide 0.2 percent from profit to National Kidney program in Ganga Lal Heart Disease Center. The organization which has a budget of around NRs. 300 million annually for advertisement, the organization can cut off a few amounts from expenditure like this and spent in CSR activities. The allocation of the budget will not reduce the advertisement of Nepal Telecom but it will alternatively increase the goodwill as the public will admire this type of work.

It will make Nepal Telecom a pioneer organization for providing humanitarian services and also encourages other corporate houses to contribute towards these types of activities in the society. The government should provide a tax waiver on the amount equal to the spending on social responsibility.