



AKUNGBA JOURNAL *J* MANAGEMENT

Vol. 1 Numbers 1 & 2, 2008

CONTENT

Mentoring as a Developmental Tool a Concept Review <i>Gabriel Kolade Olorunleke (p.hd)</i>	1
Contributions of Informal Savings and Credit Institutions to Rural Development: Evidence from Ifedapo Cooperative Multipurpose Society. <i>Bowale E.I.K, Aremo A.G.</i>	23
Effect of Effluent from Cassava Industry in the Receiving Eleyele Reservoir, Ibadan, Nigeria. <i>Joseph O. Adejuwon , Abolanle E. Odusanya.</i>	32
A Comparative Analysis of Corporate Social and Responsibility Among Multinational Oil Companies in Nigeria: An Aggregative Study <i>Omotola Akinwale Oluwafemi and Olurankinse Felix</i>	60
Nigerian Women Managers: Shattering the Glass Ceiling. <i>Olujide, J.O.</i>	84
Effective Marketing Strategy as a Survival Tool For Organizations in A Dynamic Environment. A Case Study of Nigerian Bottling Company, Ilorin <i>Umar Gunu</i>	99
Customers' Attitudes Towards Restaurants Selection In Ilorin Metropolis: Marketing Mix Perspective. <i>Aremu, Mukaila Ayanda,</i>	114
Hindrances to the Career Development of Female Academics Staff in Nigerian Universities: A Case Study of Obafemi Awolowo University, Ile-Ife. <i>Adesunkanmi Sherifat Omolola</i>	132
An Assessment of Privatization Policy on Communication Industry in Nigeria. <i>Akindele Iyiola (Mrs)</i>	159
Small and Medium Scale Enterprises (SMES): An Appropriate Medication for Nigeria's Economic Predicament in the Global Competitive Economy <i>Olajide O. T., Adeoye, A.O.,and Akinlabi Babatunde, H.</i>	173
Information Technology and the Public Sector: Meeting the Challenges. <i>Omorogbe Comfort E (Mrs)</i>	194

Theory and Practice of Public Administration in Nigeria: 1966-2009 <i>Akindele Iyiola (Mrs)</i>	209
Stereotypes on the Management of Human Resources in the Nigerian Private Sector (A Case Study of the Nigerian Breweries Plc, Ibadan) <i>Akindele Richard Iyiola</i>	267
Human Capital Development as Panacea for A Sustainable And Virile National Development: A Critical Look at the Role of Education <i>Owoseni, Omosolape Olakitan</i>	287
Human Resources Management as a Key to Successful Health Care Delivery in Nigeria. <i>Akindele Richard Iyiola</i>	299
Co-Production and Community Development in Nigeria. A Case Study of Ede North and South Local Government <i>Badejo B.T (Mrs)</i>	318
Imperative of National Ideology in Third World: The Nigeria Experience <i>Ogunwa, Samuel Adetola</i>	331
Collective Bargaining As an Antidote to Industrial Conflicts In Nigeria <i>C.A. Jegede, A.R. Bankole</i>	356
Towards An Effective and Efficient Management of Agricultural and Rural Development Projects For Poverty Alleviation In Nigeria. <i>Onyem, E. Ofoegbu</i>	367
An Overview of Government Efforts on the Development of Small And Medium Scale Enterprises (SMES) In Nigeria <i>Fayomi Ikeoluwa , Aransiola Solomon</i>	382

AN ASSESSMENT OF PRIVATIZATION POLICY ON COMMUNICATION INDUSTRY IN NIGERIA.

Akindele Iyiola (Mrs)

Department of Public Administration
Obafemi Awolowo University, Ile-Ife.

Abstract

This paper examines the implication of privatization policy on communication industry in Nigeria.

The commercialization and privatization policy aims at reducing the size of the public sector economy, restructuring government's expenditure policies and fostering financial discipline in affected enterprises such that the overall result would culminate in the improvement of the efficiency of public administration and the reduction of government's fiscal deficit in order to improve the uncomfortable state of public finances.

The study is based on the assumption that one of the primary objectives of the commercialization and privatization programme is the improvement of economic (productive and allocative) efficiency of enterprises. Empirically, this objective is best attained under a competitive market environment where prices are set equal to the MC of production. (The contestable market theory: Baund 1982). The study is limited to NITEL Plc.

A Brief Historical Perspective on Development of Public Enterprises in Nigeria

Introduction

The private sector was the original structure of the world's economies. The Nigerian economy is largely private-sector based. The public sector emerged in Nigeria as a result of the need to harness rationally the scarce resources to produce goods and services for

economic improvement, as well as for promotion of the welfare of citizens. The involvement of the public sector in Nigeria becomes significant during the period after independence.

The railways were the first major example of public sector enterprises in Nigeria. At first conceived mainly in terms of colonial strategic and administrative needs, they quickly acquired the dimension of a welcomed economic utility for transporting the goods of international commerce, like cocoa, groundnut, and palm kernel, given the structural nature of the colonial private ownership and control of the railways in the metropolitan countries, it would hardly be expected that the Nigerian Railways Corporation could have been started as any other project than as a public sector enterprise for such mass transportation.

The colonial administration was the nucleus of necessary economic and social infrastructural facilities that private enterprise could not provide. Facilities included railways, roads, bridges, electricity, ports and harbors, water works and telecommunication.

The emergence of the crude oil industry into the Nigerian economy, after the civil war in the 1970s, with the associated boom intensified governmental involvement in production and in control of the Nigerian economy. One major aim of government at that time was to convert as much as possible of the growing oil revenue into social, physical and economic infrastructural investments. The Nigerian Enterprises Promotion Decree of 1972, which took effect on 1st April, 1974, with its subsequent amendment in 1976, provided a concrete basis for governmental's extensive participation in the ownership and management of enterprises.

Problems of the Economy in the 1980s

The 1980s witnessed steady economic deterioration and seemingly faulty economic policies. At the beginning of the 1980s, the country had entered difficult times. Scarcity of foreign exchange had set in. by the mid-1980s, reality had dawned on the nation's economy. Retrenchment of workers was rampant in both private and public sectors. There were inflation, very high levels of unemployment affecting

both skilled and unskilled workers, and low levels of plant capacity utilization. The origin of the socioeconomic difficulties was generally traced to the global economic recession which opened with the decade of the 1980s. Earlier, these socioeconomic problems had forced the federal Government, under President Shehu Shagari, to embark on an economic stabilization program (Aboyade, 1974).

The problems of performances of the public sector enterprises in Nigeria were further complicated by the downturn in socioeconomic development in the country due to the global economic recession and the collapse of the oil market. Thus, Nigeria's precarious fiscal and monetary posture could no longer sustain the requirements of its public sector enterprises, particularly since they performed below expectations in terms of their returns on investments and quality of services. Towards the end of 1980s, the public enterprises, which had grown too large, began to suffer from fundamental problems of defective capital structures, excessive bureaucratic control and intervention, inappropriate technologies, gross incompetence, and blatant corruption. With the deep internal crises that included high rates of inflation and unemployment, external debt obligations, and foreign exchange misalignment, Nigeria and many other African countries were strongly advised by the worldwide lending agencies, particularly IMF and the World Bank, to divest their public enterprises as one of the conditions for economic assistance. With the intensified push for economic liberalization, Nigerian and other African leaders were told that privatization as an economic reform would help cut public sector inefficiency and waste, provide greater scope to the private sector, attract more investments, bring in new technologies, and hence revive economic growth. Thus many countries, including Nigeria, embarked on privatization and other market oriented reforms to pull them out of the structural imbalances (Nwoye, 1977).

It is against this background that the Structural Adjustment Programmes (SAP) proposed a kind of reform which would affect the goals, administration, and management of most of the public sector enterprises for purposes of efficiency (Federal Republic of Nigeria,

1986). One of the main objectives of SAP was, therefore, to pursue deregulation and privatization leading to removal of subsidies, reduction in wage expenses, and retrenchment in the public sector ostensibly to trim the state down to size.

Under the reformation scheme, public sector enterprises were expected to be classified into the broad categories:

1. Fully privatized or partially privatized,
2. Fully commercialized or partially commercialized, or
3. Retained as public sector institutions.

Whereas SAP has shown the broad categories under which the public sector enterprises can be grouped, it has failed to actually classify the existing enterprises into specific categories.

There is a global recognition that the distinctive competence of government is not the production of goods and services, but the business concern is the ideal organization for effective production of goods and services. To the extent possible, governments all over the world are giving recognition to the fact by opening up more areas of their economies to private initiative organized either as unincorporated businesses or as private and public limited companies. Each country's privatization programme is tailored to meet its peculiar needs and circumstances. The entire process of transferring something from the government sector (public sector) to the general public (private sector) is referred to as privatization. Three things are usually transferred during this process – ownership, management and functions. It also involves the abandonment by government of certain activities to the private sector, the sale as going concerns of limited companies or shares previously held by government's the release to the public of government's own participation, in enterprises previously take over by government, the admission of public participation into areas of economic activity earlier reserved exclusively to government. From the foregoing, privatization can be defined as the complete or partial transfer of control over publicly-owned assets to the private sector in exchange for a payment. This includes all direct sales of public assets to the private

investor in the form of private placements. It also includes the contracting out of government services through concessions or licensing agreements.

In the light of macroeconomic pressures of the debt crisis during the 1980s, developing countries increasingly were forced to cut spending.

Privatization Programme and Its Origin

The concept of privatization is not new in the academic circle as it has been prominent in international economic and political circles since the 1970s. It crept into the Nigerian economic and political scene between mid and late 1980s. The subject has been defined in many ways by Nigerian scholars, but highlighting almost the same theme. Obadan and Kayode shall serve as guide for this work. According to Obadan (2000:14), privatization is an economic policy which in a narrow perspective entails the transfer through the sale of public assets or enterprises to the private sector. It is an instrument for realizing productive and allocative efficiency and higher economic growth. In the case of Kayode (1987:11), privatization is defined as the process by which government equity interest or ownership in business enterprise is transferred, in whole or in part, to private investors. This restricts privatization to "offer for sale" of share. From the same source, a broad concept of privatization is given as the general reassignment of property right from the state to the individual, contracting out the delivery of public services to the private sector or cut back in state activities to allow greater room for private initiatives.

Privatization is either full or partial. Full privatization refers to "divestments by the government of all its ordinary shareholding in the designated (public) enterprises". Partial privatization on the other hand means "divestment by the government of part of its ordinary shareholding in the designated enterprises (Obadan; Ibid: 16).

Privatization can take different forms which include: sale of shares, sales of assets, management or employee buy-outs, equity dilution, joint ventures, liquidation, management contract, lease,

concession, transfer, and Building-Operate-Transfer (BOT) to mention a few.

Many reasons have been advanced for embarking on the programme, which Mukandala (1998:30) has summarized to be a solution to a state that had become too big in terms of its functions, too heavy in terms of its cost, and very ineffective in terms of its performance, and all these at the expense of the private sector. Theoretically, privatization is favoured for efficiency reasons (see Wellenius, et al 1989 and Ambrose, et al 1990); maximization of government revenues; developing domestic capital markets; and lastly expansion of foreign investment. These apart, many other countries, Nigeria inclusive, embarked on the exercise in abiding by the directives of both the World Bank and the International Monetary Fund (IMF).

The beginning of the privatization of SOEs in the history of Nigeria was marked by the promulgation of the Commercialization and privatization Decree No 25 of 1988 under the General Ibrahim Babangida regime. The major focus then was on Public Enterprises. According to Obadan (Ibid: 49), the Decree aimed at:

- Lessening the dominance of unproductive investment in the Public Enterprises (PEs) sector;
- Re-orientating PEs towards performance improvement, viability and overall efficiency;
- Checking PEs' absolute dependence on the treasury for funding; and
- Disposing of PEs providing goods and services that the private sector can best provide.

The Technical Committee on Privatization and Commercialization (TCPC) was then charged with the management of the programme. This first-round privatization programme was run between 1988 and 1993.

The passing into law, by the present democratic government of the Public Enterprises (Privatization & Commercialization) Act No 28 of May 1999 also marked a new phase in the programme. The new introductions included movement away from commercialization, emphasis on appointment of world-class advisers, the emergence of core investors, focus on encouragement of foreign investment, recognition of the importance of sector reforms and new institutional arrangements, to mention a few. The new institutional arrangements include the inauguration of the National Council on Privatization (NCP), under the chairmanship of the Vice-President, acting as the policy-making body in the course of implementing the privatization programme. In the secretariat of the NCO is the Bureau of Public Enterprises (BPE), formerly TCPC, charged with the implementation of the council's policies on privatization. That is, the BPE provides secretariat support to the council (NCP, 2000:51).

The broad goal of the new privatization programme under the present democratic government is to make the private sector the leading engine of growth of the Nigerian economy. The government intends to use the privatization programme to reintegrate Nigeria back into the global economy; as a platform to attract foreign direct investment in an open, fair and transparent manner. The specific objectives are:

- i.) to send a clear message to the local and international communities that a new transparent Nigeria is now open for business;
- ii.) to restructure and rationalize the public sector in order to substantially reduce the dominance of unproductive government investment in the sector;
- iii.) to change the orientation of all public enterprises engaged in economic activities towards a new horizon of performance improvement, viability and overall efficiency;
- iv.) to raise funds for financing socially-oriented programme such as poverty eradication, health, education and infrastructure;

- v.) to ensure positive returns on public sector investments in commercialized enterprises, through more efficient private sector oriented management;
- vi.) to check the present absolute dependence on the treasury for funding by otherwise commercial oriented parastatals and so, encourage their approach to the Nigerian and international capital markets to meet their funding needs;
- vii.) to initiate the process of gradual cession to the private sector of public enterprises which are better operated by the private sector; and
- viii.) to create jobs, acquire new knowledge, skills and technology, and expose Nigeria to international competition. (NCP, 2000:63-64).

Historical Development of Telecommunications in Nigeria (Brief History of NITEL PLC)

The history of telecommunication in Nigeria dates back to 1951 when a postal branch of the British Postal Branch of the British Postal Office was established in 1885 when a link was established between Lagos and the United Kingdom.

The total number of telephone lines at independence in 1960 was only 18724 for a population estimate at about 40 million people. Between 1960 and 1985 the telecommunications sector consisted of the Department of Posts and Telecommunication (PST) in charge of the internal network and a limited liability company, the Nigerian External Telecommunications Services. NET provided the gateway to the outside world. Telecommunications development during this period was characterized by serious shortfalls between planned targets and their realization principally because of poor management, lack of accountability, transparency, and low level of executive capacity. The installed switching capacity at the end of 1985 was about 200,000 lines as against the planned target of about 460,000. All the exchange were

analogue. Telephone penetration remained poor, equal to a telephone line to 440 inhabitants, well below the target of a telephone line to 100 inhabitants recommended by the international aid agency – ITU for developing countries. The quantity of services was largely unsatisfactory, the telephone was unreliable, congested, expensive and consumer unfriendly. Arising from the foregoing, in January, 1985, the erstwhile Post and Telecommunication Department was split into Postal and telecommunications Division. The later merged with NEF to form Nigerian Telecommunications Limited (NITEL) a limited liability company, while the Postal Division was reconstituted to another organization called the Nigerian Postal Service (NIPOST). The establishment of NITEL was mainly to harmonise the planning and coordination of the internal and external telecommunications services, rationalize investments in telecommunications development and provide accessible, efficient and affordable services.

Apart from the low network capacity, NITEL was experiencing an epileptic system, ageing facilities ridiculously low tariff structure. And ill-motivated and ill-oriented investment decisions were uneconomic. The situation was indeed such that warranted revitalization and re-orientation. This perhaps prompted World Bank consultants who evaluated the telecommunications sector in Nigeria to recommend the structure re-structuring privatization.

The Present Status of the Telecommunication Industry

Although, there has been modest development in the telecommunications industry since the formation of NITEL in 1985, it is still seriously lagging behind in terms of its teledensity (currently, Nigeria has only 700,000 telephone lines out of which only 400,000 are connected for its highly mobile population estimated at over 120 million) and services. In order to tackle these shortcomings, the industry was deregulated notably through the establishment of the Nigerian Communications Commissions (NCC) by Decree No 75 of 1992 whose main objectives include creating a regulatory environment for the supply of telecommunications facilities and services, facilitating the entry of

private entrepreneurs into the market and promoting fair competition and efficient market conduct among all players in the industry.

The NCC has since approved almost 200 operating licences for private providers, which of course has in turn generated a high demand for telecommunications equipment, accessories, consultancy and technical partnerships. In addition, NITEL has since approved eight private firms to be connected to its switching systems so as to provide more lines (with greater efficiency and service) and thus act as a buffer for the grossly inadequate NITEL services.

Despite all these effects, it was quite clear that there was a dire need for government to be more pro-active about improving telecommunications and so in 2000, the NCC awarded licences for Global System of Mobile Communications (GSM) to NITEL by auction to two preferred bidders – Econet Wireless Nigeria Limited now Zain and MTN Nigeria Limited. The licences were bought at almost US \$240 million dollars, the highest amounts ever paid for such licenses in the world. The GSM technology has completely overshadowed NITEL's land lines, as the demand is high for them due to efficiency, despite the astronomical tariffs its consumers are subjected to.

These cumulative events eventually spurred the NCC, through the Bureau of Public Enterprises (its secretariat) to seek to privatize NITEL by requesting for core investors to acquire controlling interest in the entity and manage its day to day activities. The proposed privatization commenced quite significantly with an auction process whereby it was sold to Investors International (London) Limited (IILL), a U.K based investor at US \$1.37 billion. IILL paid up the mandatory 10% deposit, but was unable to make up the balance by the end of several deadline periods, thereby derailing the process.

The BPE is currently reviewing the best option for the privatization of NITEL, the most preferred appearing to be sale by auction of a fixed percent to a core investor who will act as manager, coupled with an Initial Public Offer (IPO) of the remainder to the general public. In the meantime, the NCC has awarded a second national carrier

licence to Globacom Nigeria Limited, the only company out of three who expressed an interest that was able to come up with the US\$20 million 10% deposit of the auction price requested by the NCC. Government was of the belief that a second national carrier would offer much needed competition to NITEL. Plans for commencement of operations by the second carrier are currently underway.

With privatization of communication industry in Nigeria now, communication has spread across the country that is people has found it easy, convenient and affordable to communicate with one another. GSM services are within the reach of the common man with the establishment of many communication industry like MTN, Globacom, Zain, Multi-links and so on.

Before privatization of communication Nigeria, it was not easy to communicate within and outside the country this privatization has helped to improve communication industry.

Prior to 1992, the development of telecommunications in Nigeria was carried out under a tight budget and was wholly financed by government. Today, however, the company NITEL has turned to a money-motivated and purposive organization, which was as a result of the partial privatization of the company as it relates to the company's total assets, earnings per share, capacity expansion, revenue generation trend, traffic sales, and profits after tax and staff welfare.

Telecommunication Services offered in Nigeria

Since the inauguration of NCC in July 1993, it has set out guidelines for private sector participation and issued licenses to a number of companies for the following telecommunications undertakings: installation and operation of public switched telephony, installation of terminal or other equipment, provision and operation of public payphones, provision and operation of private network links, employing cable, radio communications, or satellite within and outside Nigeria, provision and operation of public mobile communications, provision and operation of value-added network services, repair and maintenance of telecommunications facilities and cabling.

Thus a wide range of services as listed below, are now available. Telephony, telex cellular mobile telephony, radio/telephone carrier, Gentex (extension of telex terminals to rural areas), voice cast/press receipt, private leased circuit, alternative leased circuit, maritime mobile service, INMARSAT, Shipshore Global Mobile Personal Communications Services (GMPCS), Data Communications, High Speed Data Transmission, Telephony, Public Payphones, business network services, computer networking, internet service, telecommunications consultancy services, paging services, mobile radio trucking services. This had serious repercussions in terms of inefficiency, high cost of service, and lack of universal access.

Effect of Privatization Policy on Communication Industry

From responses/information gathered from workers and people, one can conclude that each department is working to see that the commercialization and privatization programme is achieved. Some of the objectives are as follows:

- i) To pursue vigorously the privatization programme in order to improve on NITEL services.
- ii) To ensure accurate billing of services.
- iii) To be more customer-oriented by increasing the capacity to listen and respond to customer's needs.
- iv) To create a better corporate image by attending to complaints quickly.

The following were also discovered:

- 1) That the privatization policy has helped to improve the facilities and services at NITEL.
- 2) Sales/revenue earning of NITEL Plc has improved considerably.

- 3) That the high productivity of NITEL Plc is due to the privatization programmes.
- 4) Staff's welfare has improved as a result of privatization.

Conclusion

The privatization of the telecommunications sectors had led to the growth of total assets, increased worker productivity and more importantly effectiveness in revenue generation and collection. The resultant effect is that NITEL has been self-financing in its projects and recurrent expenses through internally generated revenue.

Recommendation

It is necessary to give utmost priority to the development of telecommunication in Nigeria because of its multiplying effects on industrial and economic growth thereby leading to economic development. Government entering into joint ventures with foreign companies for the establishments of telecommunication industries in Nigeria. The expansion of telecommunications facilities to the rural areas should receive government attention since about 70% of Nigerians reside in the rural areas.

Digitalise all new switches by gradually phasing out the analog switches so as to meet the increasing demand by customers for such services as telex, data transmission and surmount problems associated with maintaining the old analog network. It is imperative that the proceeds from the privatization and commercialization dynamic should be used mainly to keep the organization dynamic and self-sustaining.

The enterprise should not be reacquired by a government. Rather conditions for competition should be enhanced to promote efficiency. There is need for a regulatory framework that prevents exploitation of the powers of monopoly. There is need to allow tariffs to reflect the tenets of optimal analytical pricing framework based on the dynamics of costs.

The enterprise should be completely insulated from any ministerial control in the spheres of investment, pricing, procurement, borrowing and staffing by removing it from the civil service web. The government should ensure that the share ownership is widespread and that as many Nigerians as possible are given financial assistance to acquire shares in the enterprises. It is also necessary to ensure that those who buy shares are allocated meaningful quantities.

References

- Dauda, P.C.A; Guideline for privatization – A Programme for Action in a Paper Presented in the National Workshop on Privatization of Public Enterprises Scope, Options and Strategies held by the Administrative Staff College of Nigeria, Topo, Badagry, 20th to 24th June, 1986.
- Federal Republic of Nigeria Official Gazette, Decree No. 25 of 1988, Section 14, No. 42 Volume 75, Page 677, 1988.
- I. I. Omoleke and A. A. Adeopo: Privatization of Nigerian public Enterprises: Its Profitability, delivered at the NICON Conference Durbar Hotels, Lagos Practical Challenges as a Reformulated Policy of the Fourth Republic.
- May Ifeoma Nwoye: Privatization of Public Enterprises in Nigeria: The Views and Counterviews.
- Odife, D.O.: The Challenge of Privatization, Macmillan Education Limited, London Volume 5, Page 8, 1985.
- Onimode, Bade: The Political Economy of Privatization in a Depressed Economy, Paper Presented at the Nigeria Economic Society, NIIA, Lagos, 1988.
- Onoh, J.K: Managing a Public Commercialized Business for Growth and, 1990.
- Ubeku, A.K.: The Privatization of Government Companies. The Imperative of our time in lecture series at the Administrative Staff College, Topo, Badagry, 1988.