



THE NIGERIAN COMMUNICATIONS COMMISSION

**DIGITAL MOBILE LICENSING
INITIAL CONSULTATION DOCUMENT (ICD)**

Foreword by the Honourable Minister of Communications

On behalf of the Federal Government of Nigeria, I am delighted to announce our intention to auction four licences for operators of Second Generation digital mobile telecommunications networks. The auction is expected to take place towards the end of this year.

The Government is determined to foster the development of a successful and competitive market for digital mobile telecommunication services in Nigeria. This is essential to the future development of Nigeria, the national economy and our international competitiveness both within Africa and the wider global markets. In offering the licences by auction, the first of its kind in Nigeria, the Government is committed to a fair and transparent licensing process. We are acting to bring the full social and economic benefits through increased investment, job opportunities and competitive mobile telecommunications services to the peoples of Nigeria. Those who are successful in obtaining a licence will have the opportunity to play a leading role and benefit from the development of the huge unrealised potential of Nigeria's domestic mobile telecommunications market.

This consultation document introduces the Nigerian Communications Commission's plans for the auction licensing process.

We welcome your comments.

Alhaji Mohammed Arzika. OFR

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Introduction

The Federal Government of Nigeria and the Nigerian Communications Commission (NCC) are committed to facilitating the development of mobile communications in Nigeria. Mobile communications represent a fast means of improving tele-density and achieving universal service and access. The NCC recognises that there is a huge unmet demand for mobile services at competitive prices and that following the aborted licensing process earlier in the year, investors are looking to the Government to issue licences successfully as soon as possible. In the light of the previous licensing process, the NCC has decided to allocate licences by means of an auction. The purpose of this document is to begin an ongoing consultation process with interested parties in the run up to the auction.

Auctions are a fair and transparent means of awarding licences. By awarding licences to the highest bidder they ensure that licences go to those who value them most and will make best use of them. The NCC wants to see strong competition in this market in order to deliver choice and maximise benefits to consumers. By allocating four national licences to distinct entities, the NCC is working to promote the emergence of a competitive market to the benefit of all.

Objectives

The Government's overall aim is to secure for the long-term benefit of consumers and the national economy, the timely and economically advantageous development of digital mobile telecommunications services in Nigeria.

Subject to this overall aim the Government's objectives are to:

- Utilise the available spectrum for digital mobile telecommunications services with optimum efficiency; and

- Promote effective competition for the provision of digital mobile telecommunications services.

Indicative Timetable

The intended timetable for the auction is as follows:

End September

Issue of Information Memorandum

Mid November 2000

Applications to pre-qualify for the auction

November/December 2000 Auction and grant of licences

This timetable is indicative only. The final timetable will be subject to the outcome of consultation, final decisions and market developments nearer the time.

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Further Information

Although work is currently under way, there is much that needs to be taken forward both within Government and on the part of potential bidders who will need to prepare their business cases and bid strategies. The NCC has enhanced its website (www.ncc.gov.ng) and will use this as the primary medium for disseminating information openly and equitably to all interested parties. This further information is expected include the following:

- details of the auction design;
- details of the regulatory framework;
- application procedure including amount of deposit;
- licence reserve price(s);
- spectrum packages;
- the draft licence;

The NCC intends shortly to issue a more detailed consultation document on these matters and will continue to consult with interested parties until the publication of a formal Information Memorandum providing full information for those parties wishing to bid for a licence.

To facilitate the consultation process potential bidders are urged to register now, in confidence and without obligation, for a copy of the Information Memorandum on the form enclosed. The Information Memorandum will be published in a downloadable format on the NCC website, but registering for it now means that any updates or additional information can be provided to those parties more readily.

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Submitting Comments

The NCC wishes to encourage interest from the world-wide telecommunications community and welcomes responses to consultation from all interested parties. At this early stage, comments are sought on the matters outlined in the Initial Consultation Document and in particular on the anticipated timetable and any concerns of potential bidders. Decisions on the final timetable and procedures to be followed will give full weight to the picture that emerges from consultation. Comments and/or registration for a copy of the Information Memorandum should be submitted in writing to:

Ernest C. A. Ndukwe
Executive Vice Chairman/Chief Executive
Nigerian Communications Commission
Plot 19, Aguata Close
Near CBN H/Quarters, Garki II
P.M.B.326 FCT
Abuja
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Fax: +234 (0) 9-2344593

Email: ndukwe@ncc.gov.ng

Please note that the NCC reserves the right to publish any comments received and its response on the NCC website. However, the identity of those submitting comments will not be published where it is requested that this information is kept confidential. It would be helpful if lengthy publicly available comments are also supplied on disk, preferably in 'Word' format for placement on the NCC's website.

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The Digital Mobile Opportunity

The rapid and unprecedented growth in telecommunications and information technology elsewhere in the world is now reaching saturation point and attention is shifting to Africa as one of the last major markets for telecommunications. In Nigeria, International businessmen, governments, educational institutions and private individuals are demanding high quality and easily available telecommunications services to the same standards as are available internationally.

With a population of over 120m, Nigeria is home to one out of every five people that inhabit sub-Saharan Africa and as such represents 20% of the telecommunications market in that area. The democratic government that was ushered in on 29 May 1999 has taken steps to focus world attention on Nigeria as the country with the highest potential for foreign investment on the African continent.

The Government of Nigeria is conscious of the role telecommunications can play in national development and is therefore committed to ensuring that the telecommunications network is expanded rapidly. To this end the promotion of a digital mobile network enjoys priority status. Today Nigeria can only boast of 700,000 installed fixed lines of which only about 500,000 are actually connected to subscribers. There is just one mobile network provided by the operator M-TEL. This is an analogue network and has a capacity of 210,000 lines with less than 30,000 lines connected to subscribers.

The low teledensity in Nigeria and the absence of an operational digital mobile network represent tremendous opportunity to prospective cellular operators.

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Why an Auction

Auctions are a fast, fair and transparent way of allocating licences. They are objective – their outcome is easy to understand, and difficult to challenge. Use of an auction process to allocate licences can overcome the inherent difficulties of the alternative method of comparative selection whereby Government officials are required to judge applicants and their proposals to decide who is “best”. Auctions thereby free the selection process from any pressures to favour any vested interests, national or international bidders, or any confusion of objectives. Although this will be the first licence auction in Nigeria they have been used extensively overseas with great success.

An important advantage of the auction process is that it allows the market rather than Government to value the licences. In assessing what to bid for a licence, bidders are forced to calculate the true value to them of that licence. In making

these valuations transparent through the bidding process, an auction ensures that the full value of a licence is then shared with the community through the licence fee.

Auctions are economically efficient. Where the demand for licences exceeds the supply, a carefully designed and properly run auction, with well informed bidders will ensure that licences go to those who value them most and will make best use of them. As a completely objective process, auctions open the opportunities to the widest possible range of companies or consortia, and encourage competition. By providing a relatively fast licensing process without the complications of comparative selection, an auction can achieve licensing certainty more quickly allowing for an earlier roll-out of services and thus an earlier start to the economic and social benefits that flow from them.

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What is the NCC doing now

The NCC is currently reviewing a number of areas including the following:

Spectrum

The NCC is looking at the amount of radio spectrum that will be required by each of the four operators to offer commercially viable services and the options for spectrum packaging from the bands internationally allocated for second generation mobile (2G) services. Views will be invited on these options. The NCC is also considering the implications of these options for the future allocation of radio spectrum for the next generation of mobile licences (third generation or 3G).

Auction Design

The NCC is looking closely at the design of the auction to ensure that an appropriate process with clear, straightforward rules can be achieved. It is expected that pre-qualification will be simple and not involve a technical test. Unlike a comparative selection process, bidders are unlikely to be required to provide detailed business plans, build out schedules or details of services to be provided, as a pre-requisite for bidding. Decisions will need to be taken as to the pre-qualification requirements to be applied to applicants, the fixing of reserve prices for the licences and deposit. A decision as to the optimum auction design will be developed in the light of the overall objectives for the auction, the evaluation of licensing options, the likely number of bidders and technical feasibility.

The NCC recognises the advantages to companies joining to form consortia to ensure the appropriate financial backing and technical expertise. Such collaboration in bidding for licences should not, however, lend itself to anti-competitive practices and the auction rules will be developed to address this area. An important aspect of the pre-qualification criteria will be linked to the need to establish effective competition.

Competition issues would arise if the same company successfully bid as part of more than one consortium for a licence. ***The NCC welcomes views on issues concerning the establishment of a competitive mobile telecommunications market in Nigeria.***

Licensing

The licences will contain a network rollout and coverage obligation. The NCC aims to set a minimum level which must be achieved within a given timescale and applicable across the six geo-political regions of Nigeria. This should be the minimum acceptable level consistent with the efficient use of spectrum and the need for an operator to provide a reasonable level of service to its customers. ***The NCC welcomes views on what constitutes reasonable targets, given the logistics and costs of establishing network infrastructure.***

To ensure the efficient use of radio spectrum, failure to meet the obligation will result in licence revocation. However, it is envisaged that operators will primarily be driven by competition and the need to gain market share to extend the services offered to customers through roll-out of network coverage. Network coverage is clearly a matter of competitive advantage and potential bidders will need to take account of this in determining their business plans and deciding to bid for a licence.

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NCC Advisors

The NCC has engaged Radio Spectrum International Consulting Limited (RSI) as main advisors on the development and management of the auction process. RSI are a joint venture between the UK Government's Radiocommunications Agency (which is responsible for the licensing and management of the UK's civil radio spectrum) and CMG, a major European Consultancy. RSI were closely involved in the development of the UK's recent auction for third generation mobile spectrum licences. Further economic and auction design advice is being provided in support of RSI by Charles River Associates, an American company which has acted as consultants for a large number of auctions in the United States and Canada.

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Registration for Information Memorandum

Nigeria Digital Mobile Telecommunications Licence Auction

Please register the following to receive a copy of the Information Memorandum for the auction of Digital Mobile Telecommunications Licences in Nigeria

Name: _____
Title: _____
Company: _____
At the following address: _____

Telephone No: _____
Fax No: _____
E-mail: _____

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