An Overview of the Nigerian Telecommunications Environment

Chief Executive/Vice Chairman
Nigerian Communications Commission
ITU Telecom Africa 2004
An Overview of the Nigerian Telecommunications... ... ..
Introduction

- The need to attract investment to develop national ICT infrastructure has led to policy and institutional reforms leading to liberalization, of the telecom sector.
- Regulatory body, the Nigerian Communications Commission (NCC) was established by law in November 1992.
- Commenced operations in May 1993 with the inauguration of the first Board of the Commission making the beginning of partial liberalization of the industry.
Introduction

Communication before full liberalization …… 1999

- Unreliable phone lines
- Calls hardly completed

- Few lines available (total of 450,000 lines)
  - 0.4 lines to 100 inhabitants
- …. even available lines were mostly out of reach

- More than half of the connected 450,000 phone lines were concentrated in government offices and corporate organizations
Introduction

Teledensity now 3.9 lines per 100 inhabitants from 0.4% only 3 years ago.

3.8m mobile lines connected in less than 3 years.

Mobile network coverage of estimated 45% of the population over an area of about 156,200km² achieved by one of the mobile operators in a period of just over 2 years. Fastest growing mobile market in Africa.
An Overview of the Nigerian Telecommunications...

Evolutionary Trend in Telecom Development in Nigeria
Evolutionary Trend in Telecom Development in Nigeria - Macroeconomic Data

- Population (est) 130m
- GDP USD52b
- GDP growth 3.7%
- Inflation 10.4%
An Overview of the Nigerian Telecommunications Industry Structure
Telecommunications Industry Structure

The Federal Government

Overall directions for telecoms development

Ministry of Communications

- Policy Advice
- Formulates broad policy goals
- Monitors policy implementation

Service providers
- National Carriers
- Others

Direct regulatory oversight

• Overall directions for telecoms development
• Enabling laws

Policy Advice
Telecommunications Industry Structure

- The Federal Government of Nigeria
- The Ministry of Communications
- The Nigerian Communications Commission
- Nigerian Telecommunication Limited (NITEL)
- The Second National Operator – Globacom
- Other Licensed private telecommunication operators and service providers
The Federal Government of Nigeria.

The role of the government in telecommunications sector includes:

- Giving overall directions for telecommunications development
- Ensuring policy consistency of telecommunications with other national policies; and
- Enacting necessary laws and taking other measures promptly in support of the National telecommunications policy.
An Overview of the Nigerian Telecommunications...

Trends in Nigeria Telecoms
Trends in Nigeria Telecoms

Two factors account for phenomenal developments:

- Rapid Advances in technology
  - Wireless
  - Prepaid Billing
  - IP technology
- Market Liberalization/Competition
Trends in Nigeria Telecoms:
Needs for Sector Reforms

Present Democratic government policy thrust:
- To improve services
- Eradicate misuse of monopoly power
- Increase sector efficiency through competition
- Encourage innovation & introduce advanced services
- Attract local and foreign investment
- Enhance value to consumers through improved range and pricing of services
- Extend services to underserved & unserved area
Full liberalization: 2000 to Date

- Opening Up of the Sector
  - all market segments remaining under monopoly (including mobile and long distance segments) were opened to competition

- Enthronement of Democracy and responsive governance in 1999 with policy thrust to fully liberalize the industry.

- A New telecom policy released in the year 2000, the hallmark of which was the blueprint for full liberalization of the telecom industry.

- The implementation of the policy has resulted in some measures highlighted below.
Incentives:

- Restriction in level of foreign Equity participation removed.
- Reduction in level of import duties on telecom equipment from 25% to 5% for first two years
- Simplification of procedures for importation of telecommunications equipment and development of related software.
- Granting of pioneer status to qualified investors.
- Fiscal incentives to encourage local manufacture.
Positive Developments
Dividends of Full Liberalization - contd

- Policy and Regulatory Intervention
  - Development of Spectrum Plan for the Nigeria
  - Commercial Spectrum Management transferred to the NCC
  - Interconnection Regulations and Guidelines published
  - Landmark resolution of interconnect disputes
  - Settlement of Interconnection Rates
  - Development of various regulations

- Establishment of Consumer Affair Bureau.
- Establishment of the Consumer Parliament

- Four (4) digital Mobile Lines Licences issued.
- Roll out in August 2001.
- NITEL national carrier licensed by NCC.
- Second National Operator Licensed.
- Fixed Wireless Access Operators Licensed.
- National Long Distance Operators Licensed.
- Consumer Affairs Bureau established.
- Consumer outreach programmes and Consumer Parliament established.
- Enforcement team constituted and is enforcing Compliance.
- Teledensity increased by over 1000% in 2 years.
## Positive Developments: Dividends of Full Liberalization - contd

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<tr>
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<th>Dec-00</th>
<th>Dec-02</th>
<th>Jun-03</th>
<th>Dec-03</th>
<th>Mar-04</th>
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<tr>
<td><strong>Number of Connected Fixed Lines</strong></td>
<td>450,000</td>
<td>702,000</td>
<td>724,790</td>
<td>850,000</td>
<td>888,854</td>
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<td><strong>Number of Connected Digital Mobile Lines</strong></td>
<td>None</td>
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<td><strong>Number of National Carriers</strong></td>
<td>1</td>
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<td><strong>Number of Operating ISPs</strong></td>
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<td><strong>Number of Active Licensed Fixed Line Operators</strong></td>
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<td><strong>Number of Licensed Mobile Operators</strong></td>
<td>1</td>
<td>4</td>
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</tbody>
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Positive Developments: Dividends of Full Liberalization - contd

Increase attributable to roll out plans of Fixed, Mobile and FWAs

Growth in Connected Subscriber Lines
Positive Developments
Dividends of Full Liberalization - contd

• Connected telephone lines grew at an average of 10,000 lines per annum (in the 4 decades between independence in 1960 and end of 2000)
• In last three years (Aug 2001 to March 2004), an average growth rate of over 1m lines per annum was attained.
• And by March 2004 total connected fixed lines stood at 888,854 and mobile lines 3,811,239 with total telephone lines of 4,700,093.
• Teledensity as at March 2004 is 3.92

Nigeria – fastest growing mobile market in Africa and one of the fastest in the world
Positive Developments
Dividends of Full Liberalization - contd

Private Investment (USD million) - 1999 - 2003

Growth in Investments

Dec-03
Sep-03
Jun-03
Dec-02
Dec-01
Dec-00
Dec 99

0.00 1,000.00 2,000.00 3,000.00 4,000.00

50.00 150.00 2,100.00 2,550.00 4,000.00 (estimate)

2,550.00 (estimate)
Positive Developments
Dividends of Full Liberalization - contd

- Total teledensity was 0.4 lines per 100 inhabitants in 1999; reached 1.96 in Dec 2002.
- It increased to 3.33 in December 2003. By March 2004, the total teledensity was estimated at 3.92 lines per 100 inhabitants.
Positive Developments
Dividends of Full Liberalization - contd

Figures (a), (b), (c) and (d): Mobile Market Share – August 2002, September 2003, December 2003 and March 2004.
Positive Developments
Dividends of Full Liberalization - contd

Access Provision

- The ‘umbrella people’ are doing a great job providing access to many who cannot own telephones or mobile phones
- A major contribution to access provided by mobile and fixed operators
Positive Developments
Dividends of Full Liberalization - contd

- The ownership of mobile phones has been ‘democratised’:
  - Artisans, students, taxi drivers, market women etc now own phones
- Access to telecom greatly enhanced
  - Explosion of telecentres / cybercafe in all nooks and crannies of the country where signals are receivable
- Cheap set-up costs
- Low overhead – a table, an umbrella and a street corner
Positive Developments
Dividends of Full Liberalization - contd

- Colour dots indicate mobile coverage
- As earlier mentioned one of the mobile operators has covered estimated 45% of inhabitants
Positive Developments
Dividends of Full Liberalization - contd

Tariff and Charges

- Reduction in Acquisition costs of New Lines
  - fixed telephone lines
    - Lines sold for an average of N100,000 at the end of 1999. But, today, low-end fixed lines go for as low as N20,000 or less.
  - analogue mobile lines
    - Reduced by 650% over the same period from N60,000 in 1999 to N7,999 in 2003.
Positive Developments
Dividends of Full Liberalization - contd

- Reduction in costs

  - Internet Usage
    - Charges for internet usage in cybercafe now range between N100 and N150 per hour as against N600 to N750 per hour in 1997
    - This represents about 500% reduction in usage charges over the period.
Positive Developments
Dividends of Full Liberalization - contd

Employment Generation

- GSM
  - Over 3500 people directly employed by the GSM operators alone
  - Estimated 400,000 indirect employment opportunities created through the operation of GSM
    - Recharge card hawkers, Resellers etc including the umbrella people
An Overview of the Nigerian Telecommunications... ...

The Consumer
What does the Consumer want

Consumer Expectation

- Access
- Reliability
- Simplicity
- Value for money
- Ease of use of technology
Universal Access Provision Fund

- To boost the provision of communications services to the rural, unserved and underserved areas of the country
- The Universal Service Provision (USP) programme is now at an advanced stage of implementation
- Pilot Projects identified for underserved, non-commercially viable areas
- USP Fund soon to be established
- Ministry of Communications UA programme will provide additional access for rural community
Conclusion

- TWO YEARS OF TELECOM SECTOR REFORM HAS BROUGHT ABOUT
  - Improvement in Investment Climate
  - Increase in number of market players
  - Unprecedented Growth in the Network
  - Substantial improvement in access to telecom facilities
  - Empowerment of the Nigerian
  - Respect from International Community
  - Employment Creation
  - Economic Stimulus
An Overview of the Nigerian Telecommunications... ... ..

Conclusion
Nigeria remains Africa’s largest democracy and the most liberalised telecommunications market in the continent.
We welcome all genuine investors to Nigeria

......Africa’s preferred ICT Investment Destination.
THANK YOU

Ernest C.A. Ndukwe, OFR, FNSE, FNIM