TELECOM LIBERALISATION IN NIGERIA

A paper presented at SATCOM 2005

OPENING UP THE MARKET & SECTOR REFORM

By Engr Ernest C.A. Ndukwe
Executive Vice Chairman/CEO
Nigerian Communications Commission
THE PRE-LIBERALISATION ERA
THE PRE-LIBERALISATION ERA

- Government ownership of a monopoly telecommunications company.
- Government funding of telecom infrastructure development.
CHARACTER OF THE PRE-LIBERALISATION ERA

- Slow pace of Network Rollout
- Long waiting line for services
- Consumers limited to only one Service Provider
- Quality of service delivery low.
RESULT

- Weak Infrastructure base
- Huge unmet demand
- Lines concentrated mostly in selected urban centers
- Limited investment into the Sector
Several countries, in the last two decades of the 20th century, identified that liberalisation of Telecom market was essential for rapid network Growth.

That private Sector participation was essential for attracting financial resources, innovation and new technology.

Nigeria thus embraced Market Liberalisation to accelerate ICT growth.
BENEFITS OF SECTOR REFORM

We determined that 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
- Extend services to underserved and unserved areas
Right policies and a good regulatory environment,

- Transparent and non-discriminatory access to telecommunications resources.

- Government commitment to reform essential and must be total

- Half-hearted reform measures limit inflow of private capital required to accelerate network expansion
CHARACTER OF TODAY’S TELECOM SECTOR IN NIGERIA
TODAY’S TELECOM SECTOR IN NIGERIA

HAS
- Fully liberalised telecom market
- Government’s role restricted to policy formulation and sector regulation
- A strong, independent Regulatory Authority
- Competition in all segments of the market
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.
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
THE NIGERIAN EXPERIENCE
The Journey

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

- Release of the National Telecom Policy (NTP) in September 2000.
- Successful auctioning of the 2G Digital Mobile Licenses in January 2001 (Total of four GSM licenses issued).
The Journey Contd.

- Several Internet Services Providers licensed to encourage fast growth of Internet nationwide.
- Several Satellite Services providers licensed to provide long distance transmission links.
- The Regulatory Body has been strengthened, and is receiving full support from the government.
- Preparation of the Incumbent Operator for privatization.
CHALLENGES

CURRENT ISSUES

- Interconnectivity
- Effective Competition
- Monitoring, Compliance & enforcement
- Consumer Education & Managing Consumer Expectation
## 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><strong>Number of Connected Fixed Lines</strong></td>
<td>450,000</td>
<td>702,000</td>
<td>850,000</td>
<td>1,120,000</td>
</tr>
<tr>
<td><strong>Number of Connected Digital Mobile Lines</strong></td>
<td>None</td>
<td>1,594,179</td>
<td>3,100,000</td>
<td>9,200,000</td>
</tr>
<tr>
<td><strong>Number of National Carriers</strong></td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Number of Operating ISPs</strong></td>
<td>18</td>
<td>30</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td><strong>Number of Active Licensed Fixed Line Operators</strong></td>
<td>9</td>
<td>16</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td><strong>Number of Licensed Mobile Operators</strong></td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Private Investment</strong></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 Nigerian Market

• 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
The Revolution

A revolution has indeed taken place in the Telecom industry in Nigeria & propelled by sector liberalisation.

– Nigeria has become one of the fastest growing markets in the world for mobile communications.
It has been observed that Nigerian operating companies are paying rather high bandwidth charges for satellite links in the country. This has discouraged extensive use of the satellite as an alternative medium for long distance transmission requirements.

These high charges have prevailed in spite of the fact that the Nigerian business represents over 60% of the African business portfolio for a number of the International Satellite Organisations.

There is therefore urgent need to open up discussions on how to drive down the charges perhaps, by consolidating the requirement on a national basis and using that to negotiate better bandwidth prices.

This is especially critical at this time when satellite can be employed to bridge the gap, while the roll out of the terrestrial alternatives is being implemented.
THE FUTURE

- Further Liberalisation of International Access
- Expansion of Transmission Infrastructure
- Unified Licensing Regime
Thank You.