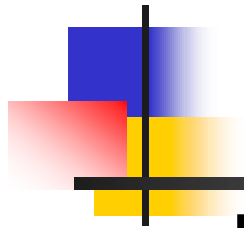


ENCOURAGING AFRICAN TELECOMS GROWTH



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 network 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 the more advanced countries confirms the benefits and importance of ICTs to economic development
- African and other developing countries have to adopt ICTs or become less competitive



Introduction

- 30 of the 49 least developed countries are in Africa
- Telecom networks in Africa were among the least developed in the world
 - Accounted for 2% of the world's main lines but 12% of the World's population



Introduction

- Revolution is now taking place in telecoms in Africa
 - Africa is becoming the fastest growing region in the world for mobile communications (The ITU, 2003)



Introduction

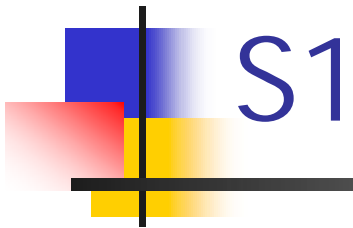
- Africa presents the most fertile ground for investments in telecoms

“The enormous growth potential and revenue per line is higher in Africa than elsewhere.”

- Hamadoun Toure, 2003

Head of the ITU Telecommunication Development

Bureau



CHARACTER OF TRADITIONAL TELECOM INDUSTRY



CHARACTER OF TRADITIONAL TELECOM INDUSTRY

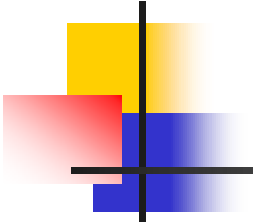
- A Government Ministry Charged with Telecommunications Services.
- Government ownership of a monopoly telecommunications company.
- Government funding of telecom infrastructure development.



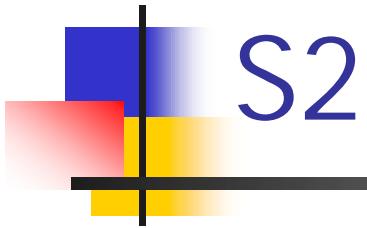
CHARACTER OF TRADITIONAL TELECOM INDUSTRY - CONTD.

- Slow pace of Network Rollout
- Non-competitive equipment procurement procedures.
- Sub-optimal quality of service delivery.

CHARACTER OF TRADITIONAL TELECOM INDUSTRY - CONTD.



- 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



Need For 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.
- **Africa must Embrace Market Liberalisation to prosper.**

NEED FOR 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

NEED FOR SECTOR REFORM – Cont'd

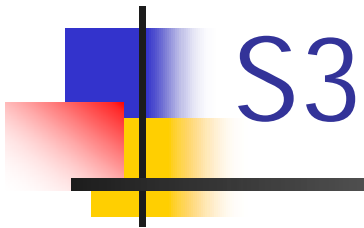


- Enhance value to consumers through improved range and pricing of services
- Extend services to underserved and unserved areas

NEED FOR SECTOR REFORM – Cont'd



- 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



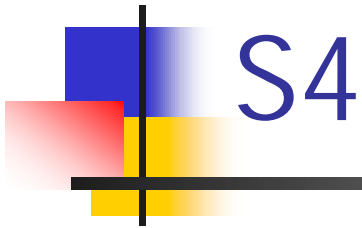
CHARACTER OF MODERN TELECOM SECTOR

- 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 – CONTD.



- Minimal Government funding of telecom infrastructure allowing resources to be available for other sector.
- 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.

Regulatory Objectives



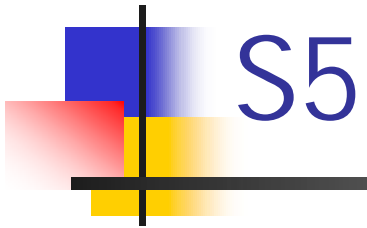
MUST BE TO:

- Encourage Private Sector Investment Capital
- Encourage Competition
- Remove Barriers to Market entry by new operators.
- Monitor Tariffs
- Protect the consumer
- Encourage and facilitate Universal Access

Key Success Factors For a Regulatory Authority

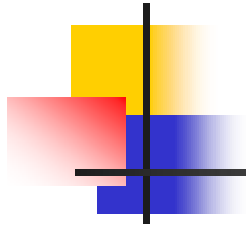


- Good enabling Laws
- Government Support
- Independence
- Adequate Manpower
- Adequate Funding
- Wide Consultations
- Positive, Bold and timely Regulatory Decisions.



THE NIGERIAN EXPERIENCE

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 in 2000.

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).
 - ✓ Licensing of Fixed Wireless Access (FWA) Operators in 2002, (both national & regional licenses issued).
 - ✓ Licencing a Second National Carrier in 2002.
 - ✓ 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.

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 NEW COMMUNICATIONS LAW

- A new Communications Law was enacted in July 2003
- The new law significantly empowered the NCC by giving it operational and financial independence
- The new law also established a Universal Service Provision Fund Agency

The Nigerian Market - Score Card

	December 1999	December 2002	December 2003
Number of Connected Fixed Lines	450,000	702,000	850,000
Number of Connected Digital Mobile Lines	None	1,594,179	3,100,000
Number of National Carriers	1	2	2
Number of Operating ISPs	18	30	35
Number of Active Licensed Fixed Line Operators	9	16	30
Number of Licensed Mobile Operators	1	4	4
Private Investment	\$50m USD	\$2,100m USD	\$4,000m USD (est.)

The Nigerian Market



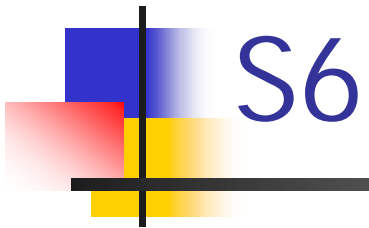
- The deregulation and liberalisation of the telecom industry has brought with it a lot of advantages for the Nigeria economy
- The economic benefits include; attracting new investments, providing needed infrastructures and creating innovative services
- Investment in telecommunications tends to trigger an economic chain which in the case of Nigeria has positively impacted other sectors of the economy

The Nigerian Market Contd.



- **TWO AND HALF 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



AFRICA'S CHALLENGES



CHALLENGES

■ LEGACY ISSUES

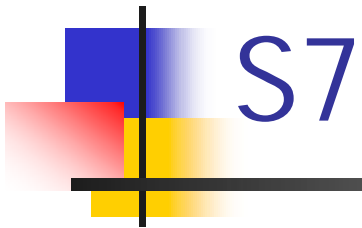
- Weak Infrastructure base
- Unusually huge demand for services after market liberalisation due to inefficiencies of the past
- Spectrum Planning & Allocation problems
- Inadequate enabling Laws and Regulations
- Unreliable Electric power supply



CHALLENGES – CONT'D

- **CURRENT ISSUES**

- Interconnectivity
- Tariff Regulation
- Effective Competition
- Monitoring & Compliance
- Managing Consumer Expectation
- Consumer Education
- Institutional Strengthening



IMPARTATIVE OF EFFECTIVE COMPETITION

ENCOURAGING EFFECTIVE COMPETITION



To ensure optimum performance of Service Providers & best value for consumers :

- Competition must exist in all segments of the market
- Exclusivity period must be discouraged especially when only one operator is involved
- Even when multiple operators are involved, exclusivity must be for a short duration



ENCOURAGING EFFECTIVE COMPETITION

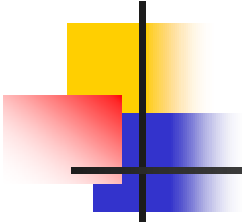
- Exclusivity periods that are long tend to make the operator/service provider complacent
- It is advisable that existing long term (e.g. over 3 to 5 years) exclusivity agreements that do not allow competition in any segment of the market be re-negotiated



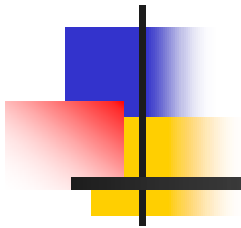
ENCOURAGING EFFECTIVE COMPETITION contd.

- Regulations must be in place to ensure easy entry of new players into the market
- Infrastructure sharing should be mandatory to reduce environmental concerns, save costs as well as facilitate entry for new players
- For the more mature markets number portability should be encouraged to enhance competitiveness

CONCLUSION

- 
-
- Liberalisation accelerates network growth and provides the consumer with choice
 - Closed markets will continue to lag behind
 - Half-hearted sector reform measures limit private investment in-flow and network expansion.
 - Success stories should be emulated
 - Current successes in the continent can be greatly enhanced by dismantling restrictions that limit competition

VOTE OF THANKS



Finally, I wish to thank the organisers of this forum for the kind invitation extended to me to address this very distinguished audience. I
Thank You all.