

## BUSINESS UNITS

### TELECOM INTERNATIONAL SERVICES

#### Overview



Telecom International (TI) provides customers with excellent quality international voice, data and maritime services at competitive rates. In addition, our users can make direct dialled calls to more than 240 destinations around the world. Telecom International also offers a competent and friendly Operator-assisted services. Two centres offer call establishment as well as a comprehensive enquiry service on a 24-hour basis. These are the International Exchange in Windhoek and the Walvis Bay Radio Station.

International outgoing call volumes increased slightly from 60.5 million minutes in 2002 to 61,4 million minutes in 2003. Traffic increased to South Africa by 1%, Angola by 21%, Botswana by 4% and to the other neighbouring countries by 11% over the previous year. These two major sectors account for 87% of the total International traffic.

Telecom International managed to lower the collection rate to South Africa significantly and Angola during 2003, and will introduce a further 20% lower off-peak rate to International destinations, from November 2003.

Both the Internet as well as direct access to the Cellular network are steadily eroding voice traffic over the Telecom Namibia network. Illegal breakout from the Internet, using VoIP and Least Cost Routing, is shrinking the traffic flowing to and from the Telecom national network. International traffic is also being targeted by Call-back operators using illegal means to bypass the Telecom network.

Telecom International provides dedicated international bandwidth to Infnitum to ensure adequate high quality connectivity to the World Wide Web at competitive rates. Due to satellite capacity constraints, a bottleneck was experienced during part of the year, but this was resolved by opening up two other routes - one for South African and one for International traffic. Telecom constantly monitors the usage on all the routes to ensure good quality service to all our customers.

## Regional Opportunities

Telecom International actively pursued two major regional opportunities during the past year, with the one being the SNO in South Africa and the other in Angola.

During the year under review, Telecom became one of the four partners in CommuniTel who bid unsuccessfully for the 51% stake in the SNO. The other bidder was Two Consortium. After recommendations by ICASA, the South African Minister of Communications instructed the Director of Communication (DOC) to continue with the process. Two Consortium and CommuniTel have now been given a chance to come up with an acceptable combined bid for the SEP portion of the SNO licence.

In Angola, Telecom Namibia plans to play a major role in one of the newly licensed fixed line operators. Business plans were completed and agreed on by our potential partners. The final approval of the Shareholders Agreement should take place in February 2004. Operations will commence on a limited scale early in 2004, with major rollout starting towards the end of 2005.

Telecom Namibia is well placed to play its role in the SADC Region. During June, the annual SATA conference was hosted in Windhoek, and the Managing Director, Mr. Frans Ndoroma, was elected to serve as the SATA Chairman for the next year. We have proven our capabilities over the past decade and are ready to expand beyond our borders without compromising national development. On the contrary, our ability to provide services to a larger market is to the benefit of all our customers.



## TELECOM INTERNATIONAL SERVICES (CONTINUED)

### VSAT Services

During the year we added another VSAT Hub to the Windhoek Earth Station. We now have systems to cater for larger communities and commercial entities as well as smaller standalone customers.

With our FaraWay system we serve 64 VSAT sites throughout Namibia. A total of 429 lines are supplied by the system. PanAmSat provides the satellite bandwidth for this service. With the excellent coverage of the PAS 10 satellite, we can reach most parts of Sub-Saharan Africa.

The newly installed DialAway system is presently serving some foreign customers *via* a Service Provider. The intention is to expand this service further during the next year, by joining forces with a well-established partner to sell services into Africa.

DialAway will be used to serve customers in Namibia with voice and Internet products. This VSAT system is IP based and can provide excellent access to e-mail and the World Wide Web. One of its features is that it uses very little power, and can easily be used on solar power.

### Future Outlook

The use of increased new telecommunications products to conduct business over long distances in all parts of the world, is the order of the day. Telecom International plays an important role in this process by ensuring connectivity for all Namibian enterprises and individuals. Lower call rates and the latest products will be made available to our customers on a sustainable basis at the right quality, to support the Namibian economy.



## TELECOM MULTIMEDIA (TMM) SERVICES

### Executive Summary

TMM is responsible for managing the business relationships with the “Total Solutions” and “Full House” customer segments of Telecom Namibia. It develops and promotes customer premise equipment, Internet access, Internet protocol applications, high speed data and value-added products and services. Products and services are bundled to satisfy the needs of the customers per segment.

With customer premise equipment and Internet services, TMM is competing in the market. This requires a high quality standard of service offering, and a management challenge for continuous improvement, value-adding and innovation.

Our marketing strategies focus on customer value-adding, marketing mixes to satisfy needs, support and relationship-building.

TMM aims to be the preferred multimedia service provider in Namibia, in all the target markets.

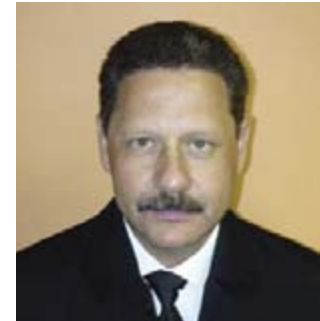


### Infinitum

Infinitum serves as Namibia's IP Bandwidth provider. Specialising in the provisioning of Tier I Access, we pride ourselves in being the Internet Access Provider with a 100% digital network, managed from a single, central point. Customers enjoy access to the most resilient IP backbone infrastructure.

Significant capital investments were made to expand our IP network to meet customer demands, with over 14Mb/s of International transit bandwidth, and more than 14Mb/s bandwidth on our national core. Our international connectivity is complemented by extensive Internet Access arrangements with global Internet carriers and access providers such as Xantic, UUNET-SA and Telkom SA.

Effectively, Infinitum combines the advantage of wide area coverage with the speed and quality of Telecom's core transport links, which are fully managed by Telecom's Telecommunications Management Network Centre in Windhoek. The benefits of centralised network management include 24-hour internal network surveillance, proactive maintenance and remote configuration of network elements.



### Infinitum product features

The uniqueness of Infinitum product features has been a key factor in strengthening the popularity of services and products in the market. Our network is operated on SDH technology with an IP network overlay. Its fully resilient backbone covers all main centres.

## TELECOM MULTIMEDIA SERVICES (CONTINUED)

### Our reach

Infinitem has the most extensive domestic urban and rural reach into Namibia, enabling Internet users to transact and communicate with users at any Namibian location. Our extensive national peering facilities with access providers such as I-Africa, Namibnet, Mweb and UUNET, ensure access to all content in Namibia and have been configured to reduce latency and response times to and from this content, to world-class standards.

### Fast throughput

By employing large cache server facilities, Infinitem significantly reduces throughput response times from the international World Wide Web.

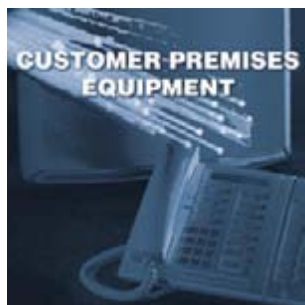
Caching temporarily hosts the most frequently downloaded requests at strategic locations in South Africa. This implies that the international content that is in most demand is available from any location, much closer to the Internet user community, and not at foreign locations.



### Customer Premises Equipment (CPE)

The CPE section focusses on the branch exchange market, offering a wide range of quality manufactured products, installation and maintenance services. CPE is offered and supported from all major centres in Namibia. It promotes the one-stop shop concept, which is an enabler to offer a total solution to customers. Our Business Centre displays a wide range of ordinary and digital telephones.

Service delivery and service assurance were kept at an acceptable, level of more than 96% in less than 3 days and 95% within 24 hours. Quality of service measured as faults per 1000 lines are less than 150. A customer satisfactory level of 75% was achieved as a quarterly average.



Considering service as our only product, approximately N\$4,000 was spent per employee to broaden their skills and knowledge base, focusing mainly on technical training.

### Future Outlook

TMM aims to be a main player in enabling the benefit of the convergence of service to our customers, and to be known as a true Multimedia service provider.

TMM is committed to continue identifying and creating new value with individual customers and sharing the benefits of such relationships over a lifetime of association.

## TELECOM PAY PHONES SERVICES

### Overview

This is the latest addition to Telecom Namibia's business units. Hitherto, the pay phones portfolio resorted under various structures at different stages of company restructuring processes.

The Business Unit is structured around three basic legs, namely: Technical Operations, Management Systems and Marketing & Strategy. Through Technical Operations, the up-time of the pay phones is ensured. Management Systems ensure the up-time of the systems that control the phones. The Marketing & Strategy leg, on the other hand, provides the commercial impetus necessary for driving the business forward. Business aspects falling under this component include channel management, marketing, branding, advertising, promotions, market and product research, as well as business development.

### Key Strategies

- The re-focusing of Telecom Namibia's Pay Phones business through best practice benchmarking and continuous performance reviews;
- Improvement of operational efficiencies through continuous and systematic preventive maintenance of the payphones, as well as rapid response to fault clearance and installations.
- Improvement of the availability of phone cards countrywide through the development and expansion of our phone cards' distribution network.
- Improvement of the up-time of the pay phones management system, through appropriate management and continuous upgrading.



### Key Achievements

Telecom Pay Phones achieved the following results in the financial year under review:

- A 22% improvement in Pay Phones' uptime;
- A 31% reduction in the fault-rate for pay phones;
- Introduction of electronic virtual FlexiCall Recharge Cards;
- Job-relevant training for staff at various levels - achieving five training days per employee per annum;
- All of which contributed to:
  - A 36% increase in gross revenue, and
  - A 49% increase in operating income

## TELECOM PAY PHONES SERVICES (CONTINUED)

### Future Outlook

The pre-paid telecommunications market in Namibia is assuming greater competitive dimensions. With the pending entry of a second mobile operator into the Namibian market, and niche players in the pay phones segment, the Pay Phones Business Unit is challenged to sustain excellent returns in an increasingly tough market.

Our continuing efforts will, therefore, be concentrated on enhancing our operational effectiveness to deliver superior customer service. We intend to further develop our distribution channels, increase our phones' up-time, improve our fault-response time, and implement a comprehensive and rigorous preventive maintenance scheme. Furthermore, we intend to build a stronger brand for Telecom Pay Phones in the marketplace and transform Telecom Pay Phones into the premier choice for pre-paid customers in Namibia.



## TELECOM CONSUMER SERVICES

### Overview

Telecom Consumer Services (TCS) is Telecom Namibia's main retail business division providing fixed-line and fixed-wireless communications solutions to the residential and small-and-medium-sized business markets. It serves also as the prime marketing channel for other business divisions of Telecom Namibia, for products and services specifically tailored for these customer groups.

During the year under review, TCS endeavoured to provide state-of-the-art technology in its access network that serves as a platform for a wide range of telecommunication services and products. TCS has continued to deliver innovative, value-added bundled telephony products at competitive rates.

The telephone density of 6.2 telephone lines per 100 persons in 1999 increased to 6.6 in 2003. This growth in teledensity is noteworthy if measured against an average annual population growth-rate of 2.6%, and the cancellation of a large proportion of the telephone customer accounts owing to bad debts.

### Quality of Service

A key strategic focus for TCS is the improvement of the quality of service rendered to its business and residential customers. The strategy is based on the elements of good customer service and the attitude of employees, who are trained to be proactive, customer-focused and consistent in their interaction with customers. It is hoped to establish and maintain long-term customer relationships, and not simply to deliver a product.

By applying these customer service norms, TCS improved its measurement ratings on the quality of service, during the year under review.

TCS continued to re-engineer key business processes in order to improve service assurance, service delivery and preventive maintenance and, in turn, decrease the fault-rate, installation-time and fault-response time.

Special training programmes were presented to employees to improve employees' skills and increase management efficiency and productivity levels. Employees were taught to adopt a competitive mindset whenever dealing with customers. To this end, the number of training days in TCS increased from 0,1 in 2002 to 9,4 days per employee, in 2003. Our greatest challenge is to achieve more with less, using the talents of smart and committed people to achieve measurable goals.





## TELECOM CONSUMER SERVICES (CONTINUED)

### Customer Satisfaction

Our performance in fixing faults is improving over time. While the **Total Fault Rate** (urban & rural) had remained relatively stable at 400 per 1000 customers, on average, per year, there has been a marked decrease in the **Total Fault Repair Time** (urban & rural) from 3,1 days in 2002 to 1,5 days in 2003.

The **Installation Response Time** (Urban & Rural) decreased significantly from 20,7 days in 2002 to 11,5 days in 2003.

Also, the number of **Urban Waiting Applicants** decreased by 40%, from 366 in 2002 to 147 in 2003.

Of significance too, is the number of **Rural Waiting Applicants**, which increased by 48%, i.e. from 310 in 2002 to 647 in 2003.

We need to recognise that the number of **Rural Waiting Applicants** could in reality be much higher when considering that there are still some remote settlements and lodges with no telecommunications infrastructure. Similarly, new settlements with no infrastructure continue to mushroom in urban centres. A special effort was made to roll out new access networks to these settlements and remote lodges. As a result, the combined **Number of Waiting Applicants** (urban & rural) declined in real terms from 3 859 in 2002, to 2 946 in 2003.

The Lead Time for Disputes showed a marked improvement from an average of 74 working days to 15 days from the date when the complaint was lodged.

The operational performance of TCS improved significantly in both urban and rural areas. There is still room for improvement, particularly in removing bottlenecks and streamlining certain business processes to improve customer satisfaction levels.

TCS implemented a strategy to increase customer satisfaction through product differentiation and competitive pricing packages, backed by an exceptional after-sales customer-care service program.

## TCS Staff

TCS performed as follows during the year under review:

## Employee Training Performance

FY 2002

0.1 training days

FY 2003

9.4 training days

- TCS improved the competency level of all its experienced but uncertified technical staff. TCS Human Resources launched an initiative to provide an accelerated technical program in conjunction with Telkom SA. This program had a huge positive impact on employee productivity.
- The aim of this exercise was to increase customer satisfaction levels and to develop employee career paths.
- The need for appropriate rural technologies is still posing a challenge for new service provisioning, especially in the areas where Telecom has no infrastructure. Indeed the waiting list will be solved only once we have found affordable rural solutions for deployment in these areas. The implementation of Capital Projects moved extremely well during the past year, after new decision-making processes and standardised procedures were implemented to eliminate delays and backlogs. Furthermore, the Planning and Construction Department was placed under one Senior Manager within TCS, which improved the overall performance of technical operations.

## Future Outlook

Proceeding from the aforesaid, there is a demand for Telecom Namibia to continue with the expansion of the network optimising asset utilisation, increase telephony penetration countrywide, further improve service-delivery and assurance, enhance the efficiency of technical staff and, resultingly, the quality of service.

In the new financial year, Telecom Namibia will explore suitable technologies for faster deployment in rural areas and other secluded settlement areas with no infrastructure. Our focus will be on the automation of the approximately 1 000 semi-automated customers. With the CDMA mobility concept, we are confident that an increased market penetration rate will be achieved in the near future.

