



**Determination of Mobile (Voice)
International Termination Rate
(As Amended)**

**Issued by the
Nigerian Communications Commission**

this 25th Day of August, 2022

MOBILE (VOICE) INTERNATIONAL TERMINATION RATE DETERMINATION BY THE NIGERIAN COMMUNICATIONS COMMISSION

INTRODUCTION

1. The current regime of Mobile (Voice) International Termination Rate (ITR) was issued on 25th November 2021 and took effect from 1st January, 2022. In the Determination, it was stated that:
 - a. The International Termination Rate for voice services paid by overseas/transit carriers for terminating international calls on local networks in Nigeria shall be 0.045 United States Dollars (USD- US\$)
 - b. The US\$ 0.045 is the floor price for ITR services.
 - c. The ITR will be paid in US\$ and so operators will receive an increasing rate in Naira terms should devaluation continue.
 - d. ITR rate (US\$) only pertains to the cost of bringing traffic into Nigeria. Operators will continue to pay the regulated Mobile Termination Rate (MTR).
 - e. The ITR of US\$ 0.045 is the floor rate which is the minimum that can be charged. Operators will be free to negotiate a rate above the floor rate and is dependent on commercial negotiations between the operators and international carriers/partners.
 - f. The International Termination Rate as indicated above will continue to apply until a new Determination is made.

2. The International Termination Rate being previously denominated in Naira had multiple negative impacts on Operators. This was further exacerbated by the

devaluation of the Naira which ultimately shifted Nigeria from being a net receiver with respect to international minutes, to being a serial net payer.

3. Operators were faced with series of challenges occasioned by the denomination of ITR in Naira, necessitating a need for a cost-based study on International Termination Rates.
4. In view of the foregoing and in fulfilment of its statutory mandate of periodic review of regulatory policies, the Commission had engaged a Consultant, Payday Advance and Support Services Limited, to undertake a cost-based study of Mobile (Voice) International Termination Rates (ITR) that is most suitable for the Nigerian Telecommunications Industry.

LEGAL BASIS FOR THIS DETERMINATION

5. The Commission's functions and duties are set out in the Nigerian Communications Act 2003 ("the Act"). Under Section 4 of the Act, the Commission's functions include the facilitation of investments in and entry into the Nigerian market for the provision and supply of communications services, equipment and facilities (section 4(a)); the protection and promotion of the interests of consumers against unfair practices, including but not limited to matters relating to tariffs and charges; and availability and quality of communications services, equipment and facilities (section 4(b)); and the promotion of fair competition in the communications industry; protection of communications services and facilities providers from the misuse of market power, or anticompetitive and unfair practices by other service, or facilities providers (section 4(d)).
6. The Commission also has general responsibilities for the economic and technical regulation of the communications industry (section 4(w)).

7. Section 4(2) of the Act requires the Commission to carry out its functions, and its duties, and exercise its powers efficiently, effectively and in a non-discriminatory and transparent manner, and in a way that is best calculated to ensure that there are provided throughout Nigeria, subject to the regulatory controls specified in the Act, all forms of communications services, facilities and equipment on such terms and subject to such conditions as the Commission may from time to time specify.

PROCESS ADOPTED

8. In line with its commitment to a policy of openness, transparency, fairness and participatory regulation, the Commission convened an initial stakeholder forum, which took place virtually on 10th September 2020. The meeting was attended by relevant Operators within the International Mobile Voice Market Segment and provided an opportunity for the Consultant, Payday Advance Services Limited, to gain clear understanding of the regulatory issues and the current market situation in Nigeria in relation to International Termination Rates, Operator Costs and Subscriber Statistics.
9. The Commission explained the rationale for the appointment of the Consultant, the scope of the work to be undertaken, and the level of cooperation required from Operators. More meetings were also held with the Consultant and Project Implementation Team, where the Consultant provided clarifications in relation to the work to be conducted, relevant issues pertaining to the determination of International Termination Rates, and required information and documentation to be requested from operators.
10. Further to these meetings and following the careful application of international best practice, the following principles were adopted for the cost study:

Issue	Adopted Principle
Cost modelling approach	Hybrid Costing Model; Modelled network is based on a scorched node approach; Modelled network takes the actual and planned coverage of a typical operator and the specific factors of Nigeria into account; Calculation of cost of efficient service provision
Cost model concept	<p>LRIC+ (Long Run Incremental Cost).</p> <p>Long Run: includes all capital costs (depreciation and cost of capital).</p> <p>Incremental Cost: Incremental cost of functionality and capacity required for voice minutes & SMS messages + proportionate mark-up to cover fixed common costs used to provide all services (accommodation & utilities)</p>
Cost basis	Forward-looking costs.
Depreciation	Tilted annuity is used as depreciation methodology
Cost of capital	Estimation of the current Cost of Capital based on CAPM (Capital Asset Pricing Model) model and current market information.
Quality of Service	Model reflects the targeted quality of service

Exchange rate	Exchange rates were based on forecasted inflation rates by the IMF.
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11. After the industry stakeholder forum held in September 2020, relevant operators were debriefed and set questionnaires to gather demand, financial and network data were sent to Operators. Responses were received and reviewed accordingly. (The list of operators is as shown on Appendix 1)
12. In October 2020, the Commission facilitated more virtual meetings between the Consultant and Operators to provide further clarification on network related sections of the questionnaires administered. These meetings contributed to the development of a robust, fit for purpose cost model, relevant for the Nigerian Telecommunications Industry.
13. To be able to complete the questionnaire and provide a comprehensive submission to the Commission, most operators requested for an extension of the timeline for the submission of the questionnaires and their requests were granted accordingly.
14. On 8th June 2021, the Commission convened another virtual industry stakeholder forum with operators and stakeholders for the Consultant to present the findings of the cost study to industry stakeholders. The Consultant's recommendations and the model results were discussed in detail. Majority of the operators found both the recommendations and the results acceptable.

15. Furthermore, operators were provided with the electronic version of the presentation with the model output results. Operators were invited to study the information shared by the Commission and the issues discussed during the stakeholder forum and requested to provide comments to the Commission by 23rd June 2021.
16. The Commission subsequently took into consideration, the indicative results and recommendations of the Consultant, the aggregated operators' comments/suggestions and its understanding of the market conditions in Nigeria to set the International Termination Rate in the best interest of the industry, subscribers, businesses and Nigeria as a whole.

POST IMPLEMENTATION CHALLENGES AND FURTHER ENGAGEMENTS WITH RELEVANT STAKEHOLDERS

17. Further to the conclusion of the Consultancy study on the Determination on Mobile International Termination Rate for Voice Services (ITR) in Nigeria, and subsequent issuance of the Determination which denominated the ITR at price floor of US\$0.045 with effect from 1st January 2022, the Commission received several petitions and complaints bordering on various degrees of implementation challenges from industry stakeholders. These necessitated the following engagements:
 - a. **National Assembly.** The Commission attended a Public Hearing with the members of the House Committee on Communications of the National

Assembly on 17th March, 2022 where it was resolved that the Commission should further engage with the International Data Access Operators (IDAs) and Mobile Network Operators (MNOs), to further understand their respective concerns as a basis towards a fair and amicable resolution of the challenges.

b. **Engagements with MNOs and IDAs.** The Commission held several meetings with IDAs and MNOs towards resolving the identified challenges. The first meeting held on 6th April 2022 at which various propositions were put forward towards the resolution of the identified challenges. A follow-up meeting also took place on 21st June 2022. The following are the specific issues raised and the resolutions reached at the meetings:

i. **Discriminatory Pricing of ITR by MNOs:** While the Determination had set a floor price at \$0.045 and gives the MNOs room to negotiate on commercial terms with carriers, there were related indications that MNOs took advantage of this latitude to engage in discriminatory pricing that favours their related international carrier partners to the detriment of the Nigerian transit/IDA operators. To check the incidence of such anticompetitive disposition, it was agreed by all parties at the meetings that a fixed rate should be adopted by the Commission, in place of the floor rate which had provided a platform for negotiations with various carriers at a rate above the floor. It was further agreed that the present Determination should be amended to include this new fixed rate. This position was further underscored by the fact that the floor price of \$0.045 while

being the lowest rate in Africa, does not support predictability and monitoring, with little positive impact on a healthy national balance of payment position.

A fixed rate will ensure transparency in pricing by all, and support the Commission's effort to monitor compliance by all Operators. To give effect to this, representatives of MNOs and IDAs had initially proposed a fixed ITR at US\$0.08 and US\$0.15 respectively, for Commission's consideration. However, after a thorough evaluation, the Commission resolved to peg the rate at US\$0.10.

- ii. **Proposition for Asymmetry on ITR Pricing Structure.** The meeting also considered the impact created by the present tax regime on the relative price offerings between the MNOs, other international carriers and the IDAs. While invoices issued to IDAs include a Value Added Tax (VAT) rate of 7.5 percent, other international carriers do not have to pay same, making such carriers enjoy relative price advantage over the IDAs. It was the consensus of all that taxes and other costs borne exclusively by the IDAs be taken into consideration in arriving at the rate for terminating international in-bound traffic by them. This pricing asymmetry on the ITR will allow local IDA players accommodate taxes and other related costs in a way that guarantees their competitiveness within the international carrier market, and aligns with the subsisting principle and policy on local content. To give effect to this, it was unanimously agreed that the Commission adopt the same asymmetric corridor contained in the subsisting MTR Determination of 2018 in which big operators terminate at N4.70 in

the networks of small operators, while small operators terminate at N3.90 in the networks big operators. This difference translates to 21 percent, and should represent the discount to be enjoyed the IDA operators on all in-bound international traffic terminations.

c. Engagement with Central Bank of Nigeria (CBN) on Denomination of the ITR in United States Dollars.

In response to the Commission's letter notifying the CBN of the Determination, both agencies held a meeting at the CBN Head Office, on 23rd June 2022. At the meeting, a presentation was made by the representatives of the Commission to the CBN on the international traffic flows, value chains and forex remittance challenges.

Arising from this, the CBN by its letter dated July 29, 2022 notified the Commission of the amendment to the CBN's Circular Ref. No. BSD/DIR/GEN/LAB/08/029 of June 9, 2015 as applicable to the Nigerian Communications Commission (NCC) and some operators in the telecommunications sector (specifically, operations relating to international in-bound calls). It directed banks to note the following in relation to transactions relating to the sector:

- i. That the amended provision applies only to settlement of transactions relating to international in-bound calls;
- ii. That the operators are required to open a dedicated account for transactions in respect of international calls;
- iii. That Nigerian Transit/International Data Access (IDA) Operators must pay Nigerian Mobile Network Operators (MNOs) in foreign currency for services in respect of international in-bound calls.

- iv. That the operators are required to provide relevant invoice and Certificate of Reasonableness from the NCC when moving foreign currency out of their accounts for purposes other than sale into the Investors and Exporters (I&E) window.
- v. That the IDAs and MNOs may utilize their foreign currency for their business operations whilst all excess must be sold at the CBN I & E window.
- vi. That all operators and their transactions must be in strict compliance with extant foreign exchange regulations.

CONCLUSION

18. The Commission has carefully considered the information and additional insights provided by stakeholders following the commencement of the Determination. This is in addition to the cost model results, the state of competition in the sector and the Nigerian macroeconomic environment.
19. We wish to reiterate that the process of arriving at the ITR has been conducted transparently with a view to providing maximum clarity to all parties without compromising the confidentiality of commercially sensitive information.
20. The Commission is confident that the results and the outcome of the various engagements will make a significant contribution to the development of the telecoms sector in Nigeria and be beneficial to subscribers, operators and the country at large.

21. Accordingly, in view of the foregoing, the Commission hereby issues an amended Determination for Mobile (Voice) International Termination Rate for implementation in the Nigerian Telecommunications Industry.

THE DETERMINATION (AMENDED)

The Commission hereby determines that:

1. The International Termination Rate for voice services paid by overseas carriers for terminating international calls on local networks in Nigeria shall be 0.10 United States Dollars (USD- US\$).
 - a. The US\$0.10 is the fixed price for ITR services.
 - b. The ITR will be paid in US\$ and so operators will receive an increasing rate in Naira terms should devaluation continue.
 - c. ITR rate (US\$) only pertains to the cost of bringing traffic into Nigeria. Operators will continue to pay the regulated MTR.
2. To ensure a level playing field that recognizes the unique disposition and characteristics of genuine market participants, the international carrier market is hereby classified as follows:
 - i. MNOs/International Carriers
 - ii. Small/Nigerian Transit Carriers/IDA Operators.
3. The Nigerian Transit Carriers/IDAs shall terminate in-bound international calls in the network of domestic operators at a discount of 21 percent on the US\$0.10. This discount is based on the same asymmetric corridor contained in Commission's MTR Determination of 2018.
4. The Mobile Termination Rates of ~~₦~~3.90 (for Generic 2G/3G/4G Operators) and ~~₦~~4.70 (For New Entrant (LTE)/Small operators determined in 2018 will continue to apply for local call terminations until a new Determination is made by the Commission.

5. This Determination shall take effect from the **1st Day of September, 2022** and will remain valid and binding on Licensees until further reviewed by the Commission. This Determination effectively repeals the Determination of Mobile (Voice) International Termination Rate Issued by the Nigerian Communications Commission on the 25th November, 2021 which took effect from 1st January, 2022.
6. For the avoidance of doubt, the Commission reserves the right to review and amend this Determination at any time. Such review may be necessitated by a major change in the market conditions and/or the underlining principles of this Determination.
7. No licensee shall charge and /or receive effective rate per minute outside the ITR rate determined in paragraph 1 above. Operators are no longer free to negotiate a rate above or below the fixed rate.
8. For the avoidance of doubt, any other payment discounts, volume discounts and any other concession that has the effect of bringing the effective ITR lower than the rate determined above shall be deemed a contravention of this Determination and will attract sanctions in line with the Nigerian Communications (Enforcement Process, etc.) Regulations, 2019.
9. In this Determination, unless the content requires otherwise, the following expressions shall have the meanings set out below:

International Termination Rate	The rate for terminating international in-bound traffic, either directly by International Carriers or through Nigerian Transit Carriers; and transit through international networks to a Point of Interconnection (PoI) with the domestic network. It represents payments service exports by Nigerian Domestic Mobile Network Operators.
Fixed Rate	Price set at the level of the cost of an average efficient operator using permitted circuit switched or IP technology plus a fair margin for the sustainable performance of industry operators.
International Transmission	Transmission from the international gateway, via backhaul to a cable landing station (or satellite earth station), international submarine cable systems (or satellite space segments), through to an overseas Point of Presence (POP).
International Gateway	The international gateway comprises the voice switching equipment, either TDM (Time Division Multiplexing) or packet, required to handle both incoming and outgoing international calls.
Inland Transmission	Between the domestic networks and the international gateways.

Dated this 25th Day of August, 2022.

Prof. Umar Garba Danbatta, FNSE, FRAES, FAEng, FNIEEE
Executive Vice-Chairman
Nigerian Communications Commission

APPENDIX 1

For this study data was collected from the following Operators:

1. Airtel Networks Limited
2. Exchange Telecommunications Limited
3. Globacom Limited
4. Interconnect Clearinghouse Nigeria Limited
5. Inq. Digital Nigeria Limited
6. MTN Nigeria Communications PLC
7. Smile Communications Nigeria Limited
8. Emerging Markets Telecommunications Services (EMTS) Limited (trading as 9mobile)