



# AFRICAN CASE STUDY: PROFOUND BENEFITS OF A DEREGULATED MARKET - NIGERIA

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# Introduction

- Telecommunications is an important facilitator of economic growth.
- In today's world, modern digital telecommunications networks are as necessary to economic prosperity of any nation.
- Reliable telecommunications network can improve the productivity and efficiency of other sectors of the economy.
- Africa has less than 2% of the world's main lines although it accounts for more than 12% of the world's population.

# Introduction – Contd.

- Africa hosts a significant number of the World's least Developed Countries.
- Modern Infrastructure is required for Sustainable Economic Growth.
- Africa nations have to be active players in the emerging Global Information Society.

# Need For Market 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 Market Reform - Contd.

- Market liberalisation:
  - ✓ leads to inflow of private-sector dollars.
  - ✓ Improves services.
  - ✓ Removes dominance of public sector in National economies.

# Need For Telecommunications Regulations

- Market Liberation must come with strong Regulatory Framework.
- A good regulatory environment can contribute to attracting investment.
- Regulators must be skilled, well trained and empowered to be effective.
- Without rules, no game will be played fairly, thus the need for:
  - ✓ Sensible set of rules.
  - ✓ Authority to enforce rules

# Regulatory Objectives

- 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

- Enabling Laws
- Government Support
- Independence
- Adequate Manpower
- 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 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 2<sup>nd</sup> Generation Digital Mobile Licenses in January 2001.
  - ✓ Licensing of Fixed Wireless Access (FWA) Operators in 2002.
  - ✓ Licencing of two Long Distance Operators in 2002.
  - ✓ Preparation of the Incumbent Operator for privatisation.

# The Nigerian Scenario - Contd.

- Several Internet Providers have been licensed to encourage fast growth of Internet nationwide.
- Full audit of the Frequency Spectrum is currently being undertaken.
- The Regulatory Body is also being strengthened, and is receiving full support from the government.

# The Nigerian Scenario - Satellite Based Services Liberalised

- Many companies providing Domestic VSAT Services
- International Gateway restricted to the two National Carriers and the two Mobile Operators for own traffic.

# The National Telecom Policy.

- A National Telecom Policy (NTP) was adopted in September 2000. 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 Scenario - Score Card

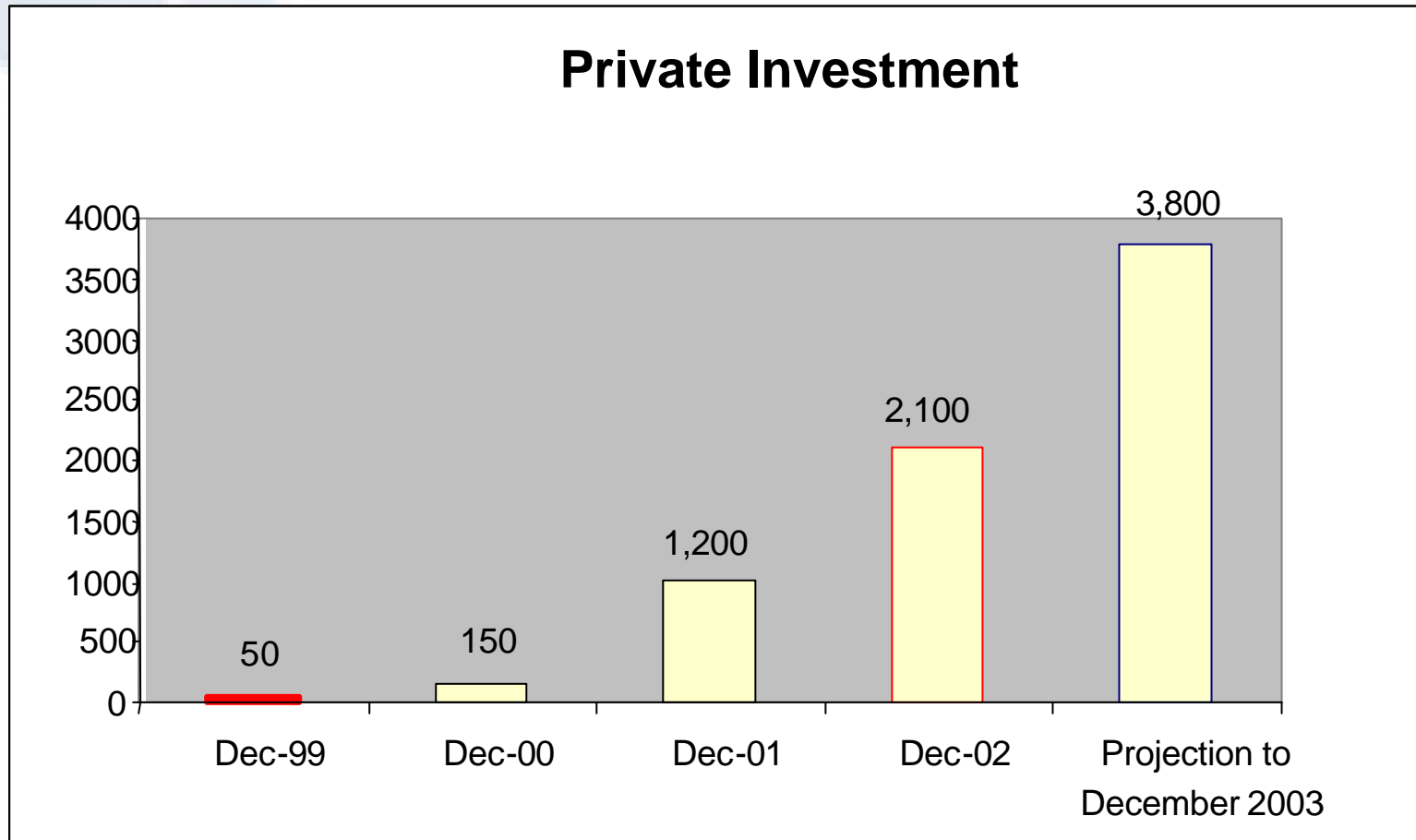
	December 2000	December 2002	Projection to Dec., 2003
<b>Number of Connected Fixed Lines</b>	450,000	702,000	1,200,000
<b>Number of Connected Digital Mobile Lines</b>	None	1,594,179	2,900,000
<b>Number of National Carriers</b>	1	2	2
<b>Number of Operating ISPs</b>	18	30	35
<b>Number of Active Licensed Fixed Line Operators</b>	9	16	30
<b>Number of Licensed Mobile Operators</b>	1	4	4
<b>Number of Km of Microwave Links</b>	16,000 km (est.)	31,200 km (est.)	37,000 km
<b>Private Investment</b>	\$50m USD	\$2,100m USD	\$3,800m USD

# The Nigerian Scenario - Satellite Based Services

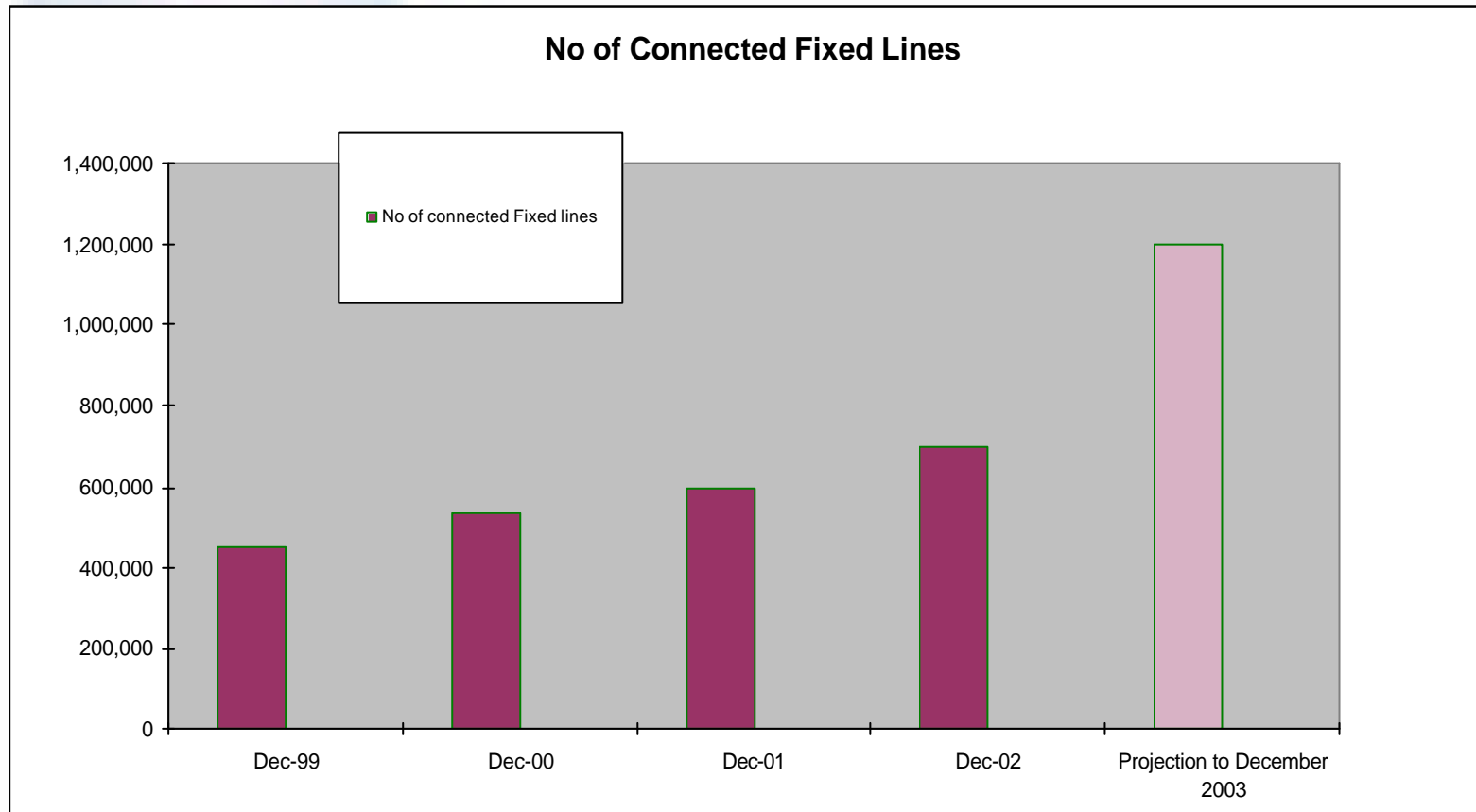
	1999	2000	2001	2002
<b>Licensed Domestic VSAT Operators</b>	38	50	63	88
<b>International Gateway Operators:</b>	1	1	3	4



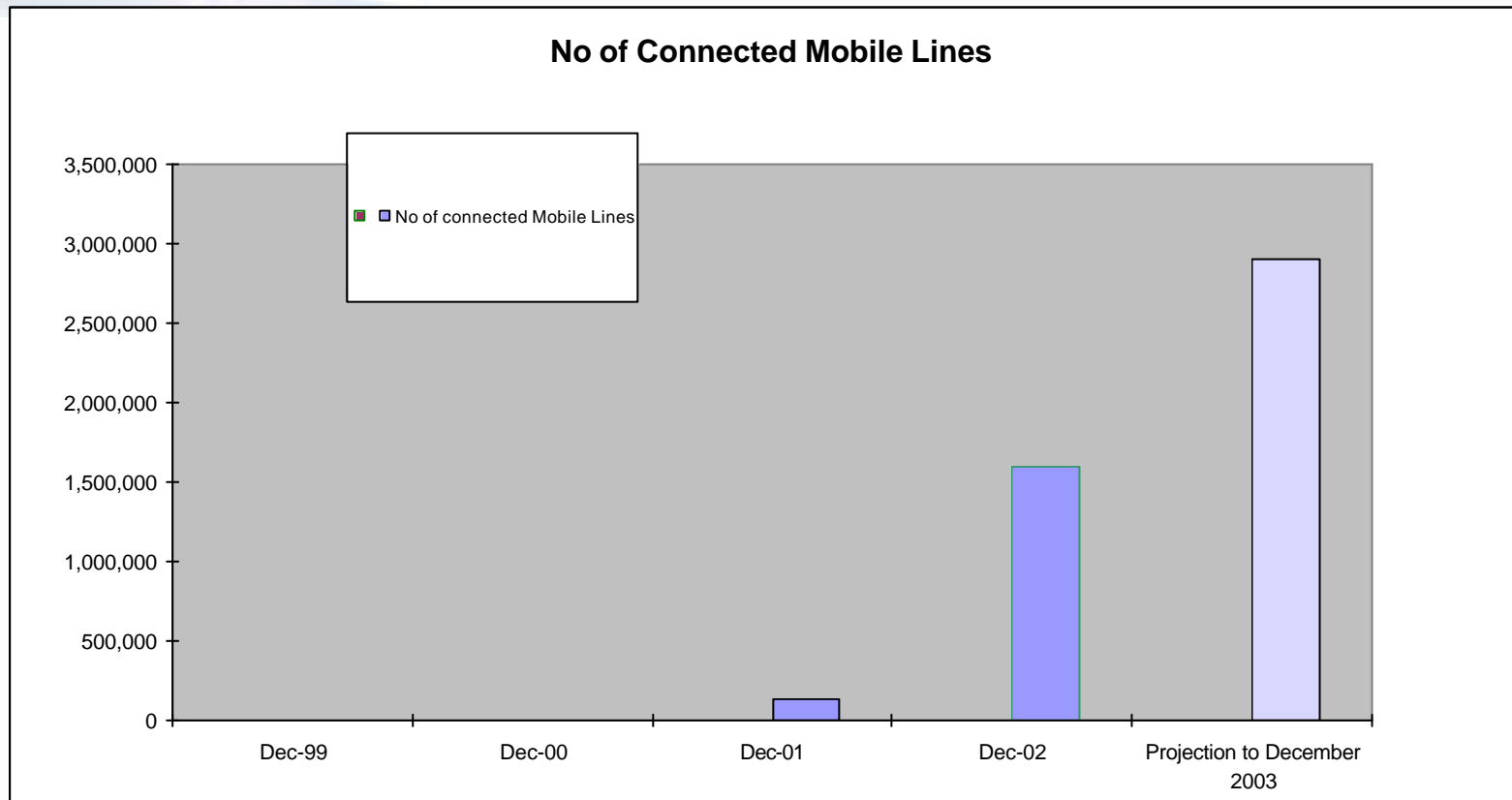
# The Nigerian Scenario – Private Investment in Million – USD)



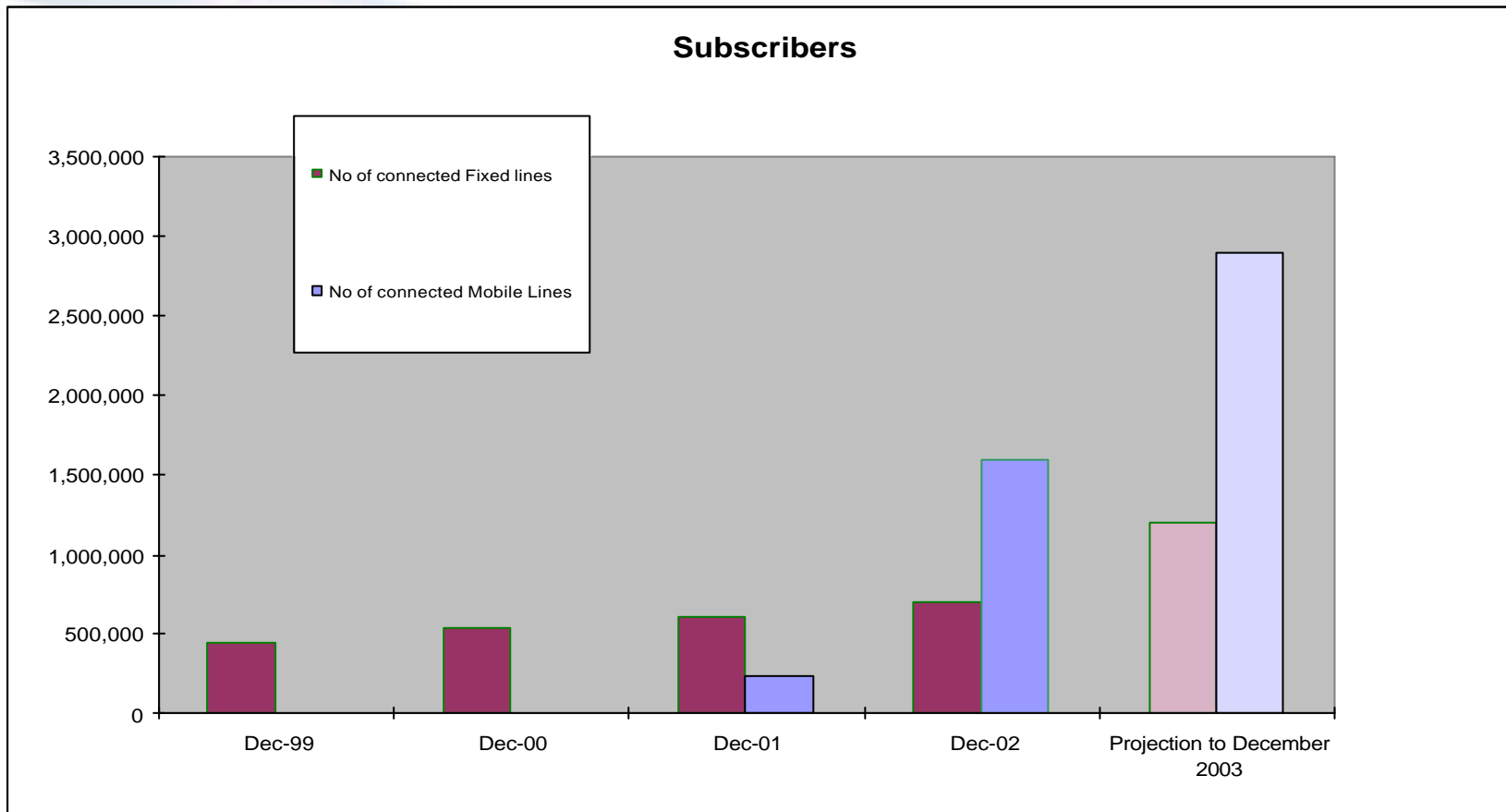
# The Nigerian Scenario - No of Connected Fixed Lines



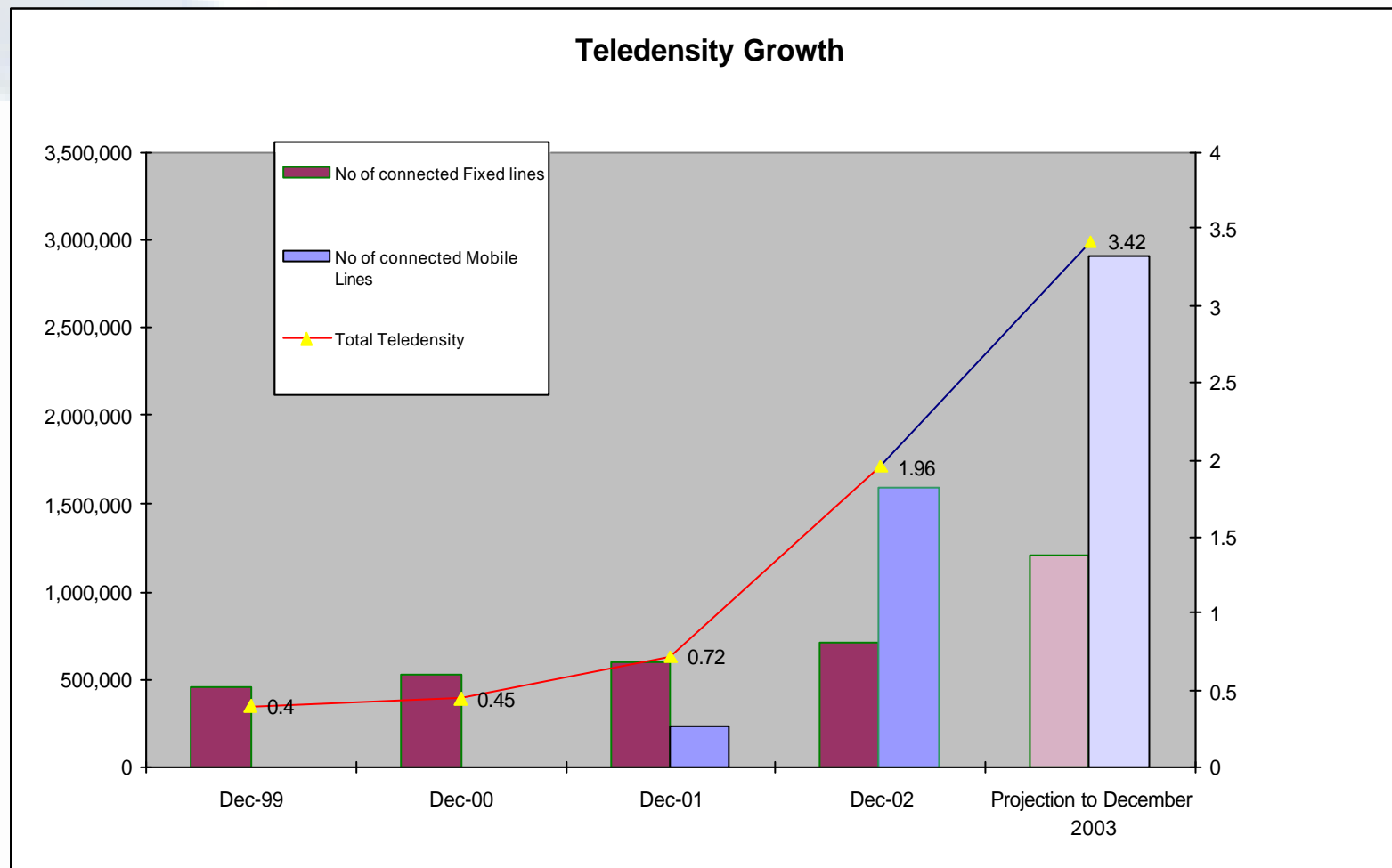
# The Nigerian Scenario - No of Connected Digital Mobile Lines



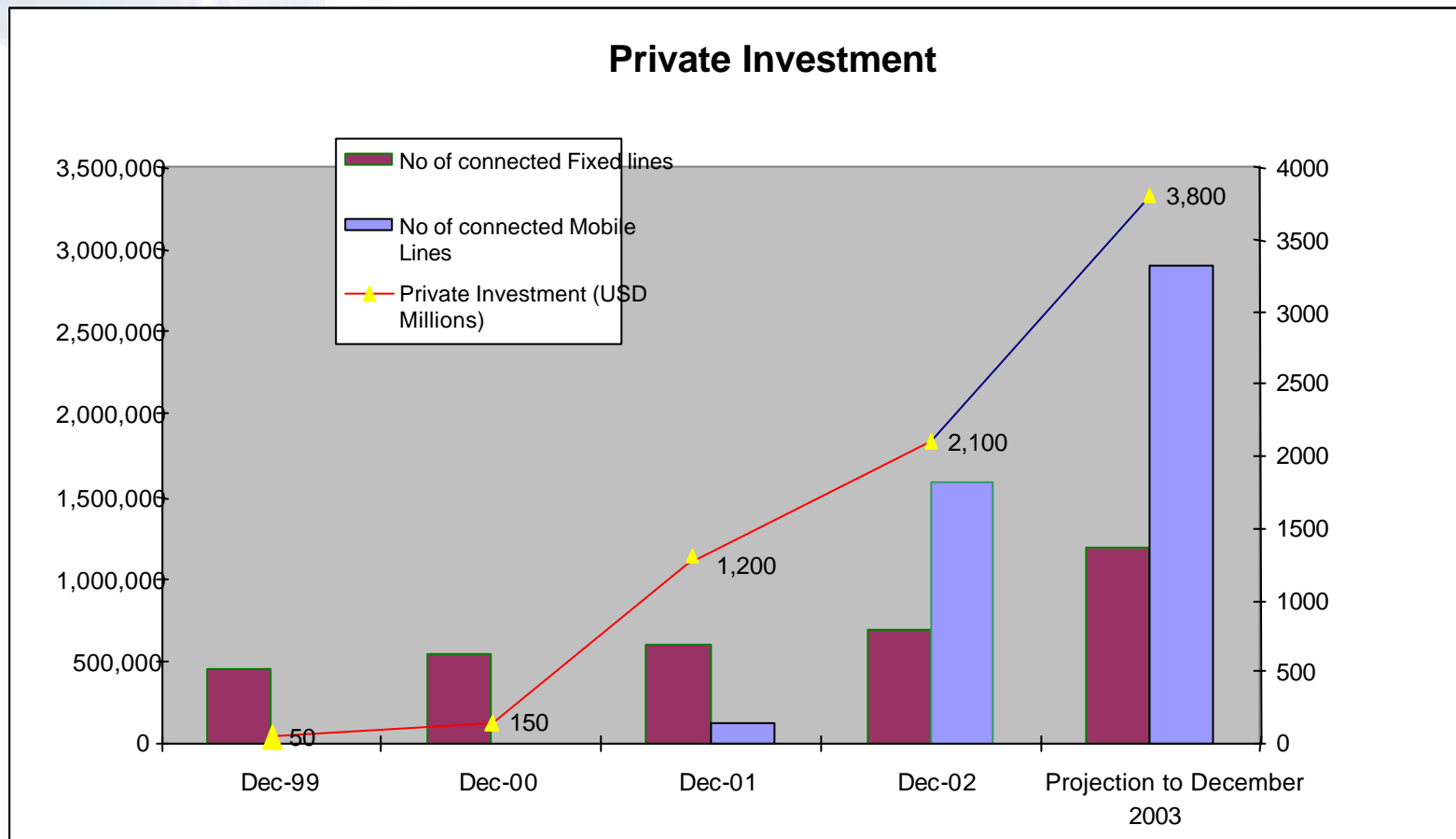
# The Nigerian Scenario - Subscribers of Fixed and Mobile Lines



# The Nigerian Scenario - Teledensity Growth



# The Nigerian Scenario - Impact of Private Investment on Subscriber Growth



# Prospects Of The Nigerian Market



- Nigeria, with a population of over 120 million, is home to 20% of the population of Africa
- Low teledensity in country represents tremendous opportunity for prospective private investors.
- Major market for Long Distance Network Operators
- Potential position as telecommunications hub for West African Region.

# Prospects Of The Nigerian Market – Contd.

- Possesses ingredient that could support local manufacturing
- Potential market for broadband networks.
- Nigeria aims at a teledensity growth from 2.0% today to at least 6% by 2006
- Nigeria is an obvious destination for investors targeting viable emerging markets.



# New Policy on International Data Access (IDA)

- Policy Objective:
  - ✓ Provide wider access to international bandwidth for data transmission
  - ✓ Promote use of Internet
  - ✓ Enhance quality of Service

# Conclusion

- The deregulation and liberalisation of the telecom industry has brought with it a lot of advantages for the Nigeria economy.
- The economic benefits are in the areas of 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 directly and indirectly affected other sectors of the economy positively.

# Conclusion – Contd.

- On the other hand, deregulation has brought greater responsibility on government. It has raised new challenges and created new responsibilities.
- The licencing of Private Telecom Operators has provided over 200,000 extra fixed lines to compliment NITEL's 450,000 working lines and over 1.6m digital mobile lines.
- It is envisaged that by the end of 2004, 80% of the telephone lines in the national network will be provided by the new private operators.

# Conclusion – Contd.

- Liberalisation provides the customer with choice.
- Success stories should be emulated
- Closed markets will continue to lag behind
- Regional cooperation is essential for resource sharing and attracting investment
- Finally, I wish to thank the organisers of this forum for the kind invitation extended to me to address this very distinguished audience.

**Thank you and God Bless**

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