

## Licensing Framework for Unified Access Service in Nigeria

In February 2005, the Commission issued a notice on the introduction of a unified licensing regime in Nigeria. It stated that:

- The market shall be opened up by adopting a unified licensing regime which shall allow existing fixed wireless and mobile licensees to provide both services subject to geographical/regional limitations contained in their licence
- For the post exclusivity period all wireless licences shall not be segmented in terms of mobile and fixed service categories. Once a spectrum is allocated, licensees shall be free to offer voice, data or multimedia services as they deem fit.
- All active wireless licences issued prior to the expiration of the exclusivity period shall be amended accordingly.

The declaration was the first in a series of public consultations on the unified license option. The [result of the consultation](#) was published on the Commission's website.

The second phase of the consultation involved the appointment of a consultant to conduct a market analysis of the impact of the new license on the market in general and produce a framework for the license. The License framework and the proposed license documents were published for stakeholders in the industry and the public.

The Final consultation process on this Licensing framework expired on the 10th of January, 2006. We received comments from some stakeholders and operators and all comments were taken into consideration in finalising the framework and the Unified Access Service License.

### LICENSE FRAMEWORK

The current trend of increasing convergence of telecommunication services and recent regulatory developments point to a progression toward greater use of general authorizations and class licensing in regulating market entry in the industry. As regulatory frameworks become more established and telecommunication markets become more mature, licensing authorities have become more willing to reduce regulatory intervention at the point of market entry. Instead, greater reliance is placed on general conditions, ex post regulatory remedies and industry self-regulation in the areas previously covered by individual licence conditions.

Unified or Converged licensing objectives can be summarized as follows:

- Encouragement of the growth of new applications and services;
- Simplification of existing licensing procedures to ease market entry and operations;
- Regulatory flexibility to address market and technological developments.

- Efficient utilization of network resources, so that individual networks may be used to provide a broad range of ICT services.
- Encouragement of a full range of operators, including large scale and micro entrepreneurs.

To ensure that the transition to a converged licensing regime fosters a level playing field among all competitors, countries have introduced new licensing approaches and opted for different models. These include:

- Distinguishing between facilities-based and service-based licences;
- Distinguishing between network facilities providers, network service providers, application service providers and content application service providers;
- Unifying licenses to encompass all ICT services or defined license clusters under a single licensing classification;
- Establishing a general authorization process, eliminating licences except for scarce resources such as spectrum and numbers.

In Nigeria, the Law provides for the categorisation of licenses as individual or class licenses. In the current setup, licensing covers a broad variety of network operations and service provisions.

## **MARKET DEVELOPMENTS IN NIGERIA**

Key outcomes of the market reforms embarked upon in the telecommunications sector include the following:

- Stable growth figures in the telecommunication industry leading to a rapid increase in teledensity from 0.5% in 2000 to over 7.5% in December 2004.
- Strong performance by mobile cellular operators. Subscriber base rose from 450,000 in December 2001 to about 19 million in December 2005. Mobile cellular telephony became an integral part of the every day life for many Nigerians for the first time.
- Less dynamic but consistent growth in the provision of fixed telephony. Private telecom operators (PTO) have been the main contributors to fixed line growth figures offering broad service packages including voice, fax and internet. Most PTOs also offer limited mobility, thus providing a convergent telecommunication platform.
- The competitive market setup resulted in greater consumer choice allowing consumers to select the most appropriate services. In addition, consumers have benefited from steadily declining prices. E.g. mobile starter pack prices decrease from N20,000 in 2001 to N1 in 2004 for basic prepaid services or overall fixed voice prices fell by an average 24% in between 2003 and 2004.
- Continued inflow of investments into telecommunications sector. According to estimates USD6.08bn had been invested between 2001 and 2004, so that telecommunications became the

largest generator of foreign direct investments (FDI) after the oil and gas industry. The bulk of investment has been to the mobile cellular sector.

- Apart from effects on the availability and accessibility of network and service provision, telecommunication sector reform was also accompanied by employment generation as more operators were licensed which gave rise to corresponding business opportunities

## **OPTIONS FOR UNIFIED LICENSING**

In deciding the framework for Unified Licensing, the following aspects were considered:

- The mapping of existing service specific licenses into Unified Licensing model
- The scope of Unified License
- The limits of Unified licensing
- The desired level of regulation
- License fees
- Implementation strategy for Unified Licensing Regime: Phased or one-step implementation.

Keeping the above in mind, several options on how to shape the new licensing regime were considered and diagnosed taking into consideration the Nigerian environment. These options were varied in terms of services to be covered by license, types of licenses and time-schedule for implementation. At the conclusion of this exercise the following option emerged as the best for unified license at this time.

## **THE LICENSE**

The Commission is introducing a Unified Access Service License as an individual License under the powers granted to it by section 32 of the Nigerian Communications Act, 2003.

## **TENURE**

The License will be valid for a period of ten (10) years from the date it is issued with an option for renewal for the same term.

## **SCOPE OF THE LICENSE**

The Unified Service License will cover the following services;

- Fixed Telephony whether wired or wireless,
- Digital Mobile Services
- International Gateway Services

- National Long Distance Services
- Regional Long Distance Services

In the Unified Access Service License, the following services will be allowed;

- FWA and PNL licensees (Fixed Telephony and LEO) will be allowed to provide mobile services subject to the frequency assignment and geographical limitations in the original license.
- Digital Mobile licensees will be allowed to provide fixed and data services.
- All Unified Licensees will be able to provide ISP, VAS and Payphone services.
- International Gateway for own use and third party will be allowed

**Please note that National Carrier Licenses and all other existing licenses will remain unchanged.**

## **QUALIFICATION CRITERIA**

To be eligible for unified license existing licensees must meet the following criteria;

- Have an existing and operating network infrastructure.
- Have a customer base of at least 10,000 connected subscribers or justifiable evidence of financial capability for substantial network rollout.
- Must be up to date Payment of all fees and charges due to the Commission such as Annual Operating Levy (AOL), Spectrum and Numbering fees.
- Must be up to date on submission of annual audited accounts.
- Must be up to date on payment of company tax.
- Must be up to date with equipment type approval.
- Must be up to date in settlement of Interconnection obligations.
- New applicants will be subject to the usual licensing application requirement.

## **SERVICE AREA**

The service area will be as in the original licenses issued by the Commission to the applicant. A nationwide mobile or FWA license will be converted in a nationwide Unified License and a regional FWA or PNL license will be converted into a Unified License that covers the same region.

## **ROLLOUT OBLIGATIONS**

In line with technological advancements, many regulators are reviewing their universal access policies for the new converged environment. It is no longer fashionable to give rollout obligations to licensees. To spur the growth of rural service provision, regulators are rethinking their strategies and it has been found that reduced entry barriers, lower entry fees, infrastructure sharing and unhindered use of new wireless broadband technologies are more effective measures to promote cost-effective and rapid deployment of last-mile network technologies in rural and unserved areas.

However, a purely market based approach to universal service has its limits. If stretched, especially remote and rural areas face the risk of remaining significantly underserved. Therefore, it is important to define national universal access targets and to develop mechanisms, such as establishing a universal access fund, designation of universal access operators or service areas subject to special treatment under a universal service approach. The Commission is developing universal access regulations in order to achieve service penetration that also includes marginalised groups and disadvantaged regions.

The Commission will not impose separate rollout obligations on unified licensees, but rather deal with universal access issues in a separate universal access regulation, in which universal access targets and respective designation mechanisms are defined.

## **NUMBERING**

As a guiding principle Numbering blocs assigned to the operators shall take into consideration the different needs of operators and provide distinctive numbering assignments for nation-wide and local service providers. Otherwise Interconnection problems will emerge as fixed services may not be distinguishable from mobile services.

One important question in implementing the unified license is what kind of numbers a FWA operator who will provide full mobility services should use.

It is recommended that FWA operators be obliged to provide fixed services on demand. FWA subscribers who use this service will retain fixed numbers while new subscribers to fully mobile services of these operators will use a new mobile number.

It is also recommended that fixed line operators retain fixed numbers while new subscribers to fully mobile services will use new mobile numbers.

Numbering fees are to be paid for the allocation of numbering and for annual renewal.

## **INTERCONNECTION**

Under the Communications Act, 2003 there is an obligation for interconnection. Most FWA and PNL operators interconnect directly with the fixed and mobile operators.

The move to the Unified license regime will therefore not change the structure of interconnection.

The interconnection obligation remains mandatory for all operators. Dominant operators will be mandated to publish a list of local and tandem exchanges on which interconnection is possible and also publish a Reference Interconnection Offer (RIO)

## FREQUENCY MANAGEMENT

Frequency Spectrum issues will be dealt with separately as provided for under the Act and Spectrum licenses. Frequency Spectrum fees will be paid in accordance to the Frequency Spectrum (Fees and Pricing, etc.) Regulations, 2004.

## NUMBER OF UNIFIED LICENSES TO BE ISSUED

In the new framework, unified license operations would be open to competition. Subject however to the availability of frequency spectrum.

The Commission may however, consider issuing a new license if it determines that the competitive environment is inadequate.

## QUALITY OF SERVICE

Unified Licensees will be mandated to maintain the quality of service standard prescribed by the Commission and other quality of service thresholds mandated

## OPERATING LICENSE FEES

- A. The Commission proposes the following fee schedule for National and Regional Mobile service

<b>National Mobility</b>	N260m
<b>Regional Mobility</b>	(Based on the tier structure in table below)

TIER	LICENCE FEE (NAIRA)
1.	33,000,000
2.	20,000,000
3.	16,000,000
4.	14,000,000
5.	9,000,000

See **Tier Structure** in Appendix.

- B. The following fee schedule is proposed for any Fixed telephony operator wishing to migrate to unified License;

### Operating License Fee For Mobile Service As Appropriate

Operating license fee for International Data Access (Gateway)	25,000,000
Operating License fee for National long Distance	20,000,000
Operating license fee for regional long Distance (within a state)	1,000,000

Note: Any PTO wishing to migrate to Unified Licensing should surrender its existing licence and would be credited the unexpired portion of its licence fees and issued a unified license of 10 years tenure.

**C. Fees to be paid by existing mobile operators wishing to migrate to Unified Licence**

Operating licence fee for Fixed Telephony	44,600,000
Operating Licence fee for International Gateway	50,000,000
Operating Licence fee for National Long Distance	20,000,000

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March 01, 2006.**

## APPENDIX

### Tier Structure

S/NO.	STATE	TIER
1	Lagos	1
2	Kaduna	2
3	Abuja (FCT)	
4	Kano	
5	Delta	
6	Rivers	
7	Anambra	3
8	Abia	
9	Edo	
10	Ogun	
11	Oyo	4
12	Akwa Ibom	
13	Bauchi	
14	Bayelsa	
15	Benue	
16	Borno	
17	Cross River	
18	Enugu	
19	Imo	
20	Kogi	
21	Kwara	
22	Niger	
23	Ondo	
24	Osun	
25	Plateau	
26	Ebonyi	5
27	Dkiti	
28	Gombe	
29	Jigawa	
30	Katsina	
31	Kebbi	
32	Sokoto	
33	Taraba	
34	Yobe	
35	Adamawa	
36	Nassarawa	
37	Zamfara	