

Conveniently, Yours

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The Pay Phone Company Ltd made its advent into the Sri Lankan Telecom market in 1994. They have come a long way since then and the 'Supercard' is not an unfamiliar phenomenon to most of us. Klaus Scholz, chief executive officer/director of the company, in an interview with Business Today said, 'Our objective is not to put in as many phones as possible but to offer people the use of these phones in the most convenient way.'

What is your company's make up, who are your overseas partners and what is their investment?

Ours is a joint venture between 3 telecom companies one of which is our local partner Fentons who is the biggest provider of PABX systems here in Sri Lanka. The second is an American company called World Quest which operates a fax store and forward on e-mail network internationally. The third party is one of the five largest companies in Thailand called Loxley, which is a group of companies involved in several telephone operations which includes a company called TTNT which has 1.5 million lines, license and operations in the upcountry of Thailand. The combined investment of the two foreign collaborators in The Payphone Company is US\$6 million.

What was your concept for the Sri Lankan operation?

The idea is for the three companies to combine their know how and implement a new system not only for Sri Lanka, but Asia as a whole. The new system is where the user takes phone calls which he/she has directly paid for not through the provider of the service or a telephone bill at the end of a month but through a prepaid card. This concept came from America where a prepaid card could be used for cheaper and more convenient calls by subscribing to companies such as ATNT, MCI or Sprint etc. Customers preferred the services of these companies because they were convenient and offered cheaper rates for calls, especially IDD.

Is the 'Supercard' cheaper for Sri Lankan IDD users?

In a way it is cheaper. There are 2 areas to consider. One is our method of charging. The first idea was to offer the people of Sri Lanka international calls and through our payphone operation, local calls by a prepaid account. However, up to now we have been forced to resell the SLT rate, which means we do not get any discount unlike private operators such as Suntel or Lanka Bell who get a 35% discount on the SLT call rate. We have to upmark the SLT rate which in our point of view we do in a very fair way to our customers. We charge for the first 30 seconds and then in 6 second blocks like the SLT. That is a big advantage as most people talk for over 30 seconds anyway, thereby making it cheaper in the long run. However, as long as we have to resell the SLT rate, we would be compelled to offer our customers a slightly higher rate on calls, in order to finance the Supercard.

The second area is the reduction in telephone bills for corporate customers. The 'Supercard' values vary from as low as Rs 40 to Rs 500, 1,000, 1,500, 2,500, 5,000, 6,500 or as high as Rs 10,000. A company can limit its IDD calls by purchasing Supercards with fixed values for each month. That way staff IDD calls can be limited to the value of the card the company decides to purchase, thereby preventing misuse. So, even if they pay a slightly higher rate on an IDD call, they would not have to invest in huge down payments or pay high installation costs.



Klaus Scholz

This prepaid card is like a cellular phone in one's wallet, the only difference is you

carry a piece of paper with a number on it instead of a phone. It can be used through any SLT phone or even a mobile phone which is connected to our network. At present 'Supercard' can be used through 'Call Link' mobiles.

Since this card system does not inspire impulse calling, and a purchaser would have to preplan an IDD call, what market strategy do you use to make the system attractive to the user?

Yes. We advertise continuously and inform the public where our cards can be purchased. For example here at Fentons head office, cards can be purchased 24-hours. However, our cards are not freely available in upcountry areas which is why we frequently advertise the names of retailers in those areas. But once the card is purchased it is valid for any length of time until the value is used up. So impulse calls can be made. It is like having a visa, any time you want to, you can travel. As for market strategy, we have printed a lot of leaflets in Sinhala, Tamil and English to educate people on how to use these cards, especially the lower middle class group who have relatives in regions such as the Middle-East and cannot spend too much money on an overseas call.

Actually, the number of overseas calls in this region is extremely low. The reason for this being not only lack of funds but the fear most people have to use an IDD facility and especially ignorance when it comes to using a pre-paid card. We hope to overcome this problem by distributing our instruction leaflets in various villages to educate the people.

Couldn't the number of outbound IDD calls being low be attributed to the high premiums on calls charged by the SLT? Do you have problems with this?

Compared to other countries in Southeast Asia, compared with the income level and the cost of a call, yes it is rather high. But being a government body SLT has its reasons. However, if the 35% rebate which Suntel and Lanka Bell enjoy is also given to the public or companies such as ours which offer a large IDD service to the public, we can offer very competitive rates the same rate as SLT and the same discount areas.

What is the technology you use?

It is an American technology, where you don't need a very expensive chip or a

metallic strip on the card. Unlike magnetic cards which are very easy to fake, this is a piece of paper with a hidden pin number on it which becomes visible by scratching on the surface. This pin number is in a computer network so in the event a supercard gets lost one can immediately call in and we will invalidate that particular number. This is not possible with any of the other card systems you have here.

In which other parts of the world is this system used and how successful has it been?

It is widely used in America, Thailand and by KLM in Holland, and yes it has been very successful in all these countries, especially with companies, who have found it very useful in reducing their call charges.

Have you any other operations in the region, if not do you intend using Sri Lanka as a stepping stone?

In the region, only in Thailand and Sri Lanka so far and yes if we find partners in another country who would like to use the experience we gained in Sri Lanka, we would welcome working with them.

Could you elaborate on your payphone operation. What is your coverage and how many units do you have throughout the island?

The payphone operation consists of two arms. One is a payphone which you can access through a prepaid card which is the cheapest in the world. At present, we are moving some units from Colombo to the outskirts where telephone facilities are not easily available and usage will be higher. We have installed about 250 phones in the Western Province, for easy accessibility to the public.

The second arm of the operation is the installation of public phones for a certain group of people such as an army camp, hospital or even a company where employees or inmates can use the facility with a prepaid card. Instead of having a phone in a payphone booth somewhere on the street it is possible to have the facility of calling collective to a PABX system. So, instead of having a booth all the extensions of a company can be related to one or two lines which in reality are the payphone lines which can be used on all the extensions with a prepaid card.

Have you received any special concessions from the Government in setting

up your project?

We received only the BOI concession i.e., we are a licensed public network operator based on wireless local loop. We are like Lanka Bell or Suntel, a licensed operator but our services are for the public while their services should be offered to private users. Of course, the SLT has cooperated immensely with us and given us access to all their land lines and we now have 250,000 connections through the SLT and another 500 payphone units to be installed by the end of the year.

What do you think of the Sri Lankan bureaucracy, the red tape etc? Was the BOI helpful?

BOI, yes. The SLT also yes to an extent, but since it is a government department there is a lot of red tape and it is rather difficult because you are not dealing with one person. They cannot make a commercial decision without a board meeting. without a lot of paper work etc. all of which is very time consuming. By and large the SLT has been cooperative except of course we could use. more concessions which would not only be for the benefit of our company but for the general public as well.

How does the Sri Lankan bureaucracy compare with that of other countries?

In Sri Lanka if you know the right people it is of course very much easier than other countries to get things done, because you have very little corruption in comparison. The only problem is the time factor. Because in telecommunications every day counts and the delay of a month or two means loss of money. So, the bureaucracy is good but it needs to be speeded up and streamlined.

What is your opinion on the Sri Lankan economy, from a business point of view?

I hope the Sri Lankan economy exportwise stabilizes over the next few years. I hope the small increase we have seen so far will reflect on the consumer as well. Especially, income wise, so that the consumer too can participate in the economic growth of large companies.

How does your Sri Lankan staff compare with their overseas counterparts and have you had to give them any special training?

Yes, we have sent some of our engineers to America for training and the good thing is that we have found that our company is moving even faster than our American company. Our employees recognize that we are moving faster than others and with all the training we have provided them we have achieved a fast, efficient and smooth running operation.

How do you counter competition i.e., Lanka Payphone, Metrocard etc.?

We offer by far the biggest network for international calls on around 250,000 SLT phones so it does not matter if our competitors have 1,000 or 2,000 payphones. We also think that consumers should not pay huge sums of money into bank accounts of companies by way of large down payments for IDD depos its. I think our technology is much more flexible from the consumer's point of view.

What do you expect your market share to be?

If the SLT will give us the rebate that we require for our international call operation, we can have about 35% of the market share. On the other hand, as a licensed operator and as stated in our license and those of other private operators as well as the SLT, no licensed operator can refuse to interconnect another operator, that's according to the license. But unfortunately, we do not have interconnection with any of the other operators other than SLT.

When did you receive your license and venture into commercial operation?

We went into commercial operation in 1994. We have our own network, our own switch, but our services can be value-added services on other operators also. With the other operators cooperating we can offer a lot of value-added services to them as well as the public.

So, have you negotiated with other operators and what has been their response?

Some very bad, some very good. I think their response is related to their main objective. As wireless loop companies they try to get as many lines as possible to get the most they can from the market. But our objective is not to put in as many phones but to offer the people the use of these phones in the most convenient way. So what we would like to do is to work together with other operators to offer a better service to the public.

What are your future plans?

We can offer the use of the prepaid card to send faxes abroad. We will also prepare services such as the internet and others related to telecommunications. But we are very interested in joining hands with another Sri Lankan company who would like to work with us which would help to add to our services. We have plans to combine our 'Supercard' with credit card, internet and several other services.