

TELECOMMUNICATIONS BUSINESS IN NIGERIA: HOW FAR?

BEING A SPEECH BY THE EXECUTIVE VICE CHAIRMAN OF THE NIGERIAN COMMUNICATIONS COMMISSION, NCC, DR. EUGENE JUWAH, AT THE INTERNATIONAL COMMUNICATIONS LECTURE ORGANIZED BY THE NIGERIA-SWEDISH CHAMBER OF COMMERCE, ON FRIDAY, APRIL 8, 2011, AT THE COMMERCE HOUSE, VICTORIA ISLAND, LAGOS.

Mr. Chairman, Mr. Sam Amuka-Pemu, Publisher of Vanguard Newspapers.

Guest of Honour, His Excellency, Per Lindgarde

Distinguished Guests, Gentlemen of the Press, ladies and Gentlemen.

I am delighted to have been invited to share in this topic with this distinguished audience. The subject of communications, in its many forms and shapes, has always been an interesting one. Whether in business or pleasure, communications is always playing a part. It will be difficult to find anybody in this hall without one form of communications gadget or another. So, in all its ramifications, we are all involved.

Mr. Chairman, in speaking about this topic today, I took the liberty to adjust the topic a little. In my letter of invitation, the lecture topic read: Communications Business: How Far? I have deliberately changed this to focus on telecommunications as a form of communications. A lecture on Communications generally, might be too long to sustain the interest of these very busy executives.

More importantly, telecommunications business in Nigeria is an area of primary interest to the Commission where we work. I therefore crave your indulgence to allow me proceed in this direction.

For a fact, the present and future of telecommunication business in Nigeria is so diverse to be fully explored in one lecture but I am sure that even by scratching the surface, the chamber and its stakeholders, will be availed the huge business relationships and investment opportunities that are available in the different segments of the Nigerian telecommunications sector.

HISTORICAL PREAMBLES

Let me go back in time a little because I think it may be appropriate to summarize the historical evolution of the Nigerian telecommunications industry to be able to situate the dimensions of its growth. Again, I have simply looked at this from two perspectives.

The first phase in this evolution was the period covering over 100 years, from the colonial era through our political independence in 1960, to the year 2000. From 1886 when the first telegraphic submarine cable was laid by the British firm, Cable & Wireless Ltd to independence in 1960, Nigeria had 18,724 fixed telephone lines. Between 1960 and year 2000, the active subscriber base grew to 400,000 fixed lines for the then estimated 120 million of population. This long period was characterized by several restrictions to the sector, and particularly by monopolistic approach to telecommunications businesses as was globally dictated then. Although liberalization began to manifest in the early 80s, the 90s, was still not as eventful.

The most eventful period is the second phase of this historical evolution of the Nigerian telecommunications sector between 2000 and 2011. The underlining factors that pushed this phase up the ladder of history include a strong desire on the part of a democratic government to liberalize the sector, and the subsequent enthronement of a strong independent regulatory regime sustained by professionals with clear vision and purpose about global trends in telecommunications evolution and its business potentials, and how to translate them for services delivery within our geographical entity.

It is noted here that although the deregulation of the sector began in 1993 when the establishment of the Nigerian Communications Commission as prescribed by Decree 75 of 1992 came into effect, some segments of the market were still restricted to the monopoly incumbent operator until the operator came under the oversight of the telecom regulator in 2001 when it was formally licensed as an operator.

THE REVOLUTIONARY YEARS

The decade from 2000 till date, have been described as Nigeria's telecommunication revolution, given the quantum of growth in the diverse fields of telecommunications services delivery, and regulatory advancements. At the beginning of that decade, the new democratic government encouraged the evolution of a more focused National Telecommunications Policy, in which the private sector played very significant roles in its articulation. This policy enabled the telecom regulator to reinvigorate the regulatory framework in a way that boosted the confidence of investors.

The result was that the competition which ensued as the outcome of the major auctioning of digital mobile licenses in Nigeria in 2001, spurred many activities in the sector. Stories were told about some companies targeting about 200,000 lines per annum, ended up with up to Five Million subscribers. Companies who were capable of rolling out basic services, attracted millions of Nigerians who had hitherto been starved of basic telecommunications services for several years. With the telecom operators rolling out services in an environment where individuals and corporate organizations have been yearning for services, resulted in the revolution as the nation's active subscription and teledensity rose dramatically. With only about 400,000 lines in 2001, with a dismal 0.4 teledensity, the number of active lines by end of January 2011 stood at 89.8 Million lines, resulting in an impressive teledensity of 64.16.

ECONOMIC IMPACTS OF TELECOM GROWTH

In terms of growth, Nigeria is ranked the largest and fastest growing telecom market in Africa and among the ten fastest telecom growth markets in the world, an indication of its robustness to return on investments. From a private sector investment of about US\$50 Million in 1999 when the current democratic regime came in place, the telecom industry in Nigeria has by end of 2009, attracted more than US\$18 Billion in private sector investments, including Direct Foreign Investment. More than N300 Billion has been contributed to the coffers of the federal Government through Frequency Spectrum sales, enabling government to

plough back revenues earned from the sector for provision of development infrastructure at the various levels of government.

The impact of this on the economic growth has become impressive. Telecommunications sector now contributes significantly to the Gross Domestic Product, GDP, which was hitherto dominated by the oil and sector. The percentage share of GDP from the sector rose from 0.06 in 1999 to 3.66 by end of 2009. According to estimates by Pyramid Research in a 2010 report, the annual revenue from mobile services represents between 2% and 7% of African countries' Nominal GDP; in Nigeria this ratio is close to 4%. It may be important to add that the recent global economic meltdown did not substantially affect the uptake of mobile services by the Nigerian subscribers as the monthly growth rate of active subscription averaged at about 1.2 million over a long period and has continued thereafter.

The growth in the telecommunications sector has had significant impact in the other sectors of the economy. The financial sector is perhaps, the one whose activities have been deepened much more by telecommunications, than any other activity in recent times. In commercial banking services, the quantum of transactions catalyzed by telecommunications services may yet be captured and it is doubtful if any bank in Nigeria is not a major beneficiary. In the improvement of investment portfolio, the financial sector has done tremendously well as most banks are involved on one loan syndication or another. The recent one being syndication of US\$650 Million by eight Nigerian banks, for the mobile operator, Etisalat. This just took place last month, March 2011.

In facilitating banking transactional services, the telecommunications industry has provided the bedrock for the finance industry. Electronic banking facilities such as ATM services, online financial transactions, international credit and debit card facilities, airline ticketing and reservations, are some of the numerous ways that telecommunications industry has aided the growth, sophistication, security and quick transactions in the Nigerian financial sector.

Mr. Chairman, there is reason to believe that the telecommunications industry in Nigeria and its accelerated growth in the last few years has impacted very positively on the media industry. The volume of advertisements, and media related business activities traded off on account of telecommunications services and products, may not be easily quantified but the strong indications are there to be seen.

Economists also may have been trying to quantify the volume of employments brought about by the telecommunications industry as many skilled and less skilled Nigerians have found succour on direct and indirect employments opened up by the telecommunications industry.

The reason for going through the impact of telecommunications in Nigeria is to give an insight into the huge potentials that still exist in the sector. This is also to buttress the fact that as the sector continues to grow, so will some of the positive impacts mentioned above.

STRUCTURED GROWTH IN REGULATORY TRENDS

There is a danger that the excitement of the telecom revolution recorded in Nigeria may become deceptive to many stakeholders who may come under the illusion that the Nigerian telecom industry is on auto pilot where the telecom regulator should just fold hands and watch things happen. The contrary is the case. There is actually a need for more vigilance as competition matures.

This is why the Commission has continued to restructure to lay emphasis on areas of challenges to growth. In our recent restructuring as an institution, we beefed up the newly created monitoring and enforcement unit of the Commission to make it more equipped to monitor and ensure compliance.

In line with this, we have given more emphasis to the issue of Quality of Service, QoS. We set up a taskforce, finalized on the draft regulation and key performance indicators that will make the operators fully accountable on such issues, and has

put our monitoring and enforcement unit ready to tackle this seemingly intractable problem. Part of the solution to this is the need for massive investment that is still needed to sustain the level of growth.

Recently, we flagged-off the nationwide registration of existing SIM Cards in the network. We consider this as a very important aspect of managing a structured growth as it will provide the regulator with definite and reliable statistics about the subscribers on the network. It will enable security agencies to effectively fight crimes associated with the use of mobile phone services and will even assist the regulator in the introduction of news services and solutions such as Number Portability. It will assist other agencies of government who need very reliable statistics as well as the operators that need to predict the preferences of their diverse customers.

There was an interesting article in ThisDay Newspaper of March 31, 2011, in which a report by Business Monitor International, BMI, predicted that the ongoing SIM registration will slow down the growth in the industry. The danger in such predictions is that the right indices may not have been used. The fact of indiscriminate purchase of SIM Cards without proper identification of owners, does not constitute proper growth and cannot be relied upon to make accurate predictions. The average operator is interested much more on Average Revenue Per User, arpu. A network with 10 Million subscribers with arpu of N2,000 per month, will do far better than one with 11 Million with N1,000 arpu. The growth of the industry is not dependent on active subscription alone. More fundamental factors should be considered before arriving at such predictions. Even if SIM registration results in less number of active subscription in the network, it is uncertain that this will amount to slow growth in the telecom industry. Therefore, we do not share in the predictions of that report.

This type of report really challenges us to embark on more structured approach to managing the regulatory environment as it will provide you with actual and predictable indices of growth in many ramifications.

PROGRESS AND PROSPECTS

It is evident that the Commission has laid emphasis on teledensity growth in the past. After years of dearth of basic services, it was the most logical step to take. The continued huge demand without a matching infrastructure investment, has had negative impact on the quality of service. Fundamental steps have to be taken to redress this seemingly intractable problems and the Commission is making efforts to tackle it, including the institution of Key Performance Indicators, monitoring capabilities, and enforceable regulations. Improved quality of service would enable the optimization of the various mobile networks for the benefits of the subscribers and enhancement of the national networks potentials.

There is also a compelling need for a paradigm shift in our pursuit of teledensity. Having achieved huge rise in active subscription, and respectable teledensity, the nation's inadequate, if not nonexistent fixed line infrastructure, needs to be addressed for the future sustenance of the growth of telecommunications in Nigeria.

From our analysis, we see an appreciable penetration of mobile voice services to our many homes and businesses. We believe that there is need to compliment these with basic fixed line access with its numerous advantages. This will improve availability at lower costs. This why we have given clear indication of our desire to bring fixed lines back to homes, schools, offices, and businesses through massive deployment of broadband infrastructure to be facilitated by the Commission.

The prospects in achieving this, lie in our plan to deploy fibre rings across the nation to cascade broadband and ICT infrastructure. You may be aware of some projects directed towards achieving these such as Universal Service Provision Fund Secretariat, the Wire Nigeria Project, WIN, and the State Accelerated Broadband Initiative, SABI. While all these projects are currently undergoing some

kind of restructuring as part of these objectives, we are working on a comprehensive programme of action that will contain the diverse nature of the services with the assistance of local and international consultants while exploring the concept of an open access model in the delivery of the options.

Talking about the “open access model” for our clearer understanding, this is a framework for infrastructure sharing where fibre optic cable carriers share the infrastructure for deployment of such services including broadband through central deployment to all operators at subsidized pricing. The model provides services to operators on a fair and non discriminatory basis.

There are reasonable prospects of a huge potential in the current deployment of submarine fibre on our coasts as huge deployment of fibre across the country will absorb the huge traffic from the coasts for onward transfer to all parts of the country using commensurate capacity of available traffic.

In all these, broadband availability is the focal point of interest and we are pursuing that very vigorously. Recently, our team met with the Secretary General of the International Telecommunications Union, ITU, Dr. Hamadoun Toure, to explore approaches and to seek the support of ITU in developing our master plan. From all indications, the global institution will lend its full support to our plans.

.CONCLUSION

Having touched on the past and the present, as well and the future and the prospects that it holds for the industry, let me also reassure you about our steadfastness to the best regulatory principles as a globally recognized telecom regulatory institution. We have not lost sight of the critical position that the Nigerian Communications Commission occupies in guiding the growth of the industry through robust, fair, transparent, and participatory processes where compliance to extant rules of the game are upheld very religiously.

It is with this hindsight that we will continue to evolve and revolve as an institution with enormous responsibilities to manage the instruments of services

and the competition in the market for the benefit of the stakeholders which include the government, the telecom service providers and most importantly, the consumers.

We shall continue to empower our staff to imbibe the culture of good corporate governance principles and knowledge so that they are fully equipped at all times in the dynamic telecommunications industry.

Above all these, we need to restate that there is a huge potential here for the futuristic investor, with reassurances for predictable and enabling environment within a huge market that guarantees return on appropriate investments.

Mr. Chairman, the Guest of Honour, ladies and gentlemen, I thank you for listening, and God bless.

Dr. Eugene Juwah
April 7, 2011.