

**FROM MARKET LIBERALIZATION TO
COMPETITION MANAGEMENT: AN UPDATE ON
THE REGULATORY ENVIRONMENT FOR
INVESTMENT.**

PRESENTED BY

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INTRODUCTION

In Nigeria, the Telecommunications Industry has experienced exponential growth in the last four years with about 16 million telephone lines connected to date. When compared to a total subscriber level of less than half a million in July 2001, this rapid growth can be attributed largely to the enabling and conducive environment for investment with respect to government policy and regulatory regime.

Globally also, major advances in ICTs and the rapid growth of global networks such as the Internet and broadband have transformed businesses and markets and generated significant wealth and economic growth in many countries. They have also empowered individuals and communities with new ways of doing things, as well as transformed our ways of learning and sharing knowledge. This revolution also means that constraints of time and distance have been virtually eliminated.

The trend is towards the realization of a ubiquitous network society where people can access and exchange information freely, at any time, from anywhere, and from any appliance in a converged ICT environment.

Despite these potentially far-reaching changes, the roles of policy makers and regulators will still revolve around serving the consumer interest; supporting universal access to ICT services at affordable cost; securing effective competition and the competitiveness of the industry as a whole; promoting quality, plurality, diversity and choice in services; encouraging investment in service and infrastructure; providing economically efficient management of scarce resources. Policy and Regulatory frameworks must be continuously refined and updated in order to achieve these objectives.

LICENCING EVOLUTION

In Nigeria, the objectives of the Federal Government were clearly set out in the National Telecommunications Policy (NTP). Recognizing that the availability of an efficient and reliable telecommunications system is a key ingredient for promoting rapid socio-economic development, the government declared its overriding objective to “achieve the modernization and rapid expansion of the telecommunications network and services in Nigeria”.

It is clear that the NTP actually recognizes the catalyzing role of technology for improving access to telecommunications services in the country.

The roles of the different players were clearly set out. The NCC, as to be the independent regulator of the industry, is powered to issue licences, assign frequencies, issue numbers and perform other regulatory functions as may be consistent with its mandate to promote the development of Nigerian communications.

It is generally agreed that a licence is an official authorization to provide services or operate networks and the licence document contains the rights and obligations of a licensee or operator.

Licensing in the ICT sector is also used to meet the policy objectives of the government. The objectives of licensing can include any or all of the following;

- Allocation of scarce resources
- Expansion of Networks and Services
- Regulating market structure

- Generating revenue
- Consumer protection, etc

Licensing is a continuously evolving process. It has been argued that if left unchanged a licensing policy may become an obstacle to the development of an ICT market. Preserving onerous and complicated licensing requirements creates artificial barriers to market entry and hinder competition. For e.g. the licensing practices of concessions and franchises have largely been abandoned in liberalized markets as they were incompatible with the principles of market diversity and open competition.

Licensing has started transiting from the era of granting individual licences for all conceivable undertakings to the issuance of class licences and general authorizations. Individual licences are now mostly limited to those seeking scarce resources or deploying networks on a significant scale.

As regulatory frameworks become better established, regulatory authorities are more willing to reduce regulatory intervention at the point of market entry. In the traditional licensing classification, a license is based on the type of service, facility or technology provided. However the exponential and continual advancement in technology has almost rendered this classification irrelevant. Additionally the phenomenon of convergence is placing increasing strain on such traditional licensing practices.

UNIFIED LICENCE

Historically, different networks were used to deliver voice, video and data and end users use different equipment to receive these services, however technological

developments have radically changed this scenario and have also bred a multiplicity of ICT services and applications. A converged licensing is a tool allowing competing operators and service providers to rapidly deploy new services to meet market demand without having to seek new licences.

New technologies such as VOIP, Wifi, Wimax etc have gradually blurred the distinction between services. In jurisdiction where such new technologies have been banned or discouraged in one way or another, Regulators in those domains have found that such regulatory action was myopic in the long run and did not stop the usage of the technology but rather encouraged the users to go underground. Regulators are now opting for a more liberal approach to these issues and are discovering that in a converging world it is dangerous to adopt an ostrich position.

Unified Licence can best be described as an authorisation that allows an operator to offer several services in response to its capacity and technological changes. Most jurisdictions have taken the liberty of defining the scope of a unified license either in the license document or guidelines issued by the Regulatory Authority, taking into consideration their peculiar circumstances and the nature of the telecom industry in the country.

6.2 BENEFITS OF CONVERGENCE TO ICT STAKEHOLDERS

Convergence in the ICT sector has been identified as capable of yielding numerous benefits for all stakeholders of the industry – the economy/government, the regulator, the operators and the consumers - as further expatiated below:

To the Economy/Government

- ✚ It will lead to a conflict free ICT environment;

- ✚ It would enhance quicker rollout and growth of both wireless telephony and internet access; and
- ✚ More effective rural roll-out would lead ultimately to the achievement of the desired target of rural telephony.

To the Regulator

- ✚ It encourages free growth of new developments in the ICT sector;
- ✚ It simplifies the procedure of licensing in the telecom sector;
- ✚ It ensures flexibility and efficient utilization of resources, keeping in mind current rapid developments;
- ✚ It encourages efficient small operators to cover niche areas, in particular, rural, remote and underserved areas as far as the provision of ICT services is concerned;
- ✚ It enhances easy entry and level playing field for all operators.

To the Operators

- ✚ It would afford each operator the freedom to provide any service with convenient technology under a single authorization;
- ✚ It would enhance economies of scale and greater efficiency as a result of optimum sharing of infrastructure and resources;
- ✚ It would lead to cheaper cost of providing services; and
- ✚ Cheaper cost of services would increase market and profitability of operators.

To the Consumers

- ✚ Consumer expectation of one-stop service availability would be met;
- ✚ Lower operating cost resulting from economies of scale would transform into lower tariffs;

- ✚ Reduction in set-up costs would significantly lessen access cost, making ICT services more affordable;
- ✚ Increased access would create enabling environment for the growth of other businesses, create employment opportunities and raise the standards of living of people.

Unified licensing is a positive move to ensure that a favourable environment exists for robust competition in the telecommunications market and that service providers and end users take full advantage of technology and innovations, especially in the wireless and internet services. For many African countries therefore, the unified licensing approach can tremendously facilitate easy entry, promote healthy competition and improve their ICT markets significantly. Such countries can leapfrog various network developments that industrialized countries have gone through.

- ✚ Since different services can be transmitted within the same network, operators can use convergence platforms to extend the penetration of basic community services. For instance, cable TV can be used to offer telephony and internet services.
- ✚ In many parts of Nigeria, as is the case in several African countries, communications infrastructure scanty. The unified license allows the operator more freedom in the design of future networks that can capture the demand for all other services other than telephony.
- ✚ In most developing nations, mobile telephony has substantially more widespread coverage than fixed telephony. Such mobile networks can be utilized to offer mobile internet and other advanced services especially since the penetration of PCs is low.

✚ In many developing countries, the broadcast frequencies are under-utilized. Establishing digital TV networks in these countries gives service providers the chance of going beyond the traditional broadcast services.

The Unified License grants the operator authorization to offer mobile and fixed services on terms and conditions to be determined by the Commission.

One of the purposes of granting licences is to provide certainty to the investor and lenders therefore Licences should provide a balance between regulatory certainty and the flexibility to address future changes in technology.

This objective amongst others as enumerated above, informed the Government's action in opening up the sector to liberalization and competition. In moving to a unified license structure the Commission has taken into consideration some of these objectives because they are still relevant notwithstanding the developments in the sector thus far.

CONCLUSION

The Telecoms sector continues to play a very important role in the economic and social development of Nigeria and it is expected that this role will continue into expand in the future.

The significant role played by investors in achieving the exponential growth attained so far must be recognised and acknowledged. As policy makers and regulators, government is committed to providing a level playing ground to all investors so that the nation remains attractive to investors. The need to attract

international and domestic investors into the Nigerian Telecommunications industry has always been at the front-burner in NCC's policy design and regulatory thrust.

We must also continue to create an environment for the widespread and successful implementation of digital technologies and services. To ensure that technology is adequately harnessed to maximize the reach and depth of services, the Commission will continue to pay special attention to the key parts of our regulatory framework that facilitate investment and technological innovation.

The unified licensing is being pursued to facilitate unimpeded network expansion and trigger competition among operators in country-wide infrastructure build-up . It is expected that more investments will flow into the industry to enable such build-ups take place even in the rural areas. Unified licensing scheme has proven to work in India and some European countries and we expect it to be equally successful in Nigeria.

By-and-large the Nigerian Telecommunications Industry remains an investment haven for prospective investors. The good news is, the Nigerian telecommunications marketplace is going to get bigger and better. The current 16 million subscriber base is about one-quarter of the demographics of likely telephone owners in Nigeria. Therefore, our current network capacity and service offerings must have to be quadrupled to meet the telecommunications need of our population. The projected capital investment to develop a robust telecommunications infrastructure in Nigeria is a minimum of \$3 billion annually over the next five years.

Thank you for listening.

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