IB7200 Connectivity VT2007

Assumptions for Cash flow analysis

1. An analysis of the cash flow should be made for a franchise business case with one main MCT (the Franchiser), which serves as a hub for a number of smaller satellite MCTs (the franchisees). In this hypothetical case it is assumed that initially there will be five satellite MCTs and that the number will increase to 10 as from the second year

2. The Main MCT will be equipped with 10 PCs and a LAN server, printers, photocopier, DVD player, TV with LDC projector, scanner and digital still and video camera and the connectivity will be through a wireless WAN provided by the ISP. The Satellite MCTs will start with three PCs and end up with 8 PCs by the end of the second year. They, too, will be connected to the WAN and share bandwidth with the Main MCT. It is assumed that open software is used so no SW license fees are included.

3. This somewhat simplified analysis is based on cost figures provided by Indonet and the Farmers Federation in Salatiga.

A.1.1. Cash flow Satellite MCT (Franchisee)

4. The cash flow analysis of the satellite MCT is further based on the following assumptions:

a) Each satellite MCT start with 3 PCs, and free usage for the first two months. As from month three the usage fees will increase gradually as follows:

b) PC Usage fee:
month 3 - 9 = US$ 0.06/hr
month 10-12 = US$ 0.08/hr
month 13-18 = US$ 0.11/hr
month 19 -23= US$ 017/hr
month 24-26 = US$ 0.22/hr
month 27-30 = US$ 0.25/hr
month 32-33 = US$ 0.28/hr and from month 34 and onwards US$ 0.31/hr.

Note that the maximum fee is still about US$ 0.13 less than current fees in commercial Salatiga Warnets (at least 25% lower). However, most likely also commercial fees will come down due to the competition and decreasing costs for bandwidth and hardware.

1 PC will be added every 6 month approximately (2 PC in month 19), up to a total of 8 PCs by the end of the second year. The occupancy of the PCs is assumed to increase by one hour each month from three hours/day and PC in month No. 3 to a maximum of 10 hrs/day and PC in month 13 and onwards.

c) Staff cost and connectivity costs will increase gradually as the MCT gets more clients and provides more services.

d) The Franchisee receives a grant of US$ 19,000 that covers the initial investment in equipment, plus the salary costs, the transport costs and the connectivity costs for the first two years. The last year all operational costs are born by the franchisee. This implies that for the ten franchisees the total grant will amount to 10 times US$ 19,000 = US$190,000.

e) The Franchisee pays 5% of the revenue each month to the Franchiser (Main MCT). In return, the franchisee gets his staff trained, some maintenance support and cheaper connectivity costs than if the satellite MCT had leased a line of their own.

A.1.2. Cash flow Main MCT (Franchiser)

5. The analysis of the cash flow of the Main MCT is based on the following assumptions:

a) The MCT will acquire its 10 computers from day one and offer free usage for 2 months. Like for the franchisee MCT, paid usage time will increase by one hour each month from 3 hours/day and PC in month 3 to 10 hrs/day and PC in month 13 and onwards.

b) Fee structure as for the franchisee (see above)

c) Staff cost and connectivity costs will increase gradually as the MCT gets more users. The bandwidth, initially 64 Kbps but from the 2nd year onwards 128 Kbps is shared with the franchisees (5 first year and thereafter 10 satellite MCTs)

d) The Implementing agency receives a grant of US$ 75,000 that covers the initial investment in equipment, the salary and transport costs the first year, and the connectivity costs for the first two years. It further covers the cost of trainers and training material for PC skills training courses the two first years (free for the users and franchisee staff). The third training the MCT staff will provide the necessary training of users. Other professional training courses could also be offered, which add net revenue.

e) As from the third year the MCT makes net revenue of US$ 300 per month from other services like training, telephony, photocopying, repair of IT equipment, etc.

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Assumptions about investment costs for Main MCT

x1000 USD

1 set of PC + UPS	0, 50
Printer	0.50
Rural radio equipment	1.11
Wireless WAN equipment	0.67
Amplifier	0.56
Hub and cable	0.17
CPU server	3.33
Digital camera	0.22
Scanner	0.22
Video camera + DVD, TV, LDC projector	2.33
Photocopying/graphic reproduction equipment	2.22
Furniture & refurbishment	0.56

Assumed monthly operating costs for the Main MCT

x1000 USD

Transport	0.11
Office rent	0.09
Consumable (books, paper, CD, etc.)	0.03
Electriciy – Water	0.03
Staff salaries	0.56
Maintenance	0.03
Troubleshooting	0.03
Connectivity fee (64 first year->128Kbps from year 2 and onwards)	0.86 for 64 kbps 2.20 for 128 kbps
Training (instructor+ mat'l)	1.11

Assumptions about initial investment costs for Satellite MCT (Franchisees)

x1000 USD

3 PCs, UPS, printers	1.78
Antenna tower	0.78
Wireless WAN equipment	0.67
Radio equipment	0.56
Hub and cables	0.17
Digital camera	0.22
Scanner	0.22
furniture & refurbishment	0.22

Assumed monthly operating costs for Satellite MCT

x1000 USD

Transportation	0.17
Office rent	0.03
Office supplies (books, papers, CD-ROMs, etc.)	0.03
Staff salaries	0.17
Electricity – water	0.03
Maintenance	0.03
Trouble shooting	0.03
Connectivity fee *(to main MCT)*	0.07
Franchise fee 5% of revenue.	