

OVERVIEW OF NIGERIAN TELECOMMUNICATION INDUSTRY*

Abstract

This study examines an overview of the Nigerian Telecommunication Industry. The goal of the study is to examine the telecom industry in Nigeria looking at its origin, historical development, the happenings in the colonial, post-colonial era and after deregulation (liberalization) of the sector. We will also examine the Privatisation of NITEL. Doctrinal Legal Research as a method is used for the study while the purpose is descriptive using the descriptive analytical tools. The audience here are policy makers, lawyers, law students and stakeholders of the telecommunication sector. Findings from the study reveal that the Full Market Liberalization began in the year 2000 thereabout with the introduction of the National Policy on Telecommunication and has led to increased employment opportunity to Nigerians, increase in the number of persons with direct access to telecom service in Nigeria and increase in Local and Foreign Direct Investment and Gross Domestic Product. The study also shows what is obtainable presently in Nigeria Telecommunication Industry proffering solutions for improvement of the telecommunication industry in Nigeria to meet global world best practices.

Keywords: Deregulation, Liberalization, Privatization and the Nigerian Telecommunication Industry.

1. Introduction

We are expected in this study to give a general summary and so we will proceed in the expected manner. One cannot begin a discourse on the overview of the Telecommunication Industry in Nigeria without having first a proper understanding of the concepts deregulation, liberalization, privatization and then Nigerian Telecommunication Industry. Deregulation as defined by Investopedia is the reduction or elimination of government power in a particular industry, usually enacted to create more competition within the industry.¹ Ikpe and Idiong and Parkin. et al., defined deregulation as the process of removing restrictions on prices, product standards and types and entry condition.² The concept of liberalization is often used in place of deregulation.³ Privatization can mean different things including moving something from the public sector into the private sector. It is also sometimes used as a synonyme for deregulation when a heavily regulated private company or industry becomes less regulated.⁴ The Nigerian Telecommunication Industry surrounds Telecommunication Sector in the Country Nigeria. Section 157 of the Nigerian Communications Act defines ‘telecommunication’ to mean “any transmission, emission, or reception of signs, signal, writing, images, sounds or intelligence of any nature by wire, radio, visual ,or other electromagnetic system.”⁵ The concept of telecommunication in Nigeria appears to be gaining momentum over the past two decades. Telecommunication constitutes a significant portion of the Nigerian economy. It improves productivity and efficiency in other sectors of the economy as they all need telecommunication to function effectively. There is need for a robust telecommunication network for greater output in the economy. Telecommunication Network in Nigeria was among the least developed in the world but today there is an improvement. We will divide our study into eras.

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¹ <http://www.investopedia.com/terms> published June 25,2019.accessed on 24 July,2019

² E. H. Ikpe,& N. S. Idiong (2011).Liberalising Telecommunication in Nigeria: Argument for a Democratic Model, Journal of Social Sciences,26(3):211-216.Parkin,M.,Powel,M &Matthew, K.(1997)Economics(3rd Edition),England:Addison Wesley Longman Limited.

³O.J. Akinyomi & C. Tasie, Paper on ‘Impact of Telecommunication Liberalization in Nigeria’.
<http://www.google.com.ng>.Accessed on 20/7/19

⁴ Wikipedia on <http://www.google.com.ng/> accessed on 24/7/19

⁵ See the Nigerian Communication Act 2003.S. 157

2. Preliberalization/Colonial and Post-Colonial Era

The development of telecommunications in Nigeria began in 1886 when a cable connection was established between Lagos and the colonial office in London.⁶Government offices in Lagos were provided with telephone services by the year 1893.This was later extended to Ilorin and Jebba in the hinterland. A steady but slow development process in the years after that led to the gradual formation of the nucleus of a national telecommunication network.⁷The first commercial trunk telephone service between Itu and Calabar was established in 1923.⁸Between the years 1946 and 1952, a three-channel line carrier system was commissioned to cover Ibadan and Lagos and later extended to Oshogbo, Kaduna, Kano, Benin, and Enugu the three channel carrier connected the colonial office in London with Lagos and the commercial centres in the country with local authority offices.⁹There was the introduction of small to medium-capacity system employing VHF and UHF radio around 1955.The very first serious attempt at planning the telecommunications services in the country was the 1955-62 Development Programme .This programme provided for the expansion of the trunk using VHF multichannel Radio system on a nationwide basis and a short microwave link between Lagos and Ibadan.¹⁰In the early days, the primitive coordinate pegboard switching system was used. There was installation of Strowger exchange which marked the beginning of automatic telephone switching in Nigeria .By about 1960, a manual telex exchange of about sixty subscribers lines was in service in Lagos .Despite all efforts at improving telephone service internally in the country, external telephone service in the colonial period era were owned entirely by a colonial private company by the name Caleb and Wireless.¹¹

After the colonial era, came the post-colonial era coming with the Independence of Nigeria in 1960.Nigeria drew up its first National Development Plan. The focus of the first National Development Plan covered the expansion of the Telecommunications network to meet the need of a growing commercial and industrial community. Unfortunately, the objectives of this development plan was not completely achieved by the end of its five year period as the percentage of phone lines was met only by 40% of the planned target. The cause of the inability to fully actualise the plan has been blamed on the Nigerian Civil War of 1967-70 which had disrupted the economy. The foundational process toward the establishment of Nigerian External Telecommunications (NET) Limited as a limited liability company started during this period as well.¹² By 1970-1975, a second National Development Plan was drawn. This period was spent repairing Infrastructure damaged during the civil war. Due to limited funds, the only objective which the plan period completed was the National Telex Network.¹³ Between 1975-1980, a third National Development Plan was drawn which targeted significant improvement in capacity and infrastructure in telecoms. This was the plan with the most achievements as most of its objectives were achieved.¹⁴ In 1984/1985, the Telecommunications arm of the department of Post and Telecommunications was merged with the Nigerian External Telecommunication, (NET) to form The Nigerian Telecommunications Ltd(NITEL) as telecom service was thus commercialized. The Department of Post and Telecommunications became separated into NIPOST and NITEL. NITEL was created by the government as government owned monopoly operator to provide Fix Telephone, Telegraph and Payphone amongst other services. The installed capacity improved to 400,000 lines, while the connected lines stood at between 205,000 and 250,000 lines in 1987.¹⁵ Between 1987 and 1992, no remarkable improvement was recorded in performance by NITEL and the Institution left consumers demands unmet.

⁶ E. C. A. Ndukwe, 'From Telecoms Backwaters to a Regional Hub: Tracking the Role of the Regulator Nigeria',Lagos December 8,2008 (Paper delivered during the DEEAL Lecture) P 5.

⁷ Business Day Telecomm Industry Survey,2009,P.61

⁸ Ibid

⁹ Ibid

¹⁰ Ajayi,Salawu & Raji, A Century of Telecommunications Development in Nigeria-What Next?

<http://www.vii.org/papers/nigeria.htm>. Last accessed on 11/11/2011

¹¹ Jacob Out Enyi, (2018)'Telecommunication Law and Practice in Nigeria' P 17

¹² Ibid

¹³ Ibid

¹⁴ Ibid

¹⁵ E. C. A. Ndukwe, 'An Overview of Evolution of the Telecommunication Industry in Nigeria and Challenges ahead (1999-2003). Available at <http://www.ncc.gov.nig/speechrepresentations/EVC'sPresentation/OverviewofTelecom>.

3. Partial Liberalization of the Nigerian Telecom Sector

The failure to meet consumer demands led to the General Ibrahim Badamasi Babangida government embarking on market-oriented reforms by partially liberalising the telecommunication sector.¹⁶ The Federal Government again in 1992 decided to invite private sector participation in the sector to attract private investment to expand the network more rapidly. The Nigerian Communication Commission (NCC) was consequently set up by Decree 75 of 1992 to regulate the industry. The NCC Board was however not constituted until July 1993 which marked the beginning of the liberalization of the Telecommunications industry.¹⁷ The Nigerian Communication Commission Decree(NCCD) 75 set up the government agency in the Telecommunications sector called the Nigerian Communication Commission (NCC) with some of the reforms being the separation of the policy making body, the Ministry of Communications(MOC) from the industry regulator and the network operators and the establishment of NCC in 1993.¹⁸ Within the period, NITEL continued to retain monopoly over national long distance services, international gateway services and mobile telephony services despite the fact that in the year 1996 licensing of network operators and service providers began.¹⁹

4. Full Market Liberalization

With the emergence of democracy in 1999, the then General Olusegun Obasanjo led government announced a new National Policy on Telecommunications. The Policy was published by the Ministry of Communication in May 2000 with the general objective of modernization and rapid expansion of the Telecommunications Network and Services.²⁰ The National Policy on Telecommunications introduced full market liberalization. Particularly worthy of note is the fact that one of its short term objective was to promote competition to meet growing demand through the full liberalization of the Telecommunications market and the review and update of Telecommunication laws in order to bring all Telecommunication operators under the regulatory control of NCC.²¹ The Policy gave rise to two separate legislative innovations which are the promulgation of the Nigerian Communications Act, Chapter N97, LFN Laws of the Federation of Nigeria 2004 and licensing. Different from the Pre-liberalization and the era before fully liberalisation, the telecommunications sector has grown in the last few years. For a sector which contributed 0.62% to Nigeria's GDP in 2001, the Contribution increased to 8.68% in 2014 and data published by the National Bureau of Statistics indicates that despite the serious impact of the recent recession in the Nigerian Economy between 2015 and 2017, the sectors contribution in Q1 of 2017 rose further to 9.1%. In the Q3 of 2018 the contribution to the GDP rose from 8.39% to 9.85% in Q4 of 2018. This has further improved in Q1 of 2019 to 10.11% as can be seen on the Nigerian Communication Commission Website.²² Also as at 2007 there were 41,975,275 active lines however, this has increased lately. As at 2017 the number of active lines rose to 139,144,705 with an estimated population of over 183 million people. The Preliberalisation was characterized by government ownership and funding of a monopoly telecommunications company and telecom infrastructures. Development within the sector was characterized by slow pace of Network roll-out, long waiting line for services; and consumers were limited to just one service provider; with the corollary low quality service delivery. The liberalization of the Telecommunications sector has, however, led to improved services, eradication of monopoly powers, increase in local and foreign investment, encouraged innovation and introduction of advanced services, generation of government revenues, competition giving rise to sector efficiency and extended services to undeserved and unserved areas. Nevertheless, one problem that has continued to be the complaint of consumers is the problem of high tariff. Telecommunications operators have blamed this on the country's poor electricity generation and distribution as they have to recoup the amount spent in their use of privately funded electricity generating plants. Wireless deployment in Nigeria is faced with the problem of unreliable power supply.

¹⁶Jacob Out Enyia , (2018) 'Telecommunication Law and Practice In Nigeria.' P 21

¹⁷E. C.A. Ndukwe, Keynote Address delivered at the opening ceremony of the Oil Producers Trade Section (OPTS) TELECOM WORKSHOP/EXHIBITION OPTEL 2000 on the 17th of October 2000 in Port Harcourt, Rivers State.

¹⁸Telecommunication Law and Practice In Nigeria. P 21

¹⁹ Ibid

²⁰ National Policy on Telecommunication, May 2000. Chapter 2,P 10, Paras 1

²¹ Ibid Short-term objective 7&8

²² <http://www.ncc.gov.ng>. Accessed on 19/7/2019

Power backup systems for subscribers' terminal in the case of fixed wireless systems are suitable for 2 to 8 hours of battery life but most times power outages could stretch to 12 to 48 hours or more.

5. Privatization of NITEL

The concept of Privatization in Nigeria was introduced by the coming into being of the Privatization and Commercialization Act of 1988. The Act set up the Technical Committee on Privatization and Commercialisation, mandating it to privatize all public Enterprises commercialized in 1993. NITEL was off course one of these private enterprises commercialized. In 1993 the Federal Military Government promulgated the Bureau of Public Enterprises Act of 1993 repealing the 1988 Act and setting up the Bureau for Public Enterprises (BPE) to implement the Privatization program. The concept of Privatization is further dealt with in the Constitution of the Federal Republic of Nigeria as amended by Section 43 and Section 44 which gives private individuals right to own movable and immovable property which cannot be acquired by the government without the payment of compensation. The Privatization of NITEL has been shrouded in controversy and a lot of politics. Many writers have attributed this to lack of seriousness and sincerity on the part of the Federal Government. The first attempt at NITEL'S privatisation was in 2002 but this failed due to the failure of Investors International London Ltd (ILL) of Britain to pay the 1.317 Billion. In 2003, yet another attempt was made with the engagement of the Switch Co. called pent as hope to manage NITEL and put it on a sound footing which also did not pull through. A third attempt was made same year to sell NITEL to Orascom of Egypt which failed. In 2006, 51 percent equity in NITEL was sold to a government Transactional Cogeneration (TRANSCOPY) but this too failed to turn around NITEL as Transcorp has been unable to surmount the problems of NITEL. In 2009 the Federal Government appointed a technical board to manage the carrier.²³ In 2011, a strategic core investor sale of NITEL was organised where New Generation Communications Limited and Omen International emerged preferred and reserved bidders respectively ended up without success. In August 2015, Tunde Ayeni founder of Sahara Energy, Tonye Cole and two other companies used their NATCOM Telecommunications Consortium to emerge as sole bidders for NITEL/MITEL which they bought for \$242.3 million equivalent to about N42.4 billion at the time.²⁴ Persons have argued about the supposed sale or privatization of NITEL that it ought to have been sold by open and competitive bidding instead of secret bidding.²⁵

6. What is Obtainable Presently in the Nigerian Telecommunications Sector: Comparing the Nigerian Situation with Global Trends

Currently the major Telecommunications operators are MTN Nigeria, Globacom, Airtel and 9 mobile (previously Etisalat Nigeria).²⁶ The NCC has awarded a second national carrier license to Globacom Big Ltd., the only company out of 3 who expressed interest that was able to come out with the US \$20 million 10percent deposit of the auction price requested by the NCC.²⁷ Two key events have shaped development of Telecommunication globally. They are (1) Rapid Advances in Technology and (2) Change in Public Policy.²⁸ The world over, countries are adopting a transition from monopoly to Competition (liberalisation). In terms of technological advancement, there is a rise of the internet in the 1980's and 1990s creating opportunities for New High-Speed Data Networks, New Multi-media Application, Voice over internet protocol (internet phone), etc. There is also the trend of convergence of technologies.²⁹ Countries the world over are now ensuring a separation of operating entities from regulators and Policy makers. Over 120 Countries worldwide now have Independent Regulatory Agencies.³⁰ This shows Nigeria is working in tandem with global trends. There is the current trend globally of divestiture of government interest from telecom business. As at the beginning of 2003, more than half of the countries in the world have either fully or partially been privatised. 17 African Countries

²³ Rilwan, 'Ghost of Privatization haunts NITEL/MTEL.', August 2016

²⁴ Ibid

²⁵ Ibid

²⁶ The International Comparative Legal Guide to: Telecom, Media & Internet Laws and Regulation 2018. 11th Edition. P 165

²⁷ Jacob Otu Enyia, (2018) *Telecommunication Law and Practice In Nigeria* .

²⁸ E. C. A. Ndukwe, An Overview of Evolution of the Telecommunication Industry in Nigeria and Challenges ahead (1999 - 2003) delivered at the Nigerian Communication Commission Telecom Summit 2003 on 30th October 2003.

²⁹ Ibid

³⁰ Ibid

had partly privatised their incumbent operators by mid-2003 as stated on the ITU Trends in Telecommunications Reform 2003.³¹This shows Nigeria is working in tandem with global trends having privatised NITEL.

7. Conclusion and Recommendations

This seminar paper has considered the best practices adopted globally in the Telecommunication sector comparing it with the Nigerian Situation. Liberalization and Privatization which are international set best practices have been discussed pointing out the fact that Privatization is provided for in our laws citing the Constitution as an instance. This paper recommends that government should increase and sustain electricity generation and distribution capacity so as to enable telecom companies charge lower prices for telecom services.

³¹ Ibid