



Nigeria's Digital Mobile Telecommunications Licence Auction Questions and Answers (as at January 12, 2001)

- 1. Can qualified bidders appoint alternate Authorised Officers who will assume the duties of the Authorised Officers designated in the Application Forms should they not be in a position to continue with their duties for any reason?**

The Information Memorandum does not provide for nomination of alternate Authorised Officers by bidders and this was based on the belief that bidders had reasonable notice of the auction date to ensure that their nominated Authorised Officers would be present during the auction. In extreme circumstances however, bidders may be allowed to substitute their Authorised Officers or any of them but this would be based on a full disclosure of the circumstances thereof by the bidder(s) and subject to the Commission's discretion. In that circumstance, the substitute Authorised Officer(s) would have to complete and execute a fresh Bidder Compliance Certificate on behalf of the bidder as a condition precedent to further participation by the bidder in the auction process. Such applications for substitution would be treated on a case-by-case basis. For the avoidance of doubt, Authorised Officers would not be allowed to act through proxies or alternates.

- 2. Should the substitute Authorised Officers be taken from the list of Authorised Persons?**

Yes.

- 3. Will it be possible to rotate Bid Team members from round to round, in order to enable more than the four Authorised Persons to participate in the auction?**

No. Bid Team members may not be rotated on a round by round basis therefore the composition of a Bid Team will not change during and Auction Day. If, due to unforeseen circumstances, a member of a Bid Team has to leave the Approved Room neither the member who left the Approved Room nor any replacement will be permitted to participate for the remainder of that Auction Day.

The Commission has decided, however, to allow up to five Authorised Persons in a Bid Team to be present in each Approved Room and of course, Bid Team members may be rotated on a day to day basis.

- 4. Will the Commission guarantee that no further mobile licences will be issued in Nigeria for a specified period of time?**

The Commission does not intend to issue more than four 2G licences but intends to issue 3G licences in the future after the successful rollout of 2G networks.

- 5. Will the existing analogue mobile networks continue to operate or will they be closed down following the award of the digital mobile licences?**

The analogue operators will be allowed to continue to operate, however, once the analogue networks become obsolete the spectrum will be withdrawn by the Commission. The Commission expects that there will be a trade-off between the expansion of digital networks and the decline of analogue services. As a result and in order to ensure that the spectrum is utilised efficiently, as demand decreases the analogue spectrum will be re-farmed. The Commission will negotiate an appropriate closedown date.

6. Will the spectrum packages include spectrum for transmission links?

This is a digital mobile licence authorising the use of specified mobile spectrum and radio equipment. Access to further non-mobile spectrum is the subject of a separate licensing process and fee regime.

7. The Information Memorandum states that site sharing will be encouraged. Will the Commission permit negotiations between potential operators before the award of the licences?

No. The auction rules prohibit bidders from communication with other bidders from the application date through to the grant of the licences.

8. Will wireless local loop operators be restricted in terms of mobility?

Yes.

9. Will infrastructure sharing between operators be regulated by the Commission?

Yes.

10. The Commission has stated that operators will be allowed to set up their own long distance links. Will they be permitted to self-provide local distribution spurs?

Yes.

11. Will operators be limited in the technology they use for transmission links?

Operators may use whatever technology they deem suitable providing they obtain the necessary licences for implementing the different means.

12. The requirement for operators to use part of their spectrum allocation significantly reduces the available channels to be used in the frequency plan. Would the Commission consider allocating the guard bands from the spare spectrum?

Guard bands will be negotiated by successful bidders and, it is expected that these will be formed from their own allocations.

13. Is there scope for negotiation/clarification of the licence terms within the 14 day period after announcement of the winners but before the award of the licences?

There will be opportunity for clarification but not negotiation.

14. The licence states that the licensee is restricted in terms of cross subsidisation. Will the same apply to NITEL?

Yes.

- 15. As stated in the licence the requirement to seek the Commission's approval for joint ventures is very broad and could severely constrain the ability of the licensee to fulfil its rollout obligations.**

The Commission disagrees that this could severely constrain the ability of the licensee to fulfil its rollout obligations. All that the provision requires is the Commission's prior approval for consummation of joint ventures and the essence is to avoid cross-ownership that could result in monopoly or anti-competition situations. The Commission will not unduly withhold approval.

- 16. The licence condition dealing with Associates is also very broad and again could severely constrain the ability of the licensee to fulfil its rollout obligations.**

The Commission disagrees. This provision is aimed in particular at ensuring the licensee does not circumvent licence conditions by using subterfuges and associated companies and persons.

- 17. The licence condition dealing with Revocation (Schedule 1 Condition 21) states that the licence can be revoked on 3 months notice if the licensee does not fulfil the rollout obligations. Schedule 2, Annexure 2 details penalties to be charged should the licensee not meet its annual rollout obligations. Can the Commission elaborate on the circumstances under which it would deem it necessary to revoke the licence for failure to meet the rollout obligations.**

These two provisions are neither mutually exclusive nor contradictory. The Commission does not have to revoke licences and is minded to do so only in extreme circumstances.

- 18. Implementing number portability is extremely difficult in a pre-paid environment. This is more so in new market and should be delayed until the market is more mature.**

Number portability is not mandated in the licence, the Commission states that licensee's need to comply with any direction the Commission may give. Any such direction would follow consultation with the mobile operators

- 19. The assignment of numbers should be made prior to commercial launch to give licensees sufficient time to configure SIM cards.**

The Commission is in agreement with this and numbers will be allocated within 30 days of the award of the licence.

- 20. The allocation of only 1,000,000 numbers is too small for effective planning within the numbering range.**

The Commission is in agreement with this and licensees will be allocated 10,000,000 numbers.

- 21. Will Network capacity not be a better metric for the network rollout obligations?**

The Commission does not agree that measuring network capacity is a better way to assess network rollout as this is difficult to regulate.

22. Why an auction and not comparative selection ("beauty contest")?

Auctions are a fast, transparent, fair and economically efficient way of allocating the scarce resource of radio spectrum. Compared to the alternative of comparative selection, auctions can offer important advantages of:

- Economic efficiency. A well-designed auction with well-informed bidders ensures that licences are awarded to operators that value them most and can generate greatest economic benefit;
- Fairness. Selection by administrative criteria is more subjective and less transparent

23. How much will the auction raise?

This is a matter for the market. What potential operators will bid for a licence will depend on their overall business plans and the returns they expect to make. The aim of the auction is to allocate licences fairly and efficiently by ensuring that they go to those who value them the most and will make the best use of them.

24. Surely this is just about raising money?

No. This is about allocating licences fairly and efficiently. The Initial Consultation Document makes our aims and objectives for the auction clear.

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.

It is not an objective of the auction to raise revenue for the Government, but it is only right that the community as a whole should benefit.

25. What if companies overbid/overextend themselves and are not able to pay?

The deposit required to enter the auction will be set at a level to ensure that only serious companies participate. The price that companies pay will be determined by their business cases. Each bidder will need to determine what a licence is worth to them and justify this valuation to their shareholders and financial backers.

26. If the auction leads to high licence fees won't this delay the roll-out of networks?

Quite the opposite. We think there will be a strong incentive to get a return on them by building networks out quickly. Bidders will need to include the cost of rolling out a network in considering what a licence is worth to them.

27. Won't licence costs be passed on to consumers?

In a competitive market bidders will treat the licence fee as a sunk cost and set their tariffs by reference to the market, not some past one off expense.

An auction allows the market to determine the commercial value of a digital mobile telecoms licence instead of a licence fee fixed by Government. The amount that operators bid will be determined by their overall business plans and the expected prices for services and not the other way around.

Competition will discourage overcharging and encourage operators to roll out their networks quickly. Companies will always seek to maximise revenue and profits. If operators do attempt to increase charges above a certain level, demand and revenue will both fall. If anything, operators will be encouraged to get innovative services at attractive prices out into the market quickly to make a return on their investment.

28. How will the auction work?

Licence auctions have been used extensively overseas in the United States, Europe and Australia and there are a number of possible auction designs or methods to choose from. We are working with consultants to ensure an appropriate design for Nigeria. Decisions on the final auction design will be taken in the light of the overall objectives for the auction, the evaluation of licensing options, the likely number of bidders and technical feasibility.

29. What will the selection criteria for the auction be?

Details will be outlined in due course. However an advantage of the auction process is that 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. The pre-qualification process will be kept as simple as possible.

30. When will the auction be?

The NCC wants to license mobile operators at the earliest possible opportunity and we are currently planning an auction in December. 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. In recognition of this the NCC has sought comments from industry on the proposed timetable. The final timetable will be subject to the outcome of consultation, final decisions and market developments nearer the time.

31. Why is it so important to have four mobile operators? Won't one be enough/be more efficient?

The benefits of competition are clear from telecoms markets overseas. Competition has delivered more choice, better quality and lower prices throughout the world-wide telecoms market. The Government believes that competition in the mobile market should bring substantial benefits to consumers through the faster roll-out of innovative services and lower prices.

32. How much will handsets/services cost?

It is difficult to say; prices are principally a matter for the market to decide and competition should keep prices down. However, the NCC will take action against any anti-competitive prices.

33. Aren't other countries licensing third generation (3G) - why bother with 2G?

These countries have established digital mobile communications networks. Third generation is a new and untested technology for which the market has yet to develop. We need to establish a competitive and successful mobile telecommunications industry, infrastructure and market before licensing third generation. It is, however, a longer-term aim to license 3G operators when the time is right.