EVC's REPORT TO THE 82nd MEETING OF THE BOARD OF COMMISSIONERS OF THE NIGERIAN COMMUNICATIONS COMMISSION ON TUESDAY 14th FEBRUARY, 2017

Mr Chairman and fellow Commissioners, it is my pleasure and honour to welcome you to the first statutory meeting of this Board, being the 82nd in the series. I would like to use this opportunity to present this brief on some on-going activities and key issues in the Commission. The brief covers the following:

a. Do-Not-Disturb (DND)

The Commission introduced the Do-Not-Disturb (DND) initiative as a facility for telecommunications consumers' empowerment. The consumers can activate the DND Short Code 2442, to tame the instances of unsolicited massages and calls they receive from telemarketers. The direction to operators on the 2442 DND Short Code took effect from July 1st, 2016. The operators are also admonished to deploy DND information through all their channels of communications, including websites, media platforms, bill boards, flash messages, interactive voice response platform, radio jingles, newspapers and television commercials.

The DND direction takes into cognizance the broad range of services offered by operators, amongst include; Banking, Health, Religion, Insurance, Sports and Tourism. The consumer can choose any of the SMS options (SMS 1 to 9) by texting to 2442 or opt-out to receive any unsolicited messages from the operators by texting SMS 'STOP' to 2442. Furthermore, consumers can leverage on the toll free line 622 (second level complaint platform) to lodge complaint about services rendered by operators especially non-compliant of the DND directives.

b. Review of International Termination Rate

The interconnection rate regime in the country over the last few years has been blind to the origination of traffic. Put differently, the interconnection rates for local and international traffic have been the same. In April 2015, it came to the attention of the Commission that operators increased the International Termination Rate (ITR) for incoming international traffic to N10/min from N3.90/min, effective May 1, 2015 without recourse to the Commission.

The Commission in its letter dated May 27, 2015 directed operators to revert to the Commission's determined rates as any increase in international termination rate was unauthorized and constitute a breach of the Nigerian Communications Act 2003. The development has made it necessary for the Commission to determine a cost-oriented rate for inbound international traffic.

In view of the fact that the new study for the determination of interconnection rates for voice services may not be concluded within six months, management considered it necessary to come-up with an Interim Inbound International Termination Rate of **N24.40/min** using a Benchmarking Approach, pending the conclusion of the study. This has helped to address the challenges associated with the low ITR which was in place. This rate is expected to subsist until a cost-oriented rate is determined by the Commission.

c. Licensing of Infrastructure Companies (Infracos)

The Commission has commenced the process of licensing infrastructure companies (Infracos) with subsidy agreement to provide fibre optic infrastructure in Nigeria on the basis of an Open Access Model for any telecommunications company to deploy its network and expand to host broadband services. The Subsidy agreement is a Public-Private-Partnership (PPP) scheme in the provision of price regulated broadband services. At the moment, the Commission has licenced two (2) Infracos for Lagos in the South West and North Central regions of the country and has commenced the process to license other companies for the remaining geopolitical zones (South West, South East, South-South, North West and North East).

Bids for the remaining five zones has already closed and evaluation committee are in place to evaluate received bids.

d. Spectrum licensing

The Commission licensed six (6) out of the fourteen (14) slots of 2.6 GHz band to MTN (Mobile Telecommunications Network) Nigeria. This band support capacity spectrum for the deployment of broadband services, especially in urban cities and 4G/LTE services. Subsequently, the Commission plans to license the sub-40GHz bands i.e. 38 GHz (range: 37 – 39.5 GHz) and 42 GHz (range: 40.5 – 43.5 GHz) bands. The sub-40GHz bands will reduce pressure on the existing lower microwave frequency bands and increase broadband access across the country.

The Commission has re-planned the 23 GHz microwave spectrum band for more efficient use of the spectrum in backhauling. Furthermore, the Commission has approved for Etisalat and Airtel to re-farm part of their 1800 MHz band so as to roll-out 4G LTE services.

e. 2.6 GHz Spectrum Auction Post Mortem

At the conclusion of the 2.6 GHz Auction in which only one applicant MTN bided, Management mandated the Auction Committee to conduct a Post Mortem of the process. The objective of the Post Mortem was to examine the causes of the poor participation of operators in the 2.6 GHz Spectrum Auction. This is with a view to elicit stakeholder's feedback to help improve future Spectrum Auctions.

The Auction Committee identifies reasons for low participation from industry stakeholders amongst are high reserve price for the spectrum, high roll-out obligations and foreign exchange in the country is unstable and difficult to access whereas broadband deployment requires huge Foreign Exchange. The Auction Committee recommendations include; the Roll out obligation should be lowered for the rerun of the auction, the reserve Price in the previous Auction should be maintained but it should be at the naira value so as to militate against the effect of unstable foreign exchange whilst ensuring fairness to the only bidder at the auction and In a rerun of the auction, the minimum spectrum slots required for an Operator should be reduced to two i.e. 10 MHz as compared to the initial minimum applicable bandwidth, of 4 slots i.e. 20 MHz.

f. Cost-based Transmission Line Cable Pricing

The Commission cconducted an assessment of the transmission cable market through the analysis of market features such as pricing, regulatory climate and competition and arrived at a new regime for the regulation of wholesale transmission pricing in Nigeria. The model created utilizes Operators' input in the transmission cable market and relevant inferences on the cost of providing transmission services in Nigeria and the transparency and competiveness of pricing in the transmission markets. Therefore, the Commission introduced a comprehensive cost-based transmission line cable pricing model for the industry on September 1, 2016 in Nigeria.

g. Data Segment Price Floor

The Commission, after the stakeholder's consultative meeting of October 19, 2016 wrote to Mobile Network Operators (MNOs) on November 1, 2016 on the interim price floor for data services. As a telecommunications sector regulator, the Commission decision to have a price floor is primarily to promote a level playing field for all operators in the industry, encourage small operators and new entrants. Essentially, smaller operators, by virtue of their small market share, were exempted from the new price regime.

Recall that, the price floor in 2014 was ₦3.11k/MB, which was removed in 2015. However, the new price floor of ₦0.90k/MB that was supposed to flag off on December 1, 2016 is aimed at protecting consumers from predatory services and equally to save the smaller operators from extinctions.

The decision to suspend the directive on new price floor regime for data segment was taken after due consultation with industry stakeholders and complaints by consumers across the country.

The price floor is not an increase in price, but a regulatory safeguard put in place by the Commission to check anti-competitive practices by dominant operators. Prior to the new suspended price floor of N0.90k/MB, the industry average for dominant operators, including MTN Nigeria Communications Limited, EMTS Limited (Etisalat) and Airtel Nigeria Limited was N0.53k per megabyte; Etisalat offered (N0.94k per megabyte), Airtel (N0.52k per megabyte), MTN (N0.45k per megabyte) and Globacom (N0.21k per megabyte).

h. Code of Corporate Governance

The entrenchment of good corporate governance standards and practices has continued to gain global recognition and acceptance as the bedrock for corporate success and business sustainability. The adoption of the concept and principles are intended to present a win-win model of inter-relations predicated on openness, accountability transparency and integrity. Governance practices have evolved over time to stem the tide of emerging risks in managing businesses and to safeguard investor capital and enhance stakeholder values. It is this scenario that gave rise to the Code of Corporate Governance for the Telecommunications sector and its formal launching in July 2014.

As it will be recalled, the Telecoms Code of Corporate Governance is a product of wide consultations and participation of key telecommunications industry players. Likewise, the Commission has reached an advanced stage in the implementation of a Code of Corporate Governance for the industry that will serve to strengthen telecom legal entities and attract investment.

i. 2017 Budget

The Commission submitted its 2017 budget on September 20, 2016 to the Ministry of Communications Technology and Ministry of Budget & National Planning in line with the provision of Nigerian Communications Act (NCA) 2003, which stipulates budget estimates shall be submitted on or before 30th September. The Figures of the 2017 budget stands at Seventy Billion Two Hundred and Nineteen Million Five Hundred and Twenty Nine Thousand Five Hundred and Thirty Eight Naira (₦70, 219, 529, 538. 00). Presently, the Commission awaits a date from National Assembly for budget defense.

Thank you all for listening.

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Nigerian Communications Commission