



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

Issued by the

Nigerian Communications Commission

On this 25th Day of November, 2021

MOBILE VOICE INTERNATIONAL TERMINATION RATE DETERMINATION BY THE NIGERIAN COMMUNICATIONS COMMISSION

INTRODUCTION

1. The current regime of interconnection rates was sustained by the Commission's Mobile (Voice) Termination Rate issued on 1st June 2018. In the Determination, it was stated that the International Termination Rate of N24.40 determined in 2016 will continue to apply until a new Determination is made.
2. The International Termination Rate being denominated in Naira had multiple negative impacts on Operators which was further exacerbated by series of devaluation of Naira which ultimately left Nigeria from being a net receiver of international minutes to a net payer.
3. Operators continue to face 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 engaged Messrs' 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"). Section 4 of the Act lists the Commission's functions, to 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 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 September 10 2020. The meeting was attended by all relevant Operators within the Mobile Voice Market Segment and provided an opportunity for the Consultant- Messrs 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 Messrs Payday Advance Services Limited, 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 consultants 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	Recommendation
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.

11. After the industry stakeholder forum of 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 who requested for further clarifications 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 June 8th, 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. The majority of the operators found both the recommendations and the results acceptable. Furthermore, operators were provided with the electronic version of the presentation with the model output results.

15. Operators were invited to study the information shared by the Commission and the issues discussed during the stakeholder forum and 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 interests of the industry, subscribers, businesses and Nigeria as a whole.

CONSIDERATION OF SUBMISSIONS MADE BY OPERATORS

17. The purpose of this section is to provide an overview of the comments received as well as the responses of the Commission. Comments not directly relevant to the Mobile International Voice Termination Rate have not been included.
18. The comments received have been summarised and grouped by subject area. The names of the operators making the individual comments have not been included.

**COMMENTS ON THE REGULATION OF MOBILE VOICE
INTERNATIONAL TERMINATION RATES (ITR)**

1.) Comments on currency to be adopted in settling transactions between two local (Nigerian) operators:		
	Comments From Operator	Response from NCC
	<p>a) Since the cost of terminating an international call is the ITR+ MTR, an operator sought to know what rates/currency would be applicable to the Commission’s International Data Access Gateway licensees (IDA) that provide the international transit service pay to the Mobile Network Operators (MNOs) for the local termination of International minutes (i.e. the Local Termination Rate)?</p> <p>b) Operators wanted to know whether the ITR will remain dollar-denominated even in the case of transactions done between two local Commission licensed operators (e.g. between a transit service provider and an MNO)?</p> <p>c) One operator recommended that the Commission makes a determination mandating all players (including IDA licensees) to settle their ITR obligations in US Dollars with IDAs acting as collecting</p>	<p>a) The cost study took into consideration aspects of operators costs that are dollar based as transactions are originated from a foreign country and should therefore be settled in United States Dollars (USD). Settlement between two (2) local operators will also be made in USD at the prevailing rate set by the Central Bank of Nigeria (CBN).</p>

	agents for MNOs if there are any concerns to address any of the aforementioned concerns around transacting with them in foreign currency	
2.) Comments on control mechanism to check for possible violation of the ITR floor price:		
	<p>a) An operator stated that the ITR floor price will only be beneficial if the Commission can guarantee that no Mobile Network Operator (MNO) will be allowed to charge below the ITR floor price. The operator also advised that the Commission should put some measures in place to serve as controls in this regard.</p> <p>b) One operator expressed concern on the likelihood of operators ganging up to fix price above the ITR ceiling and how such can be prevented and also on the possibility of a dominant operator pricing ITR below the prescribed floor rate.</p>	<p>a) The Competition Regulations states that it is illegal to engage in price fixing, therefore, any attempt to practice such will be dealt with as the Commission had put in place appropriate policies and measures that will address such practice.</p>
3.) Comment on perceived violation of CBN's directive on FX settlement:		
	<p>a) An operator expressed concern as to whether the settlement of ITR in USD between two Nigerian operators is against the CBN current directive on payments between Nigerian based operators.</p>	<p>a) The NCC has signed an agreement with the CBN as regards settling of telecom services as currently being done with the Confirmation of Reasonableness Fees (CRS) and such agreement will</p>

		<p>subsist for dollar denominated transactions.</p> <p>b) The ITR rate and settlement in USD does not contradict the CBN’s directives. Furthermore, if the operators have gateway license and the call is originated internationally, the Commission will notify the CBN that the call is originated and terminated as a foreign call, hence settlement will be in USD.</p>
<p>4.) Comment on mode of settlement for Clearing Houses and IDAs:</p>		
	<p>a) One operator queried that if settlement will be done in USD, how would clearing houses benefit from the proposed ITR, since it costs more to transit calls through clearing houses.</p> <p>b) Another operator noted that recommendation for ITR settlement in dollars whilst the MTR component is in Naira and sought to know how the issue of IDA licensee and gateway providers be handled whether the settlement will be in Naira or USD?</p>	<p>a) The billing for the IDA will be cascaded in USD.</p> <p>b) The clearing house is routing some traffic and will therefore receive some payment for international aspect of the business.</p>

CONCLUSION

19. The Commission has carefully considered the information provided by stakeholders and taken a view on parameters and regulatory measures in the light of relevant information- such as international experience, cost model results, the state of competition in the sector and the Nigerian macroeconomic environment. 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 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. The Commission would like to thank all operators who submitted information relating to the regulation of interconnection rates and the costing models and who actively participated in the processes leading to this Determination.
22. Finally, the Commission wants to thank all industry stakeholders and the consultant for their participation in this study and for working together making it a success.

DETERMINATION

1. The Commission hereby determines that:
 - a) The International Termination Rate for voice services paid by overseas carriers for terminating international calls on local networks in Nigeria shall be 0.045 United States Dollars (USD- US\$)
 - b) The 0.045 US\$ 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 MTR.
 - e) The ITR of 0.045 US\$ is the floor 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.
2. The Mobile Termination Rates of ₦3.90 (for Generic 2G/3G/4G Operators) and ₦4.70 (For New Entrant (LTE) operators determined in 2018 will continue to apply for local call terminations until a new Determination is made by the Commission
3. This determination shall take effect from the **1st Day of January, 2022** and remains valid and binding on Licensees until further reviewed by the Commission.
4. For the avoidance of doubt, the Commission reserves the right to renew and amend this Determination at any time. Such review may be necessitated by major change in the market conditions and/or the underlining principles of this Determination.

5. No licensee shall charge and /or receive effective rate per minute below the ITR floor rate determined in paragraph 1 above. For the avoidance of doubt, 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.
6. ITR floor is the minimum that can be charged. Operators will be free to negotiate a rate above the floor. This will be left to commercial negotiations between the operators and international carriers/partners
7. In this Determination, unless the content requires otherwise, the following expressions shall have the meanings set out below:

International Termination Rate	Payments for termination of incoming international calls, made up of domestic network termination, regulated by the Mobile Termination Rate (MTR); and transit through international networks to a Point of Interconnection (PoI) with the domestic network.
Price Floor	Price floor set at the level of the cost of an average efficient operator using permitted circuit switched or IP technology.
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 November, 2021.



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APPENDIX 1

For this study data was collected from the following Operators:

1. Airtel Networks Limited
2. Exchange Telecommunications Limited
3. GloMobile 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)