TELECOMS REGULATORY ENVIRONMENT

LEGISLATION, REGULATION AND LICENSING

By Engr Ernest C.A. Ndukwe
Executive Vice Chairman/CEO
Nigerian Communications Commission
Introduction

- Communication is a vital aspect of human existence
- Effective communication enhances value of Information
- Information has, today, become a critical factor of production vis-à-vis land, labour, capital and entrepreneurship
- Thus communications and the technologies that support it, occupy a strategic position now more than ever
Introduction

- Robust telecommunications infrastructure is important for economic growth
  - Constitutes significant portion of world economy
    - Revenue from Telecom services alone was estimated at USD1.26 trillion as at 2002.
  - Improves productivity and efficiency in other sectors
Introduction

- Increased adoption of ICTs in both developing and advanced countries confirms the benefits and importance of ICTs to economic development.
- African countries have realised the need to adopt ICTs or become less competitive.
Revolution is now taking place in telecoms in Nigeria

Nigeria has recently become one of the fastest growing markets in the world for mobile communications.
CHARACTER OF TRADITIONAL TELECOM INDUSTRY
CHARACTER OF TRADITIONAL TELECOM INDUSTRY

- A Government Ministry Charged with Telecommunications Services.

- Government ownership of a monopoly telecommunications company.

- Government funding of telecom infrastructure development.
CHARACTER OF TRADITIONAL TELECOM INDUSTRY - CONTD.

- Slow pace of Network Rollout
- Non-competitive equipment procurement procedures.
- Sub-optimal quality of service delivery.
CHARACTER OF TRADITIONAL TELECOM INDUSTRY - CONT'D.

- Weak Infrastructure base
- Huge unmet demand
- Lines concentrated mostly in selected urban centres
- Slow growth of Subscriber base
- Limited investment into the Sector
SECTOR REFORM
Several countries have identified the need for considerable investment in this sector.

Liberalisation of Telecom market is essential for Network Growth.

Private Sector participation is essential for attracting financial resources, innovation and new technology.

Nigeria thus embraced Market Liberalisation to prosper.
BENEFITS OF SECTOR REFORM

Sector Reform Will

- Improve services
- Eradicate misuse of monopoly powers
- Attract local & foreign investment
- Encourage innovation and introduce advanced services
- Generate government revenues
- Increase sector efficiency through competition
BENEFITS OF SECTOR REFORM – Cont’d

- Enhance value to consumers through improved range and pricing of services
- Extend services to underserved and unserved areas
Right policies and a good regulatory environment, contribute to attracting investment by providing stable, transparent and non-discriminatory access to telecommunications resources.

Government commitment to reform is essential and must be total.

Half-hearted reform measures limit inflow of private capital required to accelerate network expansion.
CHARACTER OF MODERN TELECOM SECTOR
CHARACTER OF MODERN TELECOM SECTOR

- Fully liberalised telecom market
- Government role restricted to policy formulation and sector regulation
- A strong, independent Regulatory Authority
- Existence of competition in all segments of the market
CHARACTER OF MODERN TELECOM SECTOR - CONT'D.

- Minimal Government funding of telecom infrastructure allowing resources to be available for other sectors.
- Massive Private sector investment to the sector.
- Improved availability and quality of service.
- Continuously innovating telecom environment with introduction of new services on a continuous basis.
ROLE AND IMPORTANCE OF THE REGULATORY AUTHORITY
ROLE OF THE NATIONAL REGULATORY AGENCY (NRA) IN SECTOR REFORM

- Drive telecom sector reform by:
  - Promoting market liberalisation
  - Licensing of competitive operators
  - Introducing and maintaining transparent regulatory processes
  - Attract investment
  - Protecting new entrants from dominant operators
  - Protecting consumer rights and interests
  - Encouraging new and advanced services
  - Speedy and equitable dispute settlement
Need For Telecommunications Regulations

• Market Liberation must come with strong Regulatory Framework.
• The industry must be governed by sensible set of rules that encourage investment and protect the consumer
• To be effective, regulators must be skilled, well trained and sufficiently empowered to enforce rules.
• A good regulatory environment is essential to attract private investment.
Key Success Factors For a Regulatory Authority

• Good enabling Laws
• Government Support
• Independence
• Adequate Manpower
• Adequate Funding
• Wide Consultations
• Positive, Bold and timely Regulatory Decisions.
The Nigerian Scenario

- Regulatory body, the Nigerian Communications Commission (NCC), was established by law in Nov. 1992.

- Commenced operation in mid 1993 with the inauguration of the first Commission.

- Commenced full market liberalisation and Sector Reform in 2000.
POWERS OF THE NCC

- Giving written directions to licensees
- Consulting with Consumers, commercial and industrial organizations
- Delegating its functions to a Committee constituted by it
POWERS OF THE NCC - CONT'D.

- Summoning persons to appear before the Commission

- Entering into contracts with any company, firm or persons

- Establishing and maintaining subsidiaries to enable the discharge of its functions
With regard to licensing, the NCC has been granted powers including the following:

- With Issuance of licences and imposition of terms and conditions on licences
- Variation or revocation of a Condition of licence
- Consulting with affected licensees before bringing into force an obligation which may be onerous on the licensee
POWERS OF THE NCC - CONT'D.

- Approving guidelines for keeping of accounts and cost allocation formula of licensees
- Inspection of licensees’ books of accounts
- Granting or revoking of permits for connection of customer equipment
POWERS OF THE NCC - CONTD.

- Determination of principles to guide interconnection arrangements between operators
- Determination of services and new undertakings eligible for licensing from time to time
The Nigerian Scenario – Contd.

The last few years have seen a notable increase in private sector involvement in the Nigerian Telecommunications Industry with the:

- Successful auctioning of the 2G Digital Mobile Licenses in January 2001 (Total of four GSM licenses issued).
- Preparation of the Incumbent Operator for privatisation.
The Nigerian Scenario – Contd.

• Several Internet Providers licensed to encourage fast growth of Internet nationwide.

• The Regulatory Body has been strengthened, and is receiving full support from the government.

• A National Telecom Policy (NTP) released in September 2000.

• Enactment of a new Communications Law – the Nigerian Communications Act (NCA) 2003.

• Enactment of Several Subsidiary Regulations enacted.
The National Telecom Policy.

The NTP provides for the strengthening of the NCC, and lists the functions of the NCC to include:

- Licencing of telecommunications Operators
- Assignment and Registration of Frequency to duly Licensed Operators.
- Administration of National Numbering Plan
- Facilitating Private Sector participation and investment in the Telecommunications Sector of the Nigerian economy
The National Telecom Policy– Contd.

- Promoting and enforcing a fair and competitive environment for all operators

- Defining standards for economic regulation of Dominant Operators, including tariff regulation

- Establishing mechanisms for promoting Universal Access to Telecommunications Services in Nigeria

- Establishing and enforcing technical and commercial standards and practices for all operators.
## The Nigerian Market-Score Card

<table>
<thead>
<tr>
<th></th>
<th>December 1999</th>
<th>December 2002</th>
<th>December 2003</th>
<th>December 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Connected Fixed Lines</td>
<td>450,000</td>
<td>702,000</td>
<td>850,000</td>
<td>1,120,000</td>
</tr>
<tr>
<td>Number of Connected Digital Mobile Lines</td>
<td>None</td>
<td>1,594,179</td>
<td>3,100,000</td>
<td>9,200,000</td>
</tr>
<tr>
<td>Number of National Carriers</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Number of Operating ISPs</td>
<td>18</td>
<td>30</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>Number of Active Licensed Fixed Line Operators</td>
<td>9</td>
<td>16</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td>Number of Licensed Mobile Operators</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Private Investment</td>
<td>$50m USD</td>
<td>$2,100m USD</td>
<td>$4,000m USD (est.)</td>
<td>$6,000m USD (est.)</td>
</tr>
</tbody>
</table>
The deregulation and liberalisation of the telecom industry has brought with it a lot of advantages for the Nigeria economy

- The economic benefits include; attracting new investments, providing needed infrastructures and creating innovative services

- Investment in telecommunications tends to trigger an economic chain which in the case of Nigeria has positively impacted other sectors of the economy
The Nigerian Market Contd.

FOUR YEARS OF TELECOM SECTOR REFORM HAS BROUGHT ABOUT:

- Substantial private sector investment
- Increase in number of market players
- Unprecedented Growth in the Network
- Expanded geographical coverage
- Empowerment of the citizenry
- Employment Creation
- Economic Stimulus
NIGERIA’S CHALLENGES
CHALLENGES

LEGACY ISSUES

- Weak Infrastructure base
- Unusually huge demand for services after market liberalisation due to inefficiencies of the past
- Unreliable Electric power supply
CHALLENGES – CONT’D

REGULATORY CURRENT ISSUES

- Interconnectivity
- Effective Competition in all service segments
- Monitoring Compliance & Enforcement
- Managing Consumer Expectation
- Consumer Education
- Institutional Strengthening
Working together we can overcome current and future challenges as they arise.

The Judiciary and indeed the legal profession in general have a crucial role to play in ensuring harmony and order in the fast evolving ICT industry.
THE END

I Thank You all.