TELECOMMUNICATIONS LIBERALIZATION IN AFRICA: PROBLEMS, PROGRESS AND PROSPECTS

INTRODUCTION

Mr. Chairman,

Ladies and Gentlemen,

Let me begin by thanking the organizers of this conference for inviting me to present a paper and for this opportunity to come together once again to brainstorm, exchange ideas and experiences that we will take back to our individual countries for further enhancement of the information and communications infrastructure in Africa.

In the 21st century the world will be witnessing an upsurge in the use of telecommunications and information in nearly all aspects of human endeavour. The wireless revolution and the Internet phenomenon have recently changed the way people live and transact business, and the telecommunications/information technology industry has taken center stage in world affairs and will continue to be so far into the foreseeable future.

Last year the International Telecommunications Union (ITU) confirmed that the world telecommunications and information technology industry was worth US$ One trillion in market capitalization and behind in size only to healthcare and banking.

In Africa, the story is not as exciting. It was the South African President that was highlighting the dearth of telecommunications infrastructure in Africa and pointed out that there was more telephone lines in Manhattan – New York than in the whole of Sub-Saharan Africa. It is perhaps no wonder that African countries continue to wallow in illiteracy, poverty and disease. We spend more money on arms and ammunications than on such progressive industries as telecommunications and information technology. An immediate shoift of paradigm therefore needs to be made if Africa will be emancipated in the 21st century.

At the ITU, organised exhibition and forum, Africa Telecom'98 in south Africa which I was privileged to attend, to the organizers launched what was called African Renaissance. A conscious attempt to awaken African countries to the need to improve teledensity urgently.

This was backed by tremendous spirit of optimism by all those in attendance including government ministers, speakers, exhibitors, delegates and the worldwide media.

It was also at that forum that Dr Chasia of the ITU pointed out that whereas Africa had by 1997 installed 14 million lines in the century since the telephone was invented, China had installed 20 million lines in 1997 alone! What this showed was that it can be done and we in Africa, can also catch up with the rest of the world, very quickly if we try.

Market liberalisation no doubt holds the key to opening up the continent to foreign investment in the telecommunications sector. This must be the reason for this gathering of minds in this beautiful island, to assess the situation so far.

2.   Why Africa needs Liberalisation

It is a well known fact that Africa remains the region with the least developed telecommunications infrastructure in the world today.

It is also widely acknowledged that no modern economy can be developed and sustained without an efficient telecommunications infrastructure. It is therefore no wonder that many African countries are characterized by weak economies.

Telecommunications and information technology therefore present copious opportunities for the creation of unprecedented wealth for Africa. Thus, for Africa as a continent to benefit from these opportunities, there is need to:

➢ Improve services by eradicating misuse of monopoly powers and inefficient use of public resources,

➢ Remove policies that fostered and encouraged the dominance of the public sector in national economies in order to attract modern industries and business.

➢ Attract foreign investment.

3.   Progress

Some significant progress have been made in some countries, though there are seemingly daunting challenges on the way. The general awareness all over the continent of the need for liberalisation, with some countries moving faster than the others, is good for Africa. Some countries have embraced liberalisation and there have been remarkable progress, thus encouraging others to move in the same direction.

Although nations are at different stages of sector liberalisation, major advancements have been recorded in countries like South Africa, Ghana, Morrocco, Cameroon and Uganda.

Statistics show that

➢ South Africa's network has increased by over 4 million lines since the inception of the two GSM operators.
➢ In Uganda, the number of mobile subscribers have overtaken that of the fixed networks - wireless lines installed by the second network operator matched fixed line subscriber base of the incumbent. The country moved from 55,000 lines in October 1998 (20% mobile) to 155,000 lines in June 2000 (75% mobile) in 20 months.
➢ In Botswana, two mobile operators jointly have subscribers equal in number to that of the fixed network.
➢ Nigeria is currently working on licensing four (4) digital mobile communications operators.

➢ Ghana Telecommunications is privatized and the country has recently set up an independent regulatory agency.

4.   Problems

Despite the seeming progress that has been made, the African continent is faced with serious challenges that need to be addressed.

➢ Civil unrest and political instability
➢ Weak financial base
  o Low capitalization of banks
  o Inexperience in structuring major fund requirements for telecoms and IT
  o Lack of long term funds
  o High interest rates for short term lending
➢ Poverty
➢ Low population density in some countries
➢ Debt burden
➢ Challenge of how to extend services to rural and dispersed communities within a liberalised market environment.
➢ Lack of research institutions
➢ Inconsistency in planning
➢ Weak Infrastructure and Regulatory structures - one area of serious concern and challenge is our inadequate and unreliable infrastructure. Africa's slightly over 14 million lines (1997) for a population of 700 million people are certainly inadequate. We also have the lowest Internet usage of about 800,000 in the entire continent of which South Africa has 700,000 of this total.

Apart from low tele-density, the continent continues to suffer poor state of cable network, frequent connection failure, long waiting list for telephone services, inaccurate billing systems amongst others. In order to avoid the third wave of slavery in Africa, that is the information slavery, we must thus put all hands on deck to develop and enhance the continent's telecommunications infrastructure.

Another major challenge is our weak regulatory structures that are not sufficiently empowered. As a matter of policy, African regulatory institutions must be independent, strengthened and well funded so as to effectively regulate the sector. The regulatory processes must also be transparent, open and accountable.

➢ Reluctance of incumbent/dominant of PTTs to open up to competition leading to lopsided Interconnect agreements
➢ In sufficient trained manpower - the expansion of our telecommunications facilities must go side by side with the development of the human resource capacity that will support the industry. We must also note that manpower requirements for telecommunications development does not only stop with the engineers and technicians, there will also be required well trained personnel in other specialized areas such as, personnel management, business management, and law.

It is an acknowledged fact that the future development of the information and communication sector is dependent on the quality of our human capital. The

present situation in most countries where we have relatively low skilled staff maintaining technologies is unacceptable. Given the dynamics of the telecommunications sector, Africa need to be proactive in developing high number and quality of skilled manpower to manage the technical, regulatory and other aspects of the ever changing information technology sector.

➢ Weak manufacturing base - the implementation and, or sustenance of our information technology growth is dependent to a large extent on our local manufacturing capabilities. We therefore need to tackle this issue with all the attention it deserves so as to change our present consumer status if we are to make meaningful progress

5. Prospects

Rapid and unprecedented growth in telecommunications and information technology elsewhere in the world, which is now reaching saturation point, has shifted attention to Africa as one of the last major markets for telecommunications. International organizations have initiated projects, supported and, or are supporting local initiatives.

6. The Nigerian Scenario – Progress

➢ Regulatory body was established in 1993
➢ Commenced market liberalisation in 1994
➢ A number of private telecommunications operators (PTOs) have been licenced and are operating. Licenced undertakings include fixed telephony services, VSAT, paging, payphones, Internet services and other value added services.
➢ A democratic government is now in place
➢ Nigeria is at the point of processing four (4) licences for digital mobile telecommunications
➢ Incumbent operator is progressively being more receptive to competition.
➢ The regulatory body is being strengthened and is receiving a lot of support from the government to be able to perform its roles.
➢ Several Internet providers have been licenced to encourage fast growth of Internet nationwide.
➢ Incumbent monopoly PTT is slated for privatization within the next 18 months.

7. The Nigerian Scenario – Problems

Though quite a number of licences have been issued, only a limited number have commenced business. Some modest contribution to the nation's installed base have, however, been recorded by fixed telephony services licensees who have only been able to contribute less than 100,000 lines to the network to date. The reasons may be traceable to:

➢ Political and economic isolation of Nigeria during the past military era which affected investment confidence.
➢ Spectrum management
➢ Local banks not sufficiently capitalized to fund major telecommunications projects – most banks are not in tune with the telecommunications sector and are

unable to package both local and international facilities to support competent companies.

➢ Poor supporting infrastructure in terms of reliable electric power supply nationwide.
➢ Limited manpower as a result of brain drain.
➢ Lopsided Interconnect agreements.

8.   The Nigerian Scenario – Prospects

➢ Nigeria remains the most populous country in Africa.
➢ Lack of digital mobile networks represent tremendous opportunity for prospective mobile and cellular operators.
➢ Major market for long distance network operators.
➢ Central location as potential for telecommunications hub for West African region.
➢ Possess ingredients that could support local manufacturing.
➢ Potential market for broad band networks.

9.   Recommendations

Let me emphasis that even in an era of reform in telecommunications, the role of government is still very vital, but largely different from the past. African government should make it their primary role to create the right environment for doing business on a free trade basis. The overriding policy objective must be to grow the continent's telecommunications infrastructure rapidly and ensure a competitive environment that will reduce price and make services affordable to most.

All African countries must:

➢ Give attention to appropriate technologies to help leapfrog into the global world - figures from the ITU indicate that fixed lines telephone are growing at a rate of 10.2% annually whereas mobile phone numbers rose 87% in 1998. Also VSAT Satellites allow for reliable data, voice and video communications, Satellite networks are relatively inexpensive and easy to install.

➢ Right Policies - the benefits and dividends of liberalization would not be achieved if the right macroeconomic environment are not in place. African Governments must therefore ensure that the right and enabling environment exist at all times for the growth and development of telecommunications on the continent.

➢ Affirmative policy actions to increase the continent's teledensity substantially that our quest to be major players in the global arena cannot be sustained with our present level of infrastructure is widely acknowledged. We therefore need to expand and modernize our networks. It is said that for every US$1 invested in telecommunications, yields a US$6 contribution to GDP.

➢ Encourage private sector investment, both local and foreign

➢ Ensure fair competition

➢ Banks and financial institutions to be more involved

> ➢ Market structure - at the GIIC Communications Conference in Abuja, Mr. Jan Mutai (Secretary –General of the ATU) suggested the transformation and integration of our present market structure into fewer blocks from 54 as at present to 6 along the six Regional Economic Communities of OAU.

10.   Conclusion

Telecommunicatio ns is the infrastructure of the emerging global information society. As we enter the 21st century our challenge is to rapidly grow our telecommunications as a way to emancipate our people economically. The challenge to our leaders is to come up with policies that will rapidly build Africa's capacity to compete effectively with other economies. Without a solid telecommunications infrastructure, the country will not attract the right level of urgently needed local and foreign investment to build our economy.

With a population of over 100 million people and its economic potential, Nigeria still remains Africa's most important market. We cannot tap the full potential of this market a sound telecommunications and information technology base. For the enterprise in today's highly competitive world, the strategic components in developing and maintaining competitive edge are telecommunications and information management. The expansion of our telecommunications network will therefore accelerate development across the nation. Even for the rural and previously disadvantaged areas, access to telecommunications will contribute a great deal towards improving education, developing businesses and creating jobs. With respect to technology options, let me emphasize once more that fixed wireless and mobile cellular technologies provide a quick way of expanding telecommunications networks and are therefore important for Africa. With wireless systems, strong networks can be rolled out quickly. However, in very low density and wide ly dispersed areas, satellite communications systems can fill in the gaps. Satellite systems today can deliver a huge range of services directly to subscribers in remote areas including broadband services necessary for Internet connectivity for distance learning.

The expansion of our telecommunications facilities must go side by side with the development of the human resource capacity that will support the industry. We must develop our knowledge skills and competencies to understand the complex linkages of wireless networks, fiber optics, satellite systems, computer to computer networks, Internet webs and a lost of other telecommunications technologies.

Let me also quickly add that manpower requirements for telecommunications infrastructural development does not only stop with the engineers and technicians. There will also be required, well trained personnel in other specialist areas such as financial planning, law, accountancy consultancy services, business management, personnel management, etc. Such skilled staffs are most needed in the middle and upper management levels, and they need to be re-trained and up-to-date.

We are aware that Africa is looking up to Nigeria to take advantage of its vast human and material resources and become the catalyst for economic emancipation of the African continent.

Nigeria is taking up this challenge and is moving steadily towards full market liberalisation and privatisation of existing monopoly and strengthening of the regulatory agency to play the role that is required of it in the emerging market.

Thank you

26 July, 2000

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