PUBLIC SECTOR REFORMS IN FIJI: A CASE STUDY OF
TELECOM FIJI LIMITED

by

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A thesis submitted in fulfillment of the requirements for the degree of
Master of Commerce

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Declaration

Statement by Author

I, Maureen Fatiaki Karan, declare that this thesis is my own work and that, to the best of my knowledge, it contains no material previously published, or substantially overlapping with material submitted for the award of any other degree at any institution, except where due acknowledgement is made in the text.

Date: 06-01-2010

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Statement by Supervisor

The research in this thesis was performed under my supervision and to my knowledge is sole work of Maureen Fatiaki Karan.

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I dedicate this thesis to all my family and friends.
ABSTRACT

Public enterprise reforms emerged in western European countries in 1980s and since then have taken their toll across the world. Fiji is no exception as it has gone through structural reforms and economic recession. Reforms in Fiji have been driven by both internal and external factors. Between 1990 and 1992 the corporatisation process started in four companies: Ika Corporation, Post and Telecommunications Department, Fiji Pine Commission and National Marketing Authority.

The aim of this thesis was to investigate the reason why government wanted to restructure the Posts and Telecommunications Department, whether workers and their unions were taken into confidence during the restructure process, to assess critically the impact (both positive and negative) of such restructuring on the employees and the customers and to investigate whether cost effectiveness and customer efficiency was achieved.

The research involved collecting data through questionnaire distribution, conducting personal interviews and document analysis.

The research found that a lot of transactions took place for the personal gains of the ministers and Board members. The whole purpose for reforms was defeated as efficient customer service and cost effectiveness was not achieved. The Fiji National Provident Fund ended up paying three times the price of what Telecom Fiji Limited was worth.
The restructure program within Posts and Telecommunications Department began in 1990 and is still on-going. In the year 1990 the department was converted to Fiji Posts and Telecommunications Limited. In 1996, the two departments were further split into Post Fiji Limited and Telecom Fiji Limited. The Amalgamated Telecom Holdings was set up as the government was trying to get funds for the 1999 general elections and cover up for the Fiji National Bank bankruptcy. The thesis shows that apart from external pressures there was a lot of political interference in the day to day running of the organisation.

During the restructuring of the telecommunications industry the workers and their unions were not taken into confidence and integrated into the process of enterprise reorganisation. There was a lot of industrial strife and misunderstanding among the stakeholders; the union, management and staff. This cost the company millions of dollars.

Basic premise of the government in undertaking the public enterprise reorganisation was to make the telecommunications industry more responsive to the needs of the customers as well as retain the efficient employees and hence enhancing the performance of the organisation. The research findings highlighted that neither was customer service improved nor was employee job satisfaction achieved. Employees that were more skilled were the ones who took the voluntary redundancy packages and Telecommunications Fiji limited was left with more unskilled labor force thus the company was forced to rehire staff at a much higher pay rate. Most customers were not satisfied and even though new technologies were introduced and customer satisfaction index did not increase.
ABBREVIATIONS

ADB  Asian Development Bank
AMB  Asset Management Bank
ATHL Amalgamated Telecom Holdings Limited
CBA  Common Wealth Bank of Australia
CEO  Chief Executive Officer
CSA  Commercial Statutory Authority
EU   European Union
FNPF Fiji National Provident Fund
FPSA Fiji Public Service Association
FPTEA Fiji Posts and Telecommunications Employees Association
FPTL Fiji Posts and Telecommunications Limited
GATT General Agreement on Trade and Tariffs
GCC Government Commercial Company
GDP  Gross Domestic Product
GM   General Manager
HRM  Human Resource Management
IMF  International Monetary Fund
IR   Industrial Relations
NBF  National Bank of Fiji
NPM  New Public Management
OECD Organisation for Economic Cooperation and Development
PSTN Public Service Telephone Network
P & T Post and Telecommunications Limited
SBU  Strategic Business Unit
SOE  State-Owned Enterprise
SVT  Soqosoqo Vakavulewa ni Taukei Party
TFL  Telecom Fiji Limited
TNCs Transnational Companies
WB   World Bank
WINNE World Investment News, Multimedia Information Company
WTO  World Trade Organisation
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Chapter 1

Introduction

Public enterprise reforms have gained a global perspective over the last few decades. This has drawn the attention of both policy makers and academics. There have been wider implications of such reforms for the people working in them as well as the society, accompanied by the inefficiency and lowered productivity of many public enterprises along with the increasing global competition and rapidly changing technologies. This has intensified the need to improve the performance and competitiveness of the public enterprises all over the world.

1.1 Aim and Objectives of this Study

The specific aims and objectives are:

1. to examine critically the earlier and current restructuring stages of Telecom Fiji Ltd
2. to investigate the extent to which the workers and their unions were taken into confidence and integrated into the process of enterprise reorganisation.
3. to assess critically the impact (both positive and negative) of such restructuring on the employees and the customers.
4. to evaluate critically the basic premise of the government in undertaking the public enterprise reorganisation.
5. to develop a model that allows for reform objectives to materialise
6. to investigate whether cost effectiveness and customer efficiency was achieved.

1.2 Scope of this Study

Examination of the public sector reform issue in Fiji would require a comprehensive review hence it is imperative to narrow this study down to a precise topic that is manageable.

Public sector reform is defined as “changes in the role, activities and performance of the executive arm of the State, particularly in regard to institutions, policies and management” (Richard et. al, 2003).
The focus of this thesis will be on the first form of reform that is Public Sector Reform. The thesis will base its study on the restructure of a public enterprise. This will be illustrated via the case study of Telecom Fiji Limited.

1.3 Usefulness of Study

The thesis is useful in two ways. First, by examining the restructure program that took place in the Fiji Telecommunications industry we can learn a lot about Public Sector Reform in Fiji. We can understand the impact it has on the stakeholders such as employees, trade unions, management, and customers. Second, this research is unique as the telecom industry in Fiji has a monopoly status in providing telecom services and has a different industrial setting when compared to the industries investigated in previous local studies/theses.

The significance of this study lies in its timeliness when the entire public sector in Fiji is being subjected to reform and restructuring processes. This study will address many concerns of stakeholders on the restructuring of public enterprises in Fiji.

Further, this study contributes towards the calls made for more studies in Fiji. Sharma and Lawrence (2002) and Narayan (2004) mention that there is a necessity to conduct more studies since there have been few empirical studies in this area especially in the developing economies like Fiji. Since the enactment of the Public Enterprises Act (1996), the reform process is still very much in the making and with the pro-reform nature of the current regime in Fiji, this research is timely.

Research conducted by Chand (1999) on Inland Revenue Department and Customs and Excise Department. Nath (2000) study was on Housing Authority. They both focused on performance management systems in the public sector and not the process of reform itself.

The case study selected for this thesis aims to investigate the nature of restructuring in Telecom Fiji Limited and assess the extent of stakeholder participation in the restructuring process.
1.4 Limitations of the Study

The limitations of the study are as follows: first, not all Telecom Managers were willing to reveal information about the restructure process. Second, only limited funds were allocated for the research to be carried out. Third, the research focuses on a single example Telecom Fiji Limited and further studies of other institutions which have gone through Public Sector Reforms will be necessary before any comparisons and generalizations can be made.

1.5 Organisation of this thesis

This thesis is organised in eight chapters. The first chapter introduces the subject, the aims and objectives, the scope of this research and outlines the usefulness of the study.

The second chapter focuses on the research methodology for this study. It stipulates and rationalises the qualitative and quantitative research methods used. In addition, it explains the recording, verification and analysis of the data collected and the research limitations and problems encountered during the research period.

Chapter 3 gives a global and national overview of public enterprise reform process with a discussion of the related literature review.

Chapter 4 provides a background to public sector reforms in Fiji and the Fiji Telecommunications industry.

Chapter 5 examines the reform process within Telecom Fiji Limited.

Chapter 6 discusses the industrial relations and human resource issues of the case study. It gives in detail the industrial relations proceedings that occurred during the restructure process.

Chapter 7 address matters relating to critical analysis of the data collected and discussion.
Chapter 8 provides the conclusion and recommendations.

An illustration of the organisation of the thesis is presented in Figure 1.1

**Figure 1.1 Illustration of the organisation of Thesis**

1.6 Conclusion

The chapter introduced the thesis topic and discussed the aims and objectives as well as the scope of the study. The usefulness and limitations of the study were outlined as well. The next chapter examines the methodology for this research.
Chapter 2
Methodology

2.1 Introduction

This chapter will examine the research methodology for this study. This study will use both qualitative and quantitative research methods. It will further stipulate and rationalise the qualitative and quantitative research methods used. In addition, it will explain the recording, verification and analysis of the data collected and concedes the research limitations and problems encountered during the research period.

This study is about the restructure of the department of post and telecom, the role unions played and how restructuring affected employees and customer service over the years. This research project used both qualitative and quantitative approaches that supported an in-depth case study analysis. It is based on a survey of 200 customers along the Nausori-Suva corridor. Surveys were also conducted on 500 employees to get a better picture of how restructuring affected their work lives. The research process involved the use of a structured interview schedule and semi-structured interviews that were conducted across a broad range of stakeholders associated with the telecommunications sector. This allowed for flexibility to incorporate and develop new ideas as the research progressed.

2.2 Autobiographical details about the researcher

This study reflects the experiences and knowledge I acquired that inspired me to take up this case of the restructuring of Telecom Fiji Limited. I have been tutoring at the University of the South Pacific for the past 3 years. At USP I have taught public sector management, management applications and human resource management. I have gained experience and learned a lot from teaching and interacting with students from twelve different countries in the region.

Teaching management courses for three years with the major focus being on the public sector and human resources, the challenges that were posed to the government organisations and the impact these had on employees captured my interest. In terms of industrial experiences, I have worked for a private firm, Tappoo Group of companies as a marketing and human resource officer.
This provided me with an insight into how private firms operate and maximise profits. Later, I joined TransTel Fiji Limited, which is a subsidiary of Telecom Fiji Limited.

TransTel had ventured into a new business area electronic pin distribution. I was hired to manage a team of five people in the beginning, which later grew into a team of fifteen young and enthusiastic workers. Working within TransTel led to some observations such as that even though TransTel was operating on its own there was a lot of bureaucracy. There was backlog in decision-making due to the interference of Telecom Fiji Limited upper management staff. Then there was the issue of restructuring and this led to the employees’ morale being low and this very much affected productivity since everyone was worried about their future within the organisation. There was also a lot of pressure on minimising cost and focusing on effectiveness and efficiency. These experiences and observations have helped me to understand and later motivated me to carry out a study on how restructuring impacted on employees, productivity of the organisation, unions and the customers. I chose Telecom Fiji Limited as my case since it was a monopoly and had lately hired Mr. Joe Mar who is referred to as ‘an agent of change’. The other reason for choosing to study the telecommunications industry was because I had worked at Telecom Fiji Limited during the reform process and this assisted me in understanding and shaping the research questions which included staff morale and commitment. This thesis was completed on a part-time basis by the researcher.

2.3 Research Design

A research design is a plan that “links the data to be collected to the initial questions of the study” (Yin, 1989a: 18). The design will include:

- Aims, methodology, strategies for collecting, analyzing and interpreting observations and the time and resource constraints within which a researcher operates (Walsh, 2005: 175).

Planning a research design would depend on the scope of the research and the nature of data required. Flick (2002) clarify that the “research design is created by the researcher, is moulded (rather than dictated) by the method, and is responsive to the context and the participants” (Flick, 2002:98).
The research design was formulated during the first few months of 2006 after I read the literature on various researches conducted in the past in different countries. The planning and organising for the fieldwork was done during this period. As an ex-employee of TransTel, I was able to develop a trustful relationship with the employees of Telecom Fiji Limited. Hence, I was able to interview employees, managers and the trade union. All of these were of great help in designing this study. This assisted me in developing relevant questions that were directly linked to the aims and objectives of my study.

The diagram below summarises the research process that the author used as a guideline to complete the thesis.

**Figure 2.1 Different Stages of Research Process**

2.3.1 Type of Research Methods

For the purpose of this study both qualitative and quantitative research methods have been used.

Qualitative Research is defined as “any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification” (Strauss and Corbin, 1990: 17). Qualitative researchers tend to seek illumination, understanding, and extrapolation to similar situations and so qualitative analysis results in a different type of knowledge than does quantitative inquiry. Qualitative methods “facilitate study of issues in depth and detail”. In a qualitative approach, “the researcher is the instrument” (Patton, 1990:15) and thus the credibility of the study depends to a great extent on the skills and competence of the researcher. According to Patton (1990), qualitative data “describe”.

In comparison to qualitative research, quantitative research is succinct, parsimonious, and easily aggregated for analysis; quantitative data are systematic, standardized, and easily presented in a short space.

In order to achieve the aims and objectives, an analytical (a single institutional case study of Telecom Fiji Ltd) approach will be used. An inductive strategy will be followed in the study, which will commence with data collection, followed by data analysis and then the formation of generalisations.

2.3.2 Case Study Approach

Yin (1993) presented Giddens’ view that considered case methodology “microscopic” because it “lacked a sufficient number” of cases. Hamel (Hamel et al., 1993) and Yin (1994) forcefully argue that the relative size of the sample whether 2, 10, or 100 cases are used, does not transform a multiple case into a macroscopic study. The goal of the study should establish the parameters, and then should be applied to all research. In this way, even a single case could be considered acceptable, provided it met the established objective.
2.3.3 Validity and Reliability

As in all research, consideration must be given as to how to ensure validity, internal validity, external validity, and reliability (Yin, 1989a). Yin (1994) suggest using multiple sources of evidence as the way to ensure construct validity. The current study will use multiple sources of data gathering: survey instruments, interviews, and documents.

Walsh further explains: “Validity tests the extent to which variables reflect the concepts intended, and that research results are what they claim to be. Reliability tests the extent to which different operationalisations of the same concept produce consistent results.” (2005:105). External validity, or credibility in qualitative terms, is “the extent to which experimental findings are generalisable to other settings, subject populations, and time periods.” (Singleton, Straits & Straits, 1993: 516). Internal validity on the other hand “tests the extent to which causal propositions are supported by the evidence and argument” (Walsh, 2005:105). Moreover, objectivity, in simple terms, refers to the absence of subjective judgments.

Yin (1994) makes the following suggestions for attaining greater reliability:

- outlining the reasons for research
- stating the major questions that are to be addressed
- establishing a positive rapport with the participants, and
- consciously trying to eliminate any possible causes of unreliability.

The study will also use multiple sources of evidence employees, management and unions. Yin (1994) provides the assertion that external validity could be achieved from theoretical relationships and from these generalisations could be made. It is the development of a formal case study protocol that provides the reliability that is required of all research.

For the purpose of this study validity was achieved through triangulation, which is discussed next.
2.3.4 Triangulation

Case study is known as a triangulated research strategy. Stake (1995) asserted that triangulation can occur with data, investigators, and theories and even methodologies. The protocols that are used to ensure accuracy and alternative explanations are called triangulation. The need for triangulation arises from the ethical need to confirm the validity of the processes. In case studies this could be done by using multiple sources of data (Yin, 1984).

Denzin (1984) identifies four types of triangulation: data source triangulation, when the researcher looks for the data to remain the same in different contexts; investigator triangulation, when several investigators examine the same phenomenon; theory triangulation, when investigators with different viewpoints interpret the same results; and methodological triangulation, when one approach is followed by another, to increase confidence in the interpretation. For the research purposes of this case study data source triangulation will be used to get validity in results and to reduce biasness.

Past employees, management staff, current employees, trade union officials and customers were interviewed to get validity in results.

Yin (1989b) identifies the following advantages of triangulation:
  - allows researchers to be more confident of results
  - can stimulate creative methods, new ways to ‘capture’ a problem
  - can help ‘uncover the deviant or off-quadrant dimension of a phenomenon’
  - can lead to enriched explanations of research problems
  - can lead to a synthesis or integration of theories
  - can serve as a test of completing theories (because of its comprehensiveness).

2.3.5 Research Questions

The research will investigate questions associated with public enterprise reforms in Fiji and in this case it will be Telecom Fiji Limited:
1. to examine critically the earlier and current restructuring stages of Telecom Fiji Ltd
2. to investigate the extent to which the workers and their unions were taken into confidence and integrated into the process of enterprise reorganisation.
3. to assess critically the impact (both positive and negative) of such restructuring on the employees and the customers.
4. to evaluate critically the basic premise of the government in undertaking the public enterprise reorganisation.
5. to develop a model that allows for reform objectives to materialise
6. to investigate whether cost effectiveness and customer efficiency was achieved.

Figure 2.1 shows formulating research questions as the first step in research.

2.4 Population and Sample

Population is “the total membership of a defined class of people, objects, or events”. The term ‘universe’ is also used to mean population. A sample is “a subset of cases selected from a population”. (Singleton, Straits & Straits, 1993: 523. Henry (1990: 12) provides the following reason for sampling:

> Rarely can a researcher collect data on all the subjects of interest in a particular study. Samples provide a practical and efficient means to collect data.

According to Flick (2002: 61), sampling in research is an on-going process. In this study, for data collecting purpose, non-probability sampling will be used (Walsh, 2005).

Non-probability samples are chosen based on the researcher’s judgements in order to achieve particular objectives of the research (Henry, 1990). Purposive sampling approach, which is a kind of non-probability sampling, will be used (Blaxter, Hughes & Tight, 2001). Purposive sampling (judgemental sampling) is when the researcher selects a sample based on his or her own knowledge of the population, its elements or the nature of the research study (Fraenkel & Wallen 1993:12).
Hence, for this study structured interviews were conducted with the stakeholders 250 customers that live along the densely populated Suva-Nausori corridor but only 200 were interviewed as the others did not want to participate. With reference to customers questionnaires, as mentioned above purposive sampling was used. To get a better view of the customer perceptions, the researcher made sure that questionnaires were distributed to different ethnic groups to give a better representation of the population. Questionnaires distributed to employees and customers are attached as Appendix 1.

2.4.1 Research Methods Used in this Study

This study used both primary and secondary sources of data. For the collection of primary data structured interviews were conducted based on interview schedules, though semi-structured questionnaires were used. The secondary data were collected from the official publications of the Government of Fiji, Telecom Fiji Ltd and the publications of different scholars. As figure 2.1 shows that research methods is step 4 of the research process.

Figure 2.2 Methods of Data Collection

Figure 2.2 summarises the methods of data collection and this figure was used as a guideline when collecting data from both primary and secondary sources.

### 2.4.2 Questionnaires

Questionnaires are generally cheaper, quicker and more appropriate in dealing with more sensitive issues (Walsh, 2005).

This method was used due to factors such as travel, communication, distance, time and finance. Flick (2002) supports this as he mentions: “the pre-determined and pre-tested questionnaire is probably the most typical survey instrument”. The questionnaires were pilot tested before it was administered by the researcher.

Care was taken to prepare a questionnaire that was not lengthy, but was clear, attractive, had a professional appearance and was easy to fill out (Glathorn 1998).

Questionnaires were distributed to customers (200), the 50 employees of Telecom Fiji Limited, Trade Union and Industrial Relations officers as well as management staff.

### 2.4.3 Interviews

Bogdan and Biklen (1982) outline that qualitative interviews could be used as a primary strategy for data collection or in conjunction with observation, document analysis or other techniques.

Interviews are one of the most important sources of case study information. The interview could take one of several forms: open-ended, focused, or structured. In an open-ended interview, the researcher could ask for the informant's opinion on events or facts. In a qualitative study interviews are rarely structured as in quantitative studies. Instead they are either open-ended or semi structured, revolving around a few central questions (Leedy & Ormrod, 2005). In this study semi structured interviews will be used. The use of tape recorders during the interviews is left to the discretion of the parties involved (Yin, 1994).
An interview schedule was used to explore the list of questions or general topics during each interview; this is basically done to ensure that the same information is obtained from each person. Interview guides ensure good use of limited interview time; they make interviewing multiple subjects more systematic and comprehensive and hence help to keep interactions focused. Since qualitative research designs are more flexible in nature, interview guides can be modified over time to focus attention on areas of particular importance, or to exclude questions the researcher has found to be unproductive for the goals of the research (Lofland and Lofland, 1984).

For the purpose of this research, the researcher used interview guides when interviewing the management, trade union officials, past and current employees as well as customers.

2.4.4 Documentary Analysis

a. Primary Documents

Departmental documents such as company annual reports, submission targets, union and ministry correspondence, those that were made available, were analysed for actual intentions and effectiveness of reforms. Furthermore, Cabinet decisions, parliamentary debates, legislation and parliamentary reports were also examined to view the direction and commitment of the Government of Fiji towards public enterprise reforms. Key official government publications and records were used which were made available from Fiji National Archives. These documents are readily available to the public and everyone has access to it.

b. Secondary Sources

The secondary sources range from textbooks, conference proceedings, journal articles, thesis and dissertations, newspapers and the internet. This includes both published and unpublished sources.

Journal articles are a major source of information since it is more reliable in terms of publications as articles go through peer review process for validity and usefulness and articles are reflections of more recent work when compared to textbooks (Goddard & Melville, 2001: 20). For this very reason journal articles are depended upon to a large extent.
To complement this, latest and earlier dated texts are used in support of these articles and were referred to for more detailed information. As Goddard and Melville (2001) have stated that texts acted as the pedestal for information, the ‘starting place for finding out about a new field’, while journal articles were the ‘top-up’ of new information.

For the purpose of this thesis the researcher used Management journals and text books.

2.4.5 The Recording and Verification of Data

Walsh (2005) state that:

Qualitative data processing brings order to qualitative data. Coding is central and involves classifying or categorizing pieces of data. Qualitative data analysis involves open coding, the naming and categorizing of phenomena through close examination of data. This important first step yields clues for identifying similarities and differences and helps uncover people’s assumptions.

For the purpose of quantitative analysis, data must be converted to numerical codes. Code numbers must be assigned either as part of the observation process (as in content analysis) or after the data have been collected. The task of coding involves specifying an appropriate number of attributes for a given variable. The coding scheme may already be established before the data are examined, or it may be developed after examining a number of cases to determine what set of code categories would be most appropriate. Code categories should be both exhaustive (covering all possibilities) and mutually exclusive (no overlapping categories) (Walsh, 2005). In this research the data collected was coded and entered into the SPSS for analysis and verification purposes.

2.5 Data Analysis:

Since the nature of the data collected was qualitative, they were analysed qualitatively in this study. Qualitative data are non-numerical, that is, they are concerned with quality or meaning and not with quantity (Eichelberger, 1989). Miles and Huberman (1994) further state that qualitative data:

- focus on natural settings, or ordinary events in natural settings thus giving a true picture of what ‘real life’ is like
• feature ‘local groundedness’ that is the fact that data were collected in close proximity to a specific situation
• are rich and holistic, providing ‘thick description’ based on a real context and deals with peoples ‘lived experiences’.

Based on the above characteristics, qualitative data analysis is seen as an inductive process. Inductive analysis means “categories and patterns emerge from the data rather than being imposed on data prior to data collection” (McMillan & Schumacher, 1997: 502).

According to McMillan & Schumacher (1997: 502), qualitative data analysis entails several cyclical phases:
• continuous discovery, especially in the field but also throughout the entire study, to identify tentative patterns
• categorising or ordering of data, typically after data collection
• qualitatively assessing the trustworthiness of the data, to refine the patterns
• writing synthesis of themes and/or concepts.

‘Discovery analysis’ techniques were used to make tentative and preliminary ideas or categories during the data collection. Researcher commentaries were written and summaries were made after each interview.

2.6 Research Limitations and Problems

Due to geographical constraints the researcher was not able to conduct research in other parts of the country, hence only Suva and Nausori corridor residents customers were part of the survey.

2.7 Ethical considerations

Two issues that are likely to confront and continue as a concern for the researcher throughout the research are access and ethics. The use of human subjects in research is subject to ethical issues.
Leedy and Ormrod (2005) have highlighted the following in light of ethical issues in research:

- **Informed Consent** - research participants should be informed about the nature of the study to be conducted and given the choice of either participating or not participating. Any participation in a study should be voluntary.
- **Right to Privacy** – participants’ right to privacy should be respected; researcher must keep the nature and quality of performance strictly confidential. Participants could be given code numbers and written documents could be labeled with the numbers instead of names of the participants.

### 2.8 Conclusion

This chapter outlined the research design, research type, validity and reliability, research triangulation, research questions, population and sample, research methods, data analysis, research limitations as well as ethical issues related to the research.

The next chapter will discuss the public enterprise reform process in depth and the associated literature review in the national as well as the international context.
Chapter 3

Literature Review

3.1 Introduction

The central focus of this chapter is to outline the literature review. It will highlight the global perception of the public enterprise reform process and the advancement of the process within Fiji. Furthermore, it will discuss the debates between the critics and the advocates of reforms.

3.2 Background

There is a global drive for the introduction of market-oriented practices to the public sector, ostensibly desired to raise the level of efficiency and effectiveness in this sector (Broadbent and Guthrie, 1992). Public enterprise reforms have gained global views for the past few decades hence attracting the attention of both policy makers and academics. Change in the public sector over the last three decades has been dominated by privatisation (Prizzia, 2001) and the introduction of “market reforms” (Graham, 1997).

According to Osborne and Gaebler (1992), the kind of governments that developed during the industrial era with their sluggish, centralised bureaucracies, their preoccupation with rules and regulations, and their hierarchical chains of command no longer work very well hence there has, since the mid 1970’s, been an emphasis in many countries on public enterprise reforms. Led by the governments in the United Kingdom and United States of America, the move to roll back the state has been driven by ideological and economic concerns. Based on this ideology it was argued that because private organisations were of a competitive nature, the private sector would always provide services more efficiently and achieve greater customer satisfaction when compared to public sector bureaucracies.

This economic argument highlights the need to cut rising public sector deficits by plummeting the size and the costs of the public sector (Osborne and Gaebler 1992).
This changed economic path in the developed countries has also been adopted by the
developing nations at the will of the World Bank and IMF, by way of implementing
structural adjustment programs (SAP). Public enterprise reform is one of the
components of such a structural adjustment program, which is aimed at improving the
performance of the public services.

3.3 Global Outlook of Public Enterprise Reforms

Hughes (2003) describes public enterprises as:

A particular kind of statutory authority: one that sells goods and services to the
public on a large scale, with the financial returns accruing in the first instance to
the authority itself. Most public enterprises are in the non-budget sector, and
operate with substantial independence; Public enterprises provide many services
including, in some countries, utilities such as telecommunications, electricity, gas
supplies, water and sewerage, transport such as rail, air lines, shipping services and
urban public transport; financial services, notably banks and insurance companies
and agricultural marketing.

In the developing world it has often been the only feasible way of getting things done,
supplying services, providing employment, etc. this has been especially so in colonial
situations, as is very obvious in the Pacific region, where countries/economies are so
small purposes of prestige are much less important (Farazmand 1996).

Authors such as Ashworth (1991), Farazmand (1996), Burnes, (2000) state that:

“In the three decades from 1945, across the world, there was an enormous increase in
the size and range of activities undertaken by the public sector”

Hughes (2003) highlights that in the United Kingdom and the United States of
America the reform process was led by rightwing governments. This was described as
the move to roll back the state. It has been driven by ideological and economic
concerns.

Graham (1997) and Osborne and Gaebler (1992) as stating that ideologically, it was
argued that the competition-based nature of the private sector meant that it would
always provide services more efficiently and achieve greater customer satisfaction
than public sector bureaucracies.

The process of public enterprise reforms will be discussed next.
3.4 The Public Enterprise Reform Process

Hughes (2003) discusses two reasons for looking at public enterprises as part of public sector management; the first reason states that the sector is principally important for arguments about the scope of government activity. The debate and the outcome of privatization of public enterprises have implications for the public sector as a whole. As for the second reason public enterprises pose particular management problems even compared to the rest of the public sector.

There is a major problem of control and accountability in government organizations that are aiming to make money. Public enterprises have always faced management problems, including accountability, regulation, social and industrial policies, investment policy and financial controls.

In the 1980s public enterprises were the first target of those aiming to reduce the size of the public sector. There are a variety of reasons why governments have established public enterprises and they are as follows: inadequate private supply of goods and services; rescuing private firms if their closure is against the public interest; improving competition; reducing social costs such as environmental externalities; even to protect national sovereignty in some way (Hood, 1994, p.37). Hughes (2003) states that some developing countries prefer having public enterprise to having foreign ownership of important services.


3.4.1 Commercialisation

The first stage focuses on introducing the commercial/businesslike thinking style within the public organisation. It concentrates on changing the attitude of staff so that they become more commercial oriented.

3.4.2 Corporatisation

The second stage known as corporatisation is the creation of a new company that has private sector values.
Government at this stage no longer has direct control over the new company. Narayan (2004) points out that corporatisation is a process that transforms a government entity into a corporation (a separate legal entity) via legislation but the government retains its sole shareholding (cited in Narayan 2004).

3.4.3 Privatisation

The third stage is the privatisation stage. In many cases restructuring eventually leads to privatisation. The concept of privatisation as an economic model for large-scale reforms of state owned enterprises was put together by the World Bank 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. During this time, the Bank defined privatisation, as “the full transfer of publicly owned utilities, assets, responsibilities and functions to the private sector to improve the management of publicly owned utilities” (van Dijk, et al, 1994). Hence, it involves denationalisation (sale of public assets), deregulation (introduction of competition) and contracting out (creating contracts with private firms for certain tasks) (Kay and Thomson, 1986:18).

Therefore, public sector reforms can be referred to as not just an economic concept; they are more of a comprehensive, complicated socio-economic and political philosophy. As the 1980s and 1990s progressed, more and more countries joined the privatisation movement (Hodge, 2000; White and Bhatia, 1999).

The three decades after the end of the Second World War saw a massive expansion in public sector activities across the world. This included the nationalisation of entire industries, such as rail, coal and electricity (Ashworth, 1991; Farazmand, 1996; The World Bank, 1996). However, since the mid-1970s, there has been a reversal of this trend. The industries that were nationalized were sold off and services previously supplied by the public sector have been contracted out (Crouch and Streeck, 1997; Prizzia, 2001). This rolling back of the boundaries of the state is usually referred to as “privatisation”.

Hence, the term, “privatisation” is not easy to define. Peacock (1984) (cited in Burnes, Katsouros and Jones, 2004: 6) defines it as the complete transfer of ownership from the public to the private sector.
For Beesley and Littlechild (1983) outline that privatisation takes place when a minimum of 50 per cent of an enterprise’s shares are sold to the private sector. Talbot (2001) emphasises the transfer of ownership but notes that in the case of “natural monopolies”, governments usually retain regulatory control. The need for and effectiveness of regulation are contentious issues (Hutton, 1996. Ayres (1995) described privatisation in Brazil as a process of converting public monopolies into private oligopolies with no beneficial impact for the public.

Vickers and Yarrow (1988) identified three types of privatisation:

- the transfer of state enterprises operating in competitive product markets to the private sector, e.g. state-owned car and aircraft companies
- the privatisation of public monopolies such as water and electricity utilities
- the contracting out of in-house services to the private sector, e.g. IT and facilities management.

The major difference between the first and second types of privatisation is that with the second type, governments in most cases retain some rights of control, in the form of regulation (Talbot, 2001: 2). In the third case, contracting out, the public sector is even more directly involved, in that it is the customer for the contracted-out service and needs to ensure that it is getting value for money (McAdam and O'Neil, 2002; Burns and Coram, 1999:22).

Contracting out, therefore, widens the definition of privatisation to include the transfer of responsibility for service provision (Doherty and Horne, 2002: 42). In the United States of America, contracting out has tended to be the main form of privatisation (Osborne and Gaebler, 1992). The United States of America has also championed the introduction of what Talbot (2001) refers to as “market-type mechanisms” into the public sector. Writing of the United Kingdom, he states that:

Where public services could not be privatised for structural and/or political reasons there were a number of attempts to introduce market-type mechanisms (MTMs). These included: internal contracting or quasi-contracting … internal markets … competitive sourcing … and “market testing” … MTM reforms were designed to introduce some elements of “competition” into public services that would, in turn, it was assumed, lead to improvements in economy, efficiency, effectiveness and customer services (Talbot, 2001: 291).
It was developments such as these that led Adams (1993) to offer a much broader definition of privatisation, to include an array of actions designed to widen the scope of private sector market activity, or the assimilation by the public sector of efficiency-enhancing techniques generally employed by the private sector (cited in Burnes, Katsouros and Jones, 2004: 48).

3.5 The Drive For and Benefits of Privatisation

The drive for privatisation arose from the economic shocks of the 1970s. This paved the way for the neo-liberal governments of Margaret Thatcher in the United Kingdom in 1979 and Ronald Reagan in the United States of America in 1980, both of which were committed to reducing the role of the state and giving greater freedom to the private sector (Crouch and Streeck, 1997; Young, 1990:56). However, because of its large number of state enterprises, the United Kingdom became the test bed for privatisation one that is still frequently held up as an example for other countries to follow (Graham, 1997 :47).

The essence of the Thatcherite ideology was to put the liberty of the individual at the centre of economic and social policy, and to see this as being best served by the free market (Elliott and Atkinson, 1999; Hutton, 1996 cited in Burnes, Katsouros and Jones, 2004: 3).

As Graham (1997) maintains, this translates into the following four principles of government:

- taxes should be minimised
- government should be kept to a minimum
- production should be for profit
- inequalities are a necessary result of the efficient operation of the free market.

These principles underpinned privatisation and private sector involvement in the delivery of public services in the United Kingdom (Talbot, 2001). Over the last 20 years, similar principles have influenced the growth of privatisation in many other countries (Awamleh, 2002; Farazmand, 1996; Osborne and Gaebler, 1992; White and Bhatia, 1999; The World Bank, 1996).
Though privatisation can be seen as an ideological program, its proponents also stress its economic benefits as discussed by Crouch and Streeck, 1997; Osborne and Gaebler, 1992).

In particular, they claim that privatisation leads to improved efficiency and greater customer satisfaction (Martin and Parker, 1997; Mellors, 1995; Vickers and Yarrow, 1988, 1991; Zeithaml et al., 1990; Young, 1990; cited in Burnes, Katsouros and Jones, 2004: 33). There is some debate over whether privatisation achieves these benefits in all cases, as follows.

### 3.5.1 Efficiency and Effectiveness

The argument here concerns competition and market liberalisation. It is claimed that private sector firms are more efficient since they operate in competitive markets where the organisation that is least efficient will have to close down (Bishop and Kay, 1988:18). However, there is evidence that challenges this claim (Prizzia, 2001). A key issue is whether gains come from the benefits of private ownership or from other factors, such as changes in technology and adapting to market demands (Vickers and Yarrow, 1988). In the case of the privatisation of public monopolies, efficiency gains may have less to do with the market and more to do with regulation (Parker, 2003: 3). Similarly, in countries with little market infrastructure, privatisation may benefit only a few and, in developing nations, may even undermine attempts to give everyone access to clean drinking water and health care since it will now come at a cost (World Development Movement, 2003).

### 3.5.2 Customer Satisfaction

Customer satisfaction levels in public organisations are lower compared to those of private ones. It is argued that public sector organisations provide a worse service than private ones. This is due to the lack of either competition or need to make a profit. This means they have no incentive to be responsive to their customers needs (Zeithaml et al., 1990). In making the argument for privatisation, the United Kingdom Government cited the example of British Telecom where, before privatisation, many customers had to wait up to two years to have a telephone installed (Burnes, Katsouros and Jones, 2004: 3). However, the picture is not all one-sided.
In the UK in the 1990s, there was growing customer dissatisfaction with the privatised utilities, which appeared to be providing significant economic gains for their shareholders and directors at the expense of customers (Hutton, 1996; Talbot, 2001). A similar phenomenon can be seen in Greece, where privatisation appears to have left customers more satisfied with public than privatised services (Vickers and Yarrow, 1988).

Therefore, though the drive for privatisation shows no sign of slowing down, there is dispute about the benefits that it brings. Yet the process continues in every part of the world.

According to a report by the Bureau of Public Enterprises in Nigeria (2006), public enterprises were established with good intentions for the welfare of the people. The overriding reasons were:

- shortage of local capital for expansion and technological improvements
- the exercise of controls by the government to prevent a few elite at the expense of the majority of the citizens
- correction of market failure resulting from public monopoly and misallocation of public resources
- facilitation of regional development through location of public enterprises and their branches
- job creation
- provision of social services.

### 3.6 Rationale behind Public Enterprises being restructured

Experience worldwide has shown that public enterprises have failed to live up to expectations. The Bureau of Public Enterprises in Nigeria (2006) argues that

These enterprises have consumed a large proportion of national resources without discharging the responsibilities thrust upon them. More importantly, they fail to allocate these resources efficiently.
There has been:

- corruption and mismanagement leading to low productivity
- a problem of control and accountability due to direct political control. Setting controls at a satisfactory level has been a persistent problem for both the government and their enterprises
- dependence on continued funding from government revenue
- poor services, arrogance/insensitivity to customers
- nepotism/ethnicism in hiring, discipline and reward system.

For such reasons and for their manifest failure in operating public enterprises the governments resorted to restructuring of public enterprises.

Elliott and Atkinson, 1999; Talbot, 2001 highlight that the economic argument concerned the need to cut rising public sector deficits by reducing the size and cost of the public sector.

Crouch and Streeck, 1997; Prizzia, 2001 further discussed that

This expansion included traditional public service activities, such as health and education, and embraced some traditional private sector activities, such as banking and car production. However, since the mid-1970s, privatisation, not nationalisation, has been the order of the day for most countries. The contraction of the public sector has also been a global phenomenon.

The World Bank further asserted that public enterprise reforms would ensure private sector development, rapid economic growth and overall development within these countries (Reese, 1998). In developing countries, the essence of this definition governs the practice of public enterprise reforms. Much emphasis is placed on the actual transfer of the public assets or management functions of the utilities and not necessarily on the creation of a framework within which public enterprise reforms will be successful.

### 3.7 Public Enterprise Reforms in Developing Countries

Developing countries have relied more on state owned enterprises than developed ones, and in many cases state owned enterprises were always a heavy fiscal burden on the state.
In addition, the growth of the private sector in many developing countries has been slowed down through government regulation of industries and the directing of scarce credit to inefficient State Owned Enterprises (SOEs) (Kikeri et al., 1994).

During the early 1980s, many developing countries faced an economic crisis that almost brought their economic development process to a halt. For Africa, the 1980s were labeled as the lost decade for development. The symptoms and causes of the crisis are well documented in the literature (Chole, 1990). The World Bank, for instance, attributes the crisis to the fact that “African governments took an active stance in setting prices, nationalizing banks, establishing price controls, rationing foreign exchange, creating public monopolies for agricultural exports, imposing licenses to restrict the activities the private sector could undertake, and creating many state enterprises and giving them special access to scarce credit and foreign exchange” (World Bank, 1996).

Schacter (2000) argues that:

When developing countries fell into financial crisis in the late 1970s and 1980s, donors began questioning the state-dominated model. Development assistance was made contingent upon curtailing the economic role of the state, reducing the size of the public sector, privatization and cutting public expenditure. The pendulum swung from the public sector being regarded as an engine of development to its being seen as an obstacle to it. But there was still little effort to understand how the public sector really worked. By the 1990s there was consensus that the pendulum has swung too far in the ‘anti- public – sector’ direction. A renewed appreciation of the public sector’s developmental role began to emerge. The World Bank concluded recently that Public Sector Reforms has “great potential to reduce poverty

3.8 Public Enterprise Reforms in the South Pacific

Reddy (1997) argues that

Many South Pacific economies are also going through these changes in the form of administrative reform and modernization of its management. The objectives vary from country to country in the region but the main reasons are to reduce their demand on national resources and to manage their limited resources more professionally and in the best interest of the society at large.

Some of the South Pacific Islands such as American Samoa received a major subsidy from the US government hence serving as a barometer in the Pacific for the Privatisation process (Amosa, 2002).
In the Federated States of Micronesia the rock quarrying operations, water, power and sewer utilities are undergoing privatisation, while in Vanuatu the Asian Development Bank (ADB) is providing assistance on privatisation issues. Niue is currently cutting down on the size of the public service. In Solomon Islands, the government is selling off shares in Hotel Mendana and the public sector is also being right sized.

According to a report by Kolone Vaai & Associates on Pacific Telecom Providers:

Historically the provision of telecommunication services by monopoly operators is a universal phenomenon and the provision of telecommunications services by monopolies in the Forum Island region is no exception. This monopolistic nature of the telecommunications industry is most apparent in the smallest of the Forum countries where the regulators are also the operators. Global liberalization, promoting competition, separating regulators from the operators and the almost lightning pace of developments in telecommunications technology have had their impact on the Pacific Island countries telecommunications industry. Almost all the countries have statutorised, corporatised and/or privatised their communication sectors except Nauru and Samoa, although Samoa has privatised a small part of the cellular telephone local market in a joint venture between government and Telecom New Zealand Limited and also has plans to establish a corporation to take over the functions of the Post and Telecommunications Department.

The Asian Development outlook –2004 highlighted that implementation of structural reforms has generally been a slow process. The ADB report (2004) highlighted that the private sector development strategy for the Pacific examined some of the factors underpinning its disappointing economic growth.

Some of the reasons were:

(i) the pervasive role of the state in all aspects of economic activity
(ii) an inadequate commercial and legal framework for modern business transactions
(iii) ongoing land tenure issues that remain significant barriers to new investment
(iv) failure of financial markets to intermediate efficiently between savers and borrowers.

In 2004, Pacific developing member countries (DMCs) made some progress in formulating and implementing the private sector development reform agenda. Initiatives dealing with the productive and economic uses of land are ongoing in Federated States of Micronesia, Fiji Islands, Marshall Islands, Samoa, and Vanuatu. Fiji Islands, Marshall Islands, and Solomon Islands are initiating reforms of their legal business environments.
Samoa and Tonga are pursuing the rationalisation of their respective state-owned enterprise portfolios, and other DMCs are considering similar steps.

Table 3.1 summarises the major economic indicators in Fiji Islands from 2001-2005.

<table>
<thead>
<tr>
<th>Item</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>3.0</td>
<td>4.1</td>
<td>5.0</td>
<td>3.9</td>
<td>3.0</td>
</tr>
<tr>
<td>Gross domestic investment/GDP</td>
<td>14.8</td>
<td>13.8</td>
<td>14.2</td>
<td>13.5</td>
<td>-</td>
</tr>
<tr>
<td>Inflation rate (consumer price index)</td>
<td>4.3</td>
<td>0.8</td>
<td>4.1</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Money supply (M2) growth</td>
<td>-3.1</td>
<td>7.9</td>
<td>15.6</td>
<td>7.3</td>
<td>-</td>
</tr>
<tr>
<td>Fiscal balance(^a)/GDP</td>
<td>-6.6</td>
<td>-5.6</td>
<td>-6.1</td>
<td>-3.5</td>
<td>-0.8</td>
</tr>
<tr>
<td>Merchandise export growth</td>
<td>-8.4</td>
<td>2.6</td>
<td>-17.6</td>
<td>12.7</td>
<td>14.5</td>
</tr>
<tr>
<td>Merchandise import growth</td>
<td>-4.2</td>
<td>13.5</td>
<td>-11.6</td>
<td>7.6</td>
<td>18.6</td>
</tr>
<tr>
<td>Current account balance/GDP</td>
<td>-3.3</td>
<td>-3.7</td>
<td>-10.0</td>
<td>-6.6</td>
<td>-9.6</td>
</tr>
<tr>
<td>Debt service ratio</td>
<td>1.9</td>
<td>1.9</td>
<td>2.5</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

\(^{-}\) = not available. \(^a\) Including asset sales.

Sources: Ministry of Finance and National Planning, Economic and Fiscal Update: Supplement to the 2004 Budget Address, 7 November 2003; Reserve Bank of Fiji, Quarterly Review, various issues; staff estimates.

3.9 Public Enterprise Reforms in Fiji

McMaster (2001) states that:

In the early 1990s, most of the small island nations in the South Pacific, including Fiji, were persuaded to join the world-wide race to privatise public enterprises. The Asian Development Bank provided several Pacific Island countries with technical assistance to support comprehensive economic reform programs, which included both public enterprise restructuring and privatization, and other donors, including Australia and New Zealand, provided assistance aimed at ensuring good governance throughout the public sector as well as at strengthening the capacity of core ministries.

The move towards public enterprise reforms began in the late 1980s but since it is a part of government policy, the reforms were first introduced in 1992. This took place four years before the Public Enterprise Act was put in place.
When justifying the reforms, the government claimed that the public enterprises were operating at unacceptably low levels of efficiency and effectiveness. It was highlighted that the taxpayers had to suffer the heavy burden of loss incurred by the inefficient and ineffective public enterprises due to lack of accountability, over-staffing, corruption, cronyism, etc. (Department of Public Enterprises, 1998: 6).

Apart from these internal pressures for reform, a number of external pressures also played a role in public sector reforms in Fiji. Globalisation had impacted on Fiji heavily. The public sector reform movement, which started in the West in the late 1970s, had swept the developing world as well (Turner and Hulme, 1997). The winds of change had made their way to Fiji as well. Furthermore, implementation in Australia, coupled with apparent widespread successes in neighboring New Zealand (Duncan and Bollard, 1992), prompted a re-look at the public sector in Fiji. Donor agencies, particularly the International Monetary Fund, World Bank and the Asian Development Bank, had also begun to insist on reforms.

During the early to the mid-1990s the government started corporatising public enterprises. However, massive protests forced the government to reduce the pace of the reforms. By 1997, the government in power made another attempt to speed up the reform process. This was not very much welcomed as hundreds of jobs in major and strategic industries, such as power, transportation, and water, were at stake. Strikes became a common site with in these enterprises.

The People’s Coalition Government led by the then Prime Minister Hon. Chaudhary had stopped the privatisation process as Chand (2004:9) argues:

The new government in 1999 put a stop to the privatization process and introduced numerous measures to improve internal efficiency and effectiveness in the public sector. As monopolies, many public enterprises were previously unresponsive to consumer needs. The new government was in the process of creating a separate Consumer Affairs Ministry, designed to address consumer interests. It was to be in place by June 2000, but a terrorist coup in May halted this process. Since 2001, the new government re-affirmed the policy of corporatisation and privatization of state enterprises. It has announced that it will sell off more shares in key and profitable ventures, resulting in state revenue of $20m during 2004.
Though the size of the public sector and public sector enterprises has been a recent economic policy concern, Fiji has a relatively low dependence on government when compared to some of its South Pacific neighbours. There is only one case of privatisation the government shipyard, which was a failure. Other public utilities are in the stages of commercialisation and corporatisation (Narayan; 2004).

Tadulala (1998) in his paper states that:

Government corporatisation/ privatization policy/strategy” states that “Rogernomics”, as it became popularly known at that time, had its roots from “Thatchernomics”, a new brand of economic theory and principles applied to the reform of the British economy in the seventies by Hon. Magaret Thatcher during her term as the British Prime Minister. Ms Thatcher’s style of leadership and economic policy prescriptions as Prime Minister provided the necessary catalyst needed to reform the British economy in the Seventies. Part of this reform program involves the privatization of a number of public utilities in Britain including, post and telecommunications, electricity, banking, air and land transportations and many others. Many world economists now claimed that the process of deregulation of the world economy and the reform of the public sector began in Britain under Prime Minister Margaret Thatcher and later spread to other countries including New Zealand, Australia and recently Fiji.

The progress of the government corporatisation/privatisation program has achieved mixed success in Fiji.

The program started with the corporatisation of the former Post and Telecommunications Department in 1990 to become Post and Telecom Limited, with government as its sole shareholder. In 1996 this company was split into two, one Telecom Fiji Limited looking after the domestic telecommunication sector and the other looking after the postal services and Post Fiji Limited. Both companies have remained in the government hands with 100% ownership. Over the last 7 years, Telecom Fiji Limited has paid to government a total of $31 million of company taxes and a similar amount of dividends for government shares with an average dividend rate of around 8 percent. On an annual basis, this company pays government around $10 million of company taxes and dividends.

Furthermore, to encourage competition in the local telecommunication market, the government agreed in 1995 for the entry of Vodafone Limited, into the local telecommunication sector. This company was to provide mobile phones to local subscribers so that it can provide competition to the Telecom Fiji Limited in the local telecommunication network.
Both companies have now captured a fair share of the local telecommunication market in Fiji, with Telecom servicing around 71,000 telephone subscribers and Vodafone catering to around 5,357 Vodafone subscribers in 2006.

The entrance of a new competitor (Digicel) into the telecommunications market in 2008 has stirred up major competition between the two companies Vodafone and Digicel. Telecommunications have been made even cheaper and the benefits are being reaped by the consumers. Vodafone customers used to pay $1.98 a minute for call charges but now competition has brought down the rate to as low as $0.14 a minute. Opening of the monopolised status of the telecommunications market has made communicating affordable for the consumers of Fiji. Another major player in Fiji’s telecommunications sector is Fiji International Telecommunication Limited (FINTEL). FINTEL is 51% government shareholding and 49% shares held by the Cable and Wireless Company of Britain (the original owning company). FINTEL currently provides international links and connections for local telephone subscribers and it is a monopoly on the international telecommunication sector. FINTEL continues to pay government close to $7 million in company taxes and over $10 million in dividends per year for the last several years.

Apart from the restructuring of the post and telecommunication sector, the government has also recognised a number of its public enterprises in the primary industry sector. These include the Pacific Fishing Company (PAFCO) in Levuka, Ika Corporation, National Marketing Authority (NMA) and others. Government is moving ahead with its corporatisation/privatisation program in a much more coordinated fashion then before, following the enactment of the Public Enterprise Act in 1996. Public enterprise reforms are not a new phenomenon and are adopted all over the world.

Wring of Nigeria Mohammed (2006) states that:

The coming of private telecommunications operators has not only opened up the sector, but has equally helped generate billions of naira in the country’s economy. A privatized and fully operational Nigerian Telecommunications is expected to generate ten of thousands of jobs in the country, and reduce telephone and Internet charges in the country. Nigerian Telecommunications is, however, fast becoming something of a nightmare to both the country and those saddled with the task of selling it off, because of the several highs and lows that greeted news of its impending sale and subsequent failure to do so.
Kim (2005) in a study of telecommunications merger trends in the context of the convergence using the US merger case argues that:

Technology development, fierce competition, and deregulation have changed the Telecommunications market from a static to a dynamic market. The development of telecom technology has turned the segmented telecom market into one converged market. Competition in this market has forced players to discover new markets and new business models. Deregulation, which has removed entry barriers, has given telecom carriers an opportunity to enter the market and to create a new market for bundling services. These internal and external forces drive telecom operators to search for a new breakthrough.

Lenard (2004) states that

The movement toward competition in telecommunications is a worldwide phenomenon. Where government ownership has been the prevailing industry structure which is most countries this movement has taken the form of privatization of the industry’s assets. In the United States, where telecommunications has been privately owned but subject to pervasive economic regulation, competition has been facilitated by the growing apprehension that regulation is an imperfect mechanism that generally does not serve the interests of the consumers it is designed to protect.

Reguri and Venkataiyah (2003) highlight that

The structural adjustment process set into motion in India at the instance of Bretton Woods twins (IMF and World Bank) during the 1980’s and more particularly since 1991 has brought in sweeping changes in state policies towards the public enterprises. These policies, while focusing on the viability and competitiveness of these firms, are having a major thrust on the idea of shedding the responsibility of the state in running public enterprises and giving primacy to the private capital in carrying out most of the economic activity in the country. Based on this premise, India contemplated a massive program of public enterprises reorganization. The program consists of internal restructuring of those enterprises with social obligations in order to enhance their viability and competitiveness, disinvestments and privatization of those which are considered liability to the state, and the closing down of those considered nonviable.

According to Levine, Kraemer and May (2003) in a review of the increasing competitiveness of the telecom sector over the past 40 years:

The movement toward competition is a worldwide phenomenon, driven in large measures by technological innovations that create competitive pressures that destabilize the existing regulatory structure.

Adam (1993) argues that:

In recent years, a number of countries, including all of the European Union, Japan, Hong Kong, Brazil and New Zealand, have taken significant steps toward privatizing and introducing competition into their telecommunications sectors.
3.10 Debate for and against Privatisation

Today, public enterprise reforms have indeed become a common phenomenon in developing countries, as a magic solution to get rid of inefficient state owned companies. In 1992, more than 80 developing countries had programs in which state owned enterprise reforms were an official policy. It was also noted that since the beginning of the eighties, more than 7,000 state companies in developing countries had been privatised (Van Dijk et.al, 1992).

Brittan (1996) argues that:

The proponents of public enterprise reforms highlights on economic benefits in terms of improved efficiency (since private sector firms are more efficient as they operate in competitive markets where the least efficient will go out of business) and greater customer satisfaction and more choice because it is argued that public sector organizations provide worse services than the private ones because the lack of competition or need to make a profit means they have no incentive to be responsive to their customers.

Pohl et al., (1997) claim that on an average, a firm that has been restructured for four years will increase productivity three to five times when compared to a similar state owned enterprise. Apart from its many advantages though there are many setbacks to public enterprise reforms.

Critics of public enterprise reforms question whether their efficiency benefits are ever realised in practice. They also state that restructuring essential public services such as water and electricity is fraught with near-insurmountable problems of governance (Narayan, 2004). For example, when politically connected and powerful multinational corporations take over the provision of public services, governments may not be able to enforce competition or appropriately regulate these companies. The result may be higher prices for basic services, a lack of attention to environmental impacts, and a lack of commitment to public goals such as increasing access to water and sanitation services. These, in turn, may evoke a social backlash against privatisation.

Critics like Reguri and Venkataiah (2003), disclose that despite the adoption of the neo-liberal policies as advocated by IMF and the World Bank, the developing world has still been battling against poverty, unemployment, social exclusion and resultant social turbulence for the past two decades.
Thus, the rising market failures worldwide call for a revisit to the logic and dynamics of marketisation and public sector reforms since at present, it is the prophets of liberalisation who are the actual beneficiaries (Reguri and Venkataiah, 2003). Hence, public enterprise reform is not the right “medicine” for all ailing state owned enterprises (Reguri and Venkataiah, 2003).

With privatisation come reduced working conditions and huge job destruction e.g. at Telecom or Australia Post. Services are reduced or cut out altogether; only that which turns a profit to the shareholders is kept, or the company demands a direct subsidy from government to maintain non-profitable services. Costs for these services often increase dramatically. When Post & Telecom was privatised in 1990, charges were raised and profits soared. The business sole interest is to make profits and providing services is only a means to the profitable end.

Profits derived from these enterprises and others like Telecom should be returned to the public purse to be used for human need, rather than to the pockets of the already wealthy minority.

3.11 Ministry of Public Enterprises in Fiji and its Role

The Ministry of Public Enterprises and Public Sector Reforms is mandated under the Public Enterprises Act (1996) to monitor the performances of Government Commercial Companies (GCC) and Commercial Statutory Authorities (CSA).

The Ministry of Public Enterprises has three main objectives in pursuing public enterprise and public sector reforms as outlined in the Public Enterprise Act, 1996, as follows:

- to re-organise identified government ministries, departments and agencies to bring about improvements in efficiency and public service delivery
- to corporatise commercially oriented government entities and
- to restructure and/or ‘hive off’ public enterprises so that state assets are used to the optimum and that they deliver maximum returns on invested capital.
The objectives are met via the Public Enterprises Reform program that assesses the performance of the organisations and makes commendations the best way for government to achieve the objectives. The public enterprises reform program is supported by the Public Enterprises Act 1996.

Since the inception of the Public Enterprises Reform program in 1993, a number of Government Commercial Companies (GCC) and Commercial Statutory Authorities (CSA) have been formed and are currently being monitored under the Act. In some instances government entities have been divided to separate the commercial arm completely from the regulatory body and to allow each organisation to focus on the objectives it has been created for. e.g. Civil Aviation Authority of Fiji, which was divided into Airports Fiji Limited (commercial arm) and Civil Aviation Authority of Fiji Islands (regulatory arm).

The monitoring role is to advise the Minister for Public Enterprises and Public Sector Reforms on the following:

- acceptability of planning documents and annual reports
- measurement of performance against Statement of Corporate Intent (SCI) and Corporate Plans (CP)
- formulation of policies to enhance performance
- promotion of corporate governance.

The ministry’s expectation from GCCs and CSAs can be categorised into 3 areas, namely:

I. reporting
II. performance
III. governance.
3.12 Fiji’s Public Enterprise Act

The Public Enterprise Act, 1996 provides the legal framework for the reform and organisation of government public enterprises in Fiji. This act is replicated on the New Zealand State Owned Enterprises Act, 1986. The main key features of the Fiji Public Enterprise Act, 1996 are outlined below:

The purpose of this Act is to reorganise government enterprises so that they become more efficient, accountable, productive and more organised.

The Act applies to any government department, ministries, statutory body or government company (Tadulala, 1998).

3.13 Conclusion

This chapter has reviewed the literature on public enterprise reforms, the process of public enterprise reforms, and the critics of reforms. It has also differentiated the three stages of public enterprise reform process, Commercialisation, Corporatisation and Privatisation. The chapter has also highlighted how public enterprise reforms are perceived on the global forefront, in the developing countries and in the South Pacific. The next chapter will throw light on the restructure process of Telecom Fiji Limited.
Chapter 4  
TELECOM FIJI: THE CHANGE FROM A GOVERNMENT DEPARTMENT TO A CORPORATISED ENTITY

4.1 Introduction

This chapter will highlight the events of the commercialisation and corporatisation process of Telecom Fiji Limited. Firstly, a brief background of Public sector reforms in Fiji will be presented. The commercialisation stage will be discussed next, followed by the corporatisation stage. Commercialisation of Post & Telecom began in early 1990. Figure 4.1 shows the commercialisation and corporatisation of P&T. In particular, this chapter will examine the commercialisation stage or the very beginnings of P & T.

Figure 4.1 shows the process of Commercialisation and Corporatisation in Post & Telecom

Prior to 1990, Telecom Fiji Limited was known as the Department of Posts and Telecommunications (P&T) and in 1990 was renamed as Fiji Posts and Telecommunications Limited (FPTL) a commercialized entity.
4.2 Background of Public Sector Reforms in Fiji

The private sector in Fiji is a relatively new phenomenon and it has a weak industrial base with a high proportion of public enterprises. In the period the country’s independence in 1970, the last couple of decades have been marked by instability in the political environment. This has negatively affected the economy that led to the introduction of economic reforms at the insistence of the international financial institutions. Changes through reforms were to ensure that government achieves higher returns on its investments, which in turn were to improve government’s economic viability. To facilitate the process saw the enactment of the Public Enterprise Act in 1996. This was later reviewed in 2004 (Strategic Development Plan 2003-2005:53).

Public enterprise reforms in Fiji have taken place in three phases. The first phase of reforms imposed by the World Bank was during the 1980s when the government of the day was losing popular support in the wake of the trade union led political parties gaining ground and the balance of payments tragedy (Reguri 2004).

The second phase of reforms took place in 1984; the government introduced a small dose of reform in the form of wage freezes. This resulted in massive protests, hence, forcing the government to reduce the pace of reforms. Eventually, it resulted in a change of power from the ruling Alliance Party to a trade union dominated coalition pursuant to the April 1987 elections. The two military coups of that year led to the set-up of a military appointed administration, in which, the government, had no legitimacy and little alternative but to surrender totally to the agents of global monopoly capital (the International Monetary Fund, the World Bank, the Asian Development Bank, etc.). As a result, a large dose of structural adjustment program (SAP) was launched in 1989. It included 33 per cent currency devaluation; a freeze on public expenditure and investment, labour market reforms, and public sector wage cuts.

The reforms were not introduced by acts of parliament but imposed by military decrees (Prasad, 1995). When the SVT led government came into power in 1992 under a controversial constitution, there was a further push in the economic reform process. During 1992 to 1998, there was a large-scale program of commercialisation, corporatisation and privatisation of the public sector.
However, when the People’s Coalition government led by the Fiji Labor Party came to power in May 1999, there was a progressive shift in the state policies. The new government had suspended the Public Finance Management Act and associated public sector reforms, re-introduced price control, and exempted essential consumer items from the VAT, quota and tariff protection to local industries, and took steps to rejuvenate the labour market institutions. On the whole, these moves were aimed at reducing the ill effects of earlier liberalisation and economic reforms, particularly on the working class and poorer sections (Reguri 2004).

In the third phase, after the coup of May 2000 the interim Qarase government had put an end to the previous labor party policies and introduced free market policies. The military appointed government subsequently through elections surrendered its economic policies to the dictates of the World Bank, IMF, ADB, Australian Aid, and the local business community. The key aspects of the wholesale reform package adopted by the SDL government included: further deregulation of the economy through the reduction of tariffs and license control; labour market reforms aimed at dilution of trade union power by placing restrictions on strikes, promoting enterprise unionism and individual employment contracts; civil service reforms and further corporatisation and privatisation of public enterprises; and removal of controls on prices and re-introduction of VAT on exempted items (Prasad and Snell, 2002).

Predominantly, the SDL government placed more emphasis on the public enterprise reforms leading to massive restructuring of almost all the public enterprises in Fiji causing much concern to the employees working in them as well as the citizens who are being served by them.

4.3 The Department of Post and Telecom

The year 1990 is the year of transition since major changes took place in that year within the Department of Post and Telecommunications. On 1 January 1990 the Department of Post and Telecommunications was changed to a commercial entity. Its name was changed to Fiji Posts and Telecommunications Limited registered in Suva on August 1989 (The Fiji Times, 19 August 1989: 2). The restructuring process separated the commercial and regulatory activities.
Post and Telecom Fiji Limited undertook the commercial activities and the regulation of the sector was the responsibility of the Minister for Information, Broadcasting, Television and Telecommunications. (The Fiji Times, 20 February 1991: 22).

The changes that took place included change of function and responsibility for many of the staff which in turn placed pressure on them and led to reduced efficiency, particularly in the first half of the year. The Managing Director pointed out that “the restructuring of a government department into a commercial company is never an easy task and there are many examples all around the world of the problems encountered in such an exercise”. A new operational structure is certain and means the relocation of some working groups; group functions had to be introduced. The preparation for these changes resulted in the loss of productive time and apparent inefficiency.

In addition a new Personnel and Corporate Resources Division (PCRD) was created to take over all the functions previously carried out by the Public Service Commission.

The then FPTL Chairman, Mr Laisenia Qarase commented that the transfer of operations to the company did not mean an overnight transformation in efficiency and services, but would happened gradually (The Fiji Times, 2 November 1989: 11). Another problem encountered was the lack of adequate numbers of qualified and experienced staff. The company continued to experience staff losses since the 1987 coup Mr Naqova commented (The Fiji Times, 19 August 1989: 2).

The Post and Telecommunications Department began running as a private company by January 1990 according to a circular sent to all staff by the then Permanent Secretary Mr Emori Naqova. The cabinet approved the capital and the organizational structure of the new company (drawn up by a group of consultants). A new P & T Decree was going to implement the recommendations of the consultants report which outlined that “under the provisions of the new P&T Decree this company would take over all of the property and functions of the existing P&T Department, although some of the delegation was done by the then Minister Mr. Apisai Tora” (The Fiji Times, 25 July 1989: 3).
The circular said that the new company would be headed by a Board of Directors and would have a managing director who would be assisted by five General Managers responsible for five main divisions: Telecommunications, Postal Services, Commercial, Finance and Accounts and Personnel and Corporate Services. In the new organisational structure of P&T companies, there were six levels of salaried staff as opposed to the previous eleven levels and there were four grades of hourly paid staff as opposed to the then current set up where there were 18 different pay rates (*The Fiji Times*, 25/5/89 :4).

The new compressed structure apart from being financially attractive to most staff, would improve work performance and efficiency. All existing permanent staff were offered employment with the new company on terms and conditions generally no less favourable than those of the former Department of P&T. All together there were 1800 employees and there was an annual turnover of $40m. There were no reductions in salaries and wages and most management positions were filled up by existing P& T staff once they were advertised.

During this transition there were no major changes since the same employees were re-recruited into the new company hence the cultural mindset was the same and so there were no signs of change that were visible (Personal interview, Gyan, 2007).

**Changes from Department of P&T to FPTL**

The aims of the new company (FPTL) were to:

1. provide improved services, including quicker connections, reductions in terms of ‘waiters’ and quick default clearing
2. expand the services by 1.5% every year for postal traffic volume and 8% a year for working Telecom lines
3. modernise equipment and facilities mainly by digitalisation
4. improve services to rural areas
5. restructure telecom tariff system to make it more cost related
6. improve ratios of employees to working telephone lines from 34:1000 lines to 22:1000.

(Source: *The Fiji Times*, 16 December 1989:1)
Even though the company was trying to improve on services, FPTL increased its charges. Local telephone calls cost 2c more and postage charges increased by 1c. Management commented that the company had to meet rising costs related to inflation, devaluation, salaries and equipment bought from overseas (The Fiji Times, 16 December 1989:1). The main purpose of a restructure of a company is to make the services more efficient and price effective but in the case of FPTL prices continued to increase contradicting the purpose of the restructure.

Nevertheless, this area of the company operations was a source of concern through the year. The review of the company structure was carried out and recommendations for further structural adjustments were made. A revised structure was implemented in 1991, which was anticipated to address the weak areas mentioned here.

Figure 4.2
Management Organisation Chart of FPTL in the year 1990

Board of Directors

Managing Director

General Manager
Telecom Network

General Manager
Customer Services

General Manager
Personnel & Corporate Resources

General Manager
Post

General Manager
Finance & Accounts

Manager Network Development
Manager Network Planning
Manager Network Control
Manager Network Central/Eastern
Manager Network Northern
Manager Network Western

Manager Corporate Organization
Manager Personnel Administration
Manager Internal Administration
Manager Public Relations
Manager Training
Manager Management Information Services

Manager Corporate Finance
Manager Telecom Billing
Manager General Accounts
Manager Procurement
Manager Treasury

Manager Rural Areas
Manager Customer Service C/E
Manager Customer Service West
Manager Customer Service North
Manager Marketing & Market Research
Manager operator Services

Manager Posts Operations
Manager Posts Inspection
Manager Posts Plan & Development
Manager Posts Central/Eastern
Manager Posts Western
Manager Posts Northern
In the year 1991 major changes took place in terms of the organisational structure. General managers were appointed to look after the strategic business units. Figure 4.3 illustrates the changes. When compared to the previous organisation structure (Figure 4.2), the new organization structure (Figure 4.3) was made more flat and this allowed for better communication across the board and decisions could be made effectively and efficiently (Personal interview, Simon, 2007).

**Figure 4.3**
Management Organization Structure in the year 1991

4.4 Fiji Posts and Telecommunications Limited

On 24th September 1993, a committee was appointed to enquire into the affairs of Fiji Posts and Telecommunications Ltd. The committee consisted of the following:

- Mr. W. G. J. Cruickshank - Chairman
- Mr. Winston Thompson - Member
- Mr. Narendra Kumar - Member
- Mr. Akapusi Qerenatabua - Secretary

The committee got together on the 27 October to meet the FPTL Board of Directors and to plan its approach to its task. The months delay was due to administrative difficulties involving the appointment of the secretary and the chairman to the committee.

Upon the Board’s request, the committee’s point of contact was the secretary to the Board. The committee obtained most of the information and documentations it required from P&T, even though at times the process was slow. The FPTL Board of Directors provided the committee with an office in the old P&T building with telephone, Fax machine and photocopier.

The committee advertised and convened a series of meetings and interviews seeking submissions from the general public. These were held with management and staff. A number of work places were also visited. Meetings were held in Lautoka, Labasa and Suva in November 1993 to give members of the public the opportunity to express their views. Along with the oral submissions, there were eighty (80) written submissions, of which fifty-three came from FPTL workers and their staff association. The submissions that came with relation to customer service were referred to the appropriate Strategic Business Unit (SBU) through the company secretary to follow up.

The committee also suggested via writing to the Minister of Telecommunications on 12th and 19th January 1994 proposing that the Board be replaced on 27 January 1994, upon the expiry of their term but this was rejected (Personal interview, Simon, 2007).
4.5 Operations of FPTL

Even though Fiji Posts and Telecommunications Limited was registered as a private company in August 1989, the transformation from government department to competitive corporation started only from January, 1990 and while this was completed in theory, further training in private sector concepts and objectives was to be fully incorporated (Parliamentary paper No.18, 1994). Hence, there were not many changes in the mindset of the employees and how the organisation performed its operations; a private sector operational style was yet to be incorporated (Personal interview, Gyan, 2007).

4.5.1 Change

In 1990, the Qarase led Board and the Management of FPTL acknowledged the need to implement an organisation structure that would facilitate the operation of the company and result in a productive, profitable and efficient customer responsive business entity. An in-house structural review committee was appointed by the managing director and chaired by Marika Vada to carry out this task. Their report was completed on 5 December 1990. The work of a government appointed committee to draft new regulations including Decree No. 72/89, the new company got off to a reasonable start and this was later confirmed by the good financial results in its first year ending 31 December 1990 (The Fiji Times, 15 March 1990:6).

4.5.2 Problems of Board of Directors

The year 1990 was full of events for FPTL. The successful 1990 Board of Directors and Management team was broken up in July 1991 with chairman Qarase being replaced by another board member Robert Lee, and this was followed by the appointment of new Board members. These changes were not successful, leading to major disruptions to the company’s operations in the year 1992 and this was quiet severe.
The problems ranged from the new Board of Directors trying to speed up the modernisation of FPTL but failing tremendously to include employees in their decisions. This was in terms of lack of information and consultation on what they were trying to achieve, causing fear amongst staff as it caused unchecked speculation about staff redundancies and lack of trust since the company intended to implement Hay Management consultants reports, predominantly as the Managing Director (Mr. Naqova) for 1992 was forced to resign in 1992.

All this had a negative impact on the operations and performance of FPTL as it led to severe industrial problems, which led to strikes and acts of sabotage in June 1992. In the same month the Lee-led board resigned and was replaced by a new board, headed by Mr. Berenado Vunibobo, who restored the company’s operations in line with its commercial objectives and prioritised customer satisfaction and successful financial operation (Personal interview, Suren, 2007).

The report of the committee of inquiry (set up by the Board) into the affairs of the Fiji Post & Telecommunications limited in the year 1994 suggested that the stability at that time was delicate, conversely, and needed careful fostering, as there were outstanding industrial relations and personal disputes and this could lead to adverse effects on future operations and performance of the company if not handled practically and without any biasness by the designated senior personnel. The Fiji Times reported on 9 September 1992 that Telecom Board perks were queried. The article highlighted that 1992 P&T Board Members had given themselves a total remuneration of about $F42,000 for a year $F27,000, more than their basic, approved entitlement. An internal company audit showed the extra payment in travel allowances and per diem was ultra vires and morally wrong. On two overseas visits late in 1991 and early in 1992, board members were paid per diems at full United Nations rates on top of the company meeting their total hotel accommodation costs (The Fiji Times, 9 September 1992:6).

This is contrary to normal practice where officials are either paid full travelling costs by the company or given a per diem (daily allowance) to cover cost of hotel, meal and other incidental expenses.
The then chairman Robert Lee had incurred hotel accommodation expenses of 
$F2510.60 during the trip and had been given an additional $F3282.38 in per

4.5.3 Hay Management Consultants Ltd (NZ)

Hay Management Consultants Limited of New Zealand submitted their first 
report in April 1991. Their assignment was to evaluate every job in the new 
company and set the salary levels according to their formula. This was a routine 
but important task successfully completed and implemented by the FPTL Board 
in 1991.

Hay Management Consultants Ltd was re-engaged by the Lee chaired Board to 
conduct a performance and development review of the managing director, the 
then four general managers and the company secretary/legal counsel, and 

These senior and experienced officers were subject to a four-hour aptitude test 
including solving figures and puzzles, arranging pictures, geography, history and 
arithmetic tests.

Only the Managing Director and GM Posts made it through these tests, two were 
terminated for reasons other than the Hay Report and another left on completion 
of the contract.

Hay’s April 1991 Job Evaluation determined the company’s overall salary 
structure and job classifications. Hay’s Management consultants Ltd were a paid 
a sum of a ¼ million ($F250, 000) in consultation fees (Personal interview, 
Suren, 2007).

During this period the trade union and employees were not consulted.
4.5.4 Anderson Consulting Limited (Aus)

In December 1991, FPTL Board approved the hire of consultants to submit proposals to restructure the company and four firms submitted quotations. These were Boston Consulting Group (USA), Anderson Consulting, Price Waterhouse and Coopers & Lybrand (Fiji) (Personal interview, Simon, 2007).

In January 1992, the Australian firm Anderson Consulting was selected by the Board for the major task of developing and coordinating a series of action plans derived from the company’s strategic vision project, and their consolidated ‘final’ report was presented to the Board in May 1992. In November 1992, the Vunibobo chaired Board decided to recall Anderson to work closely and assist FPTL management in the understanding of their May review and in December 1992, the Board approved Anderson’s business plan on the implementation of a new FPTL organisational structure and financial management framework.

Anderson Consulting Limited recommendations divided the company into five strategic business units (SBUs) each headed by a general manager and in its final submission in December, it introduced for the first time the post of Chief General Manager Post between the GM’s and the Managing Director (Personal interview, Simon, 2007).

4.5.5 Changes to management structure suggested by Anderson Consultants

In theory as shown in the company’s organisation chart, the Chief General Manager reports to the managing director at this time (Mr. Naqova) but in practice, he was encouraged to by-pass the Managing Director and report directly to the Board. This invigorated pre-July 1992 apprehension amongst some of the employees, that the Board was still determined to dispense with Naqova.

The vertical positioning of Chief General Manager and Managing Director tends to duplicate control and slow down decision making at the top.
A growing company needs a strong “hands on leader” as Chief Executive with control over the company’s operations. The Andersen set-up led to confusion down the line as to who was in fact the boss (Parliamentary paper No. 18 of 1994). Hence the committee enquiring into the case of FPTL suggested that there should be clear titling of the MD as the managing director and chief executive and the CGM post abolished, with GMs working directly to the MD/Chief Executive. GMs had adequate delegated powers to run their SBU’s without reference to the MD/CE in the normal course of the business (Parliamentary Paper, 1994: 9).

There was a lot of money spent on consultancy during the restructure process. Table 4.1 summarises the cost of consultancy in just two years.

Table 4.1 Cost of Consultancy during the Restructure Process: 1992

<table>
<thead>
<tr>
<th>Year</th>
<th>Consultant</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1991 – March 1992</td>
<td>Hay Management Consultant’s Ltd (NZ)</td>
<td>$F250,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$F800,000</strong></td>
</tr>
</tbody>
</table>

4.5.6 Planning Involvement

Upon reviewing FPTL plans it was highlighted that there was apparent exclusion of the Chief Executive Officer from active participation in some of the capital development planning, and particularly in the formation of the new Fiji Cellular Company now called Vodafone (Fiji) Limited, and the Telephone Directory Company. In both cases, the board dealt with the CGM direct and this was hardly beneficial to the harmonious relations at the top. The CGM had been placed on both these company’s boards, yet the MD, shown as being responsible for new business in their own organisational chart, was not even consulted. Consultants suggested the separation of P&T into two companies.
The 1993 in-house restructuring of the Postal strategic business unit (SBU) improved customer focus and management accountability while achieving efficiency in terms of personal costs, with its operational and financial structure linked with its big brother Telecom through the MD/CE and the Board, and direct cooperation where necessary at GM level.

There was a strategic proposal to establish a Telecommunications Authority of Fiji (TAF). This extension of bureaucratic power was rejected by the committee in 1994 since the then Telecommunication regulatory unit in the Ministry of Information barely stood alone and depended on the expert professional advice of FPTL (Personal interview, Simon, 2007).

4.5.7 Financial Performance:

Table 4.2 summarises FPTL’s financial performance since corporatisation effective 01 January 1990. (This information is based on the audited financial statements for the three-year period to 31 December 1992.

<table>
<thead>
<tr>
<th>Table 4.2: Financial Performance since Corporatisation of FPTL</th>
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</thead>
<tbody>
<tr>
<td>Revenue $</td>
</tr>
<tr>
<td>Operating Profit before Tax $</td>
</tr>
<tr>
<td>Operating Profit after Tax $</td>
</tr>
<tr>
<td>Dividend Paid $</td>
</tr>
<tr>
<td>Dividend Ratio (ordinary shares) $</td>
</tr>
<tr>
<td>Rate of return on capital $</td>
</tr>
</tbody>
</table>

(Source: Report of the Committee of Inquiry into the affairs of the Fiji Posts & Telecommunications Limited, Parliamentary paper no. 18, 1994)
With reference to the above information in 1992, the company set aside for the first time a provision for annual and other leave. The 1992 accounts disclose that $698,907 as a charge for this new provision.

The new items of expenditure in 1992 accounts were identified as:

**Table 4.3 New items of Expenditure in 1992**

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants fees</td>
<td>0.8m</td>
</tr>
<tr>
<td>Provision for Obsolete Inventory</td>
<td>0.4m</td>
</tr>
<tr>
<td>Sabotage claim</td>
<td>0.4m</td>
</tr>
</tbody>
</table>

The major increases in three expenditure items compared to 1991 were as follows:

**Table 4.4 The Major Increases in Three Expenditure Items Compared To 1991**

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest payable</td>
<td>0.55m</td>
</tr>
<tr>
<td>Exchange loss</td>
<td>0.25m</td>
</tr>
<tr>
<td>Provision for doubtful debts</td>
<td>0.57m</td>
</tr>
</tbody>
</table>

The items noted in tables 4.3 and 4.4 indicate an additional expenditure of $F4.7million in the 1992 accounts. These items explain in part the reason for the decline in FPTL’s operating profit before tax from $F10.1million in 1991 to $F4.8million in 1992 (Parliamentary Paper, 1994:9).

### 4.5.8 Financial Management

The Anderson consulting report recommendation advocated an underlying requirement and the committee of inquiry (1994) fully endorsed the new financial reporting system implemented in March 1993. The financial system provided the necessary framework for an appropriate level of delegation of authority by the board to management accountable for the day-to-day operation and performance of areas under their control in the company based on approved plans and budgets. The setting up of Strategic Business Units (SBU) undoubtedly assisted in this regard.
4.5.9 Financial Audits

Financial performance and supporting accounts were substantiated by external auditors who are invariably invited to attend, AGMs. FPTL's 1990-1993 Auditors were replaced without advance notice by G. Lal & Company. Price Waterhouse was informed of the change by their successor 6 weeks after the decision. There was no record of any criticism of Price Waterhouse & Co.’s audit report and extensive client service comments indicated good work and that their recommendations should be considered and implemented where appropriate. G. Lal & Co. had been appointed by the Board then to handle senior management salaries, for reasons of confidentiality, although they had to be approved by the Higher Salaries Commission. The enquiry committee commented that this was unnecessary since FPTL had a perfectly good payroll system. (Parliamentary Paper, 1994:12)

4.6 Staff Management and Operational Matters

4.6.1 Structure

The company’s various reviews/reports of external consultants and in-house committees from 1988 onwards led to the present structure designed by Anderson consultants and introduced from 1/3/1993. Anderson did not illustrate the post of chief general manager in their May 1992 “final” report, or in their November 1992 presentation to the board. It appeared in their December 1992 business plan, one assumes as a result of prompting by the company. The ‘Anderson’ structure differs slightly from favoured practice today of direct contact with Business Units by the chief executive (MD/CE).

The overlap of the two top posts in some areas caused problems between the MD/CE and the Board, as well as the MD/CE and his general managers, to whom he should have had direct access and in practice, have been closer to customers, particularly important business users.
The difficulties, of the company had undergone over the past two years or so, was been aggravated by the lack of coherence and cooperation between Board and top management. The managing director had been persistently by-passed and marginalised, with disturbing consequences on the corporate psyche.

The insertion of this new post of CGM between the MD/CE and 4 of the 5 GM’s is a major factor contributing to personnel and industrial problems within the company. It was suggested that the Anderson management structure was too heavy and expensive and could be reduced from 7 to 5 levels with successive improvement in supervision, productivity and bringing customers closer to middle managers and supervisors and vice-versa (Personal Interview, Simon, 2007).

4.6.2 Senior Staff Problems

In trying to speed up the attainment of and improvement in its corporate and commercial objectives, the last two Boards, without experience in the complex P&T business and operations, decided it was necessary to get rid of the old P&T guard at the top—Naqova, Waradi, Pratap Singh, Epeli Cama, and Reiher.

This ongoing campaign against experienced local officers had caused a lot of unnecessary strife and pain especially when coupled with the Board's recruitment of an expatriate Chief General Manager whose resume was subsequently found to be false, a disbarred Company Secretary, plus a working Director with an aggressive and boastful approach to staff, and a GM who employees claim had too much influence on the Board, was at the root of the still bubbling discontent and it had to be faced up. One surprising minus in the Board’s conduct of business was the apparent failure of the Company Secretary to ensure minutes of Board meetings were signed and dated by the Chairman covering December 1992 and much of 1993 as was discovered on inspection of the FPTL Board records (Personal Interview, Suren, 2007).
4.6.3 Recruitment and Personnel Policies

The Company had well documented recruitment and personnel policies and procedures derived from FPTL’s Civil Service beginnings. These were contained in the company’s corporate manual to which the author did not have access. A large number of trained and experienced staff have been lost over the last years. The company embarked on additional in-house and overseas training as well as temporary recruitment of engineers from overseas to fill some of the vacant posts that the local staffs were being prepared for (The Fiji Times, 29-2-91: 6). An interview with the union leader also pointed out that staff leaving for greener pastures was evident. Technical Staff were mostly leaving to join a Telecommunications company called Downer International that offered better incentives and pay (Personal Interview, Suren, 2007).

4.6.4 Implementation of policies and procedures

It appeared that the implementation and application of policies and procedures had not been left entirely to Management but had been interfered by the Board with on a number of occasions over an extended period. A clear separation of responsibilities between the Board and top management to enable the Chief Executive to exercise his responsibilities had not been applied. A return to conventional division of responsibilities between the Board (Policy formulation and monitoring) and the MD/CE (implementation, management and control) would have restored purpose, stability and morale to the Company. The distortions which occurred had been due largely to the interventionist role of the Board.

The Board tendered to make decisions without consulting delegated authorities. As in three cases which included MD/CE were terminated unilaterally without opportunity to explain or defend themselves, hence and this resulted in arbitration and court actions against the Company (Personal Interview, Simon, 2007).
4.6.5 Performance

Apart from MD/CE and GM Posts, the other GMs were appointed in 1993 and it was too early to judge their performance. They were young and needed time to build their confidence. The MD/CE should have monitored and held regular meetings with his General Managers to encourage their staff development.

Unfortunately, there was one General Manager who had been and still was the subject of criticism by some employees. This antagonism was not new but does not seem to be subsiding and appeared to have originated from the supposition that the GM conspired with others to undermine Mr. Naqova and his associates and later Mr. Waradi. It was important to foster good management/employee relations for the sake of the company's customers.

There was a possible de-stabilising factor for future operations in the judgment of 17.2.94 on Civil Appeal No. 7 of 1993 given in favour of the Fiji Public Service Association against the Registrar of Trade Unions and FPTEA.

Company employees had no registered Union, but submissions were received on their behalf from the Fiji Public Service Association and Fiji Post & Telecom Employees Association. To reward good performance, the Company introduced an ‘Incentive Pay’ scheme in 1993 covering management levels excluding CGM and MD. The scheme is controlled by the CGM and is calculated on an annual basis paid out twice yearly in June and December. The basic formula was not revealed but it is related to the budget performance of the individual and his unit. One manager earned $10,000 in 1993. Personnel administration comes under the SBU headed by GM Support Services assisted by Managers Personnel and Human Resources. Staff selection and appointment procedures have been laid down in Board Paper No. 24/93 and circulated to all concerned with the instruction that the delegated authorities must be exercised in accordance with ceilings and procedures in the Budget (Personal Interview, Suren, 2007).
4.6.7 Top Salaries of Senior Management

There was concern within the senior ranks of FPTL management that the Board's excessive involvement and intervention in the management function had caused greater secrecy in expenditures of Board and senior management remuneration. The payment of a substantial special allowance to an expatriate officer on recruitment is one example, said to have been funded from a World Bank Loan, and another is the transfer of senior managers salary payments to G. Lal & Co., an external auditing firm who were the Company's external Auditors.

There needed to be a re-establishment and re-affirmation of greater openness and transparency in the activities of the Board in relation to decisions taken affecting those in the top management structure. A public relations exercise may need to be undertaken to enable the removal of the ill will and negative attitudes that have arisen in the senior management ranks (Personal Interview, Simon, 2007).

4.7 Operational Efficiency

One of the major reasons for the restructure was to improve on operational efficiency but there were numerous complaints of excessive telephone charges. Most if not all of these complaints had been dealt with by FPTL and were also investigated by the government Department of Fair Trading. The major area of concern was the failure of Telecommunications Fiji Limited to achieve its objectives in terms of responsiveness to the customers. The waiting time for a new service to be provided was too long as was the time taken to repair faulty services. To expect a newly formed company to take over the operations of a government department and improve efficiency virtually overnight was, to say the least, rather optimistic. In the year 1992 an integrated customer management system was introduced by FPTL. It was a paperless system. All the records were held on the database and any accounts being initiated (via the service order) could be passed between the various work groups instantly, hence exchanges were able to receive workflows daily.
Work could also be tracked through the various groups and so there was an element of accountability through the system. Refer to figure 4.4.

**The three phases of implementation could be referred to as follows**

1) Customer management, billing and service orders which were effective immediately and provided a complete customer profile including current as well as historical details and an integrated billing system that included service order processing, call detail billing, customer detail/equipment billing and a complete customer billing information system including payments, adjustments and accounts receivable.

2) Plant inventory and assignment which provided automated cable network and switch assignment through a direct interface with the service order module.

3) Fault reporting which provided the capability for managing telephone trouble information.

**4.7.1 Corporate Objectives and Government Policies on Telecommunications Services**

With reference to capital and operational plans, these were in place and were reviewed periodically in light of corporate objectives and government policies. Past planning by FPTL officers coupled with the Andersen consulting report as being implemented vigorously as was evident in the reduced waiting list, and the move into fibre optics, trunk radio and cellular networks, and digital exchanges most of which were in the pipeline pre-1990. The Fiji Times reported in an article on 20 February 1991 headlined ‘FPTL moves into Optical Technology’. The article highlighted that FPTL had completed installation work for the first optical fibre transmission link in the telecom network. Optical fibre transmission uses light technology to transmit signals carrying telephone conversation, telex and data services over optical fibre cables and is considered to be the most versatile of communication channels for both short and long range communication links in well developed telecom administration worldwide.
The advantages of optical fibre technology are as follows:

- Broad Band width allows for more telephone channels to be carried over conventional systems which their low loss allows repeater spacing to be considerably increased on long lines. Consequently there are improvements in reliability and lower costs.
- Optical fibres are small and light and provide total security. Since telecom signals are confined entirely within the fibre core, signals are inaccessible.
- Transitions from analogue to old a system that still exists but is being replaced by digitalization of FPTL network.
- Paper free handling of calls incorporates conference calls
- Efficient, reliable and faster.

35-year-old manual boards were replaced by a $3m digital system. The new system allowed new functions, features and hardware to be continuously added, adapting the new system to changing needs of customers (The Fiji Times, 18 July 1991:9).

These planned developments at the top end were fine and necessary but complaints were received in relation to poorly serviced areas, principally commercial users. Lines not available or of poor quality, “Irregular bills and disconnection caused customer dissatisfaction” (The Fiji Times, 11 August 1991:7).
The aim of ICMS was to allow for marked improvement in the ability to respond to customers’ requirements as well as a considerable improvement in the efficiency of services.

4.8 Role and Functions of the Board of Directors

Prior to and during the restructuring process, there is constant communication between the government, Board of Directors and Management.
The government provides the general policy and Board of TFL provides specific policies to which management adheres to implements. However at times they may not agree on certain decisions as perspectives may differ.

The statutory role and function of a Board of Directors Company's Act and FPTL's statutory role and functions is defined at length in the Articles of Association, Section 87 of which states, inter alia, "the business of the Company shall be managed by the executives. FPTL needs to be managed overall by a Board of Directors".

The committee also outlined that the delegation of authority from the board to managing director (Chief Executive) Naqova appeared to have worked well during the company’s first 18 months of operation but deteriorated rapidly into confrontation after the change of the first Board in July 1991, leading to the Board forcing the resignation of their MD/CE in February 1992.

This broken relationship destabilised the Company's operations and its employee industrial relationships with disastrous effect and led to strikes and the Lee Board resignation in early July 1991, to be replaced by a new Board under the Chairmanship of Mr Berenado Vunibobo, an able and experienced public servant, diplomat, and politician. Considering the unstable situation of the time, the Board resolved that their Chairman assume executive powers and with the re-instatement of MD Naqova, the Company operations for the rest of 1992 slowly returned to normal, under Mr Vunibobos direction (Personal interview, Suren, 2007).

4.8.1 Board and Management Relationship

Up to 1993, the Board/management relationship had not been spelt out as well as it might have been but after MD returned from Harvard Business School, the Board followed recommendations made by Anderson Consulting and approved a Board Paper 24/93 titled “Delegation of Authority in accordance with the restructuring exercise” effective from 1 March 1993.
Tender Board Chairman should be reviewed to include the MD/CE (Emori Naqova) in the decision making process. Boards of Directors were asked to adhere to their statutory role and functions and leave the day-to-day operations to the Managing Director and his senior executives. FPTL needed to be managed overall by a Board of Directors that was not afraid to delegate the day-to-day running of the Company's business to a capable Managing Director as Chief Executive to whom other Managers and staff of the Company would be responsible.

From July 1991 to the present there was a normal Board/Management relationship in FPTL and this had to be addressed as it was a cause of continuing concern and uneasiness amongst many company personnel. In effect, there had been instances of the Board encouraging the by-passing of the MD/CE by certain senior executives, the CGM and GM Support Services in particular, thus undermining the MD/CE's authority. This cause of action led to insubordination and ineffective decision making. Personnel management and managing relationships is vital in an organisation that goes through immense changes such as was the case in FPTL (Personal interview, Simon, 2007).

4.8.2 Executive Directors

The enquiry committee was told by one GM that a Director tried to persuade him to sign an order for local purchase without going through the tendering process. The GM refused and was threatened with retaliation. The Chairman was in order as Executive Chairman from July 1992 to direct and control FPTL from a Company office with all essentials of an office, but this executive power would have been expected to cease on return of the MD/CE from overseas in December 1992. The Pacific Magazine reported on Fiji: Information Minister on Telecom rift 13/3/2004 that “The Fiji Post and Telecommunications Employees Union alleged that Mr. Thomson and Mr. Nichollas were not following proper tender and purchase procedures. “The union was also not happy with restructure plans and the hiring of expatriates and consultants when suitable people are readily available” (Pacific Magazine, 2004:56).
However, the FPTL situation through 1992 into 1993 was abnormal, particularly as the Board was pressing on with implementing the major restructuring recommended by Anderson Consultants and the Chairman in particular was faced early in 1993 with handing over at a critical time to MD/CE, in whom he apparently did not have full confidence. With the Board's approval, he continued as Executive Chairman till mid-1993 and kept his hands on the wheel for the rest of his chairmanship, doing what he considered was right and best for the Company (Personal interview, Simon, 2007)

4.9 Conclusion

This chapter has discussed the commercialisation and corporatisation of the Department of Post and Telecommunications. The background of public sector reforms was mentioned, followed by the changes that occurred within Post and Telecom during the process of commercialisation. Later, operations of Fiji Posts and Telecom Limited were highlighted. Some of the major changes were highlighted in this section. The next chapter will highlight the privatisation of Fiji Posts and Telecommunications Limited into two separate and distinct entities.
Chapter 5

Corporatisation and Semi-Privatisation of Telecom Fiji Limited

5.1 Introduction

This chapter will discuss in detail the process of corporatisation and semi-privatization of Telecom Fiji Limited. Discussions will start of with the formation of Amalgamated Telecom Holdings followed by the discussion about its subsidiaries. It will also look at the role of the Commerce Commission.

5.2 Background of Fiji Post & Telecommunications Limited

As mentioned before department of post and telecom was commercialized in 1990 and was named Fiji Posts and Telecom Limited (FPTL), in 1996 FPTL split into Telecom Fiji limited and Post Fiji Limited.

FPTL, a private limited company was formed on 18 August, 1989 under the provisions of the Companies Act (1983). Prior to 1989, it was known as Post and Telecommunications (P & T). In 1990, when FPTL was corporatised the government’s involvement was withdrawn from Post and Telecommunications (P&T). Ministers who held shares in P & T had to withdraw from management activities and assume the policy setting role (FPTL Annual Report, 1990). The corporatisation stemmed from the government’s broader public sector reform policy. In the case of P&T, corporatisation commenced before the introduction of the Public Enterprises Act (1996).

Institutional change in the wider economy, especially public sector reform also led to corporatisation of FPTL. The coercive pressure for corporatisation was exerted from the World Bank, and the Fiji government borrowed from World Bank on behalf of FPTL.

Due to these pressures from external agencies the Government of Fiji was forced to corporatise FPTL.
Prior to corporatisation, P & T’s postal and telecommunications services were regarded as a public service. During this time profit was not the prime concern. As the Fiji government was morally obligated to provide basic postal and telecommunication services to its citizens, this gave reasons for the continued existence of a nationalised monopoly utility. Public accountability was vital as P & T management was seen as morally accountable for acting in the public interest. A new chief general manager was appointed in 1993 to assist the Managing Director move FPTL employees through the transition from a government organisation to a market driven entity. The Chief General Manager brought in strategies of profit orientation and had worked with several companies in Israel, USA and some European companies (The Review, February/ March, 1993). The manager’s background knowledge was based on engineering and accounting and brought those practices to FPTL. Board appointments were also made with people from a business background. The reasons for the formation of ATH will be discussed next.

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).

In 1996, FPTL was re-structured. It was a government decision to separate Post Fiji from TFL. The Board of Directors implemented the government decision to split FPTL into two organisations.

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 the Arthur Anderson’s consulting report of 1992 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 the 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 (FPTL annual report, 1990).
The corporatisation of FPTL brought about change that was sudden and discontinuous. It was not well thought out and planned. There were a lot of changes to personnel at the highest level as a result of the split. All operational staff was required to resign from their positions and was asked to re-apply for the newly created positions in the corporatised organisation (TFL Annual Report, 1996). In most cases, staff remuneration was better than what was offered by P & T.

5.3 Reasons for the formation of ATH

The formation of (Amalgamated Telecom Holdings) ATH had ‘hidden agendas’ which the author will address next but first the National Bank of Fiji saga will be highlighted which the author believes is one of the reasons for the formation of ATH.


The setting up of National Bank of Fiji as a commercial bank was not done on a solid financial base as National Bank of Fiji did not enter into any joint venture with one of the commercial banks of either Australia or New Zealand. Instead, this transition was aided by Commonwealth Bank of Australia (CBA). However, no formal joint venture was established with Commonwealth Bank of Australia. Therefore National Bank of Fiji’s early years was not grounded in purely commercial banking principles. [Grynberg et al, 2002].

National Bank of Fiji served a majority of Fiji’s small-scale savers rather than major commercial customers. The government financial commitment which did not come until 1980, was also not substantial. In 1974, the government gave powers to the M.D. Finance to grant a waiver to the National Bank of Fiji from the provisions of Banking Ordinance placing a limit on the loans to a single customer. This high risk action was seen as necessary if the bank was to have any chance of being profitable as a commercial bank.
It is reported that the Financial Crisis Foundation was laid in the late 1960’s when the bank loaned the Stinson Group significant sum without any mortgage. This loaned amount was far greater than the 25% of banks equity requirement. By 1984, the Stinson Group held loans totaling $5.6 million.

The ’25% equity Rule’ could have been abused because the Minister of Finance then was the former head of Stinson Group. The Minister of Finance in 1984, Hon. Mr. Charles Walker gave a broad waiver of the “25% equity rule” which allowed National Bank of Fiji to loan large amounts for rehabilitation programs after a series of natural disasters. The National Bank of Fiji applied this waiver to all lending. This was known only after the 1993 audit by the Auditor-General. The National Bank of Fiji’s improper banking practices of the 1970’s and 1080’s was due to the indulgence of the Parliament and some public sector institutions and it opened the way for further mismanagement after 1987 in the leadership of Visanti Makarava.

Under Makarava’s leadership, abuses such as kickbacks, giving interest free loans to friends, acceptance of non-competitive tenders, and approval of large loans with adequate security surfaced, without any solid action taken to correct the malpractices.

In 1991, Reserve Bank of Fiji had a high number of “problem loans” well in access of the World Bank guidelines that ‘problem loans’ not be more then 10% of total loans. The Reserve Bank of Fiji report noted a huge number of collateral and documentation deficiencies and Reserve Bank of Fiji told National Bank of Fiji to put its house in order. National Bank of Fiji did not adhere to this directive and continued with its lending spree.

Hon. Berenado Vunibobo as Finance Minister in 1994 ordered through his Prime Minister Hon. Mr. Sitiveni Rabuka, an external audit of National Bank of Fiji. The Aidney-Dickson report noticed that National Bank of Fiji was fundamentally flawed and bankrupt for some years now. The Auditor-General’s report for the year 1994 which was made available in 1995 confirmed much of the finding of the Aidney Dickson external audit.
The Auditor General noted the following irregularities with regards to the bank’s commercial loans:

- Irregular securities on 38 loans totaling more than $22m;
- Lack of current insurance cover on properties mortgaged to the National Bank of Fiji;
- Irregular or no loan repayments in respect to 20 loans in excess of $7m;
- Repayments not sufficient to cover monthly interest or lower than the required amount for 12 loans exceeding $3m;
- National Bank of Fiji servicing its own loans for 27 loan accounts exceeding $19m;
- No recovery plan on 19 defaulting clients whose loans exceeded $3m.

[Grynberg et. al, 2002, p.17]

This report was tabled in Parliament in 1994 and in 1995 the Prime Minister ordered the Minister of Finance to take whatever remedial action necessary.

The final figure of $220m bad and doubtful debts gave the Rabuka Government enormous political pressure from the media and from public outcry. In 1995, a contractual commitment between the government, the board of National Bank of Fiji, executive management and the Reserve Bank of Fiji, called the ‘Rehabilitation Regirie’ was drawn up. This rehabilitation program required the National Bank of Fiji to streamline its operation and redirect the bank to the point of financial viability. The first component of restructuring involved the removal of all senior staff involved in the banks downfall. This saw the appointment of a new Chief Manager. The restructuring also led to almost half of the 700 employees of the National Bank of Fiji being laid off. The 400 remaining employees were distributed between the Asset Management Bank (AMB) and the new restructured bank.

The Asset Management Bank was established only for the purpose of debt recovery and the 150 so employees would eventually be made redundant as well. This redundancy program triggered a strike by the National Bank of Fiji workers. After negotiation, a $F7-8m settlement package was reached.
Three main objectives of the National Bank of Fiji restructure move:

- Minimize the cost of restructuring program;
- Preserve as many jobs;
- Minimize the likelihood of any future collapse.

[Grynberg et al., 2002, p.90].

The restructure act saw the emergence of two (2) banks: The National Bank of Fiji (good bank) and the Asset Management Bank (bad bank). The National Bank of Fiji continued with its commercial role of providing banking services for personal and non-commercial purposes. The National Bank of Fiji was finally sold to the Colonial Group in 1998 for $9.8m.

The Government had to bear the $F220m plus loss through borrowing. However, there existed an alternative. Finance Minister, Hon. Mr. James Ah Koy, made public government intentions of financing the National Bank of Fiji by domestic borrowing. The Government decided to finance the collapse of the National Bank of Fiji and its escalating government expenditure through privatisation of government’s Amalgamated Telecommunication Holding Company (ATH) at a price approximately 3 times the value of the closest private bid. The Amalgamated Telecommunication Holding sold 49% of its shares to the nation’s largest financial institution; the public owned Fiji National Provident Fund. Grynberg et al. (2002) claim that the privatisation of Amalgamated Telecommunication Holding was not a privatisation of assets but an effective expropriation of the assets of the Fiji National Provident Fund by the Government. This move the authors saw as a reflection of a weak system of fiscal governance and accountability in Fiji.

Therefore the collapse of the National Bank of Fiji was finally funded by transfer of public assets in 1998 and 1999. The transfer of Amalgamated Telecommunication Holdings 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 privatisation and assets transfer to pay government debt and also used part of it to facilitate its growing spending. Without privatisation, 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 Amalgamated Telecommunication Holding’s assets to 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
➤ sale of public assets.

The third option of public asset sales was consistent with government policy of privatisation and would also help to reduce public debt.

The Government obtained far more than the expected amount from the sale of Amalgamated Telecommunication Holdings. In the 1999 budget estimates, the Government could not have been expecting more than $F50m to $F60m for the transfer of Amalgamated Telecommunication Holdings. In fact the figure of $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 of Amalgamated Telecommunication Holdings for $F253m. Before the sale of the Amalgamated Telecommunication Holdings shares to Fiji National Provident Fund, the Government decided to consolidate its entire telecommunications holding into one company, the Amalgamated Telecommunication Holdings. This new single holding consisted of 51% of FINTEL, 100% of Telecom Fiji and 100% of Vodafone Fiji. The transfer of Amalgamated Telecommunication Holdings to Fiji National Provident Fund was the biggest single financial transaction in the history of Fiji.

In justifying the sale of Amalgamated Telecommunication Holdings 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).
According to this speech, this sale was a profitable move for the government. On the other hand, from the workers’ point of view, it was a major loss because assets that would earn 8% elsewhere were traded for assets giving a return of less than 2%.

Secondly, for Fiji National Provident Fund, it would be difficult to deliver higher dividends from buying of Amalgamated Telecommunication Holdings because of the fact that the 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 Amalgamated Telecommunication Holdings was earning huge profits and 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. This was when the economy was performing considerably better 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 (Rothschild group, Report on the Telecommunications Industry, May 1996).

It is astonishing how FNPF, Ministry of Finance and other interested parties assume that the asset valuation is correct, as it is not a simple task to do asset valuation in an industry such as telecommunications.

The assumptions employed in 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 hence there was vast difference between the bids by Cable & Wireless and FNPF.¹

There are several facts that indicate that it was the intention of the government to privatise ATH in order to pay for NBF.
These are outlined below:

1. 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.

2. The government had commissioned the Rothschild report on privatisation of the telecommunications at the height of the NBF crisis.

3. The amount of revenue generated from the privatisation 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 privatisation of ATH was used as an alibi to both finance the NBF debt and the growing public debt in Fiji during the last years of the Rabuka Government. FNPF paid three times more compared to the private bidders. There was considerable public concern over the involvement of Mr Lionel Yee in the restructuring of the bank. Prior to the privatisation of ATH Mr. 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).

5.4 Amalgamated Telecom Holdings

Fiji National Provident Fund (FNPF) as strategic investor currently owns 58.2% of the issued capital of ATH. In its capacity as a strategic investor, FNPF has certain rights, which are set out in ATH’s Articles of Association.²

In 1998, Credit Suisse first Boston was hired to carryout 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 (SPSE). (Bula Internet: Fiji ICT Case Study, 2004:24)

The Government currently has a 34.6% shareholding interest in ATH. It is essential to note that neither the government nor FNPF guarantee the financial performance of the securities in the company.

² The ATH article of association was not made available to the author.
Table 5.1 and figure 5.1 outlines the ownership structure of ATH both before and after the allocation of 3.6 per cent of the shares in ATH which are owned by the government.

Table 5.1 Table showing shareholders Percentage of Interest in ATH over the years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholders</th>
<th>Percentage of share</th>
</tr>
</thead>
<tbody>
<tr>
<td>16th December 1998</td>
<td>FNPF</td>
<td>49%</td>
</tr>
<tr>
<td></td>
<td>Fiji Government</td>
<td>51%</td>
</tr>
<tr>
<td>January 1999</td>
<td>FNPF</td>
<td>51%</td>
</tr>
<tr>
<td></td>
<td>Fiji Government</td>
<td>49%</td>
</tr>
<tr>
<td>Currently - 2008</td>
<td>FNPF</td>
<td>58.2%</td>
</tr>
<tr>
<td></td>
<td>Fiji Government</td>
<td>34.6%</td>
</tr>
<tr>
<td></td>
<td>Other Institutional Investors</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Figure 5.1 The Ownership structure of ATH: 2008

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, operating 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
- provision of directory services.

ATH has rights to manage government’s 51% shareholding in FINTEL, Fiji’s current sole provider of all international telecommunications services.

Figure 5.2 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 5.2 Ownership of Fiji’s Telecom Sector: 2002**

Figure 5.3  The ATH Group Investments: 2004

The Current Board of Directors (2008)

- Kanti Tappoo: Chairman of the ATH Board
- Alec Chang: Deputy Chairman of the Board
- Tomasi Vakatora: Company Secretary
- Mesake Nawari: Director
- Felix Anthony: Director
- Daniel Urai: Director
- Peceli Vocea: Director
- Howard Politini: Director
5.5 The Subsidiaries of ATH

Fiji is equipped with modern technology for both its internal and international telecommunications. All major towns have digital telephone exchanges and the islands are linked by cable and satellite to worldwide networks. Worldwide Direct Dialing is available and the full range of modern services can satisfy the most demanding business requirements. Current telecommunications services that are available are offered by nine companies, three of which are monopolies in their respective market. Telecom Fiji, Vodafone Fiji, Connect, Transtel and Fiji Directories are controlled by a holding company, Amalgamated Telecom Holdings (ATH). ATH also has management rights over the government-held shares in FINTEL, the international service provider. In addition the provision of subsidiary services also exists (Annual report ATH, 2006).

The current telecommunication service providers are:

5.5.1 Telecom Fiji Limited

Telecom Fiji Limited is a 100% owned subsidiary of ATH. It is the holder of an exclusive license to provide domestic transmission of voice and data in Fiji until 2014. It operates Fiji’s only Public Service Telephone Network (PSTN). TFL is the exclusive provider of local and long distance telephone, Telegraph, telex and data transmission services. Telecom Fiji, the domestic telecommunication company, operates the nation’s fixed line and the national transmission network. Telecom Fiji is the nation’s largest operator in terms of revenue and staff (Annual report ATH, 2006).

5.5.2 Vodafone Fiji Limited

Vodafone Fiji Limited is the country’s provider of mobile telephony service, using the Global System for Mobile (GSM) standard. There is a joint venture between Telecom Fiji Limited which owns 51% and Vodafone International Holdings BV which owns 49%. It operates under the licence awarded to Telecom Fiji, and is the only provider of global system for mobile communications (GSM) mobile cellular services.
49% of Vodafone Fiji is owned by Vodafone International Holding BV. Mobile phones are proving to be a very popular medium of communication in the country. At the same time telecommunications line connections have increased from 83,000 recipients in 2000 to 106,114 recipients in 2004, a 27.85 per cent increase. Seventy-two per cent of villages in rural areas now have access to telephone services. In the last five years, 288 villages have been connected. The mobile phone customer numbers has reached over 129,000 users. VodaPhone Fiji has roaming agreements with all Australia (GSM) operators Telestra, OPTUS and VodaPhone Pty (Pacific Telecom Service Providers).

5.5.3 Connect and Unwired

Internet Services Fiji Limited which trades under the ‘Connect’ brand name, is a 100% subsidiary of Telecom Fiji Limited, and is the leading Internet Service Provider in Fiji. They are commercially active Internet service providers (ISP). Connect is an ATH company, whilst Unwired is a private company. The University of the South Pacific (USP) has obtained an ISP licence to operate its distance learning network, but is not a commercial entity; other ISPs have been licensed since 2001.

5.5.4 FINTEL

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

5.5.5 Coms is a small rural wireless operator, providing wireless services mainly to tourist resort in the Yasawa Islands.

5.5.6 Fiji Directories is a non-exclusive provider of directory services. Fiji Directories Limited publishes Fiji’s telephone directories. ATH and Edward H. O’Brien (Fiji) Limited have a joint venture ownership. ATH owns 90% and Edward H. O’Brien (Fiji) Limited owns 10%.
5.5.7 TransTel

TransTel Limited is a 100% subsidiary of Telecom Fiji Limited, and 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. The company was set up in 2003 and took over the functions previously carried out by the Card Services Unit for Telecom Fiji.

The company processes financial transactions over telecommunications networks. It also manages and maintains Fiji’s public phone service facilities. TransTel was once considered a phone card company however, with new technological advancements, it has expanded into prepaid internet, prepaid utilities, e-banking and other products where prepayment can be seen as value added

(The Review, 2006:3).

Xceed Pasifika Limited is a 100% subsidiary of Telecom Fiji Limited, and competes in the deregulated market of selling 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.

The indications point to the fact that the current sector structure and rigid licensing regime with technological restrictions, and operators holding exclusive rights in specific market segments have hampered growth in the range of services that could be provided. Such firm structure hinders consumers’ realization of benefits that can ensue from emerging technologies, and may not allow the opportunity to acknowledge the reality of convergence between telecommunications, Internet and media.
5.6 Digicel entering the Telecommunications Market (October 2008)

For a small island nation, Fiji has a reliable and efficient 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 primarily of three major monopolies, which were all protected through exclusivity licences until 2014, up until the new regulatory changes announced in November 2007, when the interim government passed a New Telecommunications Bill that fully deregulated the country’s telecommunication sector. Telecom Fiji Ltd had the exclusive licence to provide domestic voice and data services; Vodafone Fiji Ltd has 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. By July 2007, Paclink’s WiMAX installation had seen FINTEL claim 68% of its Phase 1 target market.

In February 2008, according to local press reports, Digicel Fiji Limited was awarded a licence to provide mobile services in competition with Vodafone Fiji.

The Fiji government awarded Digicel Fiji its Public Cellular Mobile Telephone System provider licence as well as finally putting a date to the commencement of the Telecommunications Promulgation 2008.

The Minister for Industry, Tourism, Trade and Communications, Tom Ricketts, stated the new Telecommunications Promulgation 2008 will commence on 1st August, 2008.” the interim government said in a statement. This will usher in the new Telecommunications Regulator and expand the role of the Commerce Commission on telecommunication matters.

Since the signing in January 2008 of an agreement of settlement between government and telecom incumbent officials, prematurely ending the incumbents’ monopolies in return for long-term open licenses and a staggered approach to full liberalisation, telecom operators had been awaiting the go-ahead of the new promulgation. The promulgation is an essential part of the settlement deed. The deed schedules Fiji’s mobile telephony market to open up competition on October 1, 2008 and as such, Digicel Fiji begun its operation in October 2008.

While there are widespread speculations and curiosity over Digicel Fiji’s impact on Vodafone Fiji, ATH’s cash cow, the state of the industry so far is at least making some positive impact on ATH’s share price at the Fiji share market.
Since the conglomerate listed in 2002, where the Fiji public bought shares at F$1.06—the stock had spent most of its public life at between F$0.70 and F$1. After four years of trading below its offer price, ATH finally made it back to F$1.06 in 2008 much to the relief of the company executives and the handful of institutions, including Fiji’s national pension fund, which had all bought ATH shares at that price. The coming into effect of the Telecommunications Promulgation 2008 is seen as a further boost to certainty at the share market (Island Business Magazine, 2007).

5.7 Commerce Commission of Fiji

The Commission was established under the Commerce Act 1998 (‘the Act’). It is an independent statutory body that ensures an integrated framework for the regulation of competition, consumer protection and pricing of goods and services offered in markets where competition is lessened or limited.

The objectives of the Commission are to:

- foster the development of an equitable commercial environment that protects the interests of both consumers and producers
- ensure that there is non-discriminatory access to infrastructure that facilities in monopoly or near-monopoly situations
- promote compliance with the Commerce Act (1998) parts of the Fair Trading Decree and Amendments, and other legislation that protects consumers through education, investigation, and where necessary, litigation.

The Commission functions to

- promote competition and fair trading in Fiji's markets
- collect, examine, and disseminate information in respect of matters affecting the interests of consumers
- facilitate negotiations regarding facilities or services under access regimes
- arbitrate disputes about access facilities or services under access regimes
- impose, modify or revoke conditions in respect of licenses granted under law to a regulated industry delegated by a referring authority to the Commission
- recommend the review and control of prices
• administer the Fair Trading Decree and its amendments
• receive and consider applications for authorisations and notifications from businesses that intend to enter into restrictive trade practices (anti-competitive behaviour).

On 21 July 2004, the Minister of Commerce, Business Development and Investment made an Order, the Commerce (Control of prices for Telecommunication services) Order 2004, vide Legal Notice No.61 (the ‘prices Order’), declaring that prices for all telecommunication services be controlled including:

• fixed line services originating and terminating in Fiji
• international fixed line services originating or terminating in Fiji
• mobile phone services originating or terminating in Fiji
• Internet services originating or terminating in Fiji.

On 23 June 2004, TELECOM made a submission to the Commission proposing a tariff re-packaging plan. In its proposal, TELECOM sought an increase in line rentals and a corresponding reduction in call charges. A revenue neutral outcome was sought. The call plans offered by TELECOM were to be optional whereby customers would have had the choice to either subscribe to the new plan or remain with the existing plan. In October 2004, TELECOM withdrew its initial proposal and a new proposal was submitted to the Commission on 29 October 2004.

The Commission noted that the second proposal involved compulsory tariff rebalancing (in contrast to the option for customers to remain on existing charging structures in the earlier proposal) but in most other respects, was not significantly different from the initial proposal.

The rationale for the proposed changes, as explained by TELECOM, was that the charges for installation and line rental for residential customers have been kept very much below their cost for many years. The offset was achieved by high prices of intra-regional, inter-regional and overseas call charges. This cross subsidisation could not continue indefinitely as it was inefficient. The standard line rental of $12.00, proposed by TELECOM, was considered by it to be significantly below its claimed access costs of around $40.00.
The Commission needed clarification of certain issues in the October 2004 proposal. These were raised at meetings with TELECOM, which then revised its proposal in March 2005. TELECOM proposed a phased implementation over three years, designed to allow customers time to adjust to higher line rentals.

The Commission had examined the proposal submitted by TELECOM and also examined its cost structure and those of Vodafone and FINTEL in making this determination. In doing so, it bore in mind its responsibility of safeguarding the interests of the consumers; providing a reasonable rate of return to the companies; and avoiding adverse effects on the economy. The objective is to make a balanced decision in the interest of consumers, the companies and the national economy.

Following the legal challenge, the Commission had revisited all the data and reviewed its approach. It has taken account of all submissions made and matters discussed at the joint conference on 29 August 2005. The decision demonstrates that all companies have been charging excessively high prices in past years, very much more than the efficient costs of provision of services.

In some cases, the monopoly rents have been dissipated in inefficiency while in others, they have been used to benefit shareholders either in the form of dividends or to increase shareholders’ funds (equity) in the company. It includes fixed line rental, local calls, fixed line to mobile calls, intra-regional and inter-region calls, mobile subscription rates, mobile to mobile calls, mobile to fixed line calls, and international calls. It also applies to wholesale internet supply charges, outgoing international carriage charges made by FINTEL to TELECOM; inbound international termination charges made by TELECOM to FINTEL; and termination charges made by TELECOM and Vodafone to each other. An increase has been allowed for line rental which reflects the changed value of money. No effective increase in line rental has been implemented for many years; at least since TELECOM began supplying the services (disregarding the effect of the introduction of the value added tax -VAT). Inflation has reduced the real level of line rental significantly over the years. No differentiation in charges will be made between customers served by fixed line, CDMA (‘EasyTel’) and SR Tel technologies.
The argument put forward by the Commerce Commission was that new services should be costed on the basis of their economic viability and not cross subsidised by other services. It is salutary to remember that the need for rebalancing arises because of past pricing approaches, which cross subsidised line rental from call revenue and, thus, created the ‘access deficit’, the problem now being corrected by rebalancing. The Commission’s role is to ensure that prices are appropriately related to costs. Furthermore, raising prices restricts output and deprives the market of the benefits of economies of scale and, in a circular way, ultimately constrains the development of the industry and the national economy, as has been the experience in the past.

The Commerce Commission had made a historic intervention to decrease telecommunications charges for domestic and international calls, and Internet services. Till now the monopoly companies running each segment of the telecommunications sector have been charging some of the highest rates in the world. There was extensive consultation with the stakeholders including the general public and business houses. The Commerce Commission had ordered that long distance calls within Fiji would decrease by 70% while international calls would come down by an average of 55%. But line rentals increased. Mobile phone charges had been cut by 50% and Internet charges by 25%. The Commerce Commission had also ordered a decrease in the charges imposed by Telecom Fiji and FINTEL for incoming calls from overseas making them cheaper for people calling from other countries (Personal Interview, Mr. Sweeney, 2007). Tables 5.2 and 5.3 further illustrate the reduction in telecommunication prices.
Table: 5.2

<table>
<thead>
<tr>
<th>Service</th>
<th>Existing (VEP)</th>
<th>06/10/05 to 31/12/06 [VEP]</th>
<th>Percentage Reduction in call charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business line rental (&gt; 2 lines)</td>
<td>$4.16 per month</td>
<td>$35.00/month</td>
<td></td>
</tr>
<tr>
<td>Small Business line rental (2 lines or less)</td>
<td>New category</td>
<td>$15.00/month</td>
<td></td>
</tr>
<tr>
<td>Local calls</td>
<td>$0.1091 per call</td>
<td>$0.1091 per 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 Average)</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>
</tbody>
</table>

Source: Determination of Prices for Telecommunication Services in Fiji. P 36

Table 5.3

<table>
<thead>
<tr>
<th>Service</th>
<th>Existing (VEP)</th>
<th>06/10/05 to 31/12/06 [VEP]</th>
<th>Percentage Reduction in call charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>line rental - residential and schools</td>
<td>$2.84 per month</td>
<td>$8.09/month</td>
<td></td>
</tr>
<tr>
<td>Local calls - residential and schools</td>
<td>$0.1091 Call</td>
<td>$0.1091 Call</td>
<td></td>
</tr>
<tr>
<td>Intra region calls</td>
<td>$0.1432/min</td>
<td>$0.1291/min</td>
<td>9.8%</td>
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<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>Quick dial calls</td>
<td>New structure</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

5.8 Conclusion:

This chapter has discussed the events since 1996 when Fiji Posts and Telecommunications Limited was split into Telecom Fiji Limited and Post Fiji Limited. This was followed by the discussion about the NBF saga, which led to the formation of Amalgamated Telecom Holdings. The subsidiaries formation and the role of the Commerce commission up till now were also highlighted. The entrance of Digicel and its impact on the telecommunications market was highlighted as well. The next chapter will focus on the industrial relations issues arising as a result of the restructure process within Post & Telecom.
Chapter 6:
Continuation of Reform Process and Industrial Relations Issues within Telecom Fiji Limited

6.1 Introduction

This chapter will examine the industrial relations issues during the reform process at Telecom Fiji limited. It will focus on whether consultation took place with workers and Trade Unions during the restructure. Major industrial issues will be elaborated on and discussed throughout the chapter.

6.2 Corporatisation of Department of Post and Telecommunications- 1990

In the year 1989, prior to the restructuring, the Department of Post & Telecom was a government department and most workers were members of the Fiji Public Service Association (FPSA). The FPSA was not consulted prior to and during the planning stages of restructuring process. FPSA was totally against the restructure program. Interviews with the General Secretary for FPSA in May 2008 indicated that labour relations since corporatisation have been unsatisfactory. When the corporatisation process started in 1990, the company had denied its workers legitimate Union representation.

In 1989, it became necessary for FPSA officials to re-negotiate terms and conditions of work with the new company. Negotiations with TFL began early in 1989 and continued for the whole year. In December 1989, however, the company suddenly terminated talks with FPSA and on 1 January 1990, it withdrew recognition from the FPSA despite the fact that the union represented 95 per cent of the workers. This was at the time after the 1987 coup when unionism was facing severe threat from interim administration and particularly from Mr Taniela Veitata headed Ministry of Labour. Failing to get any justice from the Ministry, the FPSA took the matter to court. TFL ended up spending thousands of dollars on litigation to keep FPSA from the company (Personal Interview, Suren, FPSA official 2007).
The company also defied Ministry of Labour orders for compulsory recognition of the FPSA as the legitimate representative for FPTL workers and challenged the order in court. During the transition from a government department to a corporate entity the company was actively engaged in a ‘divide and rule’ policy, and encouraged the formation of a rival ‘in-house’ union, often through intimidation of those who refused to join.

Interviews with past employees of FPTL revealed that promotions had been based not on merit but on ‘nepotism’ and ‘favoritism’. Such management practices had fostered a high degree of insecurity among workers, badly demoralized staff and this seriously undermined productivity. The effects were evident through deteriorating P&T services (technicians could not fix faults, and despite all the modernisation, the network was often jammed and faulty), increased wastage and a high increase in overtime work (Personal Interview, Taniela, 2006).

6.3 Saga 1: Industrial Relations Issues

The Hay Management Consultant (LTD) of New Zealand in their report recommended that it would be more appropriate for the workers of the new company to be represented by an in-house ‘enterprise union’ and not FPSA which is a ‘general union’. This ‘in house union’ would have to be organised and structured to operate within a ‘commercial environment’ rather than a ‘civil service environment’. This shows that the company was interfering in Trade Union activities and dictating what should be done.

As a result in 1991 Fiji Posts & Telecommunication Employees Association (FPTEA) was formed. FPTEA was registered on 24 January 1991 by the Registrar of Trade Unions under the Trade Unions Act, Cap 96. The company granted ‘Voluntary Recognition’ to FPTEA and duly executed an agreement to that effect on 22 February 1991. The formation of the FPTEA was challenged in court by FPSA.

The Fiji Public Service Association then issued a judicial review proceeding to challenge the decision of Registrar of Trade Unions on 21/1/91 on why he had to register FPTEA. A restraining order was issued by the High Court that prohibited FPTEA from acting as a trade union.
However on 4 December 1992, the High Court refused FPSA’s application thereby nullifying the ‘subsisting restraining order’ against FPTEA as they again resumed their role as a trade union.

As FPSA was not satisfied with the results, the matter was taken to the Court of Appeal. On 17 February 1994, the registration of the FPTEA was cancelled by the Fiji Court of Appeal. The appeal judges allowed the appeal by FPSA, hence FPTEA was deregistered again.

Despite this ruling on 18 February 1994, FPTEA applied for re-registration to the Registrar of trade union and submitted its application. It took over six months for the Registrar of Trade Unions to complete the process of registration and FPTEA got registered again.

The process of forming the union was a long process, especially when management was against the idea. Fiji Post & Telecommunications Employees Association was formally registered in 1993 and since then has been fighting for the rights of the workers. There was resistance by workers to the changes that came along with the restructure, which led to industrial disputes.

6.4 Major Industrial Relations Issues related to the Removal of Mr. Naqova: 1992

As mentioned earlier, Mr. Naqova was the Managing Director in Department of Post & Telecom before the restructure. The industrial relations issues surfaced during that period. This happened because he was removed by the Board upon the suggestions made by Hay Management Consultants of New Zealand and the Anderson Consulting. Andersen was appointed to do a strategic visioning study of FPTL. Anderson’s quote ($300,000) was the second highest of the four companies that submitted tenders (The Review, 1992:9). Also short-term consultancies with Singapore Telecom, with which FPTL had a consultancy agreement, had cost FPTL $292,000 prior to Mr. Lee’s appointment (the Board Chairman then) (The Review, 1992:9)
Hay Management Consultants’ report had said that Naqova would not be able to lead the organisation into the second phase of corporatisation unless he received further training, possibly on secondment to a telecommunications company that had already made the transition to commercialisation from a government department. The secondment needed to be lengthy to bring about a “significant and lasting change”. The Hay Management Consultants’ said the blockage between the Board and management changes at FPTL could not “wait for one man”.

The final package given to Mr Naqova was salary for 6 months, including all allowances, his vehicle to be sold to him at book value, housing for one year, and payment of life insurance premiums up to $10,000 amongst other things. The extensive package was agreed to because the Board thought the “cost of a campaign of destabilization would be in excess of the package negotiated” (Personal Interview, Mrs. Singh, 2006).

At about the same time, the Board had also refused higher salaries for management staff because the increases were “suggested to maintain private sector relativity rather than productivity gains. Many in management turned against the Board, especially the P&T Board chairman, then Mr. Robert Lee, who was called ‘El Supremo’ around FPTL (Personal Interview, Mrs. Singh, 2006). A management proposal for price increases was also rejected by the Board. Instead the Board asked the management to increase efficiency in FPTL. It is believed that Mr Lee considered resigning in October 1992 when they were met with resistance from Mr Naqova and workers of the whole organisation.

But just when FPTL management and staff had begun to accept the changes and the change process, the new Minister for Telecommunications, Mr. Ilai Kuli, added a new twist to the saga. Acting apparently on Rabuka’s instructions, he asked Mr Lee and the Board to explain why Naqova, who was from the same province as Kuli, Naitasiri had been forced to resign (Personal Interview, Mrs. Singh, 2006). This issue was raised while the Board was in the process of recruiting a new Chief Executive. Three people had been short listed and interviewed in Fiji (The Fiji Times, 10 July 1992: 1).
On Wednesday 17 June 1992, Kuli asked Board Chairman, Robert Lee, to resign “by sunset”. He accused Mr Lee of “interfering in day-to-day affairs of FPTL” and queried overseas trips by Board members. Mr Lee said that the trips were necessary (The Fiji Times, 11 July 1992: 6).

However, Mr Lee did not step down and the Board members said it supported Mr Lee. Later the Board members met without Mr Lee and issued a statement expressing disappointment that the actions of the Board were solely attributed to Lee. Later in the week the interim Prime Minister Mr Rabuka intervened and after discussions with Mr Kuli and Mr Lee, the Prime Minister told Mr Kuli to withdraw the public statements or face being relegated to the backbench. Mr Kuli decided to keep quiet. On Wednesday June 24, 1992 Mr Rabuka said the issue had been resolved and Mr Lee was to stay on.

**First Strike June 1992**

The General Manager Telecom, Pratap Singh, a fierce opponent of the changes at FPTL, was sacked on June 27, 1992. About 1000 FPTL workers around the country went on strike. The strike went on for two weeks and this was a demonstration of solidarity amongst workers. The Board accused Mr Singh of ‘subversive action’ to topple the Board of Directors. Some staff had also accused Mr Singh, commonly referred to as “the Shadow Permanent Secretary” at FPTL, of providing FPTL vehicles to Kuli for use during weekends (The Fiji Times, 16 July 1992: 1). Workers fearing redundancies went on strike. The then Minister for Labour and Industrial Relations, Hon. Leweniqila declared the strike illegal but he did not take any action (The Fiji Times, 16 July 1992: 1).

At this point, the new Minister of State for Telecommunications Mr Vincent Lobendhan got into the act. Mr Lobendhan issued a press release supporting the Board and the two Ministers responsible headed for a showdown. Mr Lobendhan also asked the Board to make public all confidential reports.

The strike continued as workers stayed out and there were no signs of resolution to the dispute, the Board finally decided to step down stating that ‘in the national interest’. Even the public was sighing with relief that workers were to go back to work after the first strike.
Mr Leweniqila added fuel to the fire by first appointing debarred Suva lawyer, Mr Mike Benefield to head the one-man Board of Enquiry into the Telecom dispute. The Fiji Times criticized Mr Benefield. He stepped down to be followed by another lawyer, Mr Samuela Matawalu. He also stepped down two days after being appointed and it became clear government was not serious about the Board of Enquiry (The Fiji Times, 17 July 1992:1).

At the same time, former Trade and Commerce Minister, Mr Berenado Vunibobo, was appointed new Chairman and later Executive Chairman of FPTL. Vunibobo was believed to be continuing to act as Executive Chairman of FPTL and the staff had questioned the need for him to make decisions when Naqova was back. The Board members included Mr Harold Swann, Mr Bill Sorby, Mr Sultan Ali, Mr Sosefa Inoke, Mrs Sereana Qoro, Mr Fred Caine and the Permanent Secretaries for Information and Finance.

**Second Strike July 1992**

On July 15 1992, workers frustrated at not getting anywhere with their attempts to have Naqova reinstated. They also went on strike for a second time and sabotaged cables at the Suva exchange, affecting about 14,000 lines. FPTL suffered a $F200,000 loss from the sabotage and four employees were subsequently charged by police. Estimates of repairs and labour costs were put at $F150, 000 (Personal interview, Taniela, 2006).

With the crisis escalating, the government gave in. Mr Naqova was subsequently reinstated two days later by the new FPTL Board. Mr Leweniqila granted compulsory recognition to the Fiji Public Service Association which had been seeking the recognition from FPTL since corporatisation but had not got it.

While opening a telecom change workshop in 1992, Mr Lobendhan announced the formation of a ‘Corporate Change Committee’ drawn from each major functional area of FPTL and the appointment of project teams to define and effect changes. Both are aimed at improving processes at FPTL and refocusing resources towards new strategic priorities. Mr Lobendhan said change was inevitable, without change FPTL would not be able to survive. This brought up fears of job security amongst workers.
Profits for the financial year ended 1990 were a high $12 million but expected to have fallen to about $9 million for 1991. For the year 1992, unless dramatic changes took place, the profits were expected to go down to about $6 million. Such drops in profit would make it difficult for FPTL to service its debts. Unless profits increased, FPTL could end up with similar debt servicing problems to those at FEA (Personal interview, Taniela, 2006).

In an interview with *The Review Magazine*, former New Zealand Finance Minister, Roger Douglas, noted that FPTL needed to change although it would not necessarily go through the pains New Zealand Telecom went through. Almost 15,000 employees were made redundant after New Zealand Telecom was privatised. In Fiji, the number of jobs available might actually increase, Douglas noted, because of the need to expand. He emphasised the need for government to appoint ‘top-class’ Board members and let them do the job without interference from politicians. The problem at FPTL was that very few people understood company law and that it was different from running statutory bodies. If a private limited liability company is expected to operate according to the administrative rule book of the civil service then why bother corporatising and forming a company?

There had been some suggestions that corporatisation started off on the wrong foot. More people with commercial expertise could have been brought in from the start and employees could have been given compensation packages and paid off giving the new company a clean slate (*The Review, 1992:11*).

### 6.5 Further Changes and Conflict of Interest

The mission for FPTL was very clear. It was to focus more attention on looking after the customers – to make FPTL a customer-oriented organisation. It was to boost phone usage, making it easier and faster for people to get to a phone, and not to increase phone charges on a regular basis simply because FPTL held a monopoly.

If FPTL was to change and become customer-oriented, the change had to be led from the Chief Executive Officer level. Commercial practices and a commercial culture had to be brought into the company. For such a change to take place it would have required a very strong level of commitment and expertise at the Chief Executive level to bring that about.
The Board thought that Mr Naqova did not have the commercial expertise to transform FPTL in the second phase of the corporatisation program and move it towards full privatisation. The Board had commissioned Anderson Consulting to do a strategic review and vision for the company and it became very clear to the Board that two years after corporation FPTL’s position had not improved significantly. Profits were being generated only because major price increases had been granted in 1990 (The Review, March 1992: Pp 12 &13).

The transformation of FPTL into a customer-oriented company had to go on if FPTL was to remain viable. The alternative was for FPTL to raise prices to cover its increases in costs. FPTL Board had started the process of transforming FPTL with the commissioning of the Anderson Consulting strategic vision for the organisation. It was also very apparent to the Board and as events have demonstrated that certain key people with vested interests holding very influential positions both within and outside the company had very little understanding of company law or the way a company incorporated under the Companies Act operated. They completely disregarded the basic principles of company law.

Change was difficult and many within and outside the organisation workers preferred to see the ‘status quo’ maintained because of insecurity about what the change could bring.

Workers were also insecure because of the false advice and rumours circulated in the media about what the change would involve (Personal Interview, Mr. Dass, 2006).

6.6 The Anderson Report

According to the Anderson Consulting final report corporatisation did not improve FPTL’s corporate performance. The report, was highly critical of FPTL’s performance. The report highlighted deficiencies that had to be addressed if the company wanted to become a commercially viable enterprise. The report mentioned five points. First the company was not operating on commercial lines. Second it had failed to focus on customer needs. Third its Board and Management were not in a good working relationship. Fourth it noted that revenue was generated overwhelmingly by urban customers, with the only profitable customer groups being government and business.
There were also a large number of urban customers waiting for telephone connection, representing a major opportunity to increase revenue. Fifth, the Anderson Report said that there were also strategic and tactical weaknesses internally which affected FPTL’s performance. Costs had risen sharply over the years, mainly because of increases in staff/management expenses. These were due to salary hikes and not an increase in staff numbers. The rise in costs had outpaced rises in productivity.

Employee expenses had risen 55 per cent since 1987 while lines per employee had increased only 27 per cent. The Anderson Report mentioned that customers waiting for service equated to 60 per cent of connected customers.

Analysis of the waitlist revealed both a predominantly urban focus and shortage of cable pairs. The Anderson Report mentioned: “Urban customers are our most profitable and the cable pairs problem is the least cost barrier to connection. Connecting them would have a short term pay back period”. It notes that cable pairs were only checked by TFL workers when a service was being installed. Faulty cable pairs were the main sources of service provision delays (The Review, 1992:15).

### 6.7 Industrial Issues in 2004

The Fiji Post and Telecommunications Union proposed that employment security be provided for ‘casual workers’ and in 2004, a general wage increase was paid to casuals in Telecom Fiji Limited.

At TransTel (a subsidiary of TFL), a substantial improvement was made in retirement benefits to $5000 plus two weeks pay for each year of service. The retirement age of 60 years was also removed allowing members to continue to work as long as they were medically fit.

There were many cases of individual contracts, which were negotiated by workers. Xceed, (a subsidiary of TFL), underwent a major restructure and redundancy. The Xceed matter was resolved via voluntary redundancy. Xceed Pasifika had introduced individual employment contracts for its workers.
This matter was reported as a dispute with the Ministry of Labour when the attempts to settle the matter in-house failed. The dispute was later negotiated and settled. After numerous rounds of negotiations between FPTEA and TFL management both parties reached an agreement on 9 December 2004. Under the agreement a 4% increase in wages across the company for all salaried staff and in the hourly rates of pay for all wage earners. An additional increase not exceeding 2% in the annual rates of pay for all salaried staff and in the hourly rate of pay for wage earners was agreed to be paid on the basis of the company’s Performance Management System (Personal interview, Jone, 2007).

6.7.1 2004 – 2005 Restructuring of TFL and Industrial Relations Matters

In 2004, the Maxumise Company was given the task to provide a report on the restructure of TFL but this was shelved following concerns raised because of media reports. After an ATH general meeting late in 2004, Mr. Lionel Yee the then Board Chairman, wrote to the union confirming that ATH would work closely with the union on any restructure. The executive committee and the members were bracing for another restructure exercise. According to Mr Attar Singh this did not eventuate and the union was not consulted.

During December 2004, the Telecom Board announced the appointment of Mr Joe Mar as a consultant. Mr. Mar’s appointment was for three months during which period he was to carry out a review of Telecom operations. The Fiji Times reported that Mr Mar was also authorised to make immediate changes within Telecom if he considered them necessary. The union met with Mr. Mar on 7 December 2004 and during this meeting Mr. Mar informed the union of his role. In the latter part of December 2004 Mr. Mar conducted several staff meetings throughout Telecom. The President of the union accompanied Mr. Mar as an observer during these meetings (Personal Interview, Jone, 2007).

A second meeting with Mr Mar was held at Naqova House on 7 January 2005. Several issues were raised at this meeting:

i] Telecom review basis

ii] Telecom pricing review and its impact on company revenue

iii] Role of the Commerce Commission
iv] Current and proposed pricing structures  

v] Telecom's exclusive licence and property rights  

vi] Restructure impact on union membership.  

(Personal Interview, Jone, 2007).

Mr Mar mentioned that the proposed restructure and consequent redundancies were inevitable. He proposed that they proceed to negotiate a voluntary redundancy package. The FPTEA Union executives argued that proposal by him was like putting ‘the cart before the horse’. The FPTEA Union further insisted that the restructure and redundancies could not proceed without a proper evaluation of the operations, one that identified the need for restructure and redundancies if any. General discussion also centered on voluntary redundancy and outsourcing of services. The union advised Mr. Mar that upon receipt of proposed staffing details the union would engage in negotiations for ‘voluntary’ package. The Union also requested that there be no ‘compulsory’ redundancy. On outsourcing, the FPTEA sought information on the functions/areas of the company operations for which outsourcing was planned.

At the request of the Union the company agreed to provide the following:

i] A tentative plan of events  

ii] Reviewed optimum staffing numbers  

iii] List of staff over 50 years of age  

iv] Maximuse Report [subject to Board approval]  

v] List of outsourcing areas.

The union further proposed to negotiate voluntary package after receiving information sought and asked that Telecom should outsource operations to companies formed by redundant workers. Mr. Mar indicated that the actual restructure and redundancies would begin in June 2005. Voluntary redundancies could be followed by attrition over 2 year period. However, he refused to give an assurance on 'no compulsory redundancy'.

FPTEA's role in such an exercise was to safeguard members' interest. Firstly, this was initially done to save as many jobs as possible. Secondly, to provide alternative livelihood to members who were impacted by outsourcing and any consequent compulsory redundancy.
Given all the surrounding circumstances a special meeting of Telecom executives decided to engage in discussion with the union and moderate the effects of restructure on members and their families.

The FPTEA executive committee met on 10 March 2005 to decide on the matter. In a letter to Mr Mar the union first registered its disappointment and dismay at the sudden change of the company's policy on redundancy. It was elaborated that it was the company's "no redundancy" policy that drew the union's cooperation over the last decade. This policy also played a major role in influencing union concessions during the December 2004 round of annual collective bargaining negotiations. "The company’s announcement of plans for staff cuts were therefore viewed as betrayal of the trust and cooperation developed over the years” (Personal Interview, Singh A., July 27th 2006).

FPTEA had advised the Management of TFL the following:

1. FPTEA strongly opposed any forced or compulsory redundancy and did not hesitate to mobilise its membership to demonstrate this position. Every employee irrespective of category or classification that wished to continue in employment with Telecom Fiji (or its subsidiaries) should be allowed to do so until retirement.

2. FPTEA opposed all forms of outsourcing of any activity currently performed by Telecom Fiji employees and asserted that no activity of Telecom Fiji be outsourced without the agreement of FPTEA to that effect.

3. All external recruitment by any company in the ATH group be frozen henceforth to facilitate inter-company transfer of employees to fill vacancies wherever they exist, in consultation with the union.

4. The company could not implement any changes through its 'Quick Win' projects without the union's agreement.
5. Employment of all expatriates and consultants be terminated with immediate effect.

(Personal Interview, Singh A., July 27th 2006).

FPTEA suggested the following in the case of seeking a Voluntary Redundancy Package:-

1) Two year’s salary and benefits
2) Current retirement benefits to be revised so that it was paid as additional payment to all employees who had reached 50 years of age and had served the company continuously for 15 years or employees who had a medical condition that they consider hampered their performance
3) Arrangement by the company for tax exemption on the first $15,000 of the sum of (a) and (b) above and for any balance to be taxed at 15%.

(Personal Interview, Singh A., July 27th 2006).

6.7.2 Industrial Relations Matters in the Year 2005:

By 2005 the management realised that it needed FPTEA’s cooperation, not opposition if it wanted to restructure and hence they agreed to the demands of ‘no compulsory redundancies’. In 2005 the company declared that no one would be made to leave the company unwillingly. Everyone who wanted to retain their jobs at TFL could do so. Those who wished to leave voluntarily may do so by accepting its voluntary redundancy package. FPTEA officials advised workers against accepting the package. If members had refused the voluntary package, the union would have fought for better redundancy packages. But many workers chose to ignore the unions advice and opted to accept the package offered. Over 400 members left TFL during the January – July 2005 period.

Many casual workers were put under pressure by TFL to accept the package because of their non-permanent status. The union fought against this and advised them not to accept the package.
6.7.2.1 Membership as at 31/12/05

FPTEA union membership suffered a large drop during 2005 and stood at 1,187 as at 31 December 2005 down from 1,612 at the end of 2004. This was largely due to the voluntary redundancy at Telecom Fiji Ltd and Xceed Pasifika. Total membership lost stands at around 400.

6.7.2.2 Other Financial Benefits FNPF Contribution Increase

In March 2005, FPTEA negotiated an increase of 1% extra towards FNPF contribution by the company. This would be effective from 1 April 2005. There was further increase by an additional 0.5% with effect from 1 April 2006 and thereafter until the company's total contribution reached 4% above the statutory minimum, which is currently 8%. This was done to offset the reducing pension rate formula of FNPF and also to meet increasing costs of housing, education and medical care. The intention was to save 20% of annual earnings in FNPF.

6.7.2.3 Reasons for Sliding Scale Salary Adjustment

The rationale for adopting the sliding scale was to grant higher increases to lower paid staff and to reduce the income gap between different categories. This principle became the mainstay of future wage fixing policy so that poorer TFL workers could be helped to meet basic needs for their families.

In 2005, the company met with FPTEA and assured that the restructure plan and proposal would be forwarded to the union. Yet, during 2005 restructuring at Telecom continued without full consultation with the union. The Managing Director had been informed of his management's unilateral behavior. It expressed concern with his managers' handling of issues without union consultation and undertook to address this. The union was invited to discussions with the Managing Director and other management personnel on the company's proposal to outsource the ‘Property Section’. The company provided details regarding manpower levels, current labour costs and related matters (Personal Interview, Singh A., July 27th 2006).
The company had also indicated that functions of the ‘Property Section’ could be contracted out to ‘Comserve limited’ (union company). FPTEA held a meeting with members of the Property Section and it was agreed to oppose outsourcing of the section as members were satisfied that there was more than sufficient work to justify retention of the ‘Property Section’. The number of workers in the section had already been reduced by 40% but the amount of work remained unchanged. The FPTEA was also informed that with the reduced workforce management was expecting workers to complete work in an unreasonably short time and to work outside normal hours without overtime benefits. The union had informed the company of their decision to oppose all outsourcing until it was discussed and agreed with the FPTEA (Personal Interview, Singh A., July 27th 2006).

6.7.2.4 Interview Panels

Upon hearing of concerns from some members the FPTEA requested the company to ensure greater ‘transparency and fairness’ in the selection of individuals to fill the management vacancies that were advertised. The company agreed and advised that the General Manager Human Resources and CEO would sit on different panels.

6.7.2.5 Job Evaluation

In 2004, it was decided to have a Job Evaluation in TFL. As a result of the agreement reached in 2004, Hay Consultants of New Zealand had been selected to carry out the Job Evaluation Exercise. The FPTEA met the consultant from Hay earlier in 2005. The FPTEA ensured that the job evaluation exercise was properly conducted and implemented in 2005. This was necessary to adjust the salary structure and respond to increased responsibility placed on many members following restructuring.

6.7.2.6 Bonus Payments

The FPTEA enquired on the payment of bonuses in TFL when it announced that no bonus was to be paid for 2005. A meeting to discuss this was held between the Managing Director, Mr. Mar and the FPTEA executives at Naqova House. Mr Mar made it clear that no bonus payment would not be paid because the company had not met its profit targets for the year.
He instead offered two weeks pay as loyalty payment for all members irrespective of category. The FPTEA informed Mr Mar that they would not settle for anything less than four weeks pay to all members as in the past. This was eventually agreed.

6.7.2.7 Negotiation for TFL Subsidiaries - TransTel

The FPTEA settled for an across the board increase of 3% for all members in TransTel Limited as part of their log of claims settlement in 2004. Additionally, an increase of up to 4% maximum was granted to members on the basis of their performance. Minimum wages were increased to $8840 per annum.

6.7.2.8 Xceed Pasifika Limited

During 2005 many difficulties were faced by the FPTEA and the workers at Xceed Pasifika Limited. The demands for better COLA settlement and other improvements for members were unsuccessful largely because of the company's financial performance. An agreement was reached under which the union members received a lump sum payment of $350. In return, the company agreed to conduct a job evaluation exercise together with TFL and adjust salaries in accordance with the report in 2005.

TFL had proposed further restructure at Xceed Pasifika, in their effort to arrest the declining financial performance of the company. The FPTEA held meetings with management which agreed that the principle of voluntary staff reduction would be adopted. This was reconfirmed with Mr Joe Mar who assured FPTEA that no one would be made to leave unwillingly. The TFL had proposed for transfer of certain functions from Xceed to Telecom Fiji, which would result in Xceed members transferring to Telecom Fiji with their functions. Surplus workers had to be dealt with on a voluntary basis. Several meetings were held with Xceed staff to discuss how best to deal with the issues (Personal Interview, Singh A., July 27th 2006).

FPTEA’s constitution required the union, amongst other things, "to provide for members and in certain circumstances their families any or all of the following benefits and such others as the Annual or Extra Ordinary General Meeting may decide:
i] Monetary relief or such other benefits as may be decided for sickness, accident, disablement, distress, unemployment and retirement

ii] Death gratuities and funeral expenses

iii] Education fees

iv] Compensation to members for loss arising out of trade disputes

vj Legal advice and legal assistance where necessary in connection with the employment of members.

In 2004, the FPTEA executive committee decided that the union set up a small ‘soft loan’ scheme as an addition to the existing ‘Welfare Benefit Scheme’ to help members with soft loans. It was felt that small loans would assist the union members with payment of bills, sickness, funeral expenses, education expenses and other similar needs. The new scheme commenced in October 2004, and 657 loans totaling $65,700 were approved and paid out by FPTEA in February 2005 year (Personal Interview, Singh A., July 27th 2006).

6.8 Conclusion

This chapter has discussed the industrial relations issues faced during the restructuring process at Telecom Fiji Limited. The many challenges faced by the union in the face of change were immense. Consultation with employees in the past and a review of the *The Fiji Times* articles shows that the Fiji Post and Telecommunications Association have played a vital role during this tough period. The current staff members feel that the union has ensured that staff’s interests and welfare were prioritised. The restructuring process has led to TFL losing their skilled workers, who were irreplaceable; most of these staff was lost to the hands of an international company Downer International Limited. The government did not play a positive role during this period of intense changes. The union had to accept change and change their stance so that they could engage in the process and not oppose and hence reasonable bargain for the welfare of the employees. Hence, the union was not in a strong bargaining position and the terms and conditions of workers in the Collective Bargaining were diluted. The next chapter will focus on research findings and data analysis.
Chapter 7
Research Findings and Data Analysis

7.1 Introduction
This chapter presents the research findings, data analysis and interpretation of the results. The results have been tested through appropriate statistical means to see if the research questions have been supported and followed by appropriate explanations.

7.2 Profile of Telecom Fiji Limited Customers Surveyed
The data was collected from 200 customers of Telecom Fiji Limited that live along the Suva-Nausori corridor. The researcher was not able to cover the rural areas since the resources available were not enough to carry out an in-depth survey. The software SPSS was used to analyse the data. The table 7.1 summarises the geographical areas and the sample of the surveyed TFL customers.

Table 7.1 Geographical Distribution of Interviews

<table>
<thead>
<tr>
<th>Area</th>
<th>No. of interviews conducted using questionnaires</th>
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<tbody>
<tr>
<td>Suva</td>
<td>20</td>
</tr>
<tr>
<td>Samabula</td>
<td>20</td>
</tr>
<tr>
<td>Laucala Beach</td>
<td>20</td>
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<tr>
<td>Nasinu</td>
<td>20</td>
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<tr>
<td>Valelevu</td>
<td>20</td>
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<tr>
<td>Nasole</td>
<td>20</td>
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<tr>
<td>Makoi- 8 miles</td>
<td>20</td>
</tr>
<tr>
<td>Nakasi</td>
<td>20</td>
</tr>
<tr>
<td>Koronivia</td>
<td>20</td>
</tr>
<tr>
<td>Nausori</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
</tr>
</tbody>
</table>

Table 7.1 shows that questionnaires were evenly distributed along the Suva-Nausori corridor.
Figure 7.1 shows the income distribution of customers surveyed along the Suva-Nausori corridor. Majority of the customers that took part in the survey had income levels ranging from $F10,000 to $F20,000.
Figure 7.2 The Age Group Distribution of Customers Surveyed

Figure 7.2 shows the age group distribution of Telecom Fiji customers surveyed.

Figure 7.3 Ethnicity Breakdown of Customers Interviewed

Figure 7.3 shows the ethnic background of the Telecom Fiji customers that participated in the survey. Indigenous Fijians comprised a little over 40% of the sample and Indo-Fijians around 40%.
Figure 7.4 shows the education level of the customers that took part in the survey. More than half of the respondents had attained secondary education and further one third of the sample indicated undertaking some level of tertiary training.

Figure 7.5 shows the gender breakdown of customers that participated in the survey.
Figure 7.6 indicates that out of 200 customers of TFL that were surveyed along Suva- Nausori corridor 165 were Residential customers with Landlines, 27 were EasyTel customers and 6 were Business customers with Smart Link.
7.2.1 Statistical Analysis of Data Collected from Customers of Telecom Fiji Limited

Every reform within any industry tends to claim that the driving force behind restructuring is to make the organisation deliver customer service that is both efficient, effective and performance based. The figures illustrate the Telecom Fiji Limited customer satisfaction level.

Figure 7.7 Quality of Service rated by Customers

Figure 7.7 shows that 62% of the 200 customers that were surveyed rated the TFL services over the past 3 years as being the same, while 26% said it was better now and 11% indicated that it has not improved and 1% was not sure. The data collected indicates that over the past 3 years as restructure process continued within TFL, customers perceived little improvement.
Figure 7.8 Customer Ratings of whether TFL Service is Cost Effective

Figure 7.8 shows that 137 (69%) customers ‘disagreed fully’ that services provided by TFL is cost effective. 38 (19%) customers ‘disagreed somewhat’, 5 (2.5%) ‘were not sure’, 17 (8.5%) ‘agreed somewhat’ and 3 (1.5%) ‘agreed fully’. Hence, the majority of the customers that were surveyed indicated that TFL services were not cost-effective.

Figure 7.9 Cross Tabulation of Income level of Customers and their Ratings of TFL whether Services is Cost Effective
Figure 7.9 shows that most of the customers surveyed had income ranging from $10,000 - $20,000 and they highlighted that the cost of TFL services were not cost effective.

**Figure 7.10  Customer Ratings of whether TFL Employees were Helpful**

![Customer Ratings of whether TFL Employees were Helpful](image)

Figure 7.10 suggests that the vast majority of 95 (47.5%) respondents were not at all persuaded that TFL employees were helpful.

**Figure 7.11  Quality of Service Provided by Telecom Fiji Limited**

![Quality of Service Provided by Telecom Fiji Limited](image)

Figure 7.11 shows that out of 200 customers that were surveyed majority (41.5%) customers said that TFL’s service was of ‘Poor Quality’, 48 (24%) indicated that it was of ‘Average Quality’ while 29 (14.5%) said that the service was of ‘Very Poor Quality’.
Figure 7.12  Telecom Fiji Provides Services on Time or in a Timely Manner

Figure 7.12 suggests that 89 (44.5%) customers out of the 200 surveyed along the Suva-Nausori corridor ‘Disagreed Somewhat’ and 39 (19.5%) ‘Disagreed Fully’ that TFL provided services on time. 60 (30%) ‘Agreed Somewhat’ while 5 (2.5%) ‘Agreed Fully’.

Figure 7.13  The Services are Provided Promptly

Figure 7.13 indicates that 91 (45.5%) customers ‘Disagreed Somewhat’ while 32 (16%) ‘Disagreed Fully’ that TFL services were provided promptly.
Figure 7.14  The Opening Hours of TFL is Suitable

Figure 7.14 shows that 99 (49.5%) customers ‘Agree Somewhat’ that the opening hours of TFL are suitable, 22 (11%) ‘Agree Fully’, 45 (22.5%) ‘Disagree Somewhat’ and 29 (14.5%) ‘Disagree Fully’.

Figure 7.15  The Employees at TFL are Courteous
Figure 7.15 suggests that majority of the customers surveyed 121 (60.5%) ‘Disagreed Fully’ that the employees at TFL were courteous, 48 (24%) ‘Disagreed Somewhat’ while 21 (10.5%) ‘Agreed Somewhat’ and 3 (1.5%) ‘Agreed Fully’.

**Figure 7.16  The TFL Employees were Willing to Listen**

![Pie Chart showing customer responses to whether TFL employees were willing to listen]

Figure 7.16 indicates that 104 customers out of 200 TFL customers who took part in the survey ‘Disagreed Fully’ that TFL employees were willing to listen, 63 ‘Disagreed Somewhat’.

**Figure 7.17  The Service is Easy to Get or Accessible**

![Bar Chart showing customer responses to whether TFL service is easy to get or accessible]
Figure 7.17 shows that 85 (42.5%) customers ‘Disagreed Fully’ that the TFL Service is Accessible while 39 (19.5%) ‘Disagreed Somewhat’, 46 (23%) ‘Agreed Somewhat’ and 26 (13%) ‘Agreed Fully’.

Figure 7.18  Information was Readily Available

![Bar Chart]

Figure 7.18 shows that Information about TFL services was not readily available according to 91 (46%) customers surveyed out of the 200. The customers had to make phone calls and ask around for information in most cases.

7.3 Evaluation of the Data Collected from TFL Customers Surveyed

Figures 7.6 - 7.18 show that customers rate the TFL services at an ‘average’. Even though there have been a lot of initiatives taken by TFL company to improve customer services, there seems to be a backlog in their system. One of the main objectives of restructuring a company is to make it leaner, more cost efficient, customer focused, efficient and effective. In the case of TFL the purpose has been defeated as for the past 19 years that has been spent in the restructuring process it has not being able to achieve this.
Some of the comments made by the customers giving an idea of the kinds of complaints that continue to be made:

“Services are not good; at times TFL gives us bills for phone calls we have never made”

“Response rate is too slow, they should do something about it, and we need competition in the telecommunications market.”

“My phone was not working, I live in Nausori, it took them more than a week to come and repair the phone.”

“Calling charges need to be further reduced as it is too high when compared to other countries …”

There were a lot of frustrated and unhappy customers; TFL seriously needs to look into improving customer services as other companies are entering the telecommunications market and in order for it to survive it needs to provide competent services. Majority of the customers surveyed indicated that they were been billed for phone calls that were not made by that particular household. Upon enquiring the customer had to pay a further $F25 to get the query processed and it took more than two weeks for TFL workers to get back to the customer.

**Degree of Dissatisfaction amongst Workers**

The degree of staff dissatisfaction was reflected in the fiasco that took place in June 1992 when the whole FPTL workforce went on strike. The workers stayed out even though the strike was declared illegal. That workers felt compelled to resort to a sabotage of the P&T network by destroying cables is a reflection of the state of industrial affairs in the company and the authority’s failure to address workers grievances.\(^3\)

**7.4 Data Collected from Employees of TFL Surveyed**

Telecom Fiji Limited has three subsidiary companies; Connect Fiji Limited, Xceed Pacifica and TransTel Fiji Limited. The researcher interviewed around 50 employees’ altogether since most of the employees did not wish to participate in this survey because they were scared that their jobs might be at risk.
The employees were interviewed from the 3 subsidiaries as well. Employees that participated in the survey were from management and supervisory levels as well as technical and customer service staff.

**Figure 7.19**

**Employees Perception about the Operations of TFL after the Restructure**

Figure 7.19 shows that 74% of the staff interviewed had agreed that there was very little improvement in the operations of TFL after the restructure. Some 8% said that there was not much improvement and 18% said that the organisation remained the same after the restructure. This shows that restructure within TFL was not able to achieve one of its objectives.
Figure 7.20 Employees views about the Reform Process at Telecom Fiji Limited

Figure 7.20 illustrates that communication to TFL staff about the reform process was very poor. 62% of the interviewers felt that employees had not been included at all in the reform process. It was simply something done to them. The research shows that union members were kept in the dark and were not consulted in decision making. Management did not inform the union and workers.

Figure 7.21 Consultations with Union/Workers during the Reform Process

Figure 7.21 indicates that workers were not consulted during the reform process. This reinforces the impression that workers felt excluded from any planning involvement, a staggering three quarters of them claiming that there had been no consultation with them during the reform process. It is therefore, hardly surprising that the exercise created a lot of job insecurity, as figure 7.21 illustrates.
Figure 7.22 The Restructuring Process within TFL created ‘Job Insecurity’

![Bar chart showing job insecurity](image)

Figure 7.22 shows that there was a lot of job insecurity during the restructure process.

Figure 7.23 The Restructure has Improved the Working Conditions within TFL

![Pie chart showing working conditions](image)

Figure 7.23 show that a majority (68%) of the staff disagrees that the working conditions had improved due to the restructure of the organization.
Figure 7.24 Level of ‘stress’ and Uncertainty in the Work Environment

Figure 7.24 indicates that there was a lot of stress and uncertainty in the work environment due to the restructure of TFL.

Stress is an interaction between individuals and any source of demand (stressor) within their environment. A stressor is the object or event that the individual perceives to be disruptive. Stress results from the perception that the demands exceed one's capacity to cope. Different people react differently to the same stressors because of their backgrounds, experiences and values. Elevated stress levels in employees are associated with increased turnover, absenteeism; sickness, reduced productivity, and low morale.

In today's economic upheavals caused by downsizing, layoffs, mergers have cost hundreds of thousands of workers their jobs. Millions more have been shifted to unfamiliar tasks within their companies and wonder how much longer they will be employed. Adding to the pressures that workers face are new bosses, computer surveillance of production, fewer health and retirement benefits, and the feeling they have to work longer and harder just to maintain their current economic status. Workers at every level are experiencing increased tension and uncertainty, and are updating their resumes, hoping to find jobs, that in many cases, no longer exist.

\[\text{Stress in this research refers to stress caused by job insecurity. Workers were not sure whether they will be made redundant and dismissed. Workers were anxious and tensed about loosing their jobs.}\]
The loss of a job can be devastating, putting unemployed workers at risk for physical illness, marital strain, anxiety, depression, and even suicide.

Loss of a job affects every part of life, from what time you get up in the morning, to whom you see, and what you can afford to do socially. Until the transition is made to a new position, stress is chronic.

Some of the strategies that could be used to reduce work-related stress:

1. Alter the working conditions so that they are less stressful or more conducive to effective coping. This strategy is most appropriate for large numbers of workers working under severe conditions. Examples include altering physical annoyances such as noise levels, or changing organizational decision-making processes to include employees. These alterations could be attempted by large numbers of employees working together such as a labor or union group. It could also be addressed by upper management in corporations who truly have a regard for their employees.

2. Help individuals adapt by teaching them better coping strategies for conditions that are impossible or difficult to change. Intervention strategies could include individual counseling services for employees, Employee Assistance Programs, or specialized stress management programs, such as cognitive behavioral interventions (Long, 1988). Many Employee Assistance Programs address these issues within the company, however, some employees are reluctant to participate for fear of being labeled as trouble makers or have their names appear at the top of the next layoff list. If an individual is feeling inordinate stress at work, it would be advised to seek counseling on an individual basis or find stress reduction classes outside the corporate environment.

3. Identify the stressful relationship between the individual or group and the work setting. Intervention strategies might include changes in worker assignment to produce a better person-environment fit, or it could involve teaching coping strategies for individuals who share common coping deficits (e.g., training in relaxation skills). Again these interventions would require support from upper management in
the Company. Or an individual would have to pursue learning coping strategies on their

Figure 7.25 Skilled People Left For Overseas

Figure 7.25 shows that 80% of the staff interviewed agreed fully that due to the restructure process skilled staff left for greener pastures.

Figure 7.26 Job Dissatisfaction during the Restructure Process

Figure 7.26 indicates that due to job dissatisfaction the performance of the workers decreased.
Data from the Fiji Times and the Review Magazine

Boardroom Notoriety

Successive FPTL Boards had brought considerable disrepute on the company. Appointments of staff have been for political considerations rather than guided by the need to choose the best people to lead a company (The Fiji Times, 6 June, 1992:3).

There was a lot of ministerial interference as the minister went on record to say he wanted his own people serving on the Board. Anyone who questioned his policies had to go, and out went Board members chairman Laisenia Qarase, Mere Samisoni and Kevin Mutton, three of the better people the FPTL Board had included since it was set up (The Review, August 1992:12).

Robert Lee’s actions as chairman and his continual interference with the day-to-day running of the company were evident. The Board’s new ideas on corporate relations brought it increasingly into conflict with chief executive Emori Naqova and his management group creating the opposing blocks within FPTL. This clash of wills set the scene for the sacking of Emori Naqova and Pratap Singh, sparking off the strike and subsequent events in 1992 (The Review, August 1992:12).

The Board chairman Berenado Vunibobo was a political appointee (an unsuccessful politician) with no proven track record in the commercial field. His appointment was a matter of political expediency for the SVT party (The Fiji Times, 15 July, 1992:1).

According to Fiji media the following are some examples of how Board members took advantage of their positions:

- Vunibobo’s $F5,000 a month executive chairman position
- the frequent Board trips overseas to attend conferences and technical seminars that really should have been attended by management staff
• Fred Caine’s appointment as Director Customer Services at a salary of $F1,500 a month
• Fred Caine’s $F551 bill at the waterfront hotel in Lautoka for two adults and two children during a weekend in October picked up by the company
• the granting of company contracts without tenders being called, i.e. the duct contract to a Robert Lee subsidiary company at a cost higher than could be imported; the $1 million card phone contract
• the appointment of two very junior staff members as trustees in the registration of the Vodafone Company. Both of them were staff in Mike Benefield’s office.
• the hiring of Anderson Consultants at an initial fee of $F350,000, finally end up costing the company more than $1 million

Source: (The Review, August 1992: 16)

The list of ‘questionable expenses’ indicates how Board members misused funds for their own benefits. The level of transparency and accountability that existed in the company was questionable as a huge amount of money was used unnecessarily.

In a six-month period from August to January, the Board cost the company at least $F107,000 in allowances, meals and travel costs.
The chairman’s emoluments and travel expenses for six months came to $F48,000; Fred Caine made constant overseas trips, all at company expense; there had been abundant company cocktails and dinners often for questionable reasons.

The ‘Ahron Amit Scandal’ exposed by the media and leaked out by someone in the PM’s office, had made both government and the FPTL a ‘laughing stock’. FPTL was top heavy- Amit’s $F200,000 plus salary was not justified. (The Review, 1992:16).

An international comparison of the telecommunications industry will be discussed next.

7.5 International Comparison of Telecommunication Industries in Overseas Countries
While, on one hand, TFL services are available, primarily in urbanised areas, on the other hand, when compared to the standards in countries of similar income economies, service charges are too high and the quality of services varies. In international benchmarking Fiji is classified as a lower middle income country.

Fiji’s basic telecommunications indicators relative to this income group are as shown in Table 7.2 the data in this table are sourced from the ITU (International Telecommunications Union) World Telecommunication Indicators 2005 and the ATH Annual Report 2005.

<table>
<thead>
<tr>
<th>Yardstick</th>
<th>Fiji’s ranking from top</th>
<th>Number of countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed telephone penetration</td>
<td>24</td>
<td>52</td>
</tr>
<tr>
<td>Mobile telephone penetration</td>
<td>31</td>
<td>53</td>
</tr>
<tr>
<td>Internet user penetration</td>
<td>22</td>
<td>54</td>
</tr>
</tbody>
</table>


Table 7.2 reveals the following in respect of Fiji’s ranking amongst the group of countries in the lower middle income:

- average for fixed telephony
- slightly above average for Internet
- below average for mobile services.

Figure 7.27 illustrates how Fiji ranked amongst the lower middle income countries in terms of teledensity (fixed and mobile telephone connections per 100 inhabitants – mobile connectivity from 1994) since 1990 – this was when existing operators’ licences were issued. The data in this Figure are sourced from the ITU World Telecommunication Indicators 2005 and the ATH Annual Report 2005. [Note: Where data for 2004 or 2003 were not available, data for 2003 or 2002 were used.] As noted from figure 7.27, Fiji ranked 18th out of 52 countries in 1990 and 32nd in 2004. It is also evident from the figure that, prior to privatisation in 1998, Fiji’s ranking was amongst the top 20 of lower middle income countries. The trend has deteriorated since 2001.
Figure 7.27

Fiji’s overall ranking in total telephone connections per 100 inhabitants (fixed + mobile) among lower middle income countries, total 52-54 countries (varies by the year) that have submitted data.

Source: ITU World Telecommunication Indicators 2005. ATH annual report 2005. If data for 2004 or 2003 were not available, data for 2003 or 2002 were used.

Figure 7.27 illustrates that Fiji’s overall ranking has evidently slipped in the last few years when the industry existed in the form of a private monopoly while other countries have improved more than Fiji in their respective mobile market development. (see figures 7.28 & 7.29)

Rural Telecommunications

Provision of services in Fiji’s rural areas is among the lowest in lower middle income economies for fixed as well as mobile telephony. This is illustrated in Figures 7.15 and 7.16. Poor performance in this area is attributed to the limitations imposed by the then current licensing regime, and the choice of technology and services.

The objective for service provision in rural areas- currently pegged at considering a village “served” when it is provided with one shared telephone should be reviewed.

There is potential for more capital development in rural telecommunications, thereby increasing communications to and from the rural areas, and increased revenue for the
telecom operators. The cost of provision of a single fixed telephone access to a rural location – deemed connection charge - ranges from F$3000 to F$10000.

**Figure 7.28**  Population coverage for mobile telephone service (means having a possibility to use a mobile phone at home) in middle income countries

Sources: International Telecommunications Union- World Telecommunications Indicators, ATH and TFL, years 2002-2004.

**Figure 7.29**  Portion of fixed telephone lines in rural areas in middle income countries
Sources: International Telecommunications Union World Telecommunications Indicators, ATH and TFL, years 2002-2004

The cost makes it impossible for virtually any rural dwellers to get access to a telephone line and hence it is important that appropriate technology choice, cost effective solutions and the provision of access to standard telephone and Internet services should be reviewed. With reference to accessibility to mobile telephone services very few rural areas outside tourist resorts in rural areas can access mobile services. A development gap therefore exists between the urban and rural areas. Reduction in this gap is necessary.

In many comparable countries mobile services have been extended to rural areas, on a commercial basis without subsidies and prepaid mobile service is increasingly becoming popular. It is estimated that telecom operators could earn $50 to 100 million in additional revenue per year if all rural areas were provided access. The potential to generate this revenue stream from rural telecommunications is not only real but should also be capitalized as it presents a win-win situation where our rural communities are provided equitable access to telecommunication services and the telecom operators collecting appreciable revenues. (International Telecommunications Union, 2004)

Telecommunications is an essential integral infrastructure of our economy. As such, it should be structured to engender and foster growth in terms of investments and development and growth in the economy.

The economy should not suffer because of some features (exclusive rights) of a minor sector. The single most important reason for licensing any telecom operator, provision
of services, is resolute. The comparisons illustrated above reveal what Fiji as an economy needs to improve on. Other comparable countries have, where competition has become successful, performed better particularly in the provision of mobile services and services in rural areas. In Fiji’s case, the necessity to move from the present monopoly arrangement to a liberalised and competitive environment will bring about needed improvements in the sector. There is political determination towards market liberalisation. In fact liberalisation has been included in Government policies and agreements with the telecommunications sector since 1998. In the Sales and Purchase Agreement between Government and FNPF that was signed then, relevant clauses stated that the last exclusive rights were to be terminated in late 2003.

In general, an open, competitive market for new service providers and terminal manufacturers can make a substantial contribution to the rapid spread of new services, under the current conditions of rapid development of technology and market opportunities. Given the complexity and multiplicity of the emerging telecommunications services, only the market can efficiently link the producer with the consumer (Personal interview, Reddy, 2007). In essence the case for opening up monopoly state enterprises to competition draws from the economic theories of competition and property rights and the attainment of allocative and productive efficiency (Vickers and Yarrow, 1988).

More specifically, competition usually benefits consumers in terms of lower prices and a higher quality of service. Competition also stimulates firms to reduce costs and innovate in terms of both new products and more efficient methods of production.

Similarly privatisation is championed as a means of achieving a more efficient allocation of resources by removing the “dead hand” of state control and increasing managerial incentives to run businesses efficiently. Vickers and Yarrow (1988, p. 157) suggest that the following are the main arguments for privatisation:

- improving efficiency
- reducing public sector borrowing
- reducing government involvement in enterprise decision making
- easing problems of public sector pay determination
widening share ownership
encouraging employee share ownership
gaining political advantage.

The full impact of the economic reforms in the telecommunications sector will not be evident for some time. In particular, full dynamic efficiency gains are to be expected only as competition matures. Nevertheless, the industry has already undergone some major restructuring, suggesting that privatisation and market liberalisation should already have had an impact on performance. Indicators of trends in efficiency over time should capture the effects on performance of the restructuring (Lenard, 2004).

In addition to competition and privatisation, technological change can also be expected to have an important impact on performance in telecommunications, in terms of generating new services (e.g. mobile communications; new value added services) and on inputs (particularly in requiring large-scale new investment in latest technology, e.g. digital exchanges, satellite communications, optical fibre cable, ISDN lines etc.) (Harper, 1989:3). Therefore, technological change can be expected to have influenced both the profitability and productivity.

Therefore, arguably technological change has the potential to impact on all telecommunications operators in a similar way. In other words, the extent to which operators absorb the new technologies is a function of their managerial competence and government policies when state owned.

The current set-up, though not perfect, reflects the unique conditions in Fiji: government-run corporations will remain the main driver for the national economy and telecom reform must proceed in step with the economic system which is also controlled by the government.
It is, however, apparent that as the telecommunications sector is transformed from a centrally controlled sector to semi-capitalist industry, there are pressures being faced by TFL to hasten the pace, and indeed the transparency of transformation is another issue. Fiji will have to open more doors to foreign investment despite the nation's preoccupation with economic nationalism.

A restructuring decision by a company also carries significant social costs. In fact, a single business decision will often have a far greater impact on society than a decision by one individual. A decision to close a plant or to convert many workers to temporary or part-time status may affect an entire community (Champlin, 1998).

7.6 TFL Human Resource Strategies for Retaining the Skilled Workers

During an interview with the Human Resources General Manager, he indicated that it was difficult replace workers in the technical field as the turnover rate was extremely high. Fresh graduates in the technical field had to be trained but after gaining experience they too left for New Zealand. This is one of the reasons why customers are frustrated as technical staffs are just too few to cater for the large number of customers.

Fifty staff members were interviewed from TFL and its subsidiaries. The employees when approached were quite hesitant to participate in this survey as they thought that they would be offending the management and hence putting their jobs at risk. It was ensured that at least 5 employees from every section were interviewed. The employees who were working for TFL for more than 10 years were outspoken and relayed a lot of information.

Overall the survey, via interviews conducted with employees showed that the job dissatisfaction level was high and the morale of workers was low.
Since the arrival of Mr Mar, workshops were being run but workers opted to leave for greener pastures. TFL is rapidly losing its employees to a New Zealand company called Downer International. Technical staff top the list as the offers made by the New Zealand employer are far better than what TFL has to offer.

**Flexibility and Organisational Design**

In dealing with these increasingly dynamic and global labour markets, empirical research increasingly identifies the use of multiple forms of flexible patterns of work organisation to facilitate more timely responses to the competitive forces of the market. This has required the parallel development of organisational structures to facilitate these changes (Miles and Snow, 1995; Thompson and McHugh, 1995). Organisational flexibility therefore provides management with the template to adjust and utilise the available human resources in a flexible manner in response to changing demands and as a way of retaining the “core” employees (Atkinson, 1984). Organisational models that have attracted particular attention include the flexible specialisation model and the flexible firm or core-periphery model.

**a) Flexible Specialisation**

Flexible specialisation is based on the premise of an emerging dynamic economic environment characterised by fragmented and niche markets. To accommodate this ceaseless change in work patterns requires the continual redefining of the way the organisation is structured (Thompson and McHugh, 1995).

Evidence of world-competitive organisations adopting the flexible specialisation approach to the organisation of resources has been identified in a variety of regions including the Romagna and Bologna region of northern Italy, Baden-Wurttemberg in Germany and Silicon Valley in the USA (Sabel, 1994; Piore and Sabel, 1984). A small core organisation is surrounded by satellite organisations, which are autonomous but highly integrated in their relationship with the core organisation. This structure allows the core organisation to reduce fixed cost investments, whilst maximising labour market flexibility and control in highly dynamic markets. Whilst mainly identified at a regional level, Miles and Snow (1995, p. 449) have noted the
evolution of this model in the “network organisation” which incorporates many of the features of flexible specialisation, but takes the form of a “global matrix”.

Within this organisational framework they note that managers need to practise “a new philosophy of management” (Miles and Snow, 1995, p. 448).

b) The Flexible Firm Model

The flexible firm or core periphery model is a distinct organisational structure to accommodate the development of multiple forms of flexibility and employment conditions within an organisation (Atkinson, 1984). Thompson and McHugh (1995, pp. 174-5) note that the flexible firm provides competitive advantage through the restructuring of the employment relationship.

The flexible firm model is based on a break with unitary and hierarchical labour markets and organisation of internal means of allocating labour, in order to create a core workforce and a cluster of peripheral employment relations.

In place of the traditional hierarchical structures, the flexible firm model redefines the organisation into two broad segments – the core and the periphery. The make-up of the two segments signals the different types of flexibility required by the organisation. The core reflects the need for the organisation to develop a permanent, highly-skilled group of employees with internal career paths (Atkinson, 1984). As a result, core employees experience a high degree of job security, with resources provided for training in firm specific skills not readily bought in. In contrast, the peripheral workforce is associated with the organisation’s development of qualitative or numerical flexibility.

Where either the ‘core’ or ‘peripheral’ workforce need supplementing, the secondary peripheral workforce accommodates this through part-time, temporary or sub-contracting work (Morris and Imrie, 1991). This provides increased numerical and functional flexibility with minimal organisational commitment or disruption. The new organisation therefore takes the form of a core with a variety of peripheral activities to serve its changing requirement. The focus of the flexible firm model is to closely match organisational (labour) resources with work demand, increasing the efficiency
of the human resources utilisation whilst dampening the effects of market volatility and uncertainty, thereby increasing organisational effectiveness (Atkinson, 1984).

The case of TFL indicates that developing human resource strategies to recruit and retain key employees is becoming of increased importance as the market for employees with these skills becomes tighter.

It is important for TFL to identify the need to develop a challenging work environment. This can be achieved through the development of its human resource policies, which focus on retaining the services of these highly skilled employees.

Most gold-collar workers desire a challenging work environment and learning opportunities to maintain their cutting edge skills and knowledge. These employees therefore become the core of the organisation’s intellectual capital.

Organisations therefore have to manage the work environment of these employees proactively, creating opportunities that allow them to explore and apply the latest technology, have ongoing training and development available, and provide a more flexible work environment with a broader range of career opportunities.

As Burnes (2000, p. 2) notes:

Restructuring has differential effects on households. Employment and income security are reduced, and poverty increases. Restructuring fundamentally affects the organisation of work. Associated with ‘new competition’ and new technologies are teamwork, group-work, re-skilling, outsourcing and casualisation. These processes present new challenges for collective action and the organisation of workers, both at the work place and beyond. Restructuring creates new spatial divisions of labour, and these in turn affect the capacity of state and social groups to reproduce infrastructure, social institutions and economic overhead capital.

Present patterns of restructuring are for the most part crisis-driven rather than strategy inspired, mere responses to external and internal shocks. A critical assessment of these processes, interventions in international development policy and practices and alternatives in the area of production and reproduction at meso- and micro-levels needs to be developed from the perspective of gendered, sustainable and human development frameworks. The impact on these communities had ripple effects that went well beyond the individual workers who lost the jobs. The privatization program
has a rapid and had severe impact on employment. This is similar to other reform processes in companies in Fiji and globally.

7.7 Conclusion

This chapter has highlighted the research findings and data analysis. The customer profile and demographics have been discussed. SPSS was used to analyse data and run tests such as descriptive and correlations test. Data analysed was presented in graphical form, this included data collected from customers and employees of Telecom Fiji Limited. An international comparison of telecommunications industries in overseas countries was made. Human Resource strategies for retaining skilled workers were discussed with relation to the TFL case study.

The next chapter will summarise the main points, provide recommendations and conclusion.

Chapter 8

Summary, Recommendations and Conclusion

8.1 Introduction

This thesis has examined the restructure of the telecommunications industry in Fiji. The case study of TFL highlighted the whole process of reform from 1989 till 2007. The reform process is still on-going according to management and staff. The corporatisation and privatisation of the telecommunications industry was a result of pressure by the International Monetary Fund and World Bank coupled with a political move where the Rabuka government tried to fund the general elections and the National Bank of Fiji which had become bankrupt. Restructure in any enterprise aims to make the organisation more ‘cost effective’, ‘efficient’ and ‘enhance customer service delivery’, and improve the productivity and performance of workers is flawed.

The first chapter introduced the subject matter and outlined the aims and objectives, the usefulness of the study, and the scope of this study. The three types of public sector reforms were defined distinguished and discussed.
Chapter two outlined the research methodology for this thesis. It justified and explained in detail the qualitative and quantitative research methods used. In addition to this it described the data collection and analysis process. The SPSS software was used to analyse the data. The research limitations and problems encountered during the research period were also acknowledged.

Chapter 3 highlighted the global picture of Public Enterprise Reforms, the benefits of corporatisation and privatisation and the related literature review. This chapter started off with giving a global outlook of public enterprise reforms.

The reform process was described in detail, the reasons behind corporatisation and privatisation, public enterprise reforms in developing countries, public enterprise reforms in the Pacific and then in Fiji. After this, the role of Fiji Ministry of Public Enterprises and the Public Enterprise Act were discussed.

Chapter 4 discussed the ‘commercialisation’ stage of the telecommunications industry. In this chapter the researcher outlined the events that took place from 1989 till 1996. This is when the Department of Post and Telecommunications was commercialised and was named Fiji Post and Telecommunications Limited.

Chapter 5 examined the shift from the corporatisation to privatisation stage. It highlighted how Fiji Post and Telecommunications Limited split into two different entities as their line of business were different. It became ‘Post Fiji Limited’ and ‘Telecom Fiji Limited’. From here the researcher focused only on Telecom Fiji and how Amalgamated Telecom Holdings was set up. The formation of ATH was critiqued as well. The formation of the other Telecom subsidiaries such as Xceed Pacifica, TransTel Fiji Limited was also discussed.

Chapter 6 discussed the industrial relations issues within the Fiji Telecommunications industry. It examined the formation of the new trade union Fiji Post and Telecommunications Association and management’s relationship with FPSA. Labour-management relations prior to and during the reform process were discussed throughout the chapter.

Chapter 7 outlined the research findings. The data was presented and analysed using tables and figures.
This concluding chapter 8, summarises and evaluates the major findings against the objectives of the study. It also provides some recommendations and highlights possible areas for future research.

8.2 Summary and Discussion of Major Findings

This case study is unique in the sense that the telecommunications industry in Fiji exists in a monopoly state as there are no competitors. FNPF (a government statutory body) is the major shareholder. The Government of Fiji is the second largest shareholder. FNPF paid three times the market price of TFL’s worth. When Amalgamated Telecom Holdings was being set up, Mr. Lee was the Chairman of both FNPF and Telecom Fiji. This is an issue of conflict of interest. Pushing for privatisation can be seen as a ‘quick fix solution’ to funding the general elections and the unrecoverable debts of the National Bank of Fiji, as this initiated a ‘business deal’ which made FNPF pay three times more TFL’s worth.

The researcher felt that the privatisation of the telecommunications industry was very much a camouflaged one as FNPF is a government statutory body and government itself is the second largest shareholder. It is debatable though how FNPF can be manipulated into investing three times the worth when the money belongs to the public. Here, the question arises that is FNPF investing the publics’ money wisely? The past investments have being questionable.

The whole process used in the privatisation of TFL was neither transparent, accountable nor were good leadership qualities displayed by senior management and Board members. There were reports of abuse of funds by Board members who maximised their own gains. As discussed in chapters (four, five and seven) the Board members gave themselves a total remuneration of $F42, 000 in 1992, $F27, 000 more than what they are entitled to. The recruitments of senior staff made were very political as well as the Ahron Amit case was the most interesting one. Ahron Amit a Israeli was hired by the then FPTL Board chairman Berenado Vunibobo. He was paid a salary of more than $F200, 000 and a special allowance for recruitment $F50, 000. Apart from that in 1993, it was revealed that his resume contained false qualifications and he did not hold a degree in aeronautical engineering and business administration from New York University as stated in his
curriculum vitae. Even though investigations were going on the Vunibobo Board extended his contract by two years.

Organisational changes were being forced onto employees as there was minimum level of consultation which led to industrial unrest in 1992 and resulted in sabotage of cables which cost the company thousands of dollars. The Board members continuously interfered in the day to day running of the company since department of Post and Telecom got commercialised. In most cases the tendering process was not followed and tenders were given to Board members private companies without justification of costs. This is a case of ‘nepotism’.

When Mr. Naqova (the permanent secretary and later the managing director) queried about these transactions, he and some senior managers like Taito Waradi were asked to resign. Mr. Naqova’s persistence to stay in the company and work was not welcomed and hence he met with his untimely and suspicious death in 1993. The union (FPTEA) named the building in which they are situated the ‘Naqova House’. Till now there is restructuring going on in TFL and employees continue to take the redundancy packages.

Parliamentary debates, interviews with past employees and current employees, management reveal that there were many loopholes in the privatisation of TFL. Steps undertaken from the various Consultants Reports cost the company and Fiji Tax Payers an enormous amount of money which could have being spent wisely.

8.2.1 Organisation Restructuring for Sustainable Change

Whilst business change projects may have ambitious well planned strategies, redesigned processes and effective technology, effective change will not occur if the hearts and minds of staff are not used during the project. This requires communication, discussion and training during the project, the provision of the skills demanded by the new or re-engineered processes and counselling to ensure that staffs are convinced, capable and motivated to use the new operating system. Organisations need to place great emphasis on a well planned and managed implementation phase. This must identify performance indicators which recognise improvement to be achieved as a result of the change project. The organisation should ensure that the organisation design and structure reflects and supports the corporate strategy which it
is going to manage. The continuing career and professional development of staff is an integral part of the restructuring project completion to achieve maximum impact.

**Business and Organisation Change Programme**

To be effective, business and organization change issues must be dealt with in a holistic manner.

**Strategy**

Organisations must set a clear strategy, and then lead their business towards that defined objective. To achieve this, management is required to:

- Develop and communicate the Corporate Strategy.
- Have a clear understanding of the Company Economics.
- Provide focused Leadership
- Introduce a Performance Measurement System totally committed to Improvement of processes and results
- Focus all the strategic efforts on Customer Satisfaction
- Widen the resources available through collaboration and Strategic Alliances.

**People**

Whilst change efforts may have clear corporate strategies, re-designed processes and effective technology systems to assist them, change will not take place unless the hearts and minds of employees are engaged throughout the process. To achieve this, total involvement is required during the process and employees must be equipped to ensure that they are capable and motivated for the objectives of the ‘new’ company and its method of working. To ensure this:

- the organisation design must be seen to reflect and support the corporate strategy which is being implemented.
- an effective mechanism is necessary to measure individual and team performance to identify and reward improvement.
- all participants must focus on the agreed objectives of the change process and speed the organisation development necessary to operate the business.
Processes

Processes are the mechanism by which strategy is implemented. They reflect the total work structure of the organisation and convert resources (inputs) into income (outcomes). To use business processes as the vehicle for strategy delivery requires:

- A real understanding of how to operate an organisation by business process management.
- Very clear outcomes measured through the use of process metrics
- A comprehensive performance management system to reward individual and group improvement.
- The agreed processes to be incorporated into an integrated management system.

Technology

Whilst business processes are the work structure of the business, increasing technology availability and update provides the capability to achieve changes to process activities quickly. With the emergence of new world technologies, principally e-business and Knowledge Management, technology is now able to offer itself as a strategic tool in its own right, rather than an automation tool as in the past. Achieving all that technology has to offer requires organisations to:

- to develop an IT strategy that fully supports the business strategy and enables it to develop and grow.
- communicate business needs and convert them into technology requirements
- implement company wide IT systems which provide a single database and a common operating platform.
- make the common database available to all in customer service management thereby merging data provision with market and business strategy.
- use easy access to a knowledge management approach and technology to turn individual knowledge into company wide knowledge speedily and effectively.

Organisation Change Management

Whilst change itself always carries with it uncertainty, the process of change should be one, like any other process, which is governed by an effective plan, clear rules,
processes, protocols and systems. A successful model for change with the necessary supporting tools and techniques can be seen below.

**Table 8.1: Change Process Model**

<table>
<thead>
<tr>
<th>Process</th>
<th>Feasibility</th>
<th>Analysis</th>
<th>Planning</th>
<th>Implementation</th>
<th>Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Project plan</td>
<td>Approaches Boundaries</td>
<td>Documentation Communication Training Sign-off</td>
<td>Ownership Phasing Budgets Control</td>
<td>Audit Learning Appraisal Adjustment</td>
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<td></td>
<td>Business case</td>
<td>Degree of change Investment</td>
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<td></td>
<td>Resources</td>
<td>Measures</td>
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Source: Developed by the Author: 2009

**Programme Management**

Projects and programmes are very different things. Project management constantly refers to the elements of milestone and activity planning. Programme management used to complete a comprehensive change in an operating company’s performance is all encompassing.

All critical elements need to be addressed if an integrated change is to meet its agreed objectives. Changes made in isolation to solve an immediate departmental problem usually cause long term corporate concerns elsewhere if process analysis in not completed.

**Figure 8.1: Programme Management Model for Change Implementation**
8.3 The Debates on Privatisation

This section re-visits the main issues mentioned in chapter 1. The issues to be examined were as follows:

1) to evaluate the basic premise of the government in undertaking the public enterprise reform
2) to examine the pre and current restructuring stages of Telecom Fiji Ltd
3) to examine the extent to which the workers and their unions views were taken into account and integrated with the process of enterprise reorganisation
4) to assess critically the impact (both positive and negative) of such restructuring on the employees and the customers
5) to develop a model that allows for reform objectives to materialize
6) to examine whether cost effectiveness and customer efficiency was achieved.

The study shows that the government has not observed proper guidelines in restructuring the telecommunications industry as there were a lot of loopholes, lacked transparency, accountability and a lot of political interference for the personal gains of Ministers and Board Members.
The study found out that workers and union officials were consulted at all and were mostly left in the dark while management unilaterally forced their decisions on to workers.

**Debates about Increasing Efficiency / Reducing Costs**

The public sector has always been labeled as inefficient in providing services due to bureaucracy and red tape. Hence the move to privatise has made an attempt for private firms to provide services more efficiently. However, this is not the case in the findings of this research, as it contradicts this claim that privatisation reduces cost and increases efficiency. In the case of Telecom Fiji since privatisation costs have started to increase and customer service become less efficient. Fiji Posts and Telecommunications used to be the most profitable government department before it became corporatised. 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. Hence, one can question why it was reformed in the first place.

The move towards privatisation has been a disastrous experience for the company. Privatisation 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
- The company forced by one crisis after another; there have been scandals, abuse of privilege, mismanagement and exploitation by Board Members pursuing their own self interest.

According to government published statistics FPTL profits have declined each successive year nose-diving from $F12m in the first year of privatisation 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 means costing $F1/4 million in overtime payment a month considering that overtime ranges from $F10 to $F16 an hour. 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 privatisation the government also loses control of activities it is financing and this will affect the end users who are in most 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 privatisation focuses on economic benefits it often ignores the issues concerning transparency, accountability, equity of access to services, and the quality of those services.

**Debates about Selling Like the Rest (First World Countries)**

The sale of a government trading enterprises is necessary because the industry is privatised in other countries. The latest 1998 survey of the Organization for Economic Cooperation and Development (OECD) of the communications sector in its industrialised member nations shows that 100% private ownership of telecommunications is far from common. In only 6 of the 29 OECD member countries United States, United Kingdom, Canada, Denmark, Mexico and New Zealand - are the telecommunications networks that are privately owned. Partial privatisation appears the norm in most of the industrialised world; this includes Japan, countries of Eastern Europe, France and Germany.

In the case of Fiji it was an approach used to follow the first world countries without even considering the consequences and the relevant data. Privatisation is not the answer to improving efficiency of the public sector utilities. It can come from other types of private sector alternatives such as contracting, partnerships or joint ventures.

Public owned enterprise which was based on traditional public enterprise is now being altered into a more market based enterprise. This thesis shows that the reform process has transformed (re-engineered) Telecom Fiji Limited from a public owned enterprise into a more efficient and market oriented organisation. Many people argue that this is a hidden agenda of donor agencies and governments to change traditional public enterprises into commercial and privatised companies.
This thesis shows that both the external environment (structure) as well as individuals (agencies) had influenced in driving the reform process for example government policies led to the restructure, at the same time individuals such as top management, Board members and overseas consultants had a major input in steering the restructuring process.

### 8.4 Proposed Model for Successful Reform

In this thesis I would like to propose a model for undergoing a successful Public Sector Reform Process. The model is shown in figure 8.1 below.

#### Figure 8.2 Proposed model for Successful Reform

- **Clear Aims and Objectives & Commitment from Senior**
- **Cooperation and Support from the employees and the Union**
- **Employees have a good understanding of the reform process**
- **Transparent and Accountable Process**
Successful Reform Process

Regular Change management workshops for employees
Research and proper planning

Source: Developed by the Author: 2009 (with advice given from Supervisor)

Figure 8.1, which is developed by the author after conducting extensive research and surveys on the stakeholders of TFL, proposes that for a successful reform of an enterprise the following are needed:

- cooperation and support from the employees and the Union
- employees have a good understanding of the reform process
- Transparent and accountable process
- Clear Aims and Objectives and Commitment from senior management
- Regular change management workshops for employees
- Research and proper planning

8.5 Further Research
The thesis proposes the following research areas that could be further explored. Studies of a similar nature should be conducted in Fiji and other Pacific Island Countries, to find out more about how effective the restructuring of other telecommunications industries has been. Studies that are of this nature will help identify similarities and differences within the Pacific context. This will help in policy direction and options for the government.

Furthermore, the Pacific countries should have Fiji as the hub for the telecommunications industry and skilled, highly technical employees such as engineers could be paid to go around to these geographically close island states to handle technical issues and hence not duplicate labour charges. This will further help smaller and poorer countries like Fiji and the rest of the South Pacific to pool resources and gain greater efficiency at building their infrastructure.

8.6 Conclusion

Telecommunications is one of the most dynamic sectors of the Fiji Economy. One of the triggers for change was new technology that necessitated large-scale investment in telecommunication systems. Major technical, economic, and political challenges confront TFL in a transitional global telecommunications market.

TFL lies at a cross road in a transitional telecommunication sector that is no longer isolated from global reforms and advancement. The company has to learn to compete. By putting themselves up against the best, initially, they had to learn to appreciate the network of global telecommunication giants, their resources and the activities they perform in transforming these resources. Through this process, TFL will be able to adjust their mechanisms, learning instruments, and focus.
By exposing themselves to global markets and dealing with global telecommunications companies, TFL will be able to raise their profile.

The telecommunications industry is a dynamic and thriving industry especially in this information age. It is therefore very important for a small developing nation like Fiji to actively pursue and formulate national policies and strategies that will promote an environment in which restructured industries can thrive and be productive. This will eventually benefit the country and the grass root people.

It should stress shared visions, both at horizontal and vertical levels, of planning and management. This entails involving and educating communities at the grass root level in dialogue and decision making at the public policy and practice levels.

Future privatisations and reform processes to be handled more cautiously so that the main objectives of restructuring are achieved. In this case study the results showed that after restructuring the telecommunications industry has still not been able to deliver customer services efficiently and effectively.

More critical research should be taken to identify models that would lead to effective restructuring and that will not affect the morale and performance of the workers.

**Interviews (Pseudonyms)**

Interview with Colacola, J. Long Serving Employee of FPTL, February 2007, Suva.

Interview with Dass, R. Long Serving Employee of FPTL, September 2007, Suva.

Interview with Gyan, Long Serving Employee of FPTL, September 2007, Suva.

Interview with Prasad, S. Senior Staff of Ministry of Public Enterprises and Public Sector Reform, October 2006, Suva.
Interview with Reddy, M. Economist, The University of the South Pacific, October 2007, Suva.

Interview with Roko, Taniela. Labour Officer of Ministry of Labour, Industrial Relations and Productivity, July 2006, Suva.

Interview with Simon, D. Manager at FPTL, August 2007, Suva.

Interview with Singh Attar. Fiji Post and Telecom Employees Association (FPTEA) General Secretary, Naqova House, August 2007, Suva.


Interview with Suren, Industrial Relations officer at FPTEA, September 2007, Suva.

Interview with Waradi, T. A Senior Manager at FPTL, April 2006, Suva.

**Bibliography**


Grynberg, R., Munro, D. & White, M. (2002), *Crisis: The Collapse of the National Bank of Fiji*, University of the South Pacific Book Centre, Suva.


http://www.islandsbusiness.com/islands_business/index_dynamic/containerNameToR eplace=MiddleMiddle/focusModuleID=3863/overrideSkinName=issueArticle-full.tpl accessed on 12 July 2006.


International Telecommunications Union- World Telecommunication Indicators 2005, year

International Telecommunications Union- World Telecommunications Indicators, ATH and
TFL, years 2002-2004.


Kolone Vaii & Associates
http://www.bizconnections.com/pacific_telecom_service_provider.htm


Ministry of Finance and National Planning, Economic and Fiscal Update: Supplement to the 2004 Budget Address, 7 November 2003; Reserve Bank of Fiji, Quarterly Review, various issues; staff estimates.


Appendix 1
Covering letter seeking respondents’ approval.

Date:

Dear Sir or Madam:

Professional Greetings! I am conducting a research on the restructure of Telecom Fiji Limited. This research is a partial requirement for the Master of Arts Degree at the University of the South Pacific. I would appreciate your participation in this research by completing the attached questionnaire.
I assure you that information provided by you will be used only for academic purpose and kept confidential. If you need any further details, please contact me on 9967189.

Thank you for your cooperation!

Yours sincerely,

__________________
Maureen Fatiaki Karan.
Principal Researcher.

Appendix 2

Public Enterprise Reforms in Fiji: Case of Telecom Fiji Limited

Survey Questionnaire for Employees

Q1. What are your highest qualifications?

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School qualifications</td>
<td>1</td>
</tr>
<tr>
<td>Certificate/ Diploma</td>
<td>2</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>3</td>
</tr>
<tr>
<td>Bachelor of Arts/ Bachelor of Science with PGCE</td>
<td>4</td>
</tr>
<tr>
<td>Post Graduate qualification</td>
<td>5</td>
</tr>
</tbody>
</table>

Q2. For how many years have you been working for Telecom Fiji Limited?

<table>
<thead>
<tr>
<th>Years Ago</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year ago</td>
<td>1</td>
</tr>
</tbody>
</table>
Less than five years | 2
Five to ten years | 3
More than ten years | 4

Q3. Please comment on the operations of Telecom Fiji Limited, since the inception of reforms.

Operations has improved vastly | 1
Very less improvement | 2
Has remained the same | 3
Not much improvement | 4
Do not know | 5

Q4. How was the reform process communicated to staff?

Not communicated at all | 1
Communicated via union representatives | 2
Communicated by management staff or supervisors | 3
Communicated via training or workshops | 4

Q5. Were there any consultations with union/workers during the reform process?

Yes, To some extent consultations did take place | 1
No, there were no consultations at all | 2

Q6. What happened to the employees during the reform process?

Voluntary redundancy package | 1
Involuntary or forced redundancy | 2

Q7. Please give details on labor/management issues of the company before reforms started, in the early stages of reforms and the current position.

They were managed well | 1
There was a lot of disputes | 2
There was a lot of consultation between both the parties | 3
None of the above | 4
Q8. How have the government and management dealt with labor/union issues?

<table>
<thead>
<tr>
<th>Response</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government has played an active role</td>
<td>1</td>
</tr>
<tr>
<td>Government has played an inactive role</td>
<td>2</td>
</tr>
<tr>
<td>Government's role has changed over-time</td>
<td>3</td>
</tr>
<tr>
<td>Government was the mediator between the two</td>
<td>4</td>
</tr>
</tbody>
</table>

Q9. How often does consultation take place between these parties?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Often</td>
<td>1</td>
</tr>
<tr>
<td>Sometimes</td>
<td>2</td>
</tr>
<tr>
<td>Not that often</td>
<td>3</td>
</tr>
<tr>
<td>Never</td>
<td>4</td>
</tr>
</tbody>
</table>

Q10. What is the impact of contractual employment on your performance as an employee?

<table>
<thead>
<tr>
<th>Impact</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance has increased</td>
<td>1</td>
</tr>
<tr>
<td>Performance has declined</td>
<td>2</td>
</tr>
<tr>
<td>Performance is the same</td>
<td>3</td>
</tr>
<tr>
<td>There has been no impact at all</td>
<td>4</td>
</tr>
</tbody>
</table>

Q11. Are there any employee development tools (training)?

<table>
<thead>
<tr>
<th>Tool</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>1</td>
</tr>
<tr>
<td>Workshops</td>
<td>2</td>
</tr>
<tr>
<td>Counseling</td>
<td>3</td>
</tr>
<tr>
<td>Consultation between management</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question</th>
<th>Agree Fully 5</th>
<th>Agree somewhat 4</th>
<th>Not sure 3</th>
<th>Disagree somewhat 2</th>
<th>Disagree fully 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q12 Public enterprise reforms have increased the number of staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q13 Public enterprise reforms have increased remuneration packages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q14 Public enterprise reforms have improved usage of technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q15 Reforms improve employee skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q16 Reforms improve performance of the organization as a whole</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your time and cooperation.
Appendix 3

Public Enterprise Reforms in Fiji: Case of Telecom Fiji Limited

Survey Questionnaire for Union Representatives and Industrial Relations officers

<table>
<thead>
<tr>
<th>Question</th>
<th>Agree Fully 5</th>
<th>Agree somewhat 4</th>
<th>Not sure 3</th>
<th>Disagree somewhat 2</th>
<th>Disagree fully 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1. Public enterprise reforms makes service delivery efficient and effective</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2. Public enterprise reforms has got negative impact on employees and their performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3. Public enterprise reforms improves quality of service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4. Reforms improves the performance of the public enterprise in terms of productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Q5. What is the impact of reforms on employees?

<table>
<thead>
<tr>
<th>Impact</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detrimental or negative impact</td>
<td>1</td>
</tr>
<tr>
<td>Positive impact or increase in productivity</td>
<td>2</td>
</tr>
<tr>
<td>Very less impact</td>
<td>3</td>
</tr>
<tr>
<td>No impact at all</td>
<td>4</td>
</tr>
</tbody>
</table>

Q6. Please give details on labour/management issues of the company before reforms started, in the early stages of reforms, and the current position?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>They were managed well</td>
<td>1</td>
</tr>
<tr>
<td>There was a lot of disputes</td>
<td>2</td>
</tr>
<tr>
<td>There was a lot of consultation between both the parties</td>
<td>3</td>
</tr>
<tr>
<td>None of the above</td>
<td>4</td>
</tr>
</tbody>
</table>

Q7. Please comment on labor/union and management relationship of the company (workers complaints, management reactions and how the union has helped to sort out these problems.

<table>
<thead>
<tr>
<th>Role</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union has played an active role</td>
<td>1</td>
</tr>
<tr>
<td>Union has played an inactive role</td>
<td>2</td>
</tr>
<tr>
<td>Union’s role has changed over-time</td>
<td>3</td>
</tr>
<tr>
<td>Union was the mediator between management and the workers</td>
<td>4</td>
</tr>
</tbody>
</table>

Q8. Comment on the role of the Fiji government in relation to public enterprise reforms and the related union issues.

<table>
<thead>
<tr>
<th>Role</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government has played an active role</td>
<td>1</td>
</tr>
<tr>
<td>Government has played an inactive role</td>
<td>2</td>
</tr>
<tr>
<td>Governments role has changed over-time</td>
<td>3</td>
</tr>
<tr>
<td>Government was the mediator between the two</td>
<td>4</td>
</tr>
</tbody>
</table>
Q1. For how many years have you been working for Telecom Fiji Limited?

| Q9 | Public enterprise reforms has increased the number of staff |
|    | Agree Fully 5 | Agree somewhat 4 | Not sure 3 | Disagree somewhat 2 | Disagree fully 1 |
|    | Agree        |             |             |               |                  |
|    | Agree        |             |             |               |                  |
|    | Not sure     |             |             |               |                  |
|    | Disagree     |             |             |               |                  |
|    | Disagree     |             |             |               |                  |

Q9 Public enterprise reforms has increased the number of staff
Q10 Public enterprise reforms has increased remuneration packages
Q11 Public enterprise reforms has improved usage of technology
Q12 Reforms improves employee skills
Q13 Reforms improves performance of the organization as a whole

Thank you for your time and cooperation.

Appendix 4

Public Enterprise Reforms in Fiji: Case of Telecom Fiji Limited

Survey Questionnaire for Management

Q1. For how many years have you been working for Telecom Fiji Limited?
Q2. Why was Post and Telecommunications as a department separated in the first place?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>It was part of the reform process</td>
<td>1</td>
</tr>
<tr>
<td>It was a decision made by the Government</td>
<td>2</td>
</tr>
<tr>
<td>Since there operations differed</td>
<td>3</td>
</tr>
<tr>
<td>Do Not know</td>
<td>4</td>
</tr>
</tbody>
</table>

Q3. How was the reform process communicated to staff?

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not communicated at all</td>
<td>1</td>
</tr>
<tr>
<td>Communicated via union representatives</td>
<td>2</td>
</tr>
<tr>
<td>Communicated by management staff or supervisors</td>
<td>3</td>
</tr>
<tr>
<td>Communicated via training or workshops</td>
<td>4</td>
</tr>
</tbody>
</table>

Q4. What happened to the employees during the reform process?

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary redundancy package</td>
<td>1</td>
</tr>
<tr>
<td>Involuntary or forced redundancy</td>
<td>2</td>
</tr>
</tbody>
</table>

Q5. Please give details on labor/management issues of the company before reforms started, in the early stages of reforms and the current position.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>They were managed well</td>
<td>1</td>
</tr>
<tr>
<td>There was a lot of disputes</td>
<td>2</td>
</tr>
<tr>
<td>There was a lot of consultation between both the parties</td>
<td>3</td>
</tr>
<tr>
<td>None of the above</td>
<td>4</td>
</tr>
</tbody>
</table>
Q6. Comment on the role of the Fiji government in relation to public enterprise reforms.

<table>
<thead>
<tr>
<th>Role of the Government</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government has played an active role</td>
<td>1</td>
</tr>
<tr>
<td>Government has played an inactive role</td>
<td>2</td>
</tr>
<tr>
<td>Government's role has changed over-time</td>
<td>3</td>
</tr>
<tr>
<td>Government was the mediator between the two</td>
<td>4</td>
</tr>
</tbody>
</table>

Q7 Public enterprise reforms has increased the number of staff
Q8 Public enterprise reforms has increased remuneration packages
Q9 Public enterprise reforms has improved usage of technology
Q10 Reforms improves employee skills
Q11 Reforms improves performance of the organization as a whole

Thank you for your time and cooperation.

Appendix 5

UNIVERSITY OF THE SOUTH PACIFIC
School of Management & Public Administration

Public Enterprise Reforms in Fiji: Case of Telecom Fiji Limited
Survey Questionnaire for Customers
The purpose of this survey is to attain information about the perceptions of customers on services provided by Telecom Fiji Limited.

Background of the Customer:

A) Questionnaire No: 

B) Area: 

1) Suva 
2) Samabula 
3) Laucaala Beach 
4) Nasinu 
5) Valelevu 
6) Nasole 
7) Makoi – 8miles 
8) Nakasi 
9) Koronivia 
10) Nausori 

C) Age of the customer: 

D) Gender: 

1) Male 
2) Female 

E) Ethnicity of the customer 

1) Fijian 
2) Indo-Fijian 
3) Others 

F) Income level of Customer ________________________

G) Education Level: ____________________

1) Primary 
2) Secondary 
3) Tertiary

Q1. Please indicate as to which type of Telecom Fiji Limited Customer are you? 

<table>
<thead>
<tr>
<th>Business</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>2</td>
</tr>
</tbody>
</table>

Q2. Which service of Telecom Fiji Limited do you use?
<table>
<thead>
<tr>
<th>A) Business</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i) ISDN Speed Stream</td>
<td>1</td>
</tr>
<tr>
<td>ii) Teleconferencing</td>
<td>2</td>
</tr>
<tr>
<td>iii) Smartlink</td>
<td>3</td>
</tr>
<tr>
<td>B) Residential</td>
<td></td>
</tr>
<tr>
<td>iv) EasyTel</td>
<td>4</td>
</tr>
<tr>
<td>v) Landline</td>
<td>5</td>
</tr>
</tbody>
</table>

Q3. In your opinion, what is the quality of service provided by Telecom Fiji Limited to you as a customer now, compared to three years ago?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>It is better now</td>
<td>1</td>
</tr>
<tr>
<td>It is about the same</td>
<td>2</td>
</tr>
<tr>
<td>It has not improved</td>
<td>3</td>
</tr>
<tr>
<td>I am not sure</td>
<td>4</td>
</tr>
</tbody>
</table>

Q4. In your opinion, what is the quality of service provided by the Telecommunications Company (TFL)?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very good quality</td>
<td>1</td>
</tr>
<tr>
<td>Good quality</td>
<td>2</td>
</tr>
<tr>
<td>Average quality</td>
<td>3</td>
</tr>
<tr>
<td>Poor quality</td>
<td>4</td>
</tr>
<tr>
<td>Very poor quality</td>
<td>5</td>
</tr>
<tr>
<td>I do not know</td>
<td>6</td>
</tr>
<tr>
<td>Q</td>
<td>Question</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5</td>
<td>The service delivery of Telecom Fiji Limited is competent</td>
</tr>
<tr>
<td>6</td>
<td>The service provided by Telecom Fiji Limited is cost effective</td>
</tr>
<tr>
<td>7</td>
<td>Telecom Fiji Limited provides services on time or in a timely manner</td>
</tr>
<tr>
<td>8</td>
<td>The services are provided promptly</td>
</tr>
<tr>
<td>9</td>
<td>The opening hours of Telecom Fiji Limited is suitable</td>
</tr>
<tr>
<td>10</td>
<td>The employees at Telecom Fiji Limited are courteous</td>
</tr>
<tr>
<td>11</td>
<td>There was assurance given as to how soon the problem would be solved</td>
</tr>
<tr>
<td>12</td>
<td>The same treatment was given as any other race or ethnic group</td>
</tr>
<tr>
<td>13</td>
<td>The treatment given by Telecom Fiji Limited staff was indifferent than any other gender</td>
</tr>
<tr>
<td>14</td>
<td>The Telecom Fiji Limited employees were willing to listen</td>
</tr>
<tr>
<td>15</td>
<td>It was easy to get help</td>
</tr>
<tr>
<td>16</td>
<td>The Telecom Fiji Limited employees were very helpful</td>
</tr>
<tr>
<td>17</td>
<td>The service is easy to get or accessible</td>
</tr>
<tr>
<td>18</td>
<td>Information was readily available</td>
</tr>
<tr>
<td>19</td>
<td>The environment was clean and hygienic</td>
</tr>
<tr>
<td>20</td>
<td>Telecom Fiji Limited customer care centre is spacious</td>
</tr>
<tr>
<td>21</td>
<td>Parking is available for customers</td>
</tr>
</tbody>
</table>

Thank you for your time and cooperation.
Descriptive Statistics of Telecom Fiji Customers Surveyed

Descriptive statistics are used throughout data analysis in a number of different ways. Simply stated, they refer to means, ranges, and numbers of valid cases of one variable.

Firstly, descriptive statistics are important in data cleaning, as mentioned in chapter 2.

Secondly, a typical use of descriptive analysis is to produce a situation analysis which usually consists of national or sub-national level information such as land size, population, income, health expenditure, illness, malnutrition, mortality, access to safe water, sanitation, and agricultural production levels, to name a few. This data provides a snap shot of the situation under study. Table 7.2 shows the descriptive analysis of the data collected during the survey.

### Table 1: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Range</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AGE GROUP</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>200</td>
<td>8</td>
<td>1</td>
<td>9</td>
<td>3.37</td>
<td>1.769</td>
<td>3.129</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>200</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1.41</td>
<td>0.492</td>
<td>0.242</td>
</tr>
<tr>
<td><strong>Income of customer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>200</td>
<td>$10</td>
<td>$1</td>
<td>$11</td>
<td>$2.00</td>
<td>$1.020</td>
<td>1.040</td>
</tr>
</tbody>
</table>

---

5 Definition of Descriptive Analysis accessed on 16th September 2008

[http://www.tulane.edu/~panda2/Analysis2/one-way/pg1%20descriptive%20analysis/oneway01.htm](http://www.tulane.edu/~panda2/Analysis2/one-way/pg1%20descriptive%20analysis/oneway01.htm)
Correlations

The Pearson's correlation is used to find a correlation between at least two continuous variables. The value for a Pearson's can fall between 0.00 (no correlation) and 1.00 (perfect correlation). Other factors such as group size will determine if the correlation is significant. Generally, correlations above 0.80 are considered pretty high.\(^6\)

**Table 2**  Correlation between Customers age group and their assessment of the Quality Service by TFL

<table>
<thead>
<tr>
<th>Correlations</th>
<th>AGE GROUP</th>
<th>Quality of Service by TFL</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGE GROUP</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
<tr>
<td>Quality of Service by TFL</td>
<td>Pearson Correlation</td>
<td>.193**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.006</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

\(^6\) Definition of Correlation accessed on 16\(^{th}\) September 2008
http://academic.uofs.edu/department/psych/methods/cannon99/level2a.html