



## BIDDER INFORMATION PACK

### INFORMATION FOR BIDDERS PARTICIPATING IN THE NIGERIAN DIGITAL MOBILE LICENCE AUCTION

#### **1. INTRODUCTION**

- 1.1. This Information Pack has been prepared for Bidders in order to aid their preparations for both the Mock Auction and the Auction proper. In general it complements the details contained in the Nigerian Communications Commission Digital Mobile Licensing Information Memorandum. In the event of conflict or contradictions howsoever between the contents of this Information Pack and the Information Memorandum, this Information Pack shall supersede and subsist.
- 1.2. The following areas are covered:
  - Mock Auction.
  - Domestic arrangements at the Auction Location.
  - Management of the Auction Process.
  - Auction Mechanics.
  - Emphasis on particular Auction Rules – for full Rules please refer to the Information Memorandum.
  - Halting the Auction.

- Overview of the Auction design – for a more detailed examination please refer to the Information Memorandum

1.3. This pack also includes the following attachments:

- Bid Forms;
- Results Sheet.

1.4. The Commission and its advisors welcome comments, questions or requests for clarification on any of the information provided herein. Such feedback should be submitted in writing to the Commission at the address specified in the Information Memorandum before the Auction Date. Issues may also be raised as part of the Mock Auction process.

## **2. MOCK AUCTION**

### **2.1. Attendance**

The Mock Auction provides Bidders with a valuable opportunity to practice and familiarise themselves with the auction process. All five Qualified Bidders are required to provide a Bid Team each, of up to five Authorised Persons of which one must be an Authorised Officer, to participate in the Mock Auction. The Commission retains the discretion to exclude from the Auction Stage, any Bidder who fails to participate in the Mock Auction.

### **2.2. Timetable**

The Mock Auction will commence promptly on Tuesday 16 January at 14.00 hours at the Auction Location. On arrival at the Auction Location, Bid Teams should proceed to Borno meeting room on Floor 02 of the Hotel, where they will be required to sign in (signatures will be checked against those already provided by Bidders. Any Bidder who has yet to provide sample signatures of its Authorised Persons must do so before Tuesday 16 January 2001).

Between 14.00 and 15.00 hours Bid Teams will participate in a briefing session, during which questions may be raised regarding the Auction procedures. Each Bid Team will then be taken to an Approved Room for the duration of the Mock Auction (expected to run from 15.00 to 17.00 hours) at the end of which further questions may be raised.

### **2.3. Format**

The Mock Auction will implement the processes to be expected in the Auction proper, unless during the course of the Mock a particular problem causes any aspect of the procedure to be amended. All Bidders will be fully notified of any such change before the close of the session.

Bidders will be provided with individual briefs containing information to be used in the Mock including a maximum valuation for each Licence. To avoid prejudicing the Auction proper, the maximum issued to each Bidder in the Mock will not bear any relationship to valuations in the Auction proper.

### **3. DOMESTIC ARRANGEMENTS AT THE AUCTION LOCATION**

#### **3.1. Arrival**

When Bid Teams arrive on the Auction Date and if applicable, on subsequent Auction Days, they should proceed to Wing C of the 6<sup>th</sup> floor of the Auction Location (“**the Wing**”) where they will be met by a member of the Auction Control Team, who will be wearing a clearly identifiable badge, and escorted to an Approved Room. Bid Teams should arrive between 08.30 and 09.00 hours each day unless otherwise specified by the Auction Control Team. On entering the Wing, Bid Teams will pass through a security screening process in order to ensure that Communications Devices, as defined in the Information Memorandum are not taken to the Approved Room. Bid Team members will not be admitted to the Approved Room should any of them be found in possession of any such device. Within the Approved Room the Bid Team members will be required to sign in, for verification purposes, for the duration of the Auction Day. Once the identities of the Bid Teams have been verified by the Auction Control Team, the Bid Team together with the Independent Observer assigned to it will await confirmation of the timing of the first Round of the day.

#### **3.2. Approved Rooms**

Each Bid Team will be allotted an Approved Room containing a table and chairs and bathroom facilities. The allotment of any Approved Room to any of the Bid Teams on any Auction Day is at the absolute discretion of the Auction Control Team. All the Approved Rooms are identical standard and none of them are directly adjacent to another. Each room will be supplied with tea and coffee making facilities and bottled water at the beginning of each Auction Day. There will be a formal lunch break and food will be delivered to the room for the Bid Team and Independent Observer (any special dietary needs should be made known to the Commission before the Auction Date). Telephones have been removed from the Rooms. Each Approved Room will contain a supply of envelopes into which any communication from the Bid Team to the Auction Control Team or Commission should be placed during the Auction Day. There would also be writing materials and a supply of forms on which any general communication (not bid) should be written.

#### **3.3. The End of the Auction Day**

Following notification of the results of the Final Round, the Auction Control Team will notify all Bid Teams in writing that the Auction Day has ended. Bid Teams will be escorted from the Approved Rooms and will not be readmitted to the Wing until the following day.

#### **4. MANAGEMENT OF THE AUCTION PROCESS**

4.1. Throughout the Auction Stage, the Auction Control Team (which is made up of the advisors appointed by the Commission) and, Commission's representatives will be present at the Auction Location.

#### **4.2. Auction Control Team**

Members of the Auction Control Team will produce and personally deliver all communication with the Bid Teams and will personally take receipt of bids during the Auction Day (see the role of Independent Observer). The Auction Control Team will advise the Commission on all issues arising throughout the Auction Stage.

#### **4.3. Commission's Representatives**

Commission representatives will be responsible for all final decisions during the Auction Stage. Representatives of the Commission will take on the roles of Independent Observers and Runners. These are explained below:

##### **➤ Independent Observer**

The Independent Observer will escort the Bid Team to an Approved Room and remain with that Team for the duration of the Auction Day. The Independent Observer will also escort the Bid Team off the Wing at the end of the Auction Day. During the Auction Day they will also execute the following duties, amongst others:

- Go to the door of the Approved Room to receive any communication from the Auction Control Team;
- Hand any such communication to a member of the Bid Team;
- Observe the opening of envelopes from the Auction Control Team to the Bid Team;
- Where the envelope contains Bid Forms or Sealed Bid Forms:
  - check, with the Bid Team, that both Forms are unmarked ; and
    - sign both Forms to confirm that they are unmarked
  - or
  - if either of the Forms is marked;
    - complete a "Marked Bid Form" pro forma
    - seal pro forma and both Forms in a "Communication with ACT" envelope

- hand the envelope to a runner to return to the Auction Control Team.
- Where the envelope contains the Bid Form Confirmation or the Sealed Bid Form Confirmation and the Bid Team wishes to dispute the Record of Action entry:
  - pass the “Communication with ACT” envelope to a Runner
- Once the Bid Team has completed the Bid Forms during a Round;
  - pass the two sealed envelopes marked “Bid Form Copy 1” and “Bid Form Copy 2” to a member of the Auction Control Team (who will knock on the door to receive them at the end of each Round).
- If the Bid Team completes a “General Communication Form” pro forma
  - pass the “Communication with ACT” envelope to a Runner (however, if the Bid Team wishes to submit such a communication at the same time as the Bid Forms, the envelope may be passed to the member of the Auction Control Team).

➤ Runner

Two Runners will be stationed at any one time in the corridor outside the Approved Rooms. Should a Bid Team or an Independent Observer wish to send a message to the Auction Control Team at any time other than when submitting a bid (which is collected by a member of the Auction Control Team), the Independent Observer will, from the doorway of the Approved Room, summon a Runner to convey the envelope to the Auction Control Team.

## 5. AUCTION MECHANICS

### 5.1. Use of Passwords

At the beginning of each Auction Day, the Auction Control Team will deliver a list of passwords in a sealed envelope to each Bid Team. Any Communication from a Bidder to the Auction Control Team or Commission and from the Auction Control Team to a Bidder should be verified by the use of a password.

The Auction Control Team will provide each Bid Team with the following passwords:

- (i) **A list of numbered passwords to be used by Bidders when submitting their Bid Forms.** When Bid Forms or Sealed Bid Forms are issued, the Auction Control Team will specify a password number on the Bid Form. When submitting the Bid Form or Sealed Bid Form, the Bidder should provide the Auction Control Team with the password corresponding to that password number. Passwords will be randomly selected, for example, in round 2 the Auction Control Team may ask for password number 5 and that password will only be used once. Unused passwords in the list of passwords given to the Bid Teams each Auction day shall automatically become invalid and unusable on subsequent Auction Days.
- (ii) **A single password** to be used by Bid Teams when initiating communication with the Auction Control Team (i.e. for any reason other than to submit a Bid Form/Sealed Bid Form). This password will normally only be changed on a daily basis; however, the Auction Control Team may issue a new one during the Auction Day.
- (iii) **A single password** which shall be used when the Auction Control Team sends any communication to a Bidder (Bidders should query any communication which purports to be from the Auction Control Team but does not include this word). This password will normally be changed daily but may also be changed during an Auction Day.

### 5.2. Cycle of Bid Rounds

No less than thirty (30) minutes before the commencement of a Round the Auction Control Team will deliver a Results Sheet (see Appendix) to the Bid Teams. For Day 1 Round 1 the Results Sheet will not contain details of Bidder Actions in previous rounds but will confirm the start and finish times for this Round).

At the beginning of the Round the Auction Control Team will knock on the door of the Approved Room and hand to the Bid Team through the Independent Observer a sealed envelope containing the two Bid Forms.

➤ The Bid Team should:

- Open the envelope and check that the Bid Forms are identical, unmarked and contain the correct information.
  - If one or both of the Bid Forms are marked or contain incorrect information then the Bid Team should return both Bid Forms to the Auction Control Team via the Independent Observer. If this happens the Bid Team will receive two further copies of the Bid Form and a notification of the new Start and Finish Times for that Round.
  - If the two Bid Forms are correct then the Bid Team should complete both Bid Forms with identical information.
    - The Bid Team shall place the two Bid Forms in separate envelopes marked “Bid Form Copy 1” and “Bid Form Copy 2” and seal them.
    - The end of the Round will be signalled by a knock on the door of the Approved Room, at which point the Bid Team must hand both envelopes to the Auction Control Team via the Independent Observer.

The Auction Control Team will process and verify all Bid Forms. In the event that the Auction Control Team receive an invalid Bid Form the Bid Team will receive a communication from the Auction Control Team explaining why the Bid Form is invalid and the course of action. Bidders should be aware that the time between Rounds will vary. The start time for the next Round will not be announced until any disputes or issues, which may have arisen in the previous Round, have been settled.

The Auction Control Team will knock on the door of the Approved Room and hand to the Bid Team via the Independent Observer a sealed envelope containing the Bid Form Confirmation.

➤ The Bid Team should:

- Check that the action recorded on the Bid Confirmation is correct.
  - If the Bid Form Confirmation is incorrect the Bid Team should send a communication to the Auction Control Team via the Independent Observer in writing within five (5) minutes of receipt of the document.
    - If there is a dispute, it is resolved by opening the other sealed envelope. The Auction Control Team, in front of the Bid Team and a representative of the Commission shall undertake the opening of the other sealed envelope.

- If the two Bid Forms differ the Auction Control Team will record the Action shown on the Bid Form Confirmation.
  - If the two Bid Forms are identical but the Bid Form Confirmation is incorrect, the Bid Form Confirmation shall be adjusted to record the correct Action shown on the two Bid Forms.
- If the Bid Form Confirmation is correct then no further action is necessary.

Once any dispute has been resolved, the Auction Control Team will knock on the door of the Approved Room and hand to the Bid Team via the Independent Observer a sealed envelope containing the Results Sheet for that Round which will also contain the Start and Finish Times for the following Round.

In the event of a Sealed Bid Phase, the Round cycle will remain the same but the forms used by the Eligible Bidders will differ. Successful Bidders in the last round of the Ascending Bid Phase will receive a communication from the Auction Control Team via the Independent Observer informing them that a Sealed Bid Phase is taking place.

## **6. AUCTION RULES**

The Commission would like to emphasise the following rules to all Bidders.

### **6.1. Activity Rules**

The Commission retains the discretion to impose fines on Bidders for breach of Activity Rules and the penalty amount shall be deducted from the affected Bidder's Deposit. The Commission shall determine the penalty amount where it has not been expressly stated in this Information Pack and/or Information Memorandum.

The Activity Rules took effect from the date of submission of Applications. In the event of a breach of the Activity Rules by a Bidder or its Insiders, the Commission may, at its sole discretion, exclude that Bidder from the Auction. If a Bidder is excluded from the Auction for a breach of the Activity Rules, the Commission may also declare some or all of that Bidder's Deposit forfeit.

Activity Rules refer to the set of rules, contained in the Information Memorandum and in this Information Pack, governing the Bidders' conduct during the Auction including but not limited to the handling of confidential information, anti-competitive behaviour and receiving advice from advisers to the NCC.

### **6.2. Communication**

If a Bidder knowingly and purposely communicates with another Bidder from the Application date through to the end of the Auction Stage on any matter related to the Auction, the Bidder may forfeit its Deposit and be excluded from the Auction.

If a member of a Bid Team is found using a Communication Device during an Auction Day (as defined in paragraph 4.7.6.3 of the Information Memorandum), the Bidder shall be penalised USD\$100,000 and may be excluded from participating further in the Auction.

A Bid Team may communicate with the Commission or with the Auction Control Team only in writing during the Auction Day. Any communication must be accompanied by an applicable password.

### **6.3. Bid Team Rotation**

Bid Team members shall not be rotated on a round by round basis therefore the composition of a Bid Team will not change during any 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.

Bid Team members may be rotated on a day-to-day basis provided that they are amongst the Authorised Persons lists submitted by the respective Bidders.

**6.4. Auction Day 1 Round 1**

If at the end of Round 1 Auction Day 1 a Bidder is Inactive, that Bidder shall forfeit his Deposit.

**6.5. Failure to leave the Auction Location when required**

Inactive Bidders who cannot participate further in the Auction are required to leave the Auction Location within eighteen (18) hours. If a Bid Team fails to leave the Auction Location within eighteen (18) hours and fails to provide a reasonable excuse for his delay, the Bidder may be fined USD\$100,000. This sum will be deducted from the Bidder's Deposit at the end of the Auction Day that the Bidder withdraws from the Auction.

**6.6. Incorrect/missing entries on Bid Forms**

Marking more than one box (Yes, No, Waive) on the Bid Form renders the form invalid and may meet with a penalty, the amount of which would be USD\$10,000. Failure to enter a Bid Value on the Sealed Bid Form shall meet with a penalty, the amount of which would be USD\$100,000.

**6.7. Differences in the two copies of the Bid Form/Sealed Bid Form**

If the two sheets differ, the Bidder may be penalised USD\$100,000 (deducted from the Bidder's Deposit) and may be excluded from further participation in the Auction.

**6.8. Failure to make payment for Licence**

Failure to pay the full amount within 14 Business Days of grant of the DML will result in the forfeiture of the Bidder's Deposit and forfeiture of the Bidder's Licence. Other penalties specified in the Information Memorandum will apply.

## **7. HALTING THE AUCTION**

### **7.1. Emergency Alarm**

In the event of an alarm, Bid Teams should evacuate to the emergency rendezvous point specified by the Hotel. Individual Bid Teams should remain together and with their respective Independent Observers. They should not mix or communicate with other Bid Teams or relate howsoever with any third party on any issue relating to the Auction. The Independent Observer will be instructed by a member of the Auction Control Team when to return to the Wing with his or her Bid Team which will then await communication from the Auction Control Team on how the Auction will be resumed.

### **7.2. Recess Period**

Should the Commission decide for any reason to suspend the Auction temporarily, it may notify the Bid Teams of a recess period. The Auction Control Team will notify the Bid Teams in writing of any such decision and indicate the time at which the Auction will resume.

## 8. SUMMARY OF THE AUCTION STRUCTURE

This note is a summary of the Auction design and is not intended to replace the more detailed information given in Chapter 4 of the Information Memorandum.

The Commission has confirmed that five (5) Applicants have progressed to the Auction Stage as Qualified Bidders. Therefore the Auction will take the form of an ascending bid auction. The form of ascending bid auction to be used in this case is known as the 'ascending clock auction' where a price is announced at the beginning of each Round and Bidders have to decide whether or not they are prepared to pay that price.

There will be a minimum of one Round on each Auction Day. On the first Auction Day, there will be no fewer than two Rounds. Each Round will last for about twenty (20) minutes.

The first Announced Price will be the Reserve Price for the Licence, set at USD\$100 million. At the beginning of each subsequent Round of the Ascending Bid Phase the Auction Control Team will reveal a new Announced Price.

The Announced Price will be stated in multiples of USD\$1million and will increase by a bid Increment (typically not more than 10%) between any two consecutive Rounds. The Announced Price on an Auction Day will not increase by more than 50% of the Final Price on the previous Auction Day. On the first Auction Day, the Announced Price cannot exceed the amount stated on the Bidder Participation Form i.e. USD\$150 million.

At the end of each Round in the Ascending Bid Phase, a Bid Team is required to have chosen one Action. The Action a Bid Team can choose depends on the status of the Bidder.

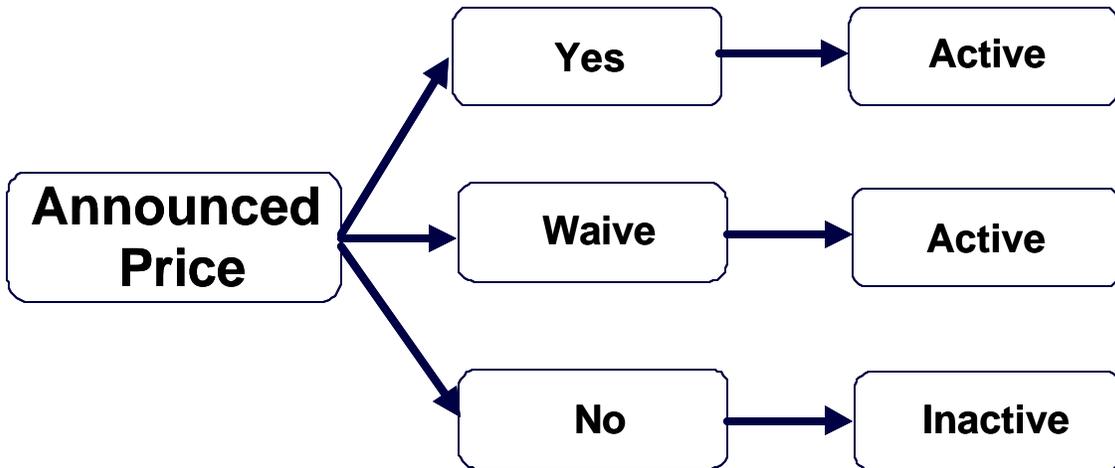
### 8.1. A Bidder is either Active or Inactive.

At the beginning of the first Round on the first Auction Day all Qualified Bidders are Active Bidders. When the price is announced, each Bid Team, which is still participating in the Auction, is required to choose one Action from the following three (3) Actions:

- **Yes** – meaning a Bidder confirms that he is willing to pay at least the Announced Price for a Digital Mobile Licence (DML). If a Bid Team chooses **Yes**, the Bidder is **Active** at the end of the Round.
- **Waive** – meaning a Bidder is not sure that he is prepared to pay the Announced Price for a DML. If a Bid Team chooses **Waive**, the Bidder is **Active** at the end of the Round. A Bid Team can choose **Waive** only if it has at least one waiver remaining to use in the Auction. Each Active Bidder will be able to exercise a maximum of three waivers throughout the entire Auction Stage.

- **No** – meaning a Bidder confirms he is not willing to pay the Announced Price for a DML. If a Bidder chooses **No**, the Bidder is defined as **Inactive** at the end of the Round.

## Actions in response to Announced Price

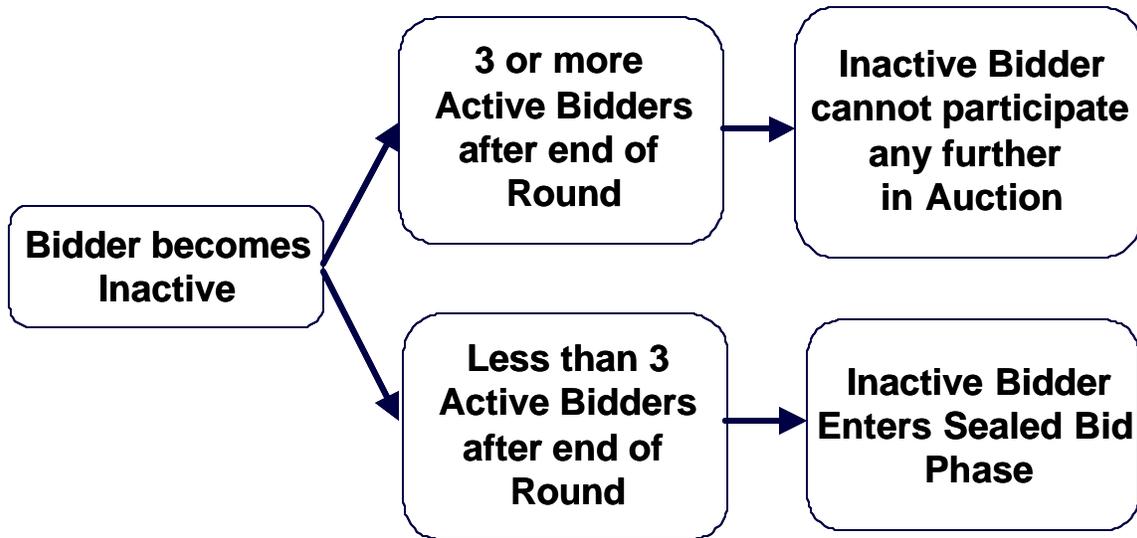


If a Bidder responds No when the Announced Price is the Reserve Price, that Bidder will forfeit his Deposit.

### 8.2. What happens when a Bidder becomes Inactive?

The procedure for deciding what happens to an Inactive Bidder is illustrated in the diagram below

## What happens if a Bidder becomes Inactive?



- 8.3. An Inactive Bidder cannot participate any further in the Auction if after the Round in which the Bidder becomes Inactive the Ascending Bid Phase has three (3) or more Active Bidders.**

An Inactive Bidder can participate further in the Auction **only** if after the Round in which the Bidder becomes Inactive the Ascending Bid Phase has fewer than three (3) Active Bidders. In this case the Inactive Bidder will enter a Sealed Bid Phase. Details of the Sealed Bid Phase are given below.

Inactive Bidders who cannot participate further in the Auction are required to leave the Auction Location within eighteen (18) hours.

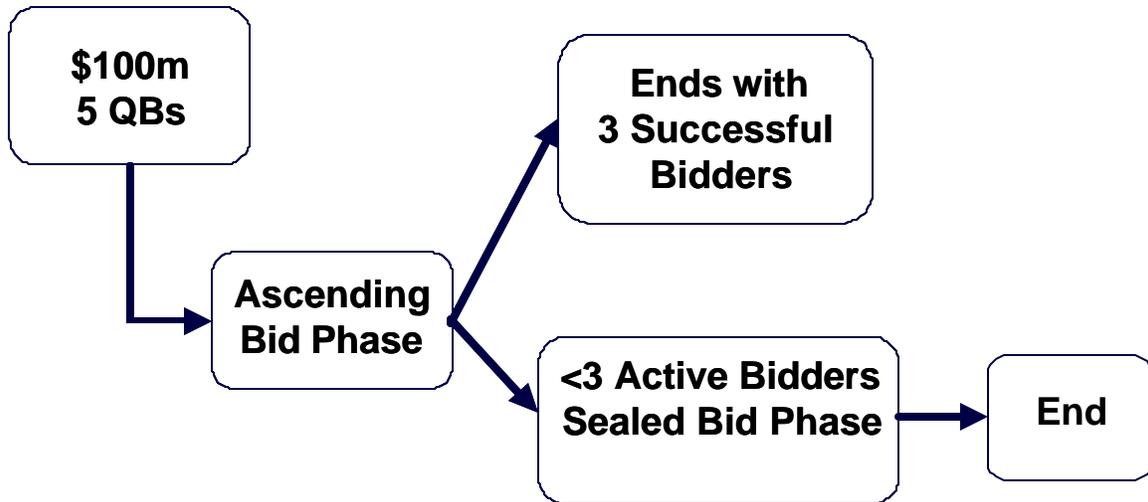
- 8.4. When does the Ascending Bid Phase of the Auction end?**

If at the end of a Round in the Ascending Bid Phase there are exactly three (3) Active Bidders, the Auction will finish.

If the Ascending Bid Phase ends with two (2) or fewer Active Bidders, there will be a Sealed Bid Phase.

This is illustrated in the diagram below:

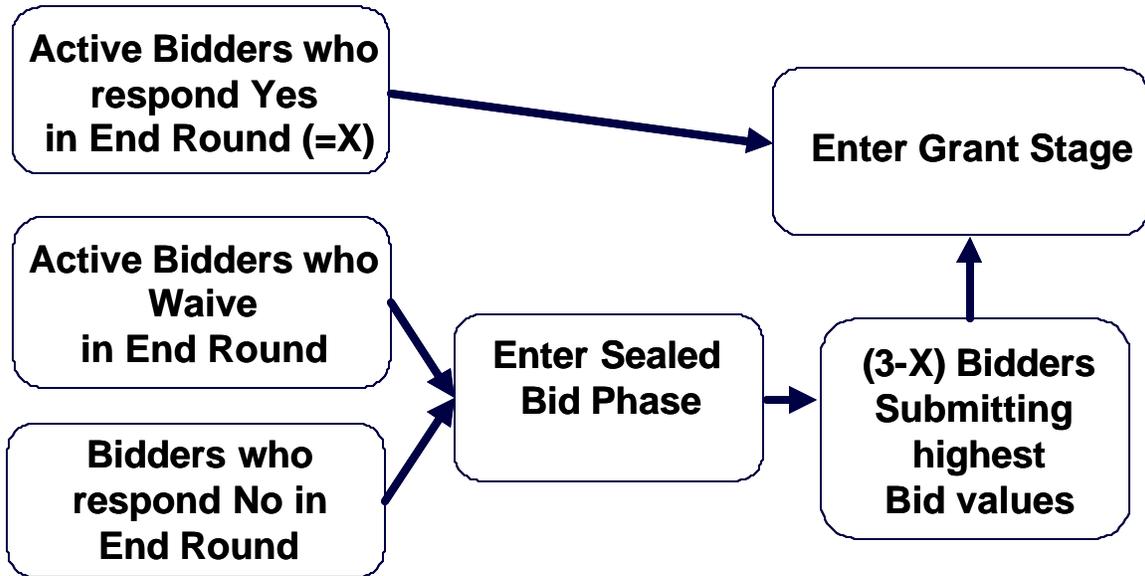
### Auction structure...



## The Sealed Bid Phase

The details of the Sealed Bid Phase are as follows:

### Sealed Bid Phase



If there are three (3) or fewer Active Bidders at the end of a Round, this Round is called the “End Round.”

If the Ascending Bid Phase ends with fewer than three (3) Active Bidders, the Active Bidders responding **Yes** in the end round enter the Grant Stage (in which licences are granted to Successful Bidders). In this case, Active Bidders who Waive or say No in the End Round will also enter the Sealed Bid Phase.

The Commission will notify all Bidders who are eligible to take part in the Sealed Bid Phase of the names of the other Bidders who are participating in the Phase. Eligible Bidders will also be informed of the start time of the Sealed Bid Phase.

The Sealed Bid Phase will occur on the same day as the Ascending Bid Phase ends and will last for no more than twenty (20) minutes. Eligible Bidders will receive no less than thirty (30) minutes notice before the start of the Sealed Bid Phase.

Eligible Bidders will submit a Bid Value (in US dollars) in a sealed envelope. Bid Values cannot lie below the highest Announced Price at which the Eligible Bidder responded Yes in the Ascending Bid Phase. **NOTE:** An upper Sealed Bid limit no

longer applies. Paragraphs 4.7.3.2 and 4.7.4 of the Information Memorandum consequently are no longer applicable.

If X Bidders responded Yes in the End Round, the “3-X” Eligible Bidders submitting the highest Sealed Bid Values enter the Grant Stage. The price paid by all Successful Bidders will be equal to the lowest Sealed Bid Value of a Successful Bidder.

**8.5. What happens if there is a Tie in the Sealed Bid Phase?**

In the event of a Tie, the above process will be repeated and continued until three Successful Bidders have entered the Grant Stage. In each repetition of the Sealed Bid Phase, the minimum Bid must exceed the Tied Bid Value in the preceding Sealed Bid Phase.

**ENGR ERNEST C NDUKWE  
EXECUTIVE VICE CHAIRMAN**